ANNUAL REPORT
2021

KEY FIGURES FOR THE FRoSTA GROUP

Key figures of the FRoSTA Group

Financial year		2020	2021
Employees (average)	number	1,778	1,757
Revenue	mEUR	552	527
EBITDA in % of revenue	mEUR	55.6 10.1%	57.0 10.8%
Consolidated profit/loss for the year	mEUR	25.1	28.6
Capital expenditure	mEUR	15.2	15.0
Dividend per share	EUR	1.60	1.60 [1]

[1] subject to approval by the General Meeting

FINANCIAL CALENDAR

Financia Calendar

Event	Datum
Presentation of Annual Results	Thursday, 24 February 2022
Virtual Annual General Meeting	Wednesday, 27 April 2022
Half-yearly financial report 2022	Friday, 15 Juli 2022

PUBLISHING INFORMATION

Published by:
FRoSTA Aktiengesellschaft
Am Lunedeich 116
27572 Bremerhaven

Phone: +49 471 9736-0
Fax: +49 471 75163
E-Mail: info@frosta.com
www.frosta-ag.com

CONTENT

Vegan with no additives!

NEW & VEGAN!

The first vegan dishes
with plant-based meat
100 % free from additives.

Learn more on frosta.de

FRoSTA PURITY PROMISE

We do without many things. But not without quality.

Since 2003 the **FRoSTA Purity Promise** guarantees products **100 % free from additives such as taste enhancers, colorants, flavours** - even those which do not have to be declared by law.

FRoSTA is for everyone.

FRoSTA

LETTER TO OUR SHAREHOLDERS

Dear shareholders,

We are deeply saddened by the war against Ukraine started by Russian President Putin. Our sympathy goes out to the people in Ukraine and especially to the many Ukrainian employees at our Polish plant in Bydgoszcz. We are supporting and helping them where we can. Today, on 3 March 2022, the impacts of the war on business cannot be predicted.

In 2021, the second year in the shadow of the coronavirus pandemic, we again achieved more than 7 % growth with our FRoSTA brand. However, across all business segments taken together, including deliveries to catering customers, sales declined by 4.4 %. In fact, we were even more severely affected by supply disruptions and late deliveries of many raw materials than in the previous year. In view of these bottlenecks, we are satisfied with our results for the year as a whole. An important positive contribution to the operating result was generated by our business in Italy, where we are building our brand and where we are beginning to see the payoff from our initial investments.

In a situation characterised by uncertainties and changes on a daily basis, our employees in all countries have done an excellent job. We would like to take this opportunity to say a special thank-you to all of them.

Protecting our staff in Production has top priority, because our dishes cannot be produced working from home.

Innovations were again one reason for our success in 2021. We introduced vegan versions of our "classics", such as Bami Goreng, Paella and Chicken Fricassee, using purely plant-based ingredients. Unlike many other meat substitute products, we accomplished this in line with our Purity Promise free from all additives and flavourings. Not only are these dishes super tasty, they also contribute to a healthy diet and improve our climate footprint.

In the middle of last year, we also presented our sustainability goals, which you can read here: ANNUAL REPORTS AND SUSTAINABILITY REPORTS AS ePAPERS – FRoSTA AG (FRoSTA-AG.COM)

We have set ourselves many specific targets that we are aiming to reach by 2023: for example, to reduce CO_2 emissions by 6 % and water consumption by 5 %.

For the current 2022 financial year, we are anticipating many challenges. This situation might become even more difficult due to the war in Ukraine, as Russia and Ukraine supply many food commodities to the whole world. Never before have we seen a year like this in which the prices for all raw materials have risen so fast. This also applies to energy and logistics costs. We must pass on these cost increases in a timely manner, while at the same time striving to become even more efficient. Even in a year marked by extreme cost increases, our Purity Promise is the guideline for our brand and we would never add food additives to replace real natural food ingredients. Because the quality of our products remains the guarantor for our future success.

Yours

Felix Ahlers

Maik Busse

Hinnerk Ehlers

MISSION: PASSION FOR PURITY

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

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

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

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

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

Simplicity in our processes and clear priorities improve our efficiency.

ABOUT FRoSTA AG

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

1.757 EMPLOYEES IN **7** 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 Promise" is our way of promising that we will never add any colours, flavourings, flavour enhancers, stabilisers or emulsifiers to any of our branded products. FRoSTA products are available from supermarkets and include a range of vegetables, fish, fruit and herbs as well as classic dishes such as nasi goreng and paella. In April 2013, FRoSTA was the first frozen food brand to publish on the Internet the countries of origin of each batch of our ingredients. Since autumn 2015, we have included this information on all of our product packaging as well.

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

→ CLICK HERE FOR MORE INFORMATION.

OUR BUSINESS

VEGETABLES, FRUIT AND HERBS FROM OUR OWN AND PARTNER FARMS

Vegetables

Fruit

Herbs

FISH, READY MEALS AND VEGETABLES

Fish

Meals

Vegetables

BRAND BUSINESS

FRoSTA brand with Purity Promise

La Valle degli Orti brand – Vegetables

PRIVATE LABEL / PRODUCTION PARTNERING / OUT-OF-HOME

copack®

Production partner according to customer requirements

Elbtal brand – Vegetables

tiko brand – Fish and meals

FRoSTA FOOD SERVICE

MANAGEMENT BODIES

SUPERVISORY BOARD

Volker Kuhn
London/Great Britain
Businessman
Chairman

Dirk Ahlers
Hamburg
Businessman
Vice Chairman

Torsten Richter
Lommatzsch
Master electrical engineer

BOARD

Felix Ahlers
Hamburg
Chairman

Maik Busse
Bremerhaven

Hinnerk Ehlers
Hamburg

HI THERE, WE'RE NEW!

NEW FRoSTA PRODUCTS IN 2021

The new products that we launched in 2021 are, of course, also subject to the strict FRoSTA Purity Promise.
Our products have been consistently free from all additives and flavourings since 2003. Since 2015, we have also included the country of origin of all ingredients on our packaging.

FRoSTA PURITY PROMISE
since 2003
100% free of added
flavour enhancers, artificial colours & flavours

FRoSTA PAN DISHES GO VEGAN

In December 2021 we have launched FRoSTA's first dishes with plant-based meat. We took our top selling products – Chicken Fricassee, Bami Goreng, Fried Potatoes Chicken Pan and Chicken Paella – and created vegan versions of them. The special thing about it: in accordance with our Purity Promise, all our vegan dishes are free from food additives and flavour enhancers. This also applies to the plant based meat, which is only made of pea protein, pea fiber, potato starch, water, salt and sunflower oil. In cooperation with our partner, we spent several months working on a meat substitute that would meet our expectations in terms of taste, consistency and look and is free from additives and flavourings.

→ BAMI GORENG
→ CHICKEN FRICASSEE
→ CHICKEN PAELLA
→ FRIED POTATOES CHICKEN PAN

MEALS

OUR PASTA FOR THE OVEN - LASAGNE AND MACARONI & CHEESE

The three popular pasta dishes Lasagne Bolognese, Lasagne Grilled Vegetables and Macaroni & Cheese have been added to our range since September 2021. They can be easily prepared in the oven or microwave. Perfect for a relaxed lunch break, a cosy dinner or a snack while gaming. The high quality of the ingredients ensures a particularly authentic and good taste.

The two Italian pasta classics Lasagne Bolognese and Lasagne Grilled Vegetables are made in Italy according to the FRoSTA Purity Promise. The basis of our Lasagne is fresh pasta and a creamy bechamel sauce.

The American counterpart to the Italian pasta classics is our Macaroni & Cheese, with a real cheese thread guarantee and a crunchy topping made from breadcrumbs – naturally according to the FRoSTA Purity Promise.

→ MACARONI & CHEESE
→ LASAGNE BOLOGNESE
→ LASAGNE GRILLED VEGETABLES

PASTA IN MUSHROOM-SAUCE

Pasta and FRoSTA – that fits. We have extended our successful pasta-range with our new product Pasta in mushroom-sauce. The vegetarian dish consists of delicious self-made pasta and a creamy mushroom sauce.

→ PASTA IN MUSHROOM-SAUCE

FRoSTA LOW CARB TURNS INTO FRoSTA HIGH PROTEIN

In spring 2021, our former low carb products in the folding carton became the new „FRoSTA High Protein" dishes in the varieties Chicken & Cauliflower rice, Wild Salmon & Pea pasta and Veggie-Lentils-Curry.

→ WILD SALMON & PEA PASTA
→ CHICKEN & CAULIFLOWER RICE
→ VEGGIE-LENTILS-CURRY

VEGETABLES

VEGGIE SIDE DISHES

In January 2021, we launched our new vegetable side dishes range. The new range includes the best of the previous ranges of traditional vegetables and cream vegetables. The side dishes range consists of six different recipes and has something for everyone, from the best-selling creamy "Königsgemüse" with homemade roux to popular vegetable blends with asparagus or sweet potatoe with homemade herb butters.

→ VEGGIE SIDE DISH BUTTERED VEGETABLES
→ VEGGIE SIDE DISH CREAMY VEGETABLE MIX
→ VEGGIE SIDE DISH "LEIPZIGER ALLERLEI"
→ VEGGIE SIDE DISH CREAMY "KÖNIGSGEMÜSE"
→ VEGGIE SIDE DISH WITH YELLOW CARROTS & GREEN ASPARAGUS
→ VEGGIE SIDE DISH WITH YELLOW CARROTS & SWEET POTATOES

VEGGIE PAN POTATOE MUSHROOMS

In keeping with the season, we launched a new vegetable skillet in September 2021. The traditional recipe is with tender brussels sprouts and potatoe wedges, green beans, carrot sticks and mushrooms. Because we love butter, parsley and wild garlic, these ingredients refine the veggie pan. A special feature of this vegetable pan, prepared in the oven, makes it even more delicious.

→ VEGGIE PAN POTATOES MUSHROOMS

VEGGIE PAN WOK MIX

In February 2021, the new Asian Veggie pan Wok Mix was launched as a line extender. The new veggie pan is with colorful carrots, juicy paprika strips, leaf spinach and Mu-Err mushrooms in a finely spicy ginger-soy sauce and offers quickly and conveniently the optimal basis for Asian dishes.

→ VEGGIE PAN WOK MIX

CREAM SPINACH

What makes our cream spinach unique? Right, it doesn't require any additives. Compared to some other competing products that dominate the market, the cream spinach, which was relaunched in May 2021, contains no added sugar, but only real ingredients that make the cream spinach taste even tastier than its predecessor recipe.

→ CREAM SPINACH

FISH

MARINATED FISH FILLETS

We have launched three delicious fish dishes from our Italian colleagues in Germany.

MARINATED FISH FILLETS WITH COURGETTES AND AUBERGINES

Alaska pollack fillets, tasty and juicy, meet crunchy courgettes and aubergines. This finely seasoned product tastes particularly good with pasta – perfect for anyone who wants to try something new.

→ MARINATED FISH FILLETS WITH COURGETTES AND AUBERGINES

MARINATED FISH FILLETS WITH YELLOW PEPPER AND TOMATO

Our juicy Alaskan pollock fillets marinated in olive oil and rosemary with yellow peppers and sun-ripened tomatoes are the perfect accompaniment to a light salad. We think they just taste really good.

→ MARINATED FISH FILLETS WITH YELLOW PEPPER AND TOMATO

MARINATED FISH FILLETS WITH TOMATO AND SPINACH

The delicious, juicy Alaska pollock fillets with sun-ripened tomatoes and spinach leaves, refined with olive oil and parsley, taste especially good with fresh ciabatta – or just like this.

→ MARINATED FISH FILLETS WITH TOMATO AND SPINACH

NATURAL FILLETS & SHRIMPS

SALMON FILLETS

Our delicious, tender salmon fillets are especially delicious just like they are. However, they can also be refined in a Mediterranean style with olive oil, salt and fresh lemon juice. The ASC-certified salmon fillets come from an antibiotic-free breeding with GMO-free feed.

→ SALMON FILLETS

WILD SALMON FILLETS

FRoSTA wild salmon fillets have a firm, finely aromatic meat with a low fat content. They can be combined in many ways, for example on salads or classically with side dishes. FRoSTA wild salmon fillets are MSC-certified and traceable back to the port of landing.

→ WILD SALMON FILLETS

WHITE TIGER PRAWNS

The slightly sweet tasting White Tiger Prawns are the perfect partner for salads and pasta. They come from responsible aquaculture and are raised on non-GMO feed.

→ WHITE TIGER PRAWNS

NEW PRODUCTS IN ITALY

BENESSERE & GUSTO

Benessere & Gusto: This is our idea of well-being: a new line of light and balanced dishes with nutritional properties that contribute to a healthy and tasty diet and also respect the environment thanks to the recyclable eco-bag.

→ PEA PASTA WITH SALMON AND VEGETABLES

→ CAULIFLOWER RICE WITH CHICKEN AND VEGETABLES

→ QUINOA WITH HAKE AND VEGETABLES

I TORTINI

Under our popular brand La Valle degli Orti we introduced mini burgers in three variants, with ingredients rich in unsaturated fatty acids and fiber. Perfect for those who follow a healthy lifestyle but don't want to give up the real taste.

→ I TORTINI

VEGETABLES

SIDE DISH

VEGGIE SIDE DISH „MANGIARSANO"

An irresistible side dish with broccoli, cauliflower and brussels sprouts.

→ VEGGIE SIDE DISH MANGIARSANO

MUSHROOMS AND POTATOES

A traditional Italian side dish... which wasn't available in the freezers before!

→ MUSHROOMS AND POTATOES

FISH

NATURAL BURGER COD AND SALMON

To make our FRoSTA Fish range complete we introduced Fish Burgers in a natural light recipe, not breaded. The FRoSTA Purity Promise of 100 % natural taste is self-understood.

→ SALMON BURGER

→ COD BURGER

GLUTEN FREE SALMON FISH FINGERS

The new star in the Fish Fingers assortment: Salmon sticks with gluten free breadcrumbs

→ GLUTEN FREE SALMON FISH FINGERS

SPICY "MERLUZO GRATINATO"

Fish from the oven, "Merluzo Gratinato", is becoming more and more popular in Italy. That's why we introduced a new variant with a hint of spice, and of course 100 % natural taste.

→ SPICY MERLUZO GRATINATO

SOUTH AFRICAN HAKE NATURAL FILLETS

In 2021, we expanded our natural fillets assortment with new varieties such as individually frozen hake natural fillets from South Africa: unique, distinctive and sustainable!

→ SOUTH AFRICAN HAKE NATURAL FILLETS

NEW PRODUCTS IN POLAND

FISH

FISH FAMILY PACKS

In 2021, we launched our most popular products in XXL packages.

The new variants have the same recipes like the known products – they are just in bigger bags.

→ FISH NUGGETS

→ FISH STEAKS

→ FISH SNACK WITH SPINACH AND RICOTTA

FISH FINGERS

Our "Golden Fish Fingers" are already undisputed bestseller in Poland, now accompanied by four additional variants. We are now offering even more options of tasty and crunchy FRoSTA fish products with new fish species, like salmon and cod. Try also our new fish fingers in oriental breading and gluten free fish fingers.

→ GLUTEN FREE FISH FINGERS

→ FISH FINGERS IN ORIENTAL BREADING

→ FISH FINGERS WITH COD

→ FISH FINGERS WITH SALMON

READY MEALS

The relaunch of our ready meals offers several new and also traditional recipes in 450 g bags:

→ ASIAN RICE WITH CHICKEN

→ ASIAN WOK WITH CHICKEN

→ GYROS STYLE CHICKEN

→ CHICKEN PAELLA

→ POTATOES AND CHICKEN

NEW PREMIUM READY MEALS

Innovations in the premium segment: Oriental Shrimps and Pasta with Salmon join our premium portfolio with 100 % natural taste.

→ ORIENTAL SHRIMPS

→ PASTA WITH SALMON

PASTA

Two new pasta products join our assortment:

→ TAGLIATELLE WITH SPINACH SAUCE

→ PASTA WITH VEGETABLES AND CREAMY SAUCE

GROUP MANAGEMENT REPORT 2021

OVERVIEW

GROUP MANAGEMENT REPORT OF FRoSTA AKTIENGESELLSCHAFT, BREMERHAVEN

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021

BASIS INFORMATION ABOUT THE FRoSTA GROUP

BUSINESS MODEL

FRoSTA Group's 1,757 employees are active in 7 countries and produce flash-frozen products at our three plants in Germany and one in Poland. The FRoSTA brand is a successful provider of frozen fish, vegetables and ready meals in Germany, Italy, Poland, Austria and Eastern Europe. In Italy, vegetables are marketed under the "La Valle degli Orti" brand. With our Purity Promise, we have gone without adding any colourings, flavourings, flavour enhancers, stabilisers or emulsifiers to any of our branded products since 2003. FRoSTA products are available from supermarkets and, in addition to traditional dishes such as bami goreng, chicken fricassee and paella, include a range of vegetarian and vegan choices as well as vegetables, fish, fruit and herbs. In April 2013, FRoSTA was the first frozen food brand to start publishing the countries of origin of all ingredients on the Internet, and since autumn 2015 it has also done so on product packaging. In autumn 2020, the Company began marketing a plant-based alternative to fish under its new "Fish from the Field" brand.

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

The FRoSTA Group generates 59 % of its business in the German market and 41 % abroad.

BRANCH OFFICES

Production is organised across the following branch offices:

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

MANAGEMENT SYSTEM

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

BUSINESS ENVIRONMENT

GENERAL MARKET AND INDUSTRY CONDITIONS

MACROECONOMIC FACTORS

The global economic situation continues to be overshadowed by the coronavirus pandemic. The shortage of raw materials and intermediates caused a number of production stoppages worldwide, leading to supply bottlenecks for convenience products. In response to increased demand, prices on the world markets are rising exponentially.

These general conditions have also substantially affected the economic situation in Germany, and until recently continued to drive up inflation. The shortage of raw materials and semi-finished products is also increasingly being felt here. Whether this trend will continue in 2022 – once exceptional factors such as the temporary lowering of the VAT rate, the sharp rise in world market prices for raw materials and the increased cost of energy within the scope of the climate package cease to exert their influence on the year-on-year comparison – remains uncertain.

However, the German economy is once again showing signs of growth following the loss in 2020, gaining 1.9% in the second quarter of 2021 and 1.8% in the third quarter (Source: BMWi – The economic situation in Germany in November 2021[1]).

Based on the months of January to October 2021, the Federal Statistical Office reports a price-adjusted development in the food retail sector of -0.7% compared with the previous high-growth coronavirus year (Source: Retail turnover in October 2021 0,3% down on the previous month – Federal Statistical Office (destatis.de)).

CHALLENGING ENVIRONMENT

The global pandemic situation with all its direct and indirect effects resulted in another very challenging year for FRoSTA in 2021.

Protecting our employees was again accorded the highest priority. Blanket testing, rigorous sanitisation measures, distancing rules at the plants, the offer to work remotely from home and actively supporting employees to get vaccinated all helped to keep operations up and running.

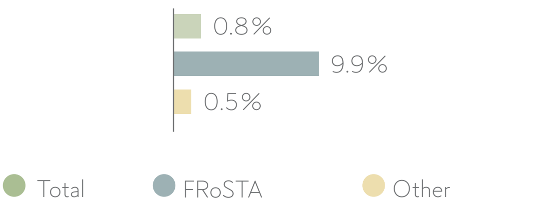
The lacking availability of raw materials, packaging and logistics made planning especially difficult and at times – despite substantially increased stock levels – led to temporary production stoppages.

In parallel, the robust demand for these, often scarce, goods was reflected by the high market dynamics in purchase prices.

THE FROZEN FOOD MARKET IN 2021

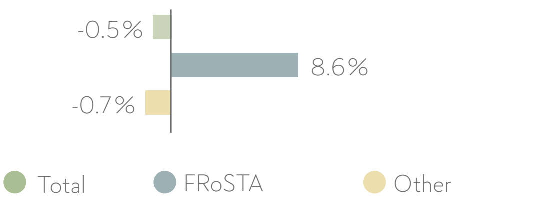
Recording 9.9% growth in 2021, the FRoSTA brand again significantly outperformed the overall market for frozen food excluding ice cream in Germany. Even after the disproportionately high 23.3% growth in the first coronavirus year 2020, we were able to win even more consumer households for FRoSTA products.

Frozen food sales in the German food retail segment*
YTD Nov 2021 value vs 2020



*Nielsen YTD Nov 2021 total frozen food sales excluding ice cream

Frozen food sales in the Italian food retail segment*
YTD Nov 2021 % value vs 2020



*IRi YTD Nov 2021 frozen fish/vegetables/ready meals

In the Italian market, too, FRoSTA's brand business continued its successful development. While the overall market declined by -0.5% year on year, at 8.6% FRoSTA's brand business grew significantly faster than the competition.

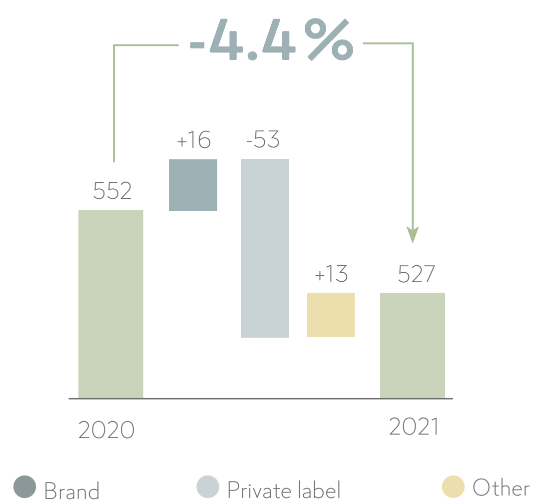
No regular market data are available for our markets in Eastern Europe. However, based on our internal data we also saw a healthy development here.

BUSINESS DEVELOPMENT, FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS

DEVELOPMENT OF SALES

Consolidated sales of FRoSTA AG decreased by EUR 24.5m in the 2021 reporting year. Following the record growth of the previous year, brand sales with retailers were again up by 7.3 %. Out-of-home business, which caters to restaurants and wholesale customers, as well as Home Delivery and industrial business also developed very positively.

Consolidated sales (mEUR)

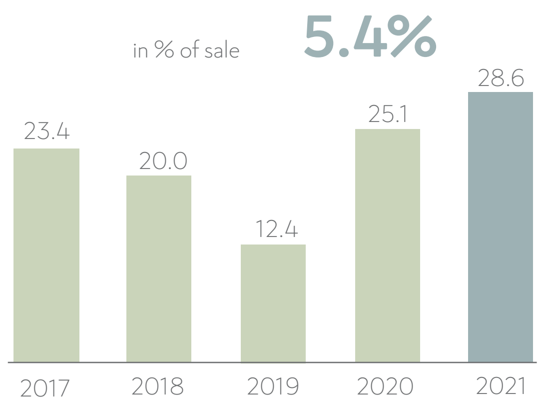


The global supply crisis has driven up production costs, which in turn has translated into higher selling prices to the retail sector. This has led to some of our retail partners deciding to take their private label business elsewhere. While we greatly regret this EUR 53m loss in sales, we are also aware of our responsibility towards our partners, employees and shareholders to ensure healthy and sustainable business development.

FINANCIAL PERFORMANCE

Overall, consolidated net income for the year increased to EUR 28.6m and was thus in line with the forecast. The year was characterised by very high expenses for coronavirus prevention measures as well as for building up significantly higher stock levels in order to ensure an adequate response to the supply chain challenges. At the same time, we continued to forge ahead with brand promotion, digital transformation and human resources development. Strict cost management and a positive margin mix between the segments were the main drivers of the profit development. Utilisation of the new option for immediate tax depreciation of existing hardware and software residual values led to a one-off reduction in the tax burden and improved the result by EUR 1.6m.

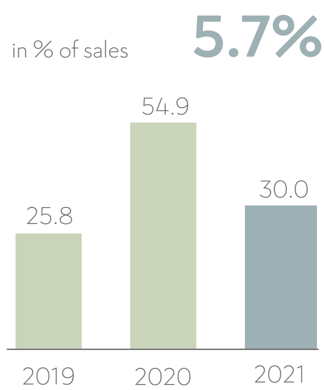
Net income for the financial year (mEUR)



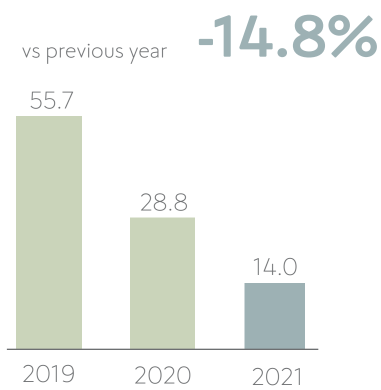
FINANCIAL POSITION AND CASH FLOWS

The lower year-on-year cash flows from operating activities was attributable to tax refunds received in 2020 relating to the 2019 financial year and the systematic build-up of stock levels, putting the Company in a better position to meet the global supply chain challenges. In principle, the Group was at all times able to meet its financial obligations. Liabilities to banks were further reduced. The asset-backed security programme was terminated and replaced by a flexible working capital line in order to benefit from even greater flexibility at more favourable terms. We closely watch the financing market from a risk perspective to enable us, where appropriate, to also utilise long-term loans if conditions are favourable. The increased equity ratio will have a positive effect in this context, while at the same time strengthening the Group's independence. Capital expenditure totalling EUR 15m in the financial year related mainly to investments in efficiency enhancement measures and digitalisation.

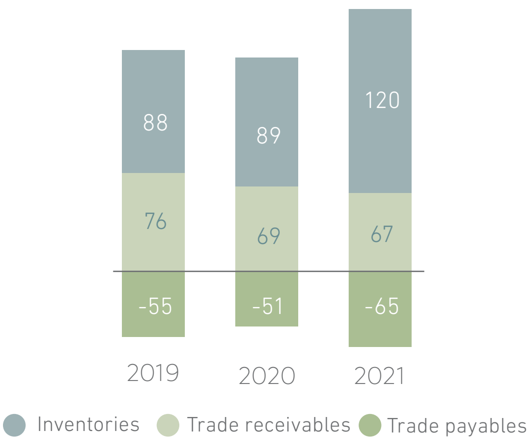
Cash flow from operating activities (mEUR)



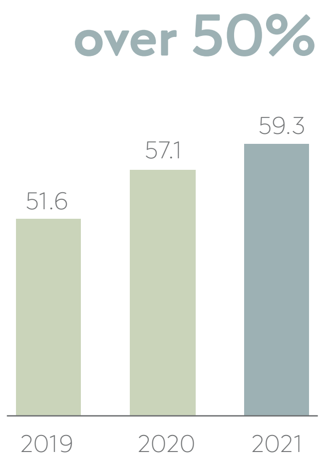
Liabilities to banks (mEUR)



Working Capital (mEUR)



Equity Ratio (% of balance sheet total)



SEGMENT REPORTING

FRoSTA SEGMENT

The FRoSTA operating segment includes the brand business, out-of-home, Home Delivery and industrial business in Europe. Across all countries and categories, the segment accounted for EUR 335.7m of total sales, which equated to growth of 9.4 % year on year. The out-of-home and Home Delivery segments were up by 11 % on the previous year, while brand business grew by a further 7.3 % compared with the already extremely strong performance in the previous year (+27 %). Thanks to this sales growth, net profit increased compared with the previous year both in absolute terms and as a percentage of sales, despite significantly higher expenditure on brand advertising.

COPACK SEGMENT

The COPACK operating segment comprises our private label business in Europe and generated sales of EUR 192m in the 2021 financial year. The decline of EUR 53m compared with the previous year came about because not all retail partners were willing to extend their supply contracts in line with necessary price increases. It was thus possible to avoid anticipated losses in the Copack segment.

EMPLOYEES AND ORGANISATION

EMPLOYEE NUMBERS

The FRoSTA Group had an average of 1,757 employees in 2021. The main reason for the reduction in headcount of 21 people was the lower private label production, which resulted in 42 jobs in Production being cut. In Administration and Sales, 21 new jobs were created to help shape further profitable growth. For the most part, it was possible to manage the necessary reduction in the plants through the termination of temporary employment contracts and even to create 24 new permanent positions.

Annual mean number of employees

	2020	2021	Diff.
Total employees	**1,778**	**1,757**	**-21**
of which permanent	1,463	1.487	24
of which temporary	315	270	-45
FRoSTA head office	**440**	**461**	**21**
Administration	271	289	18
Sales	169	172	3
FRoSTA production facilities	**1,338**	**1,296**	**-42**
Bremerhaven	521	489	-32
Bydgoszcz	463	459	-4
Lommatzsch	192	193	1
Bobenheim-Roxheim	162	155	-7
Group total	**1,778**	**1,757**	**-21**

WOMEN IN MANAGEMENT POSITIONS

54%
share of women in the overall workforce

We believe in gender equality. Therefore, our goal is to achieve a balanced gender ratio by increasing the proportion of women at all corporate levels. To enable us to also meet this objective among the members of the Supervisory Board and Executive Board, we are promoting the next generation of young employees. Among salaried employees, women made up a high share of 54% of the workforce in 2021. While we saw a significant increase at first-tier management level below the Executive Board, they still accounted for only 31% (2020: 22%), however, and at second-tier management level for only 42% (2020: 38%). We were able to win three further female junior managers in 2021 via our management trainee programme.

HEALTH MANAGEMENT AND PROTECTIVE MEASURES AGAINST THE CORONAVIRUS

Our employees make a major contribution to FRoSTA's success. It therefore goes without saying that we invest in their health. During the current coronavirus pandemic, protecting their health has been our top priority. To this end, we again invested EUR 2.7m for prevention measures. The good work of our crisis management team and the company medical centre in Bremerhaven deserves special mention in this context. In a concerted effort, they have steered all of our production and sales locations safely through this critical period by providing reliable information, advice, pragmatic guidelines and targeted vaccination campaigns.

DIGITALISATION AND TRAINING

By systematically digitalising our processes, we were in many cases able to offer our employees in Administration the possibility to work remotely from home. In 2021, we again placed a major focus on training. Progress discussions with our employees were documented digitally and the goals were continuously monitored throughout the year. The virtual training offering was extended and is now available to the entire workforce at all times. We are firm believers in the importance of good leadership and constructive feedback. Therefore, the entire management, from Executive Board to team leaders, received renewed training with a focus on feedback culture.

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

EMPLOYEE SHARE PROGRAMME

In 2021, we again offered our employees the option to purchase FRoSTA shares – which we had acquired on the market – at preferential conditions. We are delighted that 536 employees took up this offer (2020: 450). There were two options for purchasing shares. To motivate as many employees as possible to share in the Company's ownership, Proposal I (limited to 50 shares) had an issue price of EUR 21.50. A total of 23,309 (2020: 19,127 shares were acquired. Under Proposal II (limited to a maximum of 950 shares depending on seniority), a further 9,120 shares (2020: 6,713) were acquired at a special price of EUR 64.50 (2020: EUR 48.75). Total costs for the programme amounted to kEUR 1,912 (2020: kEUR 994), which were recognised in personnel expenses.

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

APPROPRIATION OF NET PROFIT

The Executive Board will propose to the Annual General Meeting to distribute a dividend of EUR 1.60 per share from net retained profits and allocate the remainder to reserves. Based on 6,812,598 shares, this amounts to a total dividend of EUR 10.9m.

THE FRoSTA SHARE

Since March 2017, the FRoSTA share has been traded in the Open Market segment of the Frankfurt Stock Exchange (WKN 606900; ISIN DE0006069008; nominal value EUR 2.56). In December 2021, the share price stood at EUR 86.20 and we are pleased to report that this again represented a double-digit increase of 18.7% year on year.

Key figures for the FRoSTA share (mEUR)

	2020	**2021**	**Diff. in %**
Share capital	17.4	17.4	0.0%
Number of shares (in thousands)	6,813	6,813	0.0%
Group equity	175.9	193.0	9.8%
Equity per share (EUR)	**25.81**	**28.34**	**9.8%**
Share price at year-end (EUR)	72.60	86.20	18.7%
Year high (EUR)	74.80	96.20	28.6%
Year low (EUR)	48.80	69.20	41.8%
Number of traded shares (in thousands)	576.5	184.1	-68.1%
Net income for the year	25.1	28.6	14.1%
P/E ratio (share price at year-end/earnings per share)	19.72	20.51	4.0%
Net profit for the year per share (EUR)	**3.68**	**4.20**	**14.1%**
Dividend proposal (payout per share) EUR	**1.60**	**1.60**	**0.0%**
Dividend in % of consolidated net income for the year	43.5%	38.1%	

SUSTAINABILITY, ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

We attach great importance to sustainable business practices. You can find our latest Sustainability Report 2020 under the following link:

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

REPORT ON OPPORTUNITIES AND RISKS

INTERNAL CONTROL SYSTEM

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

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

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

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

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

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

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

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

RISK MANAGEMENT SYSTEM

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

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

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

Quality and production reliability have the highest priority. We therefore continuously strive to improve food safety and our food safety culture.

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

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

Our internal value chain processes are also regularly certified to IFS (International Food Standard) and BRC (British Retail Consortium) standards. All of our plants completed audits in 2021 with a high-level of assurance.

FRoSTA has introduced a Code of Conduct for all employees, which is aimed at raising awareness among the workforce for responsible conduct towards one another, towards third parties, in connection with handling data, as well as towards the environment.

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

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

Our risk management system is the subject of a continuous improvement process..

RISKS AND OPPORTUNITIES

PROCUREMENT MARKET

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

By cooperating with strategic suppliers, we attempt to smooth out these fluctuations and avoid dependencies. Our own vegetable production also helps us to be independent and at the same time build up important agricultural expertise.

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

CURRENCY SITUATION

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

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

SALES MARKET

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

The risk of defaults on 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, where appropriate, involving distribution and/or production partners.

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

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

FINANCING

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

LEGAL RISKS

There are no legal risks.

CRITICAL APPRAISAL OF RISKS AND OPPORTUNITIES

The opportunities and risks for FRoSTA on the procurement market and arising from the currency situation are monitored most closely, as these can significantly impact the year-end result and, especially in the case of negative developments, can only be passed on to the retail sector with a time delay via increased selling prices.

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

REPORT ON POST-BALANCE-SHEET DATE EVENTS

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

REPORT ON EXPECTED DEVELOPMENTS

The prevailing economic conditions for the new financial year remain challenging. At the beginning of the year, there are no signs of relaxation on the global markets. Similarly, there is no decline in the number of global political conflicts and the effects of climate change remain equally unpredictable. The fishing quotas for Alaska pollock in the Bering Sea have currently been reduced by 19%. Purchase prices for fish, energy, logistics and many other raw materials remain difficult to predict and it is uncertain whether the selling price increases implemented at the beginning of the year will be sufficient to cover the cost hikes.

From today's perspective, we are expecting to achieve sales growth and consolidated net income in the mid-single-digit percentage range of sales for 2022.

This year, it is more important than ever that we observe the market closely, constantly simulate possible impacts and implement countermeasures swiftly and effectively. As ever, in this we are placing our trust in the continued positive support of our employees, customers and suppliers. As a basic principle, we aim to win consumers' trust time and again by continuously enhancing the quality of our products.

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

Bremerhaven, February 2022

The Executive Board

OVERVIEW OF FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS

in mEUR

	31/12/2020	31/12/2021	Change
Sales	**551.7**	**527.2**	**-4.4%**
Net income for the year in % of sales	25.1 4.5%	28.6 5.4%	+14.2% +0.9% pts
Cash flow from operating activities	**54.9**	**30.0**	**-24.9**
Total assets	**308**	**326**	**18**
of which inventories	89	120	31
of which receivables	69	67	-3
of which liquid assets	17	7	-10
Equity ratio	**57.1%**	**59.3%**	**+2.2% pts**

ANNUAL FINANCIAL STATEMENTS OF THE FRoSTA GROUP

CONSOLIDATED INCOME STATEMENT OF FRoSTA AG

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

Consolidated Income Statement of FRoSTA AG (in kEUR)

		2020	2021	Change
1.	**Sales**	**551,749**	**527,201**	**-4.4%**
2.	Decrease/increase in stock of finished goods and work in progress	4,384	11,669	166.2 %
3.	Other own work capitalised	128	0	-100.0 %
4.	Other operating income	9,323	8,953	-4.0 %
5.	Cost of materials			
	a) Cost of raw materials, consumables and supplies, and of purchased merchandise	-320,308	-298,092	6.9 %
	b) Cost of purchased services	-11,796	-11,753	0.4 %
		-332,104	**-309,845**	**6.7 %**
	GROSS PROFIT	**233,480**	**237,978**	**1.9 %**
6.	Personnel expenses			
	a) Wages and salaries	-66,667	-66,306	0.5 %
	b) Social security, post-employment and other employee benefit costs	-12,290	-12,694	-3.3 %
		-78,957	**-79,000**	**-0.1 %**
7.	Amortisation and write-downs of intangible fixed assets, depreciation and write-downs of tangible fixed assets	-18,495	-18,446	0.3 %
8.	Other operating expenses	-98,943	-101,958	-3.0 %
9.	**OPERATING RESULT**	**37,085**	**38,574**	**4.0 %**
10.	Income from long-term equity investments	115	0	-100.0 %
11.	Other interest and similar income	51	23	-54.9%
12.	Interest and similar expenses	-563	-438	22.2 %
13.	**Net financial result**	**-397**	**-415**	**-4.5 %**
14.	**RESULT FROM ORDINARY ACTIVITIES**	**36,688**	**38,159**	**-4.0 %**
15.	Taxes on income	-11,219	-9,122	18.7 %
16.	**EARNINGS AFTER TAXES**	**25,469**	**29,037**	**14.0 %**
17.	Other taxes	-385	-403	-4.7 %
18.	**NET INCOME FOR THE FINANCIAL YEAR / NET RETAINED PROFITS**	**25,084**	**28,634**	**14.2%**

CONSOLIDATED BALANCE SHEET OF FRoSTA AG – ASSETS

AS AT 31 DECEMBER 2021

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

	2020	2021	Change
A. FIXED ASSETS			
I. Intangible fixed assets			
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	**11,334**	**11,496**	**1.4%**
II. Tangible fixed assets			
1. Land, land rights and buildings	34,278	33,543	-2.1%
2. Technical equipment and machinery	59,856	56,847	-5.0%
3. Other equipment, operating and office equipment	15,457	16,983	9.9%
4. Prepayments and assets under construction	4,347	2,573	-40.8%
	113,938	**109,946**	**-3.5%**
III. Long-term financial assets			
1. Shares in affiliated companies	152	180	18.4%
2. Other long-term equity investments	18	0	-100.0%
3. Long-term securities and shares in cooperatives	6	6	0.0%
	176	**186**	**5.7%**
	125,448	**121,628**	**-3.0%**
B. CURRENT ASSETS			
I. Inventories			
1. Raw materials, consumables and supplies	37,311	52,401	40.4%
2. Work in progress	20,732	24,855	19.9%
3. Finished goods and merchandise	31,065	42,770	37.7%
	89,108	**120,026**	**34.7%**
II. Receivables and other assets			
1. Trade receivables	69,349	66,676	-3.9%
2. Receivables from affiliated companies	1	1	0.0%
3. Other assets	6,111	8,643	41.4%
	75,461	**75,320**	**-0.2%**
III. Cash-in-hand, bank balances and cheques	**17,018**	**7,208**	**-57.6%**
	181,587	**202,554**	**11.5%**
C. PREPAID EXPENSES	**755**	**1,327**	**75.8%**
D. EXCESS OF PLAN ASSETS OVER POST-EMPLOYMENT BENEFIT LIABILITY	**88**	**124**	**40.9%**
TOTAL ASSETS	**307,878**	**325,633**	**5.8%**

CONSOLIDATED BALANCE SHEET OF FRoSTA AG – – EQUITY AND LIABILITIES

AS AT 31 DECEMBER 2021

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

	2020	2021	Change
A. EQUITY			
I. Issued capital			
1. Subscribed capital	17,440	17,440	0.0%
2. Treasury shares	0	0	
	17,440	**17,440**	**0.0%**
II. Capital reserves	**11,447**	**11,447**	**0.0%**
III. Revenue reserves			
1. Legal reserve	-4,375	-4,921	12.5%
2. Other revenue reserves	235	235	0.0%
3. Currency translation difference recognised in equity	126,030	140,214	11.3%
	121,890	**135,528**	**11.2%**
IV. Consolidated net retained profits	**25,084**	**28,634**	**14.2%**
	175,861	**193,049**	**9.8%**
B. PROVISIONS			
1. Provisions for pensions and similar obligations	868	975	12.3%
2. Provisions for taxes	4,377	4,065	-7.1%
3. Other provisions	39,374	39,802	1.1%
	44,619	**44,842**	**0.5%**
C. LIABILITIES			
1. Liabilities to banks	28,790	14,049	-51.2%
2. Trade payables	50,866	64,894	27.6%
3. Liabilities to affiliated companies	0	0	
4. Other liabilities	7,742	8,569	10.7%
	87,398	**87,512**	**0.1%**
D. DEFERRED INCOME	**0**	**0**	
E. DEFERRED TAX LIABILITIES	**0**	**230**	
TOTAL EQUITY AND LIABILITIES	**307,878**	**325,633**	**5.8%**

CONSOLIDATED STATEMENT OF CASH FLOWS OF FRoSTA AG

FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

Consolidated statement of cash flows FRoSTA AG (in kEUR)

	2020	2021	Change
Consolidated net income for the financial year	25,084	28,634	+3,550
Income taxes	11,219	9,122	-2,097
Depreciation, amortisation and write-downs of fixed assets	18,495	18,446	-49
Gains/losses on disposal of fixed assets	-84	-21	+63
Interest income	-51	-23	+28
Interest expense	563	438	-125
Interest paid	-520	-291	+229
Interest received	–	–	+0
Gains/losses on non-cash interest income and expenses	-8	245	+253
Income taxes paid	-10,150	-11,417	-1,267
Income taxes received	5,082	78	-5,004
Decrease/increase in long-term provisions	593	253	-340
Decrease/increase in current provisions	937	-696	-1,633
Changes in other balance sheet items attributable to operating activities	2,601	-467	-3,068
Cash flow before change in working capital	**53,769**	**44,056**	**-9,713**
Increase/decrease in inventories and trade receivables	5,402	-28,145	-33,547
Increase/decrease in trade payables	-4,329	14,029	+18,358
Change in working capital	**1,073**	**-14,116**	**-15,189**
Cash flow from operating activities	**54,842**	**29,940**	**-24,902**
Proceeds from disposal of fixed assets	10	5	-5
Proceeds from the disposal of long-term financial assets	–	808	+808
Proceeds from grants/subsidies received	–	106	+106
Payments to acquire tangible fixed assets	-13,896	-12,999	+897
Payments to acquire intangible fixed assets	-1,238	-1,974	-736
Payments to acquire long-term financial assets	-10	-28	-18
Cash flow from investing activities	**-15,134**	**-14,082**	**+1,052**
Payments to acquire treasury shares	-996	-3,388	-2,392
Proceeds from disposal of treasury shares	1,632	3,388	+1,756
Dividends to shareholders	-10,867	-10,900	-33
Proceeds from bank borrowings	–	–	+0
Payments from redemption of borrowings	-6,873	-6,412	+461
Decrease in other financial liabilities	-20,035	-8,330	+11,705
Cash flow from financing activities	**-37,139**	**-25,642**	**+11,497**
Change in cash funds of exchange rate movements	14,666	17,018	+2,352
Net change in cash funds	-217	-26	+191
Cash funds at the beginning of period	2,569	-9,784	-12,353
Cash funds at the end of period	**17,018**	**7,208**	**-9,810**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF FRoSTA AG

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

				Other retained earnings				
	Subscribed capital	Treasury shares	Capital reserves	Currency translation differences	Legal reserve	Other revenue reserves	Consolidated net retained profits	Equity
As at 1 January 2020	**17,440**	**-27**	**11,447**	**-300**	**235**	**118,172**	**18,110**	**165,077**
Dividends paid							-10,867	-10,867
Acquisition of treasury shares		-39				-968		-1,006
Employee share programme		66				1,582		1,649
Appropriation to / withdrawal from revenue reserves					0	7,243	-7,243	0
Currency differences				-4,075				-4,075
Effect on net income								0
Consolidated net income/loss for the financial year							25,084	25,084
As at 31 December 2020	**17,440**	**0**	**11,447**	**-4,375**	**235**	**126,030**	**25,084**	**175,861**
As at 1 January 2021	**17,440**	**0**	**11,447**	**-4,375**	**235**	**126,030**	**25,084**	**175,861**
Dividends paid							-10,900	-10,900
Acquisition of treasury shares		-94				-3,294		-3,388
Employee share programme		94				3,294		3,388
Appropriation to / withdrawal from revenue reserves					0	14,184	-14,184	0
Currency differences				-546				-546
Effect on net income								0
Consolidated net income/loss for the financial year							28,634	28,634
As at 31 December 2021	**17,440**	**0**	**11,447**	**-4,921**	**235**	**140,214**	**28,634**	**193,049**

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS 2020/2021

Consolidated statement of changes in non-current assets 2020 (in kEUR)

	Purchase and production costs					
	as at 01/01/2020	Currency translation differences	Additions	Disposals	Reclassifications	as at 31/12/2020
I. Intangible fixed assets						
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	27,439	-23	1,238	0	372	29,026
	27,439	**-23**	**1,238**	**0**	**372**	**29,026**
II. Tangible fixed assets						
1. Land, land rights and buildings	101,746	-1,161	1,345	278	242	101,894
2. Technical equipment and machinery	211,449	-2,265	4,912	876	775	213,995
3. Other equipment, operating and office equipment	59,525	-227	3,513	2,540	1,157	61,428
4. Prepayments and assets under construction	2,808	-41	4,126	0	-2,546	4,347
	375,528	**-3,694**	**13,896**	**3,694**	**-372**	**381,664**
III. Long-term financial assets						
1. Shares in affiliated companies	354	0	11	0	0	365
2. Other long-term equity investments	194	0	0	0	0	194
3. Long-term securities and shares in cooperatives	28	0	0	0	0	28
	576	**0**	**11**	**0**	**0**	**587**
	403,543	**-3,717**	**15,145**	**3,694**	**0**	**411,277**

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

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

Cumulative depreciation, amortisation and write-downs					Net carrying amount	
as at 01/01/2020	Currency translation differences	Additions	Disposals	as at 31/12/2020	as at 31/12/2020	as at 31/12/2019
15,205	-16	2,503	0	17,692	11,334	12,234
15,205	**-16**	**2,503**	**0**	**17,692**	**11,334**	**12,234**
65,439	-366	2,737	194	67,616	34,278	36,307
146,184	-1,244	10,071	872	154,139	59,856	65,265
45,432	-113	3,184	2,532	45,971	15,457	14,093
0	0	0	0	0	4,347	2,808
257,055	**-1,723**	**15,992**	**3,598**	**267,726**	**113,938**	**118,473**
213	0	0	0	213	152	141
176	0	0	0	176	18	18
22	0	0	0	22	6	6
411	**0**	**0**	**0**	**411**	**176**	**165**
272,671	**-1,739**	**18,495**	**3,598**	**285,829**	**125,448**	**130,872**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2021 FINANCIAL YEAR

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

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

(1) ACCOUNTING POLICIES AND PRINCIPLES

The consolidated financial statements of FRoSTA Aktiengesellschaft (in the following FRoSTA AG) as at 31 December 2021 have been prepared in accordance with the regulations for corporations included in the German Commercial Code (HGB), taking into account the additional provisions of the German Stock Corporation Act (AktG).

The consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. Comparative figures from 2020 are stated for all line items of the financial statements.

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

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

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

In previous years, based on our estimates, we assumed an unlimited useful life for acquired trademark rights reported under intangible assets. In light of plans to successively replace the acquired brands with the FRoSTA brand, we now assume a limited useful life over a residual useful life of 10 years. The trademark rights were therefore amortised for the first time in the reporting year.

Liabilities in connection with floating goods (raw products in transit) in the amount of kEUR 4,718 were disclosed for the first time under trade payables in the reporting year. The comparative figure for the previous year of kEUR 649 was included in other provisions. The previous year's disclosure was not adjusted.

CONSOLIDATION

(2) CONSOLIDATION DATE

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

CONSOLIDATION PRINCIPLES

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

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

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

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

The consolidation methods remained unchanged compared with the previous year.

GROUP REPORTING ENTITY (3)

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

Fully consolidated subsidiaries

Name of entity	Registered seat of entity	Percentage of capital held in 2020 (in %)	Percentage of capital held in 2021 (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 effect on the Group's financial position, financial performance and cash flows is not material:

Companies not included in the consolidated financial statements

Name of entity	Registered seat of entity	Percentage of capital held in 2020 (in %)	Percentage of capital held in 2021 (in %)	Equity in kEUR	Net profit/ loss for 2021 in kEUR
FRoSTA Romania S.R.L.	Bucharest/Romania	100.00	100.00	18	0
NORDSTERN America Inc.	Seattle/USA	100.00	100.00	[1]	[1]
OOO FRoSTA	Moscow/Russia	100.00	100.00	-277	-9
FRoSTA Hungary Kft.	Esztergom/Hungary	100.00	100.00	89	10
Copack Sp. z o.o.	Bydgoszcz/Poland	100.00	100.00	1	0

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

The equity investment in Columbus Spedition GmbH, Bremerhaven, was sold in the reporting year.

NOTES TO THE ACCOUNTING POLICIES AND MEASUREMENT METHODS

(4) INCOME STATEMENT

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

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

Since they are deducted from the agreed service charge by the customer and there is no separate performance obligation, advertising cost allowances are recognised under sales deductions.

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

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

BALANCE SHEET

INTANGIBLE FIXED ASSETS

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

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

TANGIBLE FIXED ASSETS

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

Purchase or production 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.

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

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

Depreciation period of property, plant and equipment

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

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

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

A fixed value is assigned to recognised transport pallets.

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

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

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

LONG-TERM FINANCIAL ASSETS

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

WRITE-DOWNS OF INTANGIBLE FIXED ASSETS, FIXED ASSETS AND LONG-TERM FINANCIAL ASSETS (5)

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

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

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

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

(6) INVENTORIES

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

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

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

In addition, depreciation/amortisation of fixed assets, insofar as this is caused by production, is taken into account in the production costs.

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

Allowances are recognised for expected losses not yet identified and for inventory risks arising from excessive storage times or reduced usability. Allowances for finished goods as at the balance sheet date amounted to kEUR 744 (2020: kEUR 1,148) as well as kEUR 1,743 (2020: kEUR 510) for raw materials, consumables and supplies, and for unfinished goods.

(7) RECEIVABLES AND OTHER ASSETS

Trade receivables and other assets are shown at nominal value. Identifiable individual risks relating to doubtful debts are taken into account through corresponding specific valuation allowances. The general credit, interest rate and default risk relating to trade receivables is taken into account through global valuation allowances. The percentage used to calculate the global valuation allowance is 1.0.

When measuring valuation allowances, it is taken into account that the receivables are largely secured by trade credit insurance.

CASH AND CASH EQUIVALENTS (8)

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

PREPAID EXPENSES (9)

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

DEFERRED TAXES (10)

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

EXCESS OF PLAN ASSETS OVER POST-EMPLOYMENT BENEFIT LIABILITY (11)

Obligations from the partial retirement programme are covered by a pension plan reinsurance policy. These assets are exempt from attachment by all other creditors and serve exclusively to settle liabilities from partial retirement benefit obligations. Accordingly, they are offset against the settlement amount of the hedged obligation. If the fair value of the assets (plan assets) is higher than the amount of the obligations, the excess is recognised separately in the balance sheet as an excess of plan assets over post-employment benefit liability. Accordingly, the interest income from the plan assets is also offset against the interest cost of the partial retirement benefit provision.

Due dates of the interest rate hedging instruments (in kEUR)

	31/12/2020	31/12/2021
Settlement amount of partial retirement benefit obligations	341	285
Fair value of plan assets	376	382
Excess of plan assets over partial retirement benefit obligations	35	97
Cost of plan assets	376	380
Offset expenses	4	3
Offset income	4	2

As the plan assets are assigned on the basis of individual partial retirement benefit obligations, the principle of item-by-item measurement resulted in a provision for partial retirement benefit obligations of kEUR 27 (2020: kEUR 53) as well as an excess of plan assets of kEUR 124 (2020: kEUR 88).

(12) PENSION OBLIGATIONS

Pension obligations are measured in accordance with the principles of the projected unit credit method. The amount of the provision is defined as the actuarial present value of the pension obligation earned by employees up to that date in accordance with the pension formula and vesting rules based on their length of past service. The biometric actuarial assumptions are based on the "Richttafeln 2018 G" mortality tables issued by Dr Klaus Heubeck in the version of October 2018. The discount rate used is the average market interest rate of the past 10 years of 1.87% p.a. calculated by the Deutsche Bundesbank as at the balance sheet date, which results from a basic assumption of a residual term of 15 years. A salary trend of 2.00% and pension trend of 1.00% p.a. were assumed. Fluctuation is taken into account by applying age- and gender-dependent sector-specific probabilities of fluctuation.

The carrying amount pursuant to Section 253 (2) HGB applying the 10-year average interest rate of 1.87% (2020: 2.31%) was kEUR 975 in the financial year 2021 (2020: kEUR 868). Applying the 7-year average interest rate pursuant to Section 253 (6) HGB of 1.35% (2020: 1.60%) would have produced a carrying amount of kEUR 978 (2020: kEUR 863).

Discounting with the average market interest rate of the past 10 years compared to discounting with the average market interest rate of the past 7 years resulted in a distribution-barred difference amounting to kEUR 3 (2020: kEUR 3) in accordance with section 253 (6) HGB.

OTHER PROVISIONS (13)

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

Jubilee benefits and partial retirement benefit obligations are part of the long-term employee benefits.

Jubilee benefits are measured in accordance with the principles of the projected unit credit method. The amount of the provision in accordance with the PUC method is defined as the actuarial present value of the jubilee benefits earned pro rata temporis up to the reporting date. The amount of the provision shall be determined taking into account trend assumptions regarding the future development of entitlements as well as any probabilities of fluctuation. The biometric actuarial assumptions are based on the "Richttafeln 2018 G" mortality tables issued by Dr Klaus Heubeck. The settlement amount of the jubilee provisions as at 31 December 2021, taking into account an interest rate of 1.35% p.a. and a salary trend of 2.00% p.a., is kEUR 3,359.

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

Insofar as biometric influencing factors are to be taken into account, the "Richttafeln 2018 G" mortality tables issued by Dr Klaus Heubeck are used.

The following additional assumptions are used:

Assumed interest rate p.a.:	1.35%
Salary trend p.a.:	2.00%

The settlement amount of partial retirement benefit provisions is kEUR 285. This was offset against assets with a value of kEUR 382, which serve exclusively to cover the partial retirement benefit obligations (plan assets). The cost of plan assets amounted to kEUR 380. In this connection, income from plan assets in the amount of kEUR 2 was offset in the income statement against the interest cost of partial retirement benefit provisions in the amount of kEUR 3.

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

LIABILITIES (14)

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

DERIVATIVE FINANCIAL INSTRUMENTS

Currency forwards, options contracts and interest rate swaps (15)

Currency forwards and options 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.

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

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 recognised directly in profit or loss.

(16) Scope and fair values of the derivatives (in kEUR)

		31/12/2020		31/12/2021	
Financial instrument	**Type**	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**
Devisentermingeschäfte	Kauf kUSD	38,799	-975	19,926	-66

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 provisions. As the underlying contracts have been agreed with banks with sound credit ratings, no credit risks exist for these financial instruments.

(17) CURRENCY TRANSLATION

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

Trade receivables and payables as well as receivables and liabilities from/to affiliated companies in foreign currencies with a residual term of up to one year are generally measured at the middle spot rate at the balance sheet date. 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.

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 in equity as currency translation differences.

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

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

Development of the exchange rates of the most important currencies

	Average rate		Closing rate on 31/12	
	2020	**2021**	**2020**	**2021**
Polish zloty	4.4429	4.5837	4.5566	4.5944
Czech koruna	26.453	25.7417	26.242	24.81

NOTES TO THE CONSOLIDATED BALANCE SHEET

(18) FIXED ASSETS

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

The share of foreign subsidiaries in the net carrying amount of intangible fixed assets as at 31 December 2021 amounted to kEUR 613 (2020: kEUR 697).

The share of tangible fixed assets located abroad, primarily in Poland, in the net carrying amount as at 31 December 2021 amounted to kEUR 24,375 (2020: kEUR 27,175).

Investment grants and subsidies received in the financial year reduced the net carrying amounts by kEUR 1,291 (2020: kEUR 1,313).

The reversal of investment grants and subsidies of kEUR 120 (2020: kEUR 153) directly reduced gross depreciation/amortisation.

The value of recognised transport pallets was fixed at kEUR 871 (2020: kEUR 421).

In the reporting year no borrowing costs were capitalised.

INVENTORIES (19)

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

Inventories (in kEUR)

	31/12/2020	31/12/2021
Raw materials, consumables and supplies	37,311	52,401
Work in progress	20,732	24,855
Finished goods and merchandise	31,065	42,770
Inventories	**89,108**	**120,026**

(20) RECEIVABLES AND OTHER ASSETS

Receivables and other assets (in kEUR)

	31/12/2021	residual term more than 1 year
Trade receivables (previous year)	66,676 (69,349)	0 (0)
Other receivables and other assets (previous year)	8,644 (6,112)	193 (155)
Receivables and other assets (previous year)	**75,320 (75,461)**	**193 (155)**

As at 31 December 2021, trade receivables of kEUR 0 (2020: kEUR 15,014) were sold in asset-backed security transactions. The contract was terminated in the reporting year.

(21) DEFERRED TAX ASSETS / DEFERRED TAX LIABILITIES

Pursuant to Section 274 (1) HGB, deferred taxes shall be recognised on temporary differences between the accounting and tax carrying amounts of assets, liabilities, prepaid expenses and deferred income. Deferred taxes are calculated using a combined tax rate of corporation tax plus solidarity surcharge and trade tax applicable for the financial year of 30.66% (2020: 30.66%). The items under Section 306 HGB were combined with the items under Section 274 HGB.

Deferred tax assets and liabilities (in kEUR)

	31/12/2020		31/12/2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible fixed assets	5	77	5	1,541
Tangible fixed assets	301	100	347	337
Inventories	0	8	22	0
Trade receivables	12	0	26	0
Provisions for pensions	208	0	207	0
Other provisions	591	0	484	0
Trade payables	0	14	0	11
Other liabilities	503	0	568	0
Total	**1,620**	**199**	**1,659**	**1,889**
Netting	-199	-199	-1.659	-1,659
Balance	**1,421**	**0**	**0**	**230**

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

(22) EQUITY

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

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

At 31 December 2021, the subscribed capital of the Company amounted to EUR 17,440,250.88 and was divided into 6,812,598 no-par value bearer shares with an accounting par value each of EUR 2.56.

In accordance with a resolution passed at the Annual General Meeting on 26 May 2021, it was decided to allocate the sum of EUR 19,099,315.18 from the recognised net retained profits of EUR 29,999,471.98 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 0).

No bearer treasury shares were recognised in equity as at the balance sheet date.

This results from the following purchase and sales transactions:

In the context of a share buyback in the period between 1 June 2021 and 19 October 2021, FRoSTA AG re-acquired 36,806 treasury shares. This corresponds to a nominal amount of EUR 94,223.36, or 0.54%, of the share capital. This cost the Company EUR 3,387,660.20, which equates to a weighted average price of EUR 92.04 per share.

FRoSTA AG subsequently sold 32,429 no-par value bearer treasury shares under an employee share programme. This corresponds to a nominal amount of EUR 83,018.24, or 0.48%, of the share capital as at 31 December 2021. For these shares, FRoSTA AG received a total of EUR 1,089,383.50 to be used as it deems fit. As part of a bonus scheme, the Company issued 4,377 shares to employees at management level.

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

OTHER PROVISIONS (23)

Other provisions can be broken down as follows:

Other provisions (in kEUR)	31/12/2021
Provision for jubilee benefits	3,359
Provision for partial retirement benefit obligations	27
Provision for restructuring	899
Provision for bonuses	3,701
Provision for unused vacation time	1,972
Provision for flexitime, annual working hours and shift leave	2,338
Provision for profit-sharing	489
Provision for outstanding invoices	8,141
Provision for payment differences	635
Provision for obligations from sales-related agreements on terms and conditions	15,932
Provision for debt collection commissions	1,223
Provision for tax consultancy	181
Provision for year-end closing costs	141
Provision for remuneration of the Supervisory Board	150
Provision for expected losses from purchase and sale contracts	117
Other provisions	497
Total	**39,802**

(24) 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 (previous year)	14,049 (28,790)	7,530 (18,371)	6,519 (10,419)	0 (626)
Trade payables (previous year)	64,894 (50,866)	64,894 (50,866)	0 (0)	0 (0)
Other liabilities (previous year)	8,569 (7,742)	8,569 (7,742)	0 (0)	0 (0)

The liabilities to banks are guaranteed by mortgages amounting to kEUR 3,594 (2020: kEUR 5,223) and similar rights amounting to kEUR 0 (2020: kEUR 167).

The customary retentions of title apply to trade payables.

NOTES TO THE INCOME STATEMENT

(25) SALES

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

Sales by region (in kEUR)

	2020	2021	Change in %
Germany	319,407	310,588	-2.8
Outside Germany	232,342	216,613	-6.8
Sales	**551,749**	**527,201**	**-4.4**

Sales by product groups (in kEUR)

	2020	2021	Change in %
Fish	253,763	243,870	-3.9
Fruit and vegetables	150,479	136,833	-9.1
Ready meals and other products	147,507	146,498	-0.7
Sales	**551,749**	**527,201**	**-4.4**

(26) INCOME AND EXPENSES OF EXCEPTIONAL SCALE OR INCIDENCE

In the financial year 2021, expenses of exceptional scale or exceptional incidence amounting to kEUR 2,062 were incurred. The extraordinary expenses resulted from restructuring measures and penalties. Income of exceptional scale or exceptional incidence was accounted for in the amount of kEUR 791 from the sale of the equity investment in Columbus Spedition GmbH.

OTHER OPERATING INCOME (27)

Other operating income included prior-period income amounting to kEUR 1,750 (2020: kEUR 1,294) as well as income from currency translation amounting to kEUR 3,741 (2020: kEUR 5,670). Prior-period income mainly related to the reversal of personnel provisions and other provisions.

PERSONNEL EXPENSES (28)

Personnel expenses (in kEUR)

	2020	2021
Wages and salaries	65,673	64,394
Social security contributions	12,251	12,682
Post-employment benefit costs	39	12
Costs of share-based payments	994	1.912
Personnel expenses	**78,957**	**79,000**

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

OTHER OPERATING EXPENSES (29)

Other operating expenses included prior-period expenses amounting to kEUR 808 (2020: kEUR 877) as well as expenses from currency translation amounting to kEUR 2,949 (2020: kEUR 6,015). Prior-period expenses mainly related to the issuance of LTI shares to employees at management level.

INTEREST AND SIMILAR EXPENSES (30)

The interest cost of provisions for pensions and jubilee benefits amounted to kEUR 43 (2020: kEUR 41) in the 2021 financial year. Income from plan assets amounting to kEUR 2 (2020: kEUR 4) was offset against interest expense for partial retirement benefit obligations amounting to kEUR 3 (2020: kEUR 4).

(31) 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)

	2020	2021
Current taxes Germany	7,718	5,099
Current foreign taxes	3,326	3,930
Current taxes for the financial year	**11,044**	**9,029**
Taxes for prior periods	175	-137
Taxes on income	**11,219**	**8,892**
Deferred taxes Germany	0	1,543
Deferred foreign taxes	0	-1,313
Deferred taxes	**0**	**230**
Tax expense	**11,219**	**9,122**

CASH FUNDS

Cash and cash equivalents is made up of cash in hand and at banks.

OTHER DISCLOSURES

(32) DISCLOSURES ON THE GOVERNING BODIES

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

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

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

- Volker Kuhn, businessman, London, Chairman of the Supervisory Board, Chief Transformation Officer, Reckitt Benckiser
- Dirk Ahlers, businessman, Hamburg, Vice Chairman of the Supervisory Board, former Chairman of the Executive Board
- Torsten Richter, Lommatzsch, employee of FRoSTA AG

TOTAL REMUNERATION FOR MEMBERS OF THE GOVERNING BODIES (SECTION 285 NO. 9 HGB) (33)

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

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

The total remuneration of the Executive Board of FRoSTA AG in the 2021 financial year amounted to kEUR 2,802 (2020: kEUR 3,195). Of this, the fixed remuneration came to kEUR 807 (2020: kEUR 804) and variable remuneration to kEUR 1,995 (2020: kEUR 2,391).

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 150 (2020: kEUR 168), of which kEUR 60 (2020: kEUR 78) was variable remuneration and kEUR 90 (2020: kEUR 90) was fixed remuneration.

(34) NUMBER OF EMPLOYEES

Number of employees (Annual average)

	2020	2021
Wage earners	1,180	1,145
Salaried staff	570	587
of whom trainees	7	5
Number of employees pursuant to Section 314 (1) No. 4 HGB	**1,750**	**1,732**
Apprentices	28	25
Number of employees	**1,778**	**1,757**

(35) OTHER FINANCIAL OBLIGATIONS

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

Other financial obligations (in kEUR)

	31/12/2020	31/12/2021
Obligations arising from current lease agreements	2,101	1,356
Obligations under current rental and maintenance contracts	3,432	4,259
Purchase commitments from expansion investments	6,131	6,744
Consignment agreements	2,150	2,829
Other financial obligations	**13,814**	**15,188**

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

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

Due dates for other financial obligations (in kEUR)

	< 1 year	1 – 5 years	> 5 years
Future payments from current lease agreements	877	479	0
Future payments from current rental and maintenance contracts	3,285	808	166
Total	**4,162**	**1,287**	**166**

Total expenditure from rental and lease agreements amounted to kEUR 4,632 (2020: kEUR 4,599).

CONTINGENT LIABILITIES

The FRoSTA Group believes there are no contingent liabilities.

TRANSACTIONS WITH RELATED PARTIES (36)

There were no transactions with related parties at non-arm's length conditions in the 2021 financial year.

AUDITORS' FEES (37)

Auditors' fees (in kEUR)

Auditing services	95
Other assurance services	13
Total	**108**

REPORT ON POST-BALANCE SHEET DATE EVENTS

No significant events having a material effect on the financial position, financial performance and cash flows as at 31 December 2021 occurred after the balance sheet date.

(38) APPROPRIATION OF NET PROFIT OF THE PARENT

As the parent Company did not hold any no-par value bearer treasury shares as at 31 December 2021, the number of no-par value bearer shares entitled to a dividend came to 6,812,598.

At the Annual General Meeting, we will be proposing a dividend payment of EUR 1.60 per share corresponding to a total dividend payment of EUR 10,900,156.80. This payment will be taken from the net income for the year as at 31 December 2021 of EUR 42,014,445.65. The remaining EUR 31,114,288.85 will be allocated to other capital reserves.

Bremerhaven, 18 February 2022

The Executive Board

Felix Ahlers Maik Busse Hinnerk Ehlers

INDEPENDENT AUDITORS' REPORT

To FRoSTA Aktiengesellschaft, Bremerhaven

AUDIT OPINIONS

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

In addition, we have audited the Group management report of FRoSTA Aktiengesellschaft for the financial year from 1 January 2021 to 31 December 2021.

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

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

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its financial performance for the financial year from 1 January 2021 to 31 December 2021 in compliance with German Legally Required Accounting Principles, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, the Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

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

BASIS FOR OUR OPINIONS

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

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

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

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

OTHER INFORMATION

The executive directors are responsible for the other information.

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

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

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

- is materially inconsistent with the consolidated financial statements, the Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

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

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

Bremen, 23 February 2022

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Sabath	signed Renken
German Public Auditor	German Public Auditor

MANAGEMENT REPORT FRoSTA AG 2021

OVERVIEW

MANAGEMENT REPORT OF FRoSTA AKTIENGESELLSCHAFT, BREMERHAVEN

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021

BASIC INFORMATION ABOUT FRoSTA AG

BUSINESS MODEL

FRoSTA AG's 1,088 employees produce deep-frozen products at our three plants in Germany. The FRoSTA brand is a successful provider of frozen fish, vegetables and ready meals in Germany and Austria. With our Purity Promise, we have gone without adding any colourings, flavourings, flavour enhancers, stabilisers or emulsifiers to any of our branded products since 2003. FRoSTA products are available from supermarkets and, in addition to traditional dishes such as bami goreng, chicken fricassee and paella, include a range of vegetarian and vegan choices as well as vegetables, fish, fruit and herbs. In April 2013, FRoSTA was the first frozen food brand to start publishing the countries of origin of all ingredients on the Internet, and since autumn 2015 it has also done so on product packaging. In autumn 2020, the Company began marketing a plant-based alternative to fish under its new "Fish from the Field" brand.

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

FRoSTA AG generates 67% of its business in the German market and 33% abroad.

BRANCH OFFICES

Production is organised across the following branch offices:

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

MANAGEMENT SYSTEM

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

BUSINESS ENVIRONMENT

GENERAL MARKET AND INDUSTRY CONDITIONS

MACROECONOMIC FACTORS

The global economic situation continues to be overshadowed by the coronavirus pandemic. The shortage of raw materials and intermediates caused a number of production stoppages worldwide, leading to supply bottlenecks for convenience products. In response to increased demand, prices on the world markets are rising exponentially.

These general conditions have also substantially affected the economic situation in Germany, and until recently continued to drive up inflation. The shortage of raw materials and semi-finished products is also increasingly being felt here. Whether this trend will continue in

2022 – once exceptional factors such as the temporary lowering of the VAT rate, the sharp rise in world market prices for raw materials and the increased cost of energy within the scope of the climate package cease to exert their influence on the year-on-year comparison – remains uncertain.

However, the German economy is once again showing signs of growth following the loss in 2020, gaining 1.9% in the second quarter of 2021 and 1.8% in the third quarter (Source: BMWi – The economic situation in Germany in November 2021[1]).

Based on the months of January to October 2021, the Federal Statistical Office reports a price-adjusted development in the food retail sector of -0.7% compared with the previous high-growth coronavirus year (Source: Retail turnover in October 2021 0.3 % down on the previous month – Federal Statistical Office (destatis.de)).

CHALLENGING ENVIRONMENT

The global pandemic situation with all its direct and indirect effects resulted in another very challenging year for FRoSTA in 2021.

Protecting our employees was again accorded the highest priority. Blanket testing, rigorous sanitisation measures, distancing rules at the plants, the offer to work remotely from home and actively supporting employees to get vaccinated all helped to keep operations up and running.

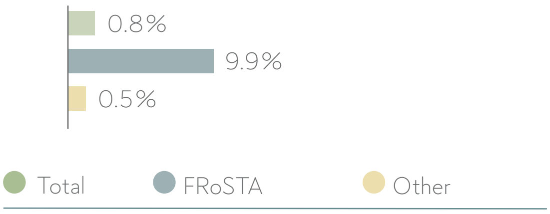
The lacking availability of raw materials, packaging and logistics made planning especially difficult and at times – despite substantially increased stock levels – led to temporary production stoppages.

In parallel, the robust demand for these, often scarce, goods was reflected by the high market dynamics in purchase prices.

THE FROZEN FOOD MARKET IN 2021

Recording 9.9% growth in 2021, the FRoSTA brand again significantly outperformed the overall market for frozen food excluding ice cream in Germany. Even after the disproportionately high 23.3% growth in the first coronavirus year 2020, we were able to win even more consumer households for FRoSTA products.

Frozen food sales in the German food retail segment* YTD Nov 2021 % value vs 2020



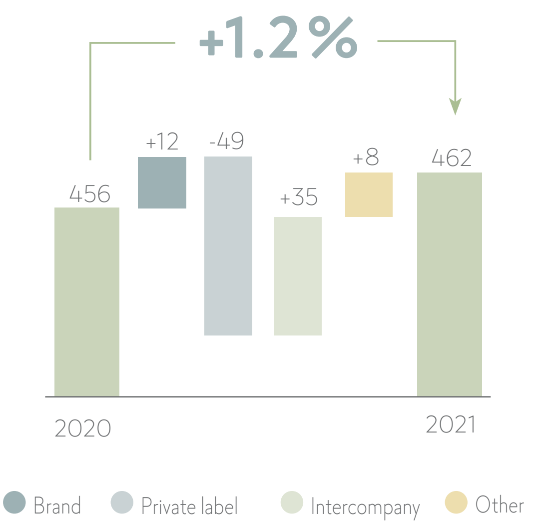
*Nielsen YTD Nov 2021 total frozen food sales excluding ice cream

BUSINESS DEVELOPMENT, FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS

DEVELOPMENT OF SALES

Sales of FRoSTA AG increased by EUR 5.4m in the 2021 reporting year. Following the record growth of the previous year, brand sales with retailers were again up by 9.9%. Out-of-home business, which caters to restaurants and wholesale customers, as well as Home Delivery and industrial business also developed very positively. In this reporting year, we concentrated our purchasing of raw fish products in Bremerhaven in order to increase the efficiency of our processes and currency hedging transactions. This resulted in an increase of EUR 35m in intercompany sales compared with the previous year.

Sales (mEUR)

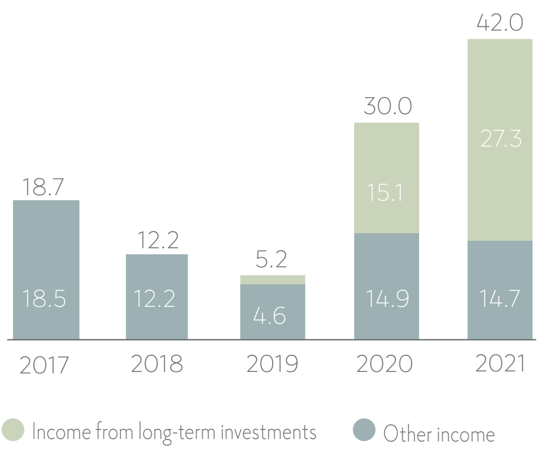


The global supply crisis has driven up production costs, which in turn has translated into higher selling prices to the retail sector. This has led to some of our retail partners deciding to take their private label business elsewhere. While we greatly regret this EUR 49m loss in sales, we are also aware of our responsibility towards our partners, employees and shareholders to ensure healthy and sustainable business development.

FINANCIAL PERFORMANCE

The net income for the year of FRoSTA AG in the amount of EUR 42m was significantly impacted by dividend distributions (EUR 27.3m in the reporting year vs. EUR 15.1m in 2020) undertaken by the FRoSTA foreign subsidiaries in Poland and Italy. Otherwise, the year was characterised by very high expenses for coronavirus prevention measures as well as for building up significantly higher stock levels in order to ensure an adequate response to the supply chain challenges. At the same time, we continued to forge ahead with brand promotion, digital transformation and human resources development. Strict cost management and a positive margin mix between the segments were additional main drivers of the profit development.

Net income for the financial year (mEUR)



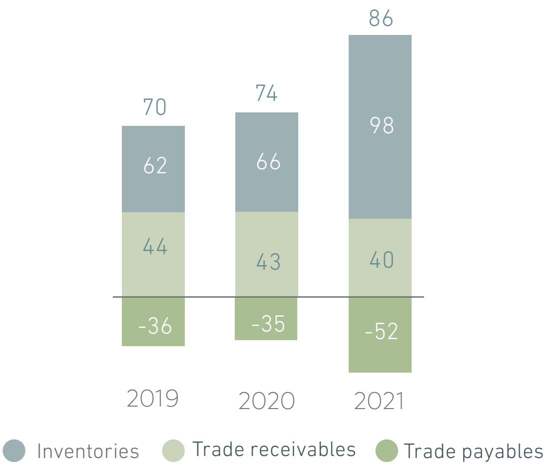
FINANCIAL POSITION AND CASH FLOWS

The balance sheet structure in the 2021 financial year was strongly influenced by the systematic build-up of stock levels, putting the Company in a better position to meet the global supply chain challenges.

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

Liabilities to banks were further reduced. The asset-backed security programme was terminated and replaced by a flexible working capital line in order to benefit from even greater flexibility at more favourable terms.

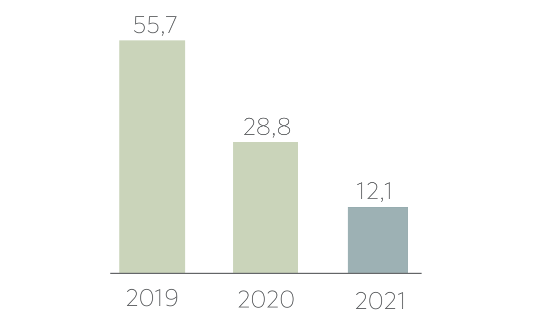
Working Capital (mEUR)



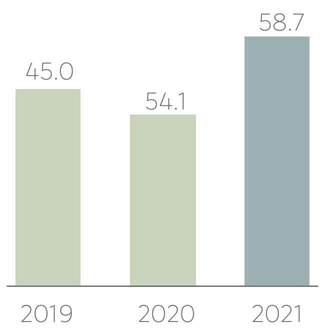
We closely watch the financing market from a risk perspective to enable us, where appropriate, to also utilise long-term loans if conditions are favourable. The increased equity ratio will have a positive effect in this context, while at the same time strengthening the Company's independence.

Capital expenditure totalling EUR 13.6m in the financial year (2020: EUR 12.4m) related mainly to investments in efficiency enhancement measures and digitalisation.

Liabilities to banks (mEUR)



Equity ratio (in % of total assets)



EMPLOYEES AND ORGANISATION

EMPLOYEE NUMBERS

FRoSTA AG had an average of 1,088 employees in 2021. The main reason for the reduction in headcount of 30 people was the lower private label production, which resulted in 37 jobs in Production being cut. In Administration and Sales, 7 new jobs were created to help shape further profitable growth. For the most part, it was possible to manage the necessary reduction in the plants through the termination of temporary employment contracts and departures due to retirement.

Annual mean number of employees

	2020	2021	Diff.
Total employees	**1,118**	**1,088**	**-30**
of which permanent	985	972	-13
of which temporary	133	116	-17
FRoSTA head office	**244**	**251**	**7**
Administration	158	163	5
Sales	86	88	2
FRoSTA production facilities	**874**	**837**	**-37**
Bremerhaven	521	489	-32
Lommatzsch	192	193	1
Bobenheim-Roxheim	161	155	-6
FRoSTA AG total	**1,118**	**1,088**	**-30**

WOMEN IN MANAGEMENT POSITIONS

47%
share of women in the overall workforce

We believe in gender equality. Therefore, our goal is to achieve a balanced gender ratio by increasing the proportion of women at all corporate levels. To enable us to also meet this objective among the members of the Supervisory Board and Executive Board, we are promoting the next generation of young employees. Among salaried employees, women made up 47.2% (2020: 46.9%) of the workforce in 2021. At first-tier management level, they accounted for only 20%, however, and at second-tier management level for only 33.3%. We were able to win two further female junior managers in 2021 via our management trainee programme.

HEALTH MANAGEMENT AND PROTECTIVE MEASURES AGAINST THE CORONAVIRUS

Our employees make a major contribution to FRoSTA's success. It therefore goes without saying that we invest in their health. During the current coronavirus pandemic, protecting their health has been our top priority. To this end, we again invested EUR 2.5m for prevention measures. The good work of our crisis management team and the company medical centre in Bremerhaven deserves special mention in this context. In a concerted effort, they have steered all of our production and sales locations safely through this critical period by providing reliable information, advice, pragmatic guidelines and targeted vaccination campaigns.

DIGITALISATION AND TRAINING

By systematically digitalising our processes, we were in many cases able to offer our employees in Administration the possibility to work remotely from home. In 2021, we again placed a major focus on training. Progress discussions with our employees were documented digitally and the goals were continuously monitored throughout the year. The virtual training offering was extended and is now available to the entire workforce at all times. We are firm believers in the importance of good leadership and constructive feedback. Therefore the entire management, from Executive Board to team leaders, received renewed training with a focus on feedback culture.

EMPLOYEE SHARE PROGRAMME

In 2021, we again offered our employees the option to purchase FRoSTA shares – which we had acquired on the market – at preferential conditions. We are delighted that 536 employees took up this offer (2020: 450). There were two options for purchasing shares. To motivate as many employees as possible to share in the Company's ownership, Proposal I (limited to 50 shares) had an issue price of EUR 21.50. A total of 23,309 (2020: 19,127 shares were acquired. Under Proposal II (limited to a maximum of 950 shares depending on seniority), a further 9,120 shares (2020: 6,713) were acquired at a special price of EUR 64.50 (2020: EUR 48.75). Total costs for the programme amounted to kEUR 1,912 (2020: kEUR 994), which were recognised in personnel expenses.

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

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

APPROPRIATION OF NET PROFIT

The Executive Board will propose to the Annual General Meeting to distribute a dividend of EUR 1.60 per share from net retained profits and allocate the remainder to reserves. Based on 6,812,598 shares, this amounts to a total dividend of EUR 10.9m.

THE FRoSTA SHARE

Since March 2017, the FRoSTA share has been traded in the Open Market segment of the Frankfurt Stock Exchange (WKN 606900; ISIN DE0006069008; nominal value: EUR 2.56). In December 2021, the share price stood at EUR 86.20, and we are pleased to report that this again represented a double-digit increase of 18.7% year on year.

For more information about the FRoSTA share, please see the Group management report 2021.

Relating to the disclosures pursuant to Section 160 (1) no. 2 AktG (German Stock Corporation Act), please refer to the Notes.

SUSTAINABILITY, ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

We attach great importance to sustainable business practices. You can find our latest Sustainability Report 2020 under the following link:

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

REPORT ON OPPORTUNITIES AND RISKS

INTERNAL CONTROL SYSTEM

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

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

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

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

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

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

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

RISK MANAGEMENT SYSTEM

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

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

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

Quality and production reliability have the highest priority. We therefore continuously strive to improve food safety and our food safety culture.

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

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

Our internal value chain processes are also regularly certified to IFS (International Food Standard) and BRC (British Retail Consortium) standards. All of our plants completed audits in 2021 with a high-level of assurance.

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

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

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

Our risk management system is the subject of a continuous improvement process.

RISKS AND OPPORTUNITIES

PROCUREMENT MARKET

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

By cooperating with strategic suppliers, we attempt to smooth out these fluctuations and avoid dependencies. Our own vegetable production also helps us to be independent and at the same time build up important agricultural expertise.

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

CURRENCY SITUATION

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

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

SALES MARKET

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

The risk of defaults on 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, where appropriate, involving distribution and/or production partners.

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

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

FINANCING

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

LEGAL RISKS

There are no legal risks.

CRITICAL APPRAISAL OF RISKS AND OPPORTUNITIES

The opportunities and risks for FRoSTA on the procurement market and arising from the currency situation are monitored most closely, as these can significantly impact the year-end result and, especially in the case of negative developments, can only be passed on to the retail sector with a time delay via increased selling prices.

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

REPORT ON POST-BALANCE-SHEET DATE EVENTS

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

REPORT ON EXPECTED DEVELOPMENTS

The prevailing economic conditions for the new financial year remain challenging. At the beginning of the year, there are no signs of relaxation on the global markets. Similarly, there is no decline in the number of global political conflicts and the effects of climate change remain equally unpredictable. The fishing quotas for Alaska pollock in the Bering Sea have currently been reduced by 19%. Purchase prices for fish, energy, logistics and many other raw materials remain difficult to predict and it is uncertain whether the selling price increases implemented at the beginning of the year will be sufficient to cover the cost hikes.

From today's perspective, we are expecting to achieve sales growth and net income in the mid-single-digit percentage range of sales for 2022.

This year, it is more important than ever that we observe the market closely, constantly simulate possible impacts and implement countermeasures swiftly and effectively. As ever, in this we are placing our trust in the continued positive support of our employees, customers and suppliers. As a basic principle, we aim to win consumers' trust time and again by continuously enhancing the quality of our products.

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

Bremerhaven, February 2022

The Executive Board

ANNUAL FINANCIAL STATEMENTS OF FRoSTA AG

INCOME STATEMENT OF FRoSTA AG

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021

Income statement of FRoSTA AG (in kEUR)

		2020	2021	Change in %
1.	**Sales**	**456,069**	**461,471**	**1.2%**
2.	Decrease/increase in stock of finished goods and work in progres	6,037	9,633	59.6%
3.	Other own work capitalised	128	0	-100.0%
4.	Other operating income	8,886	12,235	37.7%
5.	Cost of materials			
	a) Cost of raw materials, consumables and supplies, and of purchased merchandise	-285,242	-294,087	-3.1%
	b) Cost of purchased services	-9,822	-9,540	2.9%
		-295,064	**-303,627**	**-2.9%**
	GROSS PROFIT	**176,056**	**179,712**	**2.1%**
6.	Personnel expenses			
	a) Wages and salaries	-55,291	-54,287	1.8%
	b) Social security, post-employment and other employee benefit costs	-9,755	-10,012	-2.6%
		-65,046	**-64,299**	**1.1%**
7.	Amortisation and write-downs of intangible fixed assets, depreciation and write-downs of tangible fixed assets	-14,554	-14,499	0.4%
8.	Other operating expenses	-72,920	-79,454	-9.0%
9.	**OPERATING RESULT**	**23,536**	**21,460**	**-8.8%**
10.	Income from long-term equity investments	15,062	27,332	81.5%
11.	Other interest and similar income	68	40	-41.2%
12.	Interest and similar expenses	-561	-431	23.2%
13.	**Net financial result**	**14,569**	**26,941**	**84.9%**
14.	**RESULT FROM ORDINARY ACTIVITIES**	**38,105**	**48,401**	**27.0%**
15.	Taxes on income	-7,928	-6,212	21.6%
16.	**EARNINGS AFTER TAXES**	**30,177**	**42,189**	**39.8%**
17.	Other taxes	-177	-175	1.1%
18.	**NET INCOME FOR THE YEAR/NET RETAINED PROFITS**	**30,000**	**42,014**	**40.0%**

BALANCE SHEET OF FRoSTA AG – ASSETS

AS AT 31 DECEMBER 2021

Balance sheet of FRoSTA AG — Assets (in kEUR)

	2020	2021	Change
A. FIXED ASSETS			
I. Intangible fixed assets:			
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	**10,637**	**10,883**	**2.3%**
II. Fixed assets			
1. Land, land rights and buildings	23,248	22,984	-1.1%
2. Technical equipment and machinery	46,523	45,583	-2.0%
3. Other equipment, operating and office equipment	13,855	14,584	5.3%
4. Prepayments and assets under construction	3,136	2,419	-22.9%
	86,762	**85,570**	**-1.4%**
III. Long-term financial assets			
1. Shares in affiliated companies	11,289	11,317	0.2%
2. Other long-term equity investments	17	0	-100.0%
3. Long-term securities and shares in cooperatives	6	6	0.0%
	11,312	**11,323**	**0.1%**
TOTAL FIXED ASSETS	**108,711**	**107,776**	**-0.9%**
B. CURRENT ASSETS			
I. Inventories			
1. Raw materials, consumables and supplies	24,943	44,110	76.8%
2. Work in progress	19,735	23,409	18.6%
3. Finished goods and merchandise	21,567	30,120	39.7%
	66,245	**97,639**	**47.4%**
II. Receivables and other assets			
1. Trade receivables	43,340	40,378	-6.8%
2. Receivables from affiliated companies	16,053	24,737	54.1%
3. Other receivables	3,159	6,317	100.0%
	62,552	**71,432**	**14.2%**
III. Cash-in-hand, bank balances and cheques	**6,835**	**850**	**-87.6%**
TOTAL CURRENT ASSETS	**135,632**	**169,921**	**25.3%**
C. PREPAID EXPENSES	**703**	**1,229**	**74.8%**
D. EXCESS OF PLAN ASSETS OVER POST-EMPLOYMENT BENEFIT LIABILITY	**88**	**124**	**40.9%**
TOTAL ASSETS	**245,134**	**279,050**	**13.8%**

BALANCE SHEET OF FRoSTA AG – EQUITY AND LIABILITIES

AS AT 31 DECEMBER 2021

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

	2020	2021	Change
A. EQUITY			
I. Issued capital			
1. Subscribed capital	17,440	17,440	0.0%
2. Treasury shares	0	0	
	17,440	**17,440**	**0.0%**
II. Capital reserves	**11,447**	**11,447**	**0.0%**
III. Revenue reserves			
1. Foreign currency translation reserve	0	0	
2. Legal reserve	200	200	0.0%
3. Other revenue reserves	73,487	92,587	26.0%
	73,687	**92,787**	**25.9%**
IV. Net retained profits	**30,000**	**42,014**	**40.0%**
	132,574	**163,688**	**23.5%**
B. Provisions			
1. Provisions for pensions and similar obligations	73	71	-2.7%
2. Provisions for taxes	2,888	1,129	-60.9%
3. Other provisions	29,127	30,122	3.4%
	32,088	**31,322**	**-2.4%**
C. LIABILITIES			
1. Liabilities to banks	28,790	12,070	-58.1%
2. Trade payables	35,250	51,623	46.4%
3. Liabilities to affiliated companies	12,181	14,827	21.7%
4. Other liabilities	4,251	3,977	-6.4%
	80,472	**82,497**	**2.5%**
D. DEFERRED INCOME	**0**	**0**	
E. DEFERRED TAX LIABILITIES	**0**	**1,543**	
TOTAL EQUITY AND LIABILITIES	**245,134**	**279,050**	**13.8%**

STATEMENT OF CHANGES IN FIXED ASSETS OF FRoSTA AG 2021

Statement of changes in fixed assets (in kEUR)

	Purchase and production costs				
	as at 01/01/2021	Additions	Disposals	Reclassifications	as at 31/12/2021
I. Intangible assets					
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	27,827	1,948	0	682	30,457
	27,827	**1,948**	**0**	**682**	**30,457**
II. Tangible fixed assets					
1. Land, land rights and buildings	85,025	1,179	10	300	86,494
2. Technical equipment and machinery	178,430	5,011	7	1,443	184,877
3. Other equipment, operating and office equipment	57,966	3,081	508	642	61,181
4. Prepayments and assets under construction	3,136	2,350	0	-3,067	2,419
	324,557	**11,621**	**525**	**-682**	**334,971**
III. Long-term financial assets					
1. Shares in affiliated companies	11,741	28	0	0	11,769
2. Loans to affiliated companies	301	0	0	0	301
3. Other long-term equity investments	193	0	17	0	176
4. Long-term securities and shares in cooperatives	6	0	0	0	6
5. Other loans	22	0	0	0	22
	12,263	**28**	**17**	**0**	**12,274**
	364,647	**13,597**	**542**	**0**	**377,702**

Cumulative depreciation, amortisation and write-downs				Net carrying amount	
as at 01/01/2021	Additions	Disposals	as at 31/12/2021	as at 31/12/2021	as at 31/12/2020
17,190	2,384	0	19,574	10,883	10,637
17,190	**2,384**	**0**	**19,574**	**10,883**	**10,637**
61,777	1,743	10	63,510	22,984	23,248
131,907	7,394	7	139,294	45,583	46,523
44,111	2,978	492	46,597	14,584	13,855
0	0	0	0	2,419	3,136
237,795	**12,115**	**509**	**249,401**	**85,570**	**86,762**
452	0	0	452	11,317	11,289
301	0	0	301	0	0
176	0	0	176	0	17
0	0	0	0	6	6
22	0	0	22	0	0
951	**0**	**0**	**951**	**11,323**	**11,312**
255,936	**14,499**	**509**	**269,926**	**107,776**	**108,711**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE 2021 FINANCIAL YEAR

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

(1) BASIS FOR PREPARATION

The single-entity financial statements of FRoSTA Aktiengesellschaft (in the following FRoSTA AG) 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).

GENERAL

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

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

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

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

In previous years, based on our estimates, we assumed an unlimited useful life for acquired trademark rights reported under intangible assets. In light of plans to successively replace the acquired brands with the FRoSTA brand, we now assume a limited useful life over a residual useful life of 10 years. The trademark rights were therefore amortised for the first time in the reporting year.

Liabilities in connection with floating goods (raw products in transit) in the amount of kEUR 4,718 were disclosed for the first time under trade payables in the reporting year. The comparative figure for the previous year of kEUR 649 was included in other provisions. The previous year's disclosure was not adjusted.

ACCOUNTING POLICIES AND MEASUREMENT METHODS (2)

FIXED ASSETS

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

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

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

Depreciation period of tangible assets

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

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

Low-value assets with 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.

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

CURRENT ASSETS

Inventories are measured at cost unless a lower measurement is required in accordance with the lower of cost or market principle. The present market value is used to measure the lower of cost or market value. The costs of raw materials, supplies and goods are based on the purchase prices plus transaction costs 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/amortisation of fixed assets. General administration costs as well as social expenses, voluntary social benefits and Company pension schemes are not capitalised. Allowances are recognised for expected losses not yet identified and for inventory risks arising from excessive storage times or reduced usability. Allowances for finished goods as at the balance sheet date amounted to kEUR 568 (2020: kEUR 830) as well as kEUR 1,712 (2020: kEUR 578) for raw materials, consumables and supplies, and for unfinished goods.

Receivables and other assets are shown at nominal value.

Default and credit risks are accounted for by specific or global valuation allowances. The percentage used to calculate the global valuation 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 accounting and tax carrying amounts of assets, liabilities, prepaid expenses and deferred income 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 post-employment benefit 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 issued by Dr Klaus Heubeck.

The following additional assumptions are used:

Assumed interest rate p.a.:	1.87% (2020: 2.31%) (10-year average)
Pension trend p.a.:	1.00% (2020: 1.00%)

Since 1 January 2010, the average interest rate used for discounting has been the rate published by the Deutsche Bundesbank for a residual term of 15 years. Interest expense is recognised in the 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 benefit obligations are measured in accordance with actuarial principles using the "Richttafeln 2018 G" mortality tables issued by Dr Klaus Heubeck based on the block model or part-time model. The calculations were based on an assumed interest rate of 1.35% and an expected rise in income of 2.0%. 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 the offsetting of income and expenses, please refer to the sections "Excess of plan assets over post-employment benefit liability" and "Offsetting of income and expenses".

LIABILITIES

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

CURRENCY TRANSLATION

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

Trade receivables and payables in foreign currencies with a residual term of up to one year are generally measured at the middle spot rate at the balance sheet date. 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 displayed on page 70.

The value of recognised transport pallets was fixed at kEUR 871 (2020: kEUR 421).

The reduction in the acquisition or production costs of fixed assets to which investment grants and subsidies relate as at 31 December 2021 amounted to kEUR 290 (2020: kEUR 259). The reversal of investment grants and subsidies of kEUR 75 (2020: kEUR 98) directly reduced gross depreciation/amortisation. Investment grants amounting to kEUR 106 were received in the reporting year, which directly reduced acquisition costs

.

Other long-term equity investments (in kEUR)

Name of entity	Share of capital in %	Subscribed capital in kEUR	Equity in kEUR	Net profit/ loss for 2020 in kEUR	Net profit/ loss for 2021 in kEUR
1. Copack Tiefkühlkost-Produktionsgesellschaft mbH, Bremerhaven	100.00	256	230	-1	-1
2. FRoSTA Tiefkühlkost GmbH, Bremerhaven	100.00	255	269	1	1
3. FRoSTA Foodservice GmbH, Bremerhaven	100.00	256	272	1	0
4. TIKO Vertriebsgesellschaft mbH, Bremerhaven	100.00	256	281	1	1
5. FRoSTA Sp. z o.o., Bydgoszcz/Poland	100.00	7,618	34,988	8,315	10,703
6. COPACK France S.a.r.l., (formerly FRoSTA France S.a.r.l) Boulogne-Billancourt/France	100.00	153	406	-1	1
7. FRoSTA CR s.r.o., Prague/Czech Republic	100.00	40	268	7	8
8. FRoSTA Hungary Kft., Esztergom/Hungary	100.00	17	89	7	10
9. FRoSTA S.r.l. Rome/Italy	100.00	500	2,709	1,421	2,207
10. Copack Sp. z o.o., Bydgoszcz/Poland	100.00	15	1	0	0

The equity investment in Columbus Spedition GmbH, Bremerhaven, was sold in the reporting year.

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 21,968 (2020: kEUR 10,442). Other assets were recognised in an amount of kEUR 2,768 (2020: kEUR 5,611).

Of the receivables from affiliated companies, kEUR 2,083 (2020: kEUR 2,233) have a residual term of more than one year.

As at 31 December 2021, trade receivables of kEUR 0 (2020: kEUR 15,014) were sold in asset-backed security transactions. The contract was terminated in the reporting year.

Of the other assets, kEUR 193 (2020: kEUR 155) have a residual term of more than one year.

(5) EXCESS OF PLAN ASSETS OVER POST-EMPLOYMENT BENEFIT LIABILITY

The excess of plan assets over post-employment benefit liability amounted to kEUR 124 (2020: kEUR 88). kEUR 2 (2020: kEUR 0) is subject to a distribution restriction. The fair value of assets invested amounted to kEUR 382 (2020: kEUR 376); acquisition costs amounted to kEUR 380 (2020: kEUR 376).

The assets in question were reinsurance policies to cover partial retirement benefit obligations.

(6) EQUITY

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

In accordance with a resolution passed at the Annual General Meeting on 26 May 2021, it was decided to allocate the sum of EUR 19,099,315.18 from the recognised net retained profits of EUR 29,999,471.98 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 0).

No bearer treasury shares were recognised in equity as at the balance sheet date.

This results from the following purchase and sales transactions:

In the context of a share buyback in the period between 1 June 2021 and 19 October 2021, FRoSTA AG reacquired 36,806 treasury shares. This corresponds to a nominal amount of EUR 94,223.36, or 0.54 %, of the share capital. This cost the Company EUR 3,387,660.20, which equates to a weighted average price of EUR 92.04 per share.

FRoSTA AG subsequently sold 32,429 no-par value bearer treasury shares under an employee share programme. This corresponds to a nominal amount of EUR 83,018.24, or 0.48 %, of the share capital as at 31 December 2021. For these shares, FRoSTA AG received a total of EUR 1,089,383.50 to be used as it deems fit. As part of a bonus scheme, the Company issued 4,377 shares to employees at management level.

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

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS (7)

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 1.87 % was kEUR 71 in the financial year 2021. Applying the seven-year average interest rate pursuant to Section 253 (6) HGB of 1.35 % would have produced a carrying amount of kEUR 74. In 2020, the carrying amount applying a seven-year average interest rate of 1.60 % was kEUR 76.

The difference amounting to kEUR 3 (2020: kEUR 3) is subject to a distribution restriction.

(8) OTHER PROVISIONS

Other provisions comprised provisions for personnel expenses amounting to kEUR 10,871. This included provisions for jubilee benefits with a settlement amount of kEUR 2,571. The discount rate on which this is based was 1.35 %, assuming a residual term of 15 years.

Provisions for partial retirement were recognised with a settlement amount of kEUR 285. This was determined based on an interest rate of 1.35 % (Section 253 (2) Sentence 1 HGB). As the plan assets in the amount of kEUR 382 are assigned on the basis of individual partial retirement benefit obligations, the principle of item-by-item measurement resulted in an excess of assets of kEUR 124 as well as a provision for partial retirement benefit obligations of kEUR 27.

Additional provisions were also recognised for outstanding invoices amounting to kEUR 5,890. Other provisions also related to obligations arising from sales-related agreements on terms and conditions totalling kEUR 10,663.

(9) 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 (previous year)	12,069 (28,790)	5,550 (18,371)	6,519 (10,419)	0 (626)
Trade payables (previous year)	51,623 (35,250)	51,623 (35,250)	0 (0)	0 (0)
Liabilities to affiliated companies (previous year)	14,827 (12,181)	14,827 (12,181)	0 (0)	0 (0)
Other liabilities (previous year)	3,977 (4,250)	3,977 (4,250)	0 (0)	0 (0)
Total (previous year)	**82,496 (80,471)**	**75,977 (70,052)**	**6,519 (10,419)**	**0 (626)**

The liabilities to banks were guaranteed by mortgages amounting to kEUR 3,594 (2020: kEUR 5,223) and similar rights amounting to kEUR 0 (2020: kEUR 167) (total kEUR 3,594; 2020: kEUR 5,390).

The customary retentions of title apply to trade payables.

Liabilities to affiliated companies resulted from intercompany deliveries and services amounting to kEUR 13,403 (2020: kEUR 10,763) and in an amount of kEUR 1,424 (2020: kEUR 1,418) from other liabilities

NOTES TO THE INCOME STATEMENT

SALES (10)

Sales by region (in mEUR)

	2020	2021	Change
Germany	377	367	-2.7%
Sales deductions	56	56	0.0%
	321	**311**	**-3.1%**
Outside Germany	138	152	10.1%
Sales deductions	3	2	-33.3%
	135	**150**	**11.1%**
	456	**461**	**1.1%**

Sales by product group (in mEUR)

	2020	2021	Change
Fish	173	155	-10.4%
Fruit and vegetables	135	124	-8.1%
Ready meals and other products	148	182	23.0%
	456	**461**	**1.1%**

(11) PRIOR-PERIOD INCOME AND EXPENSES AND EXPENSES AND INCOME OF EXCEPTIONAL INCIDENCE

The income statement of FRoSTA AG includes income relating to prior accounting periods of kEUR 1,256 (2020: kEUR 1,138) and expenses relating to prior accounting periods in the amount of kEUR 586 (2020: kEUR 569). Prior-period income mainly related to the reversal of personnel provisions and other provisions. In the financial year 2021, expenses of exceptional scale or exceptional incidence amounting to kEUR 2,017 were incurred. The extraordinary expenses resulted from restructuring expenses and penalties. Income of exceptional scale or exceptional incidence was accounted for in the amount of kEUR 791 from the sale of the equity investment in Columbus Spedition GmbH.

OFFSETTING OF INCOME AND EXPENSES (12)

Income from plan assets amounting to kEUR 2 (2020: kEUR 4) was offset against interest expense for partial retirement benefit obligations amounting to kEUR 3 (2020: kEUR 4).

TAXES ON INCOME (13)

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

Deferred tax assets and liabilities (in kEUR)

	31/12/2020		31/12/2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible fixed assets	0	77	0	1,541
Tangible fixed assets	0	100	0	377
Provisions for pensions	5	0	5	0
Other provisions	453	0	341	0
Trade payables	0	14	0	11
Total	**458**	**191**	**346**	**1,889**
Netting	-191	-191	-346	-346
Balance	**267**	**0**	**0**	**1,543**

The temporary differences were measured based on the combined tax rate of corporation tax and trade tax of 30.66% (2020: 30.66%).

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

OTHER DISCLOSURES

(14) OTHER FINANCIAL OBLIGATIONS

Other financial obligations (in kEUR)

	31/12/2020	31/12/2021
Obligations arising from current lease agreements	1,840	1,193
Obligations under current rental and maintenance contracts	3,212	4,094
Purchase commitments from expansion investments	5,766	6,546
Consignment agreements	2,150	2,829
Total	**12,968**	**14,662**

Remaining maturities of rental, maintenance and lease agreements as at 31 December 2021 (in kEUR)

	< 1 year	1 – 5 years	> 5 years
Future payments from current lease agreements	760	433	0
Future payments from current rental and maintenance contracts	3,146	782	166
Purchase commitments from expansion investments	6,546	0	0
Consignment agreements	2,829	0	0
Total	**13,281**	**1,215**	**166**

(15) HEDGING TRANSACTIONS / DERIVATIVES

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

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

Hedging transactions/derivatives (in kEUR)

Financial instrument	Type	Period	Underlying transaction	Scope	Fair value
Currency forwards	Purchase kUSD	17/11/2021 until 30/06/2022	22,560	19,926	-66

(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)

	2020	2021
Wage earners	751	720
Salaried staff	339	343
of whom trainees	7	5
Number of employees pursuant to Section 285 No. 7 HGB	**1,090**	**1,063**
Apprentices	28	25
Total	**1,118**	**1,088**

(18) EXECUTIVE BOARD

The following persons were members of the Executive Board of FRoSTA AG in the financial year 2021:

- Felix Ahlers, businessman, Hamburg, Chairman, as at 31 December 2021: 2,292,949 FRoSTA shares = 33.7 %.
- Hinnerk Ehlers, businessman, Hamburg, Vice President Marketing, Sales and Human Resources
- Maik Busse, businessman, Bremerhaven, Vice President Finances, Financial Controlling, IT, SCM and Operations

The total number of FRoSTA shares owned by the Executive Board as at 31 December 2021 was 2,303,534 shares = 33.8 %.

(19) SUPERVISORY BOARD

The following persons were members of the Supervisory Board of FRoSTA AG in the financial year 2021:

- Volker Kuhn, businessman, London, Chairman of the Supervisory Board, Chief Transformation Officer, Reckitt Benckiser
- Dirk Ahlers, businessman, Hamburg, Vice Chairman of the Supervisory Board, former Chairman of the Executive Board, as at 31 December 2021: 681,159 FRoSTA shares = 10.0 %.
- Torsten Richter, Lommatzsch, employee of FRoSTA AG, Lommatzsch

The total number of FRoSTA AG shares owned by the Supervisory Board as at 31 December 2021 was 681,659 shares = 10.0 %.

REMUNERATION PURSUANT TO SECTION 285 NO. 9 HGB (20)

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

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

The paid out total remuneration of the Executive Board of FRoSTA AG in the 2021 financial year amounted to kEUR 2,802 (2020: kEUR 3,195). Of this, the fixed remuneration came to kEUR 807 (2020: kEUR 804) and variable remuneration to kEUR 1,995 (2020: kEUR 2,391).

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 150 (2020: kEUR 168), of which kEUR 60 (2020: kEUR 78) was variable remuneration and kEUR 90 (2020: kEUR 90) was fixed remuneration.

(21) REPORT ON POST-BALANCE SHEET DATE EVENTS

No significant events having a material effect on the financial position, financial performance and cash flows as at 31 December 2021 occurred after the balance sheet date.

(22) OTHER

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

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

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

(23) APPROPRIATION OF NET PROFIT

As the Company did not hold any no-par value bearer treasury shares as at 31 December 2021, the number of no-par value bearer shares entitled to a dividend came to 6,812,598.

At the Annual General Meeting, we will be proposing a dividend payment of EUR 1.60 per share corresponding to a total dividend payment of EUR 10,900,156.80. This payment will be taken from the net income for the year as at 31 December 2021 of EUR 42,014,445.65. The remaining EUR 31,114,288.85 will be allocated to other capital reserves.

Bremerhaven, 18 February 2022

The Executive Board

Felix Ahlers   Maik Busse   Hinnerk Ehlers

INDEPENDENT AUDITORS' REPORT

TO FRoSTA AKTIENGESELLSCHAFT, BREMERHAVEN

AUDIT OPINIONS

We have audited the annual financial statements of FRoSTA Aktiengesellschaft, Bremerhaven — comprising the balance sheet as of 31 December 2021 and the income statement for the financial year from 1 January 2021 to 31 December 2021 and the notes to the annual financial statements, including the recognition and measurement policies presented therein.

In addition, we have audited the management report of FRoSTA Aktiengesellschaft for the financial year from 1 January 2021 to 31 December 2021.

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

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its financial performance for the financial year from 1 January 2021 to 31 December 2021 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the elements referred to in the OTHER INFORMATION section of the management report referred to above.

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

BASIS FOR OUR OPINIONS

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

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

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

OTHER INFORMATION

The executive directors are responsible for the other information.

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

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

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

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in such a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in

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

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

Bremen, 23 February 2022

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Sabath	signed Renken
German Public Auditor	German Public Auditor

The first meat alternative absolutely free from additives.

Our top sellers in Germany go vegan. The first pan dishes with plant-based meat under the rules of our FRoSTA Purity Promise. **100 % free from additives.**

NEW!
ORDER NOW.

FRoSTA is for everyone.

TEN-YEAR OVERVIEW FOR THE FRoSTA GROUP

HGB ←

Ten-year overview for the FRoSTA Group

		2021	2020	2019
Employees (average)	Number	1,757	1,778	1,852
Revenue	mEUR	527	552	523
EBITDA	mEUR	57.0	55.8	28.8
Consolidated profit/loss	mEUR	28.6	25.1	12.4
Capital expenditure	mEUR	15.0	15.2	19.7
Shares	Number	6,812,598	6,812.598	6,812,598
Total dividend	kEUR	10,900 [2]	10,900	10,900
Dividend per share	EUR	1.60 [2]	1.60	1.60
Earnings per share	EUR	4.20	3.68	1.82
Non-current assets	mEUR	121.3	125.5	130.9
Current assets	mEUR	202.6	181.6	189.7
Equity	mEUR	193.0	175.9	165.1
Equity ratio		59.3%	57.7%	51.4%
Liabilities to banks	mEUR	14.0	28.8	55.7

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

[2] subject to approval by the General Meeting

→ IFRS

2018	2017	2016	2015	2014	2013	2012
1,778 [1]	1,709	1,665	1,631	1,559	1,523	1,504
509	501	466	440	408	386	380
46.6	49.3	43.8	38.3	36.2	29.5	21.5
20.0	23.4	21.6	18.2	17.3	12.0	6.1
37.3	31.6	26.0	14.1	16.3	8.4	7.8
6,812,598	6,812,598	6,812,598	6,812,598	6,812,598	6,812,598	6,695,900
10,900	10,900	10,203	9,265	9,265	6,813	5,022
1.60	1.60	1.50	1.36	1.36	1.00	0.75
2.93	3.43	3.17	2.67	2.53	1.80	0.92
135.1	115.3	89.7	76.5	75.4	71.1	75.1
193.5	194.8	181.8	168.2	159.7	150.9	147.2
169.5	161.9	145.7	134.7	125.7	116.6	108.4
51.6%	52.2%	53.7%	55.1%	53.5%	52.5%	48.7%
42.2	44.6	27.6	33.2	29.4	39.1	50.0

REPORT OF THE SUPERVISORY BOARD FOR THE 2021 FINANCIAL YEAR

In the 2021 financial year, the Supervisory Board carried out the duties incumbent upon it under the law and the Company's Articles of Association and its own Rules of Procedure. The Supervisory Board regularly advised the Executive Board on the running of the Company and continually supported and monitored all executive business activities. In doing so, the Supervisory Board also satisfied itself of the legality and appropriateness of the measures taken. Within the scope of this close collaboration, the members of the Supervisory Board were briefed by the Executive Board in a regular, timely and comprehensive manner in writing, by telephone and in personal conversations on the situation of the Company and the Group, the principles of the business policy, the Company's profitability, as well as on important business transactions. Furthermore, between official meetings the Supervisory Board Chairman held regular personal meetings with the Chairman of the Executive Board and informed himself about the development of business. The Supervisory Board was informed and consulted in a direct and timely manner on all decisions of consequence for the Company or for which its approval is required in accordance with the law and the Company's Articles of Association or its own Rules of Procedure. Thanks to the regular, timely and detailed information received from the Executive Board, the Supervisory Board was at all times able to fulfil its monitoring and advisory duties.

MEETINGS AND FOCUS OF CONSULTATIONS

2021 continued to be dominated by the COVID-19 pandemic. Accordingly, the topics of regular discussions between the Executive Board and the Supervisory Board were, on the one hand, the introduction of comprehensive measures to protect all employees and, on the other hand, the impact on FRoSTA AG's business situation. Protecting FRoSTA AG's employees was our top priority. Due to the measures taken, we had only a few COVID-19 infections: in the four production facilities in Bremerhaven, Bydgoszcz, Lommatzsch and Bobenheim-Roxheim operations continued without interruption.

2021 once again saw significant shifts in demand.

- Retail sales of FRoSTA products were up by a substantial 7.3 %. Private label business, by contrast, declined by 21.6 %.
- Foodservice business continued to be affected by the poorly frequented restaurants and company canteens, but showed a slight improvement on the very weak pandemic-related performance of the previous year, closing with a plus of around 11%.

One of the main focuses of regular discussions in the 2021 financial year was the development of the FRoSTA brand. The transformation of the Company into a strong brand producer continued apace. The Supervisory Board consulted intensively with the Executive Board on this matter. The share of brand business in total sales increased from 34% in 2020 to 38.4% in 2021.

The situation on the procurement markets, in particular for Alaska pollock, which is an important variety of fish for the Company, was again the dominant topic at all Supervisory Board meetings in 2021. The Company was better able to manage the rise in raw material prices than in the previous year; consequently, this factor did not impact on earnings to the same extent as in 2020.

Another focus of regular consultations in the 2021 financial year was the development of the brand business in Italy, which was acquired in 2017. The initiated improvement measures led to a more positive result in 2021. The FRoSTA brand in particular developed well in Italy.

The Supervisory Board convened four ordinary meetings in 2021: on 24/02/2021, 26/05/2021, 15/09/2021 and 20/12/2021, which were attended by all members. 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 AktG, 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 24 February 2021 with reviewing and adopting the 2020 annual financial statements and a detailed discussion about the impact of the coronavirus pandemic on raw material supplies and price developments.

On 26 May 2021 with preparations for the virtual Annual General Meeting being held the same day and a subsequent discussion in particular on the impact of the coronavirus pandemic.

On 15 September 2021, the ongoing development of raw material prices and the development of the brand business were discussed.

On 20 December 2021 with the presentation, discussion and approval of the annual planning for the 2022 financial year. Torsten Richter, employee representative on the Supervisory Board, also reported on developments at the production plants.

SINGLE-ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

The 2021 single-entity and consolidated financial statements and the management report for FRoSTA AG and management commentary for the Group prepared by the Executive Board were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Bremen, as mandated by the Annual General Meeting. BDO AG Wirtschaftsprüfungsgesellschaft, Bremen, examined both the separate and the consolidated financial statements and issued both with unqualified auditors' reports.

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

The audit reports were submitted to the members of the Supervisory Board in good time. They were duly reviewed and discussed in detail by the Supervisory Board at its meeting on 23 February 2022. For its part, the Supervisory Board thoroughly reviewed the single-entity financial statements, the consolidated financial statements, the management reports of FRoSTA AG and the Group, as well as the proposal on the appropriation of net retained profits.

The Supervisory Board determined that, having completed its review, it had no objections either to the single-entity financial statements as at 31 December 2021 or to the consolidated financial statements as at 31 December 2021, nor to the management reports of FRoSTA AG and the Group as at 31 December 2021. The Supervisory Board therefore unanimously approved the single-entity and consolidated financial statements prepared by the Executive Board. The annual financial statements were thereby adopted.

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

COMPOSITION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

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

The members of the Supervisory Board in 2021 were, unchanged, Volker Kuhn (Chairman), Dirk Ahlers (Vice Chairman) and Torsten Richter as employee representative.

COMMITTEES

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

REMUNERATION OF THE EXECUTIVE BOARD

The fixed remuneration of the Executive Board members for the financial year 2021 increased only slightly compared with 2020. By contrast, the variable portion of the Executive Board's remuneration decreased significantly. The total remuneration of the Executive Board of FRoSTA AG in the 2021 financial year amounted to kEUR 2,802 (2020: kEUR 3,195). Of this, the fixed remuneration came to kEUR 807 (2020: kEUR 804) and variable remuneration to kEUR 1,995 (2020: kEUR 2,391).

WORD OF THANKS

The Supervisory Board would like to express its thanks to all employees and to the Executive Board for the good work done and for their unswerving commitment. FRoSTA AG overcame the numerous challenges in 2021 and developed positively, reporting, at EUR 28.6m, the highest profit in the company's history to date.

Bremerhaven, 23 February 2022

For the Supervisory Board

Volker Kuhn

Hello taste.
Bye additives.

FRoSTA is for everyone.

GROUP STRUCTURE AND ADDRESSES

V Sales P Production

FRoSTA AKTIENGESELLSCHAFT

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

LOCATIONS IN GERMANY – SALES

V

FRoSTA TIEFKÜHLKOST GMBH
Friesenweg 4
22763 Hamburg
Phone: +49-40-854140-60
Fax: +49-40-854140-88
E-mail: info@frosta.com

V

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

V

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

V

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

LOCATIONS IN GERMANY – PRODUCTION

P

FRoSTA AG
WERK BREMERHAVEN
Am Lunedeich 116
27572 Bremerhaven
Phone: +49-471-9736-0
Fax: +49-471-74349
E-mail: bremerhaven@frosta.com

P

FRoSTA AG
WERK LOMMATZSCH
Messaer Straße 3 – 5
01623 Lommatzsch
Phone: +49-35241-59-0
Fax: +49-35241-59-193
E-mail: lommatzsch@frosta.com

P

FRoSTA AG
WERK BOBENHEIM-ROXHEIM
Industriestraße 4
67240 Bobenheim-Roxheim
Phone: +49-6239-807-0
Fax: +49-6239-807-163
E-mail: bobenheim@frosta.com

LOCATIONS ABROAD

P

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

V

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

V

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

V

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

V

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