Annual Report

2020

Bami Goreng

is for everyone

KEY FIGURES FOR THE FRoSTA GROUP

Key figures of the FRoSTA Group

Financial year		2019	2020
Employees (average)	number	1,852	1,778
Revenue	mEUR	523	552
EBITDA in % of revenue	mEUR	28.8 5.5%	43.6 7.9%
Consolidated profit/loss for the year	mEUR	12.4	25.1
Capital expenditure	mEUR	19.7	15.2
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 Bremerhaven	Thursday, 25 February 2021
Virtual Annual General Meeting	Wednesday, 26 May 2021
Half-yearly financial report 2021	Friday, 16 July 2021

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

LETTER TO OUR SHAREHOLDERS

Dear shareholders,

An out-of-the-ordinary year lies behind us. While on the one hand the coronavirus pandemic completely blindsided us, on the other hand our employees did an extraordinary job in adapting quickly and appropriately to these most exceptional circumstances.

Organisationally, we faced enormous challenges. As quickly as we could, we took steps to ensure the safety of all production staff as far as possible. Initially by introducing mask-wearing, distancing rules and protective panels in the production facilities, later through daily testing of all staff in production.

By investing in IT infrastructure, we created the prerequisites for many staff in administration to work from home. We increased our stock levels of raw materials from distant countries, such as fish from Alaska.

Our out-of-home business with catering customers slumped by up to 70% and even now, in March 2021, remains at a very low level.

By contrast, growth of the FRoSTA brand continued to accelerate across all countries during the pandemic, increasing from 12.0% in the previous year to 27.5% in 2020. We also observed a definite rise in health consciousness and interest in healthy food in 2020. With our FRoSTA Purity Promise and the complete absence of all additives, we are fully on trend.

Overall, sales were up by 5.4% (2019: 2.4%). Net income for the year after taxes was EUR 25.1m, which was a significant improvement over the relatively poor performance of 2019 (EUR 12.4m). Please note that in 2020 we switched from IFRSs- to HGB-based financial reporting. This is less time-consuming for us, saves costs and provides you with comparably comprehensive information.

Environmental protection and sustainability are important overarching goals for us. In our new sustainability report to be published to coincide with the Annual General Meeting in May 2021, we report about our targets and improvements achieved. Important topics are reducing our CO_2 footprint and more environmentally friendly packaging. The switch to paper packaging has already been made for the first five products. For some products, the switch is more complicated than expected, because certain ingredients such as beetroot and soy sauce can soak through the paper. We are continuing to work intensively on solutions.

The pandemic is not over in 2021. We, too, can be affected by logistics bottlenecks and unexpected events. However, despite this, we are on the whole optimistic about the next few years, as our products continue to be in high demand.

In this exceptionally difficult year, we would especially like to thank our employees for their extraordinary efforts and unswerving commitment during the pandemic. Their input guarantees our continued success going forward.

We warmly invite you to our Annual General Meeting on 26 May 2021 – taking place virtually due to COVID-19 – and look forward to interesting questions and a high level of attendance, which this format makes possible without the need to travel.

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.

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.

1.778 EMPLOYEES IN **6** COUNTRIES

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

→ CLICK HERE FOR MORE INFORMATION.

Production   Sales

OUR BUSINESS

VEGETABLES, FRUIT AND HERBS FROM OUR OWN AND PARTNER FARMS

Vegetables Fruit Herbs

FISH, READY MEALS AND VEGETABLES

Fish Meals Vegetables

BRAND BUSINESS

FRoSTA brand with Purity Promise

tiko brand – Fish and meals

Elbtal brand – Vegetables

La Valle degli Orti brand – Vegetables

PRIVATE LABEL BUSINESS

FRoSTA AG

copack®
Production partner according to customer requirements

NON-RETAIL-BUSINESS

FRoSTA FOOD SERVICE

MANAGEMENT BODIES

SUPERVISORY BOARD

Dirk Ahlers
Hamburg
Businessman
Chairman (until 17 July 2020)
Vice Chairman (from 17 July 2020)

Volker Kuhn
London/Great Britain
Businessman
Vice Chairman (until 17 July 2020)
Chairman (from 17 Juli 2020)

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 2020

FISH

FISH FROM THE FIELD

We want to play an active role in shaping the food supply of our future. While the worldwide demand for fish is rising, fish stocks are not getting any bigger. Good alternative protein sources are becoming increasingly important. And that's how we developed Fish from the Field: The first honest vegan fish alternative with natural ingredients. Our range consists of delicious fish fingers, juicy fillets in battered crispy fillets. The combination of salsify, jackfruit, hemp protein and other delicious ingredients reminds us of fish not only visually, but also in terms of taste. Take a bite and try it for yourself!

VEGGIE FILEES
AUF GEMÜSE-BASIS
IN KNUSPRIGER PANADE

→ VEGGIE FILEES

VEGGIE FILEES
IM BACKTEIG
AUF GEMÜSE-BASIS
IN KNUSPRIGEM
BACKTEIG

→ VEGGIE FILEES IM BACKTEIG

VEGGIE STÄBCHEN
AUF GEMÜSE-BASIS
IN KNUSPRIGER PANADE

→ VEGGIE STÄBCHEN

The new products that we launched in 2020 are, of course, also subject to the strict FRoSTA Purity Command. Our products have been consistently free from all additives and flavourings since 2003. Since 2015, we have also included the country of origin of all ingredients on our packaging.

VEGETABLES

VEGETABLE MIXES IN PAPER BAG

Our unseasoned vegetable mixes are now produced in our sustainable paper bag, instead of a plastic bag. The unseasoned vegetable mix range has also gained a new member, an all-time favorite and top seller from our colleagues in Italy: The Minestrone soup mix. Following the Italian original recipe, it includes 14 vegetable components and is, of course, free from any additives according to the FRoSTA Purity Promise.

→ MINESTRONE
→ GEMÜSE MIX SOMMER KÜCHE
→ GEMÜSE MIX ITALIENISCHE KÜCHE
→ GEMÜSE MIX ASIATISCHE KÜCHE

#KOCHEBUNTER VEGETABLE PANS

Who ever said that vegetables are boring? They probably didn't know FRoSTA! With our new vegetable pan range #kochebunter we bring color into the freezer and fun into the kitchen. The vegan range is inspired by cuisines from all over the world, such as Oriental, Vietnamese or Indian cuisine. Innovative ingredients like falafel balls, cauliflower "rice" and mango meet spices like ginger, chili and curcuma to create delicious taste explosions. This new range taps right into the biggest trends of veganism and health, without compromising on good taste.

→ GEMÜSE PFANNE MIT GEGRILLTER ZUCCHINI & KICHERERBSEN
→ GEMÜSE PFANNE MIT BLUMENKOHLRASPELN, BROKKOLI & CURRY
→ GEMÜSE PFANNE MIT SPINAT, LINSEN & KOKOS-CURRY-SAUCE
→ GEMÜSE PFANNE MIT SÜSSKARTOFFELN & SWEET-CHILI
→ GEMÜSE PFANNE MIT BUNTER PAPRIKA & ZUCKERSCHOTEN
→ GEMÜSE PFANNE MIT FALAFELN & BUNTEN KAROTTEN
→ GEMÜSE PFANNE MIT KICHERERBSEN & CRANBERRIES
→ GEMÜSE PFANNE MIT ROTE BETE & SÜSSKARTOFFELN

NEW PRODUCTS IN ITALY

ECOBAG ON LA VALLE DEGLI ORTI RANGE

ECOBAG ROLL OUT ALL 2020

A new paper-based packaging for Italian La Valle degli Orti vegetable range, in substitution of the classic 100% plastic bag! The Ecobag was launched in September 2019 just on three Minestrone items and then rolled out on the whole vegetable range in 2020 on more than 40 products. The ecobag is fully recyclable in paper, as per the official standards and approved and certified by Aticelca. The paper used supports responsible forest management, as per FSC certification. Thanks to our new packaging, we reduce the environmental impact, indeed the amount of plastic is reduced by -75% and the CO_2 footprinting decreases by -20% compared with PE bags.

CONTADINA SOUP

CONTADINA SOUP LAUNCHED IN SEPTEMBER 2020

Also known as Ribollita soup, it's a typical dish of the Tuscan tradition. Perfect for the cold weather, is a soup made of white beans, black cabbage, carrots and potatoes and with small bread crispy croutons to make it even tastier!

FILLETS FROM SUSTAINABLE FISHING

SUSTAINABLE FISH NATURAL FILLETS LAUNCHED IN SEPTEMBER 2020

In September 2020, a further bold step into sustainability that becomes a Unique Selling Point to strengthen our FRoSTA brand in positioning in this territory. Introducing two new hake species (Saithe and Cod) to widen consumer's choice through origin differentiation and taste differentiation to further protect biodiversity.

→ MERLUZZO CARBONARO – FILETTI DA PESCA SOSTENIBILE
→ MERLUZZO NORDICO – FILETTI DA PESCA SOSTENIBILE

NEW PRODUCTS IN POLAND

MEALS

New design, lower price. We have redesigned and relaunched our best-selling ready meals, which allowed us to show new, attractive prices on shelves.

→ MEXICAN CHICKEN
→ PAELLA
→ NOODLES AND CHICKEN
→ ASIAN WOK WITH CHICKEN

#FASTGOOD MEALS

We have introduced a line of innovative frozen meals - **#fastgood.** The #fastgood meals come in microwaveable paper trays, so there's no need to use any additional dishes - quick and convenient.

→ CHILI CON CARNE → MOUSSAKA → CURRY

VEGAN PRODUCTS

Since the demand for vegan products is rapidly growing in Poland, we have launched a range of FRoSTA fully plant-based burgers.

→ SWEET POTATOES AND CARROT BURGERS
→ SPINACH BURGERS WITH BASIL
→ CAULIFLOWER AND BROCCOLI BURGERS

PASTA

Italian recipes and pasta dishes are getting more and more attention from Polish consumers. This is why we decided to adapt best-selling, pasta-based ready meals from FRoSTA Germany, and introduce them to our consumers in Poland.

→ PENNE WITH SPINACH AND GORGONZOLA
→ TORTELLINII IN TOMATO SAUCE
→ PAPPARDELLE IN CREAMY SAUCE
→ TAGLIATELLE IN GORGONZOLA SAUCE

Do you cook fish with bad conscience? Or with sustainable ingredients?

GROUP MANAGEMENT REPORT 2020

OVERVIEW

GROUP MANAGEMENT REPORT OF FRoSTA AKTIENGESELLSCHAFT, BREMERHAVEN

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020

BASIC INFORMATION CONCERNING THE FRoSTA GROUP

BUSINESS MODEL

With 1,778 employees, the FRoSTA Group is active in six countries and produces at three plants in Germany and one in Poland.

The FRoSTA brand is a successful provider of frozen fish, vegetables and ready meals in Germany, Poland, Austria, Italy and Eastern Europe. In Italy, vegetables are marketed under the "La Valle degli Orti" brand. 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, in addition to classic dishes such as nasi goreng 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 is also a production partner for the development and production of high-quality private labels for the European retail and wholesale sectors. For the most part, these concern customer brands. However, the secondary brands Tiko (for fish and ready meals) and Elbtal (for vegetables) are also offered for retailers as required.

The FRoSTA Group generates 57 % of its business in Germany and 43 % abroad.

BRANCH OFFICES

Production at the German locations is organised via the following branch offices:

- FRoSTA AG Werk Bremerhaven
  (formerly F. Schottke Zweigniederlassung der FRoSTA AG)
- FRoSTA AG Werk Bobenheim-Roxheim
  (formerly Rheintal Tiefkühlkost Zweigniederlassung der FRoSTA AG)
- FRoSTA AG Werk Lommatzsch
  (formerly Elbtal Tiefkühlkost Zweigniederlassung der FRoSTA AG)

CONTROL SYSTEM

The 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 economic situation in Germany developed negatively in 2020 for the first time in many years. The global spread of the SARS-CoV-2 virus and the associated measures to contain the pandemic have hit society and the economy hard. According to first calculations by the Federal Statistical Office, the gross domestic product was 5.0% lower in real terms than in the previous year. The consumer price index for Germany steadily declined over the course of 2020, ending December 2020 at -0.3% compared to the previous month. (Source: https://www.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Inlandsprodukt/Tabellen/bip-bubbles.html)

By contrast, the food retail sector in Germany in 2020 is estimated to be 4.1% up on the previous year. (Source: https://www.destatis.de/DE/Themen/Wirtschaft/Grosshandel-Einzelhandel/_inhalt.html).

CHALLENGES OF THE PANDEMIC

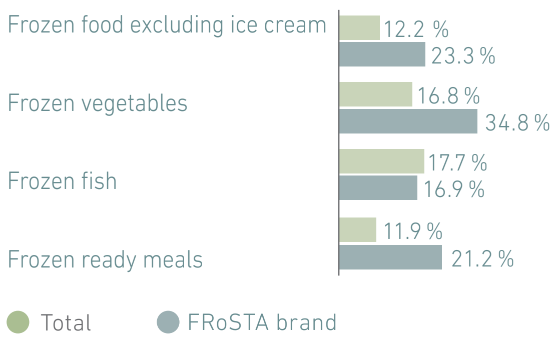
The prevailing economic conditions in the year of the coronavirus pandemic were particularly challenging. The first priority was to protect our employees in the production facilities in order to ensure operational capability. In the areas of sales and administration, it was important to make expeditious and effective use of the modern IT infrastructure in order to give all employees the opportunity to work from home. At the same time, it was necessary to safeguard the international logistical supply of raw materials and packaging materials during this difficult situation. Temporary shutdowns of individual production plants, in some cases even entire markets, as well as temporary border closures resulted in repeated bottlenecks at very short notice. By raising stock levels to cover requirements, sourcing alternative suppliers and substituting materials, it was often only possible to meet the surge in demand at significant additional cost.

THE FROZEN FOOD MARKET IN 2020

The market for frozen foods in the German food retail sector (fish/ready meals/vegetables and herbs) developed exceptionally strongly in 2020, growing in value by 17.7% year-on-year.

The FRoSTA brand again posted double-digit growth and gained 23.3% overall. In all market categories (fish, ready meals, vegetables and herbs), FRoSTA contributed with double digit growth rates to the positive segment development. (Source: Nielsen YTD Dec 2020).

Food retail sector in Germany Basis YTD Dec 20
Performance in % (2020 vs 2019)



The Italian frozen food market also posted relatively strong growth of 14.2% in 2020 compared with the previous years. Against this backdrop, FRoSTA's brand business with the brands FRoSTA (fish and ready meals) and La Valle degli Orti "LVDO" (vegetables) grew by as much as 23.5% and increased its market share by 0.2 percentage points. (Source: IRi YTD Nov 2020).

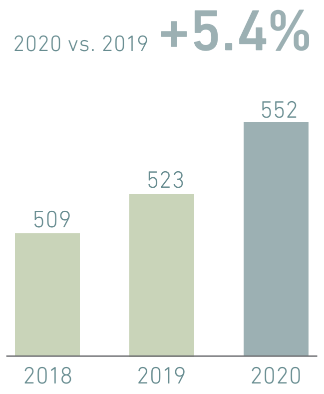
No detailed market data are available for the countries in Eastern Europe. However here, too, we saw exponential growth due to the coronavirus pandemic and were able to grow business with our FRoSTA brand.

BUSINESS DEVELOPMENT, RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION[1]

DEVELOPMENT OF SALES

Consolidated sales of FRoSTA AG increased by 5.4% to EUR 551.8m in the reporting year.

CONSOLIDATED SALES



While out-of-home business, which caters to restaurant and wholesale customers, declined due to the extensive lockdown periods, brand business posted double-digit growth in all markets.

Business in the private label segment saw a slight decline in the reporting period, as we were not always able to match our customers' price expectations.

Sales performance in the Home Delivery segment also rose in 2020.

RESULTS OF OPERATIONS

Consolidated net income for the year increased significantly in 2020 to EUR 25.1m. The sharp rise in material costs in the last four months of 2019 had already led to unavoidable price increases and therefore no longer had a negative impact on 2020 earnings.

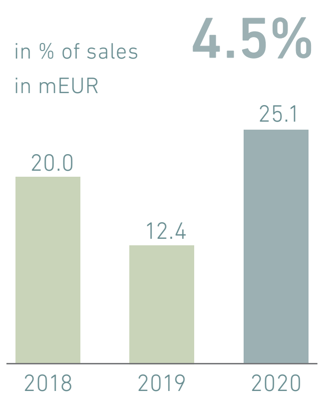
The Italian brand business contributed a positive amount of EUR 1.9m to consolidated earnings although advertising costs remained high.

Despite additional corona safeguards and expensive weekend shifts, the production plants were able to considerably improve their cost structures. The new production lines commissioned in the previous years were ramped up to the planned output levels. A LEANER, SMARTER & GREENER programme has significantly strengthened collaboration between production and technology, increased the involvement of line employees in the continuous improvement of workflows and is beginning to produce results in all plants. Thanks to increased capital expenditure on digitalisation, amortisation/depreciation remained at a high level.

An additional one-time effect of EUR 1.0m arose from the complete write-down of the "Mare Fresco" brand. The brand was discontinued in the course of 2020 because sales of the fish brand, which was acquired by Nestlé in 2017, were transferred entirely to the FRoSTA brand.

Overall, at 4.5% of sales, net income is in line with the forecast in the half-year report.

CONSOLIDATED NET INCOME FOR THE FINANCIAL YEAR

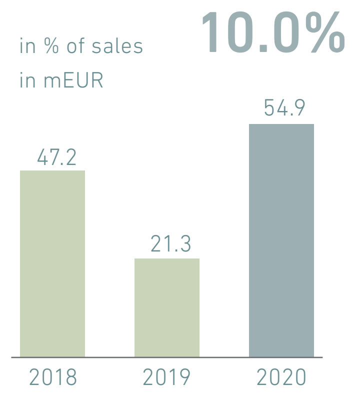


NET ASSETS AND FINANCIAL POSITION

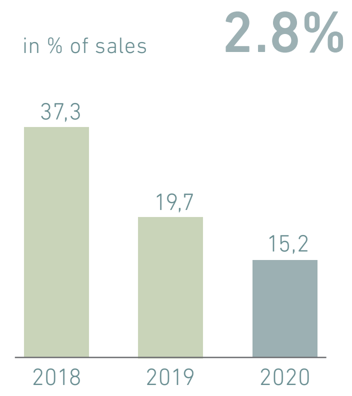
In the 2020 financial year, cash flow from operating activities increased to EUR 54.8m, which is equivalent to 10% of sales.

[1] In contrast to subsequent years, all figures for the 2018 financial year were based on IFRS accounting principles and are therefore only comparable to a limited extent.

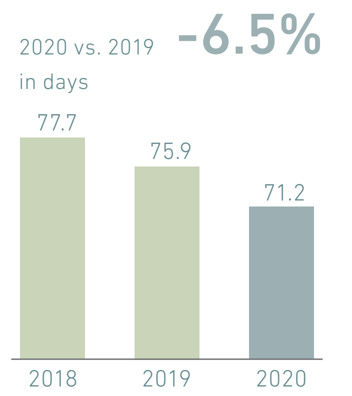
CASH FLOW FROM OPERATING ACTIVITIES



CAPITAL EXPENDITURE



Working Capital



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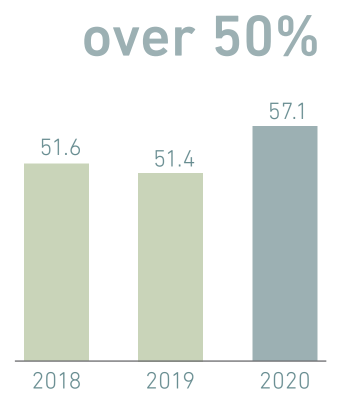


Despite increased sales, working capital was further reduced. The amount of tied-up working capital was reduced by 6.2% to 71.2 days. FRoSTA's working capital is calculated by adding inventories and receivables from customers, less trade payables.

Key account management worked very closely with all customers in order to prevent any corona-related receivables defaults in the out-of-home business. The increase in stock levels of critical raw materials was more than offset by optimising the stock mix. Trade payables were reduced through short-term sourcing of alternative suppliers as well as through lower capital expenditure.

The investment volume was lower than in the previous years, since the necessary capacity increases in the production facilities have been completed for the time being. Investing activities in the reporting year focused mainly on digitalisation.

The improved liquidity situation was utilised to repay short-term money market loans and parts of the asset-backed security programme. In addition, the Company has unutilised committed credit lines of EUR 18.1m at its disposal.

The equity ratio is an important benchmark for the Group's economic independence and was expanded in the reporting year to 57.1%.

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

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 FRoSTA segment accounts for EUR 306.9m of total sales, which equates to growth of 13.5% year-on-year. Due to the coronavirus pandemic, out-of-home business unfortunately did not contribute to sales growth, and posted a loss of 28.3%.

FRoSTA AG's brand business was up by 27.2% overall. The Home Delivery and industrial business recorded an increase of 41.2% in this extraordinary year.

Overall, capital expenditure on advertising and market activities was at the previous year's level across all countries. Buoyed by this strong growth, the Group reported a significantly improved year-end result.

COPACK SEGMENT

The COPACK operating segment comprises our private label business sales channels with food retailers in Europe and generated sales of EUR 245m in the 2019 financial year. This is a decline of 3.2% compared with 2019. In the case of some contracts, we were not always able to match the price expectations of our private label customers, leading to a corresponding loss in volumes. The year-end result in this segment is nevertheless slightly positive.

PRODUCTION AND TECHNOLOGY

The production volume increased by 4.8% compared with 2019 due mainly to the good market development and the build up of stock levels for the beginning of the new business year.

The LEANER, SMARTER & GREENER programme introduced in the production plants at the end of 2019 already showed first positive results in the reporting year with over 60 improvement projects. Downtimes were reduced by 1.9 percentage points in total and the output per personnel hour was increased by 3.3%.

By shutting down uneconomical "energy guzzlers" and increasingly switching to "green" electricity, FRoSTA AG managed to lower CO_2 emissions across all plants by 14.7% to 46,235 t CO_2e. Specific consumption per tonne (CO_2e/t of finished products) was even reduced by 22.1% due to the good employment rate.

All production facilities are successfully certified in accordance with ISO 50001 (energy management).

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

EMPLOYEES AND ORGANISATION

EMPLOYEE NUMBERS

The average number of employees decreased by 74 in the reporting year, 56 of whom had already left by the end of 2019.

At 1,778, the number of employees again reached the level of 2018.

Employees

	2019	2020
FRoSTA head office	**428**	**440**
Administration	262	271
Sales	166	169
FRoSTA production facilities	**1,424**	**1,338**
Bremerhaven	582	521
Bydgoszcz	500	463
Lommatzsch	198	192
Bobenheim-Roxheim	144	162
Group Total	**1,852**	**1,778**

Total personnel expenses including social security benefits increased by 4.5% in 2020 to a level of EUR 79.0m.

WOMEN IN MANAGEMENT POSITIONS

We intend to continue raising the proportion of women in management positions. In the reporting year, the proportion of women in first-level management below executive level remained unchanged at 22%, and in second-level management showed a slight decline to 38% (2019: 45%). Overall, women made up 37.3% of the workforce in 2020, an increase of 0.7% compared to the previous year. The goal is to raise the proportion of women also in senior management positions over time through higher levels of female participation in our management trainee programme.

Our long-term goal is to achieve a balanced gender ratio at all management levels, including the Executive Board and the Supervisory Board.

HEALTH MANAGEMENT AND PROTECTIVE MEASURES AGAINST THE CORONAVIRUS

The occupational health management system was introduced at all FRoSTA locations in 2019. We use comprehensive interviews and targeted measures (also in collaboration with statutory health insurance providers) to continuously improve the daily stress levels of our employees. In the corona year 2020, one of the main focuses was protecting our employees in all departments. While employees in the areas of sales and administration were given the opportunity to work at least partly from home on mobile devices, in production strict social distancing measures were introduced. With the help of staggered shift schedules, temperature measurement at the door, mandatory wearing of protective facemasks, plexiglass screens between workplaces and in communal spaces, as well as regular radar tests, no effort was spared to offer the workforce the best possible protection.

DIGITALISATION AND TRAINING

In early 2020, we rolled out the extended HR module for SAP SuccessFactors at all locations. Improved master data management combined with modern workflow software greatly facilitates absence management and planning. Parallel to this, even under coronavirus conditions we were able to offer our employees a comprehensive programme of virtual training.

EMPLOYEE SHARE PROGRAMME

In 2020, our employees again had the option to participate in our employee share programme and purchase employee shares at preferential conditions.

A total of 450 buyers (2019: 385) took part in the campaign and acquired 25,842 shares between them (2019: 18,375). Employees were offered two options to purchase shares. To motivate as many employees as possible to share in the Company's ownership, the first offer (limited to 50 shares) had an issue price of EUR 16.50. A total of 19,127 shares were acquired. In the second offer (limited to a maximum of 950 shares depending on seniority), additional shares could be purchased at the special price of EUR 48.75, with a take-up of 6,713 shares in the reporting year. Total costs for the programme in 2020 amounted to kEUR 994 (2019: kEUR 746), which are recognised in personnel expenses.

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

APPROPRIATION OF CONSOLIDATED NET PROFIT

The separate financial statements of FRoSTA AG remain the basis for determining the dividend amount.

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

Consequently, 21.8% of the consolidated net income for the year before tax will be distributed as a net dividend and 38.4% paid as taxes, with 39.8% being retained by the Company..

Appropriation of profits 2020

	mEUR	Anteil
Current company taxes	11.2	
Capital gains tax including solidarity surcharge on dividends	2.9	
Total taxes	**14.1**	**38.4 %**
Net dividend	**8.0**	**21.8 %**
Retained by the Company	**14.6**	**39.8 %**
Consolidated profit before tax	36.7	100.0 %

THE FRoSTA SHARE

Since March 2017, the FRoSTA share has been traded in the Open Market segment of the Frankfurt Stock Exchange. The FRoSTA share developed positively in 2020: in December 2020, the share price was at EUR 72.60, which was 23.1% higher than at the previous year's reporting date.

Key data of the FRoSTA share

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

Key figures for the FRoSTA share

	2019	2020
Share capital (mEUR)	17.4	17.4
Number of shares (in thousands)	6,813	6,813
Equity carried in the consolidated balance sheet (mEUR)	165.1	175.9
Equity per share (EUR)	**24.23**	**25.81**
Share price at year-end (EUR)	59.00	72.60
Year high (EUR)	64.50	74.80
Year low (EUR)	51.50	48.80
Trading volume in 1,000 shares	562,468	576,461
P/E ratio (price at year-end/profit per share)	**32.42**	**19.73**
Dividend proposal (payout per share) EUR	1.60	1.60
Dividend yield (dividend/price at year-end)	**2.7 %**	**2.2 %**
Consolidated profit for the year (mEUR)	12.4	25.1
Net profit for the year per share (EUR)	**1.82**	**3.68**

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

Overall, the financial position of the FRoSTA Group developed positively in the completed financial year.

SUSTAINABILITY, ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

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

In condensed form, we also provide information in this management report on the environment (see page 20 (Production)), employees (see page 20), corruption/bribery (see page 24 (Risk Management)), human rights (see page 24 (Procurement market risks)) and, in the following section, on our social commitment.

Since 2015, we have spent 2% of the dividends from the previous year on social projects in Germany and abroad. We are involved in social projects at our four production sites and in the countries where we source our ingredients. We continued to support our project with the children's aid organisation PLAN International, which is designed to assist young people in Ecuador with securing an existence. In 2020, around 200 budding entrepreneurs received enterprise skills training and access to microcredits. The project thus supports the young people in developing and implementing their own business ideas. Since we became involved in the project in Ecuador, five youth-run start-ups have been established, which FRoSTA continues to support. These are bakeries and small farms, whose products are supplied to sometimes remote and difficult-to-access regions by bicycle. Particularly noteworthy is the fact that during the pandemic the youths have made over 11,000 facemasks and like this have played a part in providing PLAN Hygiene Kits to public institutions.

REPORT ON OPPORTUNITIES AND RISKS

INTERNAL CONTROL SYSTEM

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

The most important internal control variables are sales growth and profitability.

These performance figures and their respective drivers are examined, analysed and discussed in the relevant departments on the basis of financial controlling reports drawn up in daily, weekly and monthly cycles. The objective is to continuously work on improving the results and at the same time to introduce early measures to counter potential negative developments.

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

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

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

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

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

RISK MANAGEMENT SYSTEM

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

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

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

Under the guidance of our Compliance core team, we have developed a Code of Conduct for all employees of FRoSTA AG which is aimed at raising awareness among the workforce for how they interact with one another, their conduct towards third parties and when handling data. This Code of Conduct will be presented by the Executive Board in the first quarter of 2021 and distributed to all employees by their supervisors. Furthermore, at the beginning of 2020, face-to-face compliance training was carried out in the particularly sensitive areas of Purchasing and Sales, which it is planned to repeat in a two-yearly rhythm in 2022. A senior management executive training course is planned for early 2021, aimed at sensitising leaders to their role model function and responsibility.

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

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

RISKS AND OPPORTUNITIES

PROCUREMENT MARKET

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

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

We purchase raw materials from over 30 different countries, including the BSCI risk countries. We thus bear our share of responsibility for the working conditions at our suppliers, as well as for the respect for human rights. Our Code of Conduct, which every supplier must sign, regulates working conditions and insists on compliance with those conditions. It is also required for suppliers from BSCI risk countries and checked by means of social audits. 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).

No breaches of our Code of Conduct became known in 2020. In order to gain a first-hand idea of working conditions at our suppliers and minimise the risk of noncompliance, we intend to continue to conduct internal, unannounced social audits in 2021.

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

The risk of 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 including distribution and/or production partners where appropriate. We have attempted to limit the concrete risk posed by Brexit by agreeing on future terms and conditions with our customers from an early date.

The frozen food market is subject to constant change. Our competitors might respond to product trends more quickly or gain technological leads. In close cooperation with our Product Development department, we conduct intensive research to identify market trends. This enables us to produce innovative product concepts in response to changes or even to initiate changes ourselves within the market.

The FRoSTA brand offers the opportunity for further sustainable growth based on the Purity 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 also available at very short notice thanks to long-standing partnerships with banks. By exercising alternative forms of financing such as selling receivables through asset-backed securities (ABS), 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.

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

In assessing the overall risk situation, we can state that from today's perspective there are no risks jeopardising the continued existence of FRoSTA AG and that there are no risks identified at the present time that could threaten the continued existence of FRoSTA AG for the future.

FORECAST

In the ongoing coronavirus pandemic and current lockdown phase, we expect to continue to see increased demand for frozen food in the retail food market and home delivery services for some time to come. Similarly, we are also likely to continue to sustain losses in out-of-home business. All in all, based on the current situation, we are anticipating slightly positive growth up to the end of lockdown. However, it remains uncertain how demand patterns and the general economic conditions will develop in the further course of the year. We anticipate that there will initially be a higher-than-average surge in out-of-home consumption and that consumer spending in the food retail sector will decline as a result. From the current (working from home) discussion, we can infer that compared to pre-pandemic consumer behaviour, demand for frozen food is likely to be up.

From today's perspective, sales growth and net profit in % of sales are expected to be in the mid-single-digit range.

We will continue to focus strongly on enhancing service and quality and on developing additional innovations in order to further grow our business.

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

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

Bremerhaven, February 2021

The Executive Board

ANNUAL FINANCIAL STATEMENTS OF THE FRoSTA GROUP

CONSOLIDATED INCOME STATEMENT OF FRoSTA AG

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

Consolidated Income Statement of FRoSTA AG (in kEUR)

		2019	2020	Impact on profit/loss
1.	**Sales**	**523,392**	**551,749**	**5.4%**
2.	Increase in finished goods inventories and work in progress	1,266	4,384	>100.0%
3.	Other own work capitalised	56	128	>100.0%
4.	Other operating income – of which from currency translation: kEUR 5,670 (2019: kEUR 2,647) -	7,348	9,323	26.9%
5.	Cost of materials			
	a) Cost of raw materials, consumables and supplies and of purchased merchandise	-316,944	-320,308	-1.1%
	b) Cost of purchased services	-11,567	-11,796	-2.0%
		-328,511	**-332,104**	**-1.1%**
6.	Personnel expenses			
	a) Wages and salaries	-63,121	-66,667	-5.6%
	b) Social security, post-employment and other employee benefit costs – of which in respect of post-employment benefits: kEUR 39 (2019: kEUR 78)	-12,461	-12,290	1.4%
		-75,582	**-78,957**	**-4.5%**
7.	Amortisation and write-downs of intangible fixed assets, depreciation and write-downs of tangible fixed assets	-16,360	-18,495	-13.1%
8.	Other operating expenses – of which from currency translation: kEUR 6,015 (2019: kEUR 2,755)	-94,967	-98,943	-4.2%
9.	**Operating result**	**16,642**	**37,085**	**>100.0%**
10.	Income from long-term equity investments	566	115	-79.7%
11.	Other interest and similar income	184	51	-72.3%
12.	Interest and similar expenses – of which from unwinding the discount kEUR 41 (2019: kEUR 56) -	-625	-563	9.9%
13.	Taxes on income	-3,747	-11,219	>-100.0%
14.	Earnings after taxes	13,020	25,469	95.6%
15.	Other taxes	-590	-385	34.7%
16.	**Net income for the year**	**12,430**	**25,084**	**>100.0%**
17.	Withdrawals from other revenue reserves	5,680	0	>-100.0%
18.	**Net retained profits**	**18,110**	**25,084**	**38.5%**

CONSOLIDATED BALANCE SHEET OF FRoSTA AG – ASSETS

AS AT 31 DECEMBER 2020

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

	2019	2020	Change
A. FIXED ASSETS			
I. Intangible fixed assets			
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	12.234	11.334	-7,4%
II. Tangible fixed assets			
1. Land, land rights and buildings	36.307	34.278	-5,6%
2. Technical equipment and machinery	65.265	59.856	-8,3%
3. Other equipment, operating and office equipment	14.093	15.457	9,7%
4. Prepayments and assets under construction	2.808	4.347	54,8%
	118.473	**113.938**	-3,8%
III. Long-term financial assets			
1. Shares in affiliated companies	141	152	7,8%
2. Other long-term equity investments	18	18	0,0%
3. Long-term securities and shares in cooperatives	6	6	0,0%
	165	**176**	6,7%
	130.872	**125.448**	**-4,1%**
B. CURRENT ASSETS			
I. Inventories			
1. Raw materials, consumables and supplies	38.664	37.311	-3,5%
2. Work in progress	16.421	20.732	26,3%
3. Finished goods and merchandise	33.216	31.065	-6,5%
	88.301	**89.108**	**0,9%**
II. Receivables and other assets			
1. Trade receivables	75.633	69.349	-8,3%
2. Receivables from affiliated companies	1	1	0,0%
3. Other assets	11.118	6.111	-45,0%
	86.752	**75.461**	-13,0%
III. Cash-in-hand, bank balances and cheques	14.666	17.018	16,0%
	189.719	**181.587**	**-4,3%**
C. PREPAID EXPENSES	**720**	**755**	**4,9%**
D. EXCESS OF PLAN ASSETS OVER POST-EMPLOYMENT BENEFIT LIABILITY	**98**	**88**	**-10,2%**
	321.409	307.878	-4,2%

CONSOLIDATED BALANCE SHEET OF FRoSTA AG – – EQUITY AND LIABILITIES

AS AT 31 DECEMBER 2020

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

	2019	2020	Change
A. EQUITY			
I. Issued capital			
1. Subscribed capital	17,440	17,440	0.0 %
2. Treasury shares	-27	0	100.0%
	17,413	**17,440**	**0.2%**
II. Capital reserves	11,447	11,447	0.0%
III. Revenue reserves			
1. Legal reserve	235	235	0.0%
2. Other revenue reserves	118,172	126,030	6.6%
3. Currency translation differences	-300	-4,375	>100.0%
	118,107	**121,890**	**3.2%**
IV. Net retained profits	18,110	25,084	38.5%
	165,077	**175,861**	6.5%
B. PROVISIONS			
1. Provisions for pensions and similar obligations	750	868	15.7%
2. Provisions for taxes	2,318	4,377	88.8%
3. Other provisions	35,308	39,374	11.5%
	38,376	**44,619**	16.3%
C. LIABILITIES			
1. Liabilities to banks	55,698	28,790	-48.3%
2. Trade payables	55,195	50,866	-7.8%
3. Liabilities to affiliated companies	-7	0	100.0%
4. Other liabilities - of which taxes: kEUR 846 (2019: kEUR 774) -	7,070	7,742	9.5%
	117,956	**87,398**	**-25.9%**
	321,409	307,878	-4.2%

CONSOLIDATED STATEMENT OF CASH FLOWS OF FRoSTA AG

FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

Consolidated statement of cash flows FRoSTA AG (in kEUR)

	2019	2020
Consolidated net income before tax	16,176	36.303
Depreciation and amortisation of fixed assets	16,360	18.495
Interest income	-184	-51
Interest expense	625	563
Decrease/increase in long-term provisions	-21	593
Losses on disposal of fixed assets	-24	-84
Other non-cash income and expenses	2,074	-2.560
Interest paid	-524	-520
Interest received	119	-
Income taxes paid	-11,878	-10.150
Income taxes received	2,561	5.082
Increase in current provisions	456	937
Decrease in other assets not attributable to investing or financing activities	3,420	938
Decrease/increase in other liabilities not attributable to investing or financing activities	-9,447	4.223
Cash flow before change in working capital	**19,713**	**53.769**
Decrease in inventories and trade receivables	7,497	5.402
Decrease in trade payables	-5,980	-4.329
Change in working capital	**1,517**	**1.073**
Cash flow from operating activities	**21,230**	**54.842**
Proceeds from disposal of fixed assets	31	10
Proceeds from the disposal of long-term financial assets	-	-
Purchase of tangible fixed assets	-17,666	-13.896
Purchase of intangible fixed assets	-1,992	-1.238
Purchase of long-term financial assets	-40	-10
Cash flow from investing activities	**-19,667**	**-15.134**
Purchase of treasury shares	-1,789	-996
Proceeds from disposal of treasury shares	1,224	1.632
Dividends to shareholders	-10,885	-10.867
Proceeds from obtaining bank loans	-	-
Repayments of bank loans	-7,258	-6.873
Increase/decrease in other liabilities to banks	20,743	-20.035
Cash flow from financing activities	**2,035**	**-37.139**
Effect of translation differences on cash and cash equivalents	23	-217
Net change in cash and cash equivalents	3,598	2.569
Cash and cash equivalents at beginning of period	11,045	14.666
Cash and cash equivalents at end of period	**14,666**	**17.018**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF FROSTA AG

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

				Other retained earnings				
	Sub-scribed capitall	**Treasury shares**	**Capital reserves**	**Currency translation differences**	**Legal reserve**	**Other revenue reserves**	**Consoli-dated net retained profits**	**Equity**
As at 01 January 2019	**17,440**	**-2**	**11,447**	**-842**	**235**	**114,661**	**20,617**	**163,555**
Dividends paid							-10,885	-10,885
Acquisition of treasury shares		-77				-1,712		-1,789
Employee share programme		52				1,172		1,224
Appropriation to / withdrawal from revenue reserves					0	4,051	-4,051	0
Currency translation differences				543				543
Impact on income								0
Consolidated profit/loss for the financial year							12,429	12,429
As at 31 December 2019	**17,440**	**-27**	**11,447**	**-300**	**235**	**118,172**	**18,110**	**165,077**
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 translation differences				-4.075				-4,075
Impact on income								0
Consolidated profit/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**

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS 2019/2020

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

	Purchase and production costs						Cumulative depreciation, amortisation and write-downs					Net carrying amount	
	as at 01.01.2019	Currency translation differences	Addi-tions	Dispo-sals	Reclassi-fications	as at 31.12.2019	as at 01.01.2019	Wechsel-kurseffekte	Additions	Dispo-sals	as at 31.12.2019	as at 31.12.2019	as at 31.12.2018
I. Intangible fixed assets													
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	23,995	-1	1,992	0	1,451	27,439	14,060	0	1,145	0	15,205	12,234	9,935
	23,995	**1**	**1,992**	**0**	**1,451**	**27,439**	**14,060**	**0**	**1,145**	**0**	**15,205**	**12,234**	**9,935**
II. Tangible fixed assets													
1. Land, land rights and buildings	98,614	156	2,497	49	528	101,746	62,691	44	2,734	30	65,439	36,307	35,923
2. Technical equipment and machinery	201,238	300	9,973	2,824	2,762	211,449	139,340	150	9,510	2,816	146,184	65,265	61,898
3. Other equipment, operating and office equipment	56,979	27	2,632	476	363	59,525	42,908	12	2,971	459	45,432	14,093	14,071
4. Prepayments and assets under construction	5,343	5	2,564	0	-5,104	2,808	0	0	0	0	0	2,808	5,343
	362,174	**488**	**17,666**	**3,349**	**-1,451**	**375,528**	**244,939**	**206**	**15,215**	**3,305**	**257,055**	**118,473**	**117,235**
III. Long-term financial assets													
1. Shares in affiliated companies	314	0	40	0	0	354	213	0	0	0	213	141	101
2. Other long-term equity investments	194	0	0	0	0	194	176	0	0	0	176	18	18
3. Long-term securities and shares in cooperatives	28	0	0	0	0	28	22	0	0	0	22	6	6
	536	**0**	**40**	**0**	**0**	**576**	**411**	**0**	**0**	**0**	**411**	**165**	**125**
	386,705	489	19,698	3,349	0	403,543	259,410	206	16,360	3,305	272,671	130,872	127,295

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

	Purchase and production costs						Cumulative depreciation, amortisation and write-downs					Net carrying amount	
	as at 01.01.2020	Currency translation differences	Addi-tions	Dispo-sals	Reclassi-fications	as at 31.12.2020	as at 01.01.2020	Currency translation differences	Additions	Dispo-sals	as at 31.12.2020	as at 31.12.2020	as at 31.12.2019
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	15,205	-16	2,503	0	17,692	11,334	12,234
	27,439	**-23**	**1,238**	**0**	**372**	**29,026**	**15,205**	**-16**	**2,503**	**0**	**17,692**	**11,334**	**12,234**
II. Tangible fixed assets													
1. Land, land rights and buildings	101,746	-1,161	1,345	278	242	101,894	65,439	-366	2,737	194	67,616	34,278	36,307
2. Technical equipment and machinery	211,449	-2,265	4,912	876	775	213,995	146,184	-1,244	10,071	872	154,139	59,856	65,265
3. Other equipment, operating and office equipment	59,525	-227	3,513	2,540	1,157	61,428	45,432	-113	3,184	2,532	45,971	15,457	14,093
4. Prepayments and assets under construction	2,808	-41	4,126	0	-2,546	4,347	0	0	0	0	0	4,347	2,808
	375,528	**-3,694**	**13,896**	**3,694**	**-372**	**381,664**	**257,055**	**-1,723**	**15,992**	**3,598**	**267,726**	**113,938**	**118,473**
III. Long-term financial assets													
1. Shares in affiliated companies	354	0	11	0	0	365	213	0	0	0	213	152	141
2. Other long-term equity investments	194	0	0	0	0	194	176	0	0	0	176	18	18
3. Long-term securities and shares in cooperatives	28	0	0	0	0	28	22	0	0	0	22	6	6
	576	**0**	**11**	**0**	**0**	**587**	**411**	**0**	**0**	**0**	**411**	**176**	**165**
	403,543	-3,717	15,145	3,694	0	411,277	272,671	-1,739	18,495	3,598	285,829	125,448	130,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2020 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 2020 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 2019 are stated for all line items of the financial statements.

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

The consolidated 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, FRoSTA Aktiengesellschaft has voluntarily prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs), as they are applied in the EU. Since the Company's shares are not listed on an organised market within the meaning of Section 2 (11) of the German Securities Trading Act (Wertpapierhandelsgesetz), the Company is not obliged to prepare consolidated financial statements in accordance with IFRSs.

The Company's Executive Board and Supervisory Board have opted to no longer voluntarily apply IFRSs when drawing up group accounts and to revert to preparing the consolidated financial statements as at 31 December 2020 in accordance with the provisions of the German Commercial Code (HGB).

In order to ensure comparability between the reporting year and the previous year, the information in the consolidated financial statements was determined retrospectively applying German GAAP (HGB) accounting policies as if the Company had always prepared HGB consolidated financial statements.

Notes on the main differences in accounting policies and measurement methods between IFRS financial reporting applied to date and HGB financial reporting:

At the time of first-time adoption of IFRSs as a basis for preparing the consolidated financial statements for the 2005 financial year, tangible fixed assets were remeasured. The remeasurement led to an increase in the carrying amounts of tangible fixed assets (property, plant and equipment – PPE). The increase in the carrying amounts was presented in a revaluation reserve directly in equity. Under HGB, it is not allowed to carry assets at amortised cost. The subsequent measurement of tangible fixed assets (PPE) in accordance with IFRSs is shown in the present financial statements directly in equity through the reversal of the revaluation reserve.

Intangible assets, property plant and equipment and financial assets were disclosed in the previous years' IFRS consolidated financial statements under the heading „A. Non-current assets". This heading also included the item deferred tax assets which, if it is recognised in the HGB consolidated financial statements, is presented as a separate heading. Prepaid expenses were not presented separately in the IFRS consolidated financial statements.

Palettes were recognised in the previous years' IFRS consolidated financial statements under non-current assets subject to systematic depreciation. In the HGB consolidated financial statements, they are carried at fixed value. This is reviewed every three years.

The obligations disclosed on the equity and liabilities side of the balance sheet under the heading „B. Provisions" were presented in the previous years' IFRS consolidated financial statements under the heading „B. Non-current liabilities" and „C. Current liabilities".

The amounts shown under the heading „B.2. Provisions" for taxes were presented in the previous years' IFRS consolidated financial statements under the heading „C. Current liabilities".

The trade payables disclosed in the previous years' IFRS consolidated financial statements under the heading „C. Current liabilities" included obligations from agreements on conditions with customers and contingent liabilities related to outstanding invoices, which are presented in the HGB consolidated financial statements under the heading „B.3. Other provisions".

The liabilities to banks disclosed under the heading „C. Liabilities" were presented in the previous years' IFRS consolidated financial statements depending on the residual term under the heading „B. Non-current liabilities" and „C. Current liabilities".

The consolidation methods remained unchanged compared with the previous years.

To ensure comparability with the last-time financial accounting in accordance with the requirements of IFRSs, reconciliations and notes explaining the main quantitative differences in the balance sheet and income statement are used:

Income statement reconciliation	in kEUR
Consolidated net profit for the year 2019 under IFRS	**12,592**
Adjustments due to the transition to HGB-based financial reporting:	
Depreciation of tangible fixed assets (property, plant and equipment)	2,391
Pallet costs	-1,336
Lease costs	-1,095
Measurement of inventories	-46
Expenses for pensions and similar obligations	148
Expenses for contingent losses from purchase and sale contracts	41
Deferred taxes	5
Measurement of currency hedging transactions / embedded derivatives	-126
Other deviations	-144
Consolidated net income for the year 2019 under HGB	**12,430**

Balance sheet reconciliation	in kEUR
Property plant and equipment shown in the IFRS consolidated financial statements at 31 December 2019	**126,421**
Adjustments due to the transition to HGB-based financial reporting:	
Reversal of adjustments for tangible fixed assets (PPE)	-633
Pallets	-2,608
IFRS 16 (Leases)	-2,173
Deviating useful lives	-2,534
Tangible fixed assets under HGB at 31 December 2019	**118,473**

The adjustment was reversed in the same amount directly in equity in revenue reserves.

CONSOLIDATION

(2) CONSOLIDATION DATE

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

CONSOLIDATION PRINCIPLES

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

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

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

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 2019 (%)	Percentage of capital held in 2020 (%)
Copack Tiefkühlkost-Produktions GmbH	Bremerhaven	100.00	100.00
Copack France S.a.r.l.	Boulogne-Billancourt/France	100.00	100.00
FRoSTA Tiefkühlkost GmbH	Bremerhaven	100.00	100.00
FRoSTA Foodservice GmbH	Bremerhaven	100.00	100.00
FRoSTA CR s.r.o.	Prague/Czech Republic	100.00	100.00
FRoSTA Sp. z o.o.	Bydgoszcz/Poland	100.00	100.00
Tiko Vertriebsgesellschaft mbH	Bremerhaven	100.00	100.00
FRoSTA S.r.l.	Rome/Italy	100.00	100.00
Copack S.r.l.	Rome/Italy	100.00	100.00

The consolidated financial statements for the financial year do not include the following entities whose impact on the Group's net assets, financial position and results of operations is not material:

Companies not included in the consolidated financial statements

Name of entity	Registered seat of entity	Percentage of capital held in 2019 (%)	Percentage of capital held in 2020 (%)	Equity (in kEUR)	Net profit/ loss for 2020 2020 (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	-274	-110
FRoSTA Hungary Kft.	Esztergom/Hungary	100.00	100.00	80	7
Copack Sp. z o.o.	Bydgoszcz/Poland	100.00	100.00	1	0
Columbus Spedition GmbH	Bremerhaven	33.33	33.33	517[2]	[3]

[1] The entity is no longer in business, there are no data available.
[2] Relates to 2019
[3] Data not yet available.

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.

Due to their deduction from the agreed service charge by the customer and the lack of a separate performance obligation, advertising expense allowances are recognised under sales deductions.

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

INTANGIBLE FIXED ASSETS

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

We estimate the useful life of acquired trademark rights to be unlimited. The decisive factor for this is that they are known and established in the Italian market and are expected to continue to be used.

TANGIBLE FIXED ASSETS

Tangible assets are recognised at their purchase or production cost at the time of transfer of economic or legal ownership, reduced, where depreciable, by use-related systematic 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 in the value of assets used for production. The Company does not exercise the option pursuant to Section 255 (3) sentence 2 HGB to recognise interest on borrowings.

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

Depreciation period of property, plant and equipment

	Useful life in years
Buildings	25 – 40
Other constructions	12 – 19
Plant 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.

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

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

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

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

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

In the course of the financial year, the Group undertook a fair value review of the trademark rights acquired in the financial year 2017. The assets in question are assigned to the Group's brand business operating segment. The review led to a write-down in the amount of EUR 1.0m. The fair value of these assets was determined based on a discount rate of 7.5% p.a. (2019: 7.5%).

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

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

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

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

INVENTORIES

(6) Inventories are measured at their purchase or production 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 incidental purchase 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 material costs.

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

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

Write-downs are charged to anticipate identifiable expected losses and for inventory risks arising from excessive storage times or reduced usability. Allowances for finished goods as at the balance sheet date amounted to kEUR 1,148 (2019: kEUR 748) as well as kEUR 510 (2019: kEUR 374) 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 receivables are taken into account through corresponding specific loss allowances. The general credit, interest rate and default risk relating to trade receivables is taken into account through general bad debt allowances. The percentage used to calculate the general bad debt allowance is 1.0.

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

CASH AND CASH EQUIVALENTS

The cash holdings and credit balances at banks are recognised at their nominal value. (8)

PREPAID EXPENSES

Prepaid expenses relate to expenses incurred prior to the reporting date of the financial statements which represent expenditure allocable to future periods. (9)

DEFERRED TAXES

The calculation of deferred taxes is based on the temporary differences between the carrying amounts of balance sheet items from an accounting and tax perspective in accordance with Section 274 HGB. The option to recognise only the 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. (10)

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

Obligations from partial retirement agreements 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 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 provision.

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

	31.12.2019	31.12.2020
Settlement amount of partial retirement benefit obligations	401	341
Fair value of plan assets	436	376
Excess of plan assets over partial retirement obligations	35	35
Cost of plan assets	431	376
Offset expenses	7	4
Offset income	1	4

As the plan assets are assigned on the basis of individual partial retirement obligations, the principle of item-by-item measurement resulted in a provision for partial retirement obligations of kEUR 53 (2019: kEUR 62) as well as an excess of plan assets of kEUR 88 (2019: kEUR 98).

(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 2.31% 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 2.31% (2019: 2.72%) was kEUR 860 in the financial year 2020 (2019: kEUR 750). Applying the 7-year average interest rate pursuant to Section 253 (6) HGB of 1.60% (2019: 1.97%) would have produced a carrying amount of kEUR 863 (2019: kEUR 754).

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 (2019: kEUR 4) 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 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 2020, taking into account an interest rate of 1.60% p.a. and a salary trend of 2.00% p.a., is kEUR 3,196.

Provisions for partial retirement 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.:	1.60%
Salary trend p.a.:	2.00%

The settlement amount of partial retirement obligations is kEUR 341. This is offset against assets with a value of kEUR 376, which serve exclusively to cover the partial retirement obligations (plan assets). The cost of plan assets amounts to kEUR 376. In this connection, income from plan assets in the amount of kEUR 4 was offset in the income statement against the interest cost of partial retirement provisions in the amount of kEUR 4.

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 (15)

Currency forwards, options contracts and interest rate swaps

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)

		31.12.2019		31.12.2020	
Financial instrument	**Type**	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**
Currency forwards	Purchase kUSD	36,714	-659	38,799	-975

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) TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

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.

Foreign 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.	
	2019	**2020**	**2019**	**2020**
Polish zloty	4.2980	4.4429	4.2597	4.5566
Czech koruna	25.671	26.453	25.407	26.242

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 2020 amounted to kEUR 697 (2019: kEUR 815).

The share of tangible fixed assets located abroad, primarily in Poland, in the net carrying amount as at 31 December 2020 amounted to kEUR 27,175 (2019: kEUR 30,293).

Investment grants and subsidies received in the financial year reduced the net carrying amounts by kEUR 1,313 (2019: kEUR 1,466).

The reversal of investment grants and subsidies of kEUR 153 (2019: kEUR 257) directly reduced gross depreciation/amortisation.

The value of recognised transport pallets was fixed at kEUR 421 (2019: 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)

	31.12.2019	31.12.2020
Raw materials, consumables and supplies	38,664	37,311
Unfinished goods	16,421	20,732
Finished goods and merchandise	33,216	31,065
Inventories	**88,301**	**89,108**

RECEIVABLES AND OTHER ASSETS (20)

As at 31 December 2020, trade receivables of kEUR 15,014 (2019: kEUR 25,023) were sold in asset-backed security transactions. The sale of the receivables made funds amounting to kEUR 11,960 available at an earlier date. Conversely, charges of kEUR 201 were incurred.

Receivables and other assets (in kEUR)

	31.12.2020	residual term more than 1 year
Trade receivables (previous year)	69,349 (75,633)	0 (0)
Other receivables and other assets (previous year)	6,112 (11,119)	155 (181)
Receivables and other assets (previous year)	**75,461 (86,752)**	**155 (181)**

(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% (2019: 30.66%). The items under Section 306 HGB were combined with the items under Section 274 HGB.

Deferred tax assets and liabilities (in kEUR)	31.12.2019		31.12.2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible fixed assets	6	174	5	77
Tangible fixed assets	308	21	301	100
Inventories	4	0	0	8
Trade receivables	7	0	12	0
Provisions for pensions	199	0	208	0
Other provisions	450	0	591	0
Trade payables	0	17	0	14
Other liabilities	399	0	503	0
Total	**1,373**	**212**	**1,620**	**199**
Netting	-212	-212	-199	-199
Balance	**1,161**	**0**	**1,421**	**0**

The 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 2020, 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 17 July 2020, a dividend was distributed to shareholders in the amount of EUR 10,867,044.80 from the recognised net retained profits of EUR 10,882,884.80. This necessitated a withdrawal from revenue reserves in the amount of EUR 5,680,101.53. 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 609).

No bearer treasury shares were recognised in equity as at the balance sheet date. This results from the following purchase and sales transactions:

In addition to the 10,795 treasury shares with a nominal value of EUR 27,635.20 acquired in a share buyback between 11 April 2019 and 01 August 2019, FRoSTA AG acquired a further 15,047 treasury shares in a share buyback between 06 April 2020 and 23 October 2020. This corresponds to a nominal amount of EUR 38,520.32, or 0.22% of the share capital. This cost the Company EUR 995,456.00, which equates to a weighted average price of EUR 66.16 per share.

FRoSTA AG subsequently sold 25,842 no-par value bearer treasury shares under an employee share programme. This corresponds to a nominal amount of EUR 66,155.52 or 0.38% of the share capital as at 31 December 2020. For these shares, FRoSTA AG received a total of EUR 638,105.00 to be used as it sees fit. The Company did not issue shares to employees at management level as part of a bonus scheme.

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.

(23) OTHER PROVISIONS

Other provisions can be broken down as follows

Other provisions (in kEUR)	31.12.2020
Provision for jubilee benefits	3,196
Provision for partial retirement obligations	53
Provision for restructuring	1,428
Provision for bonuses	4,302
Provision for unused vacation time	1,737
Provision for flexitime, annual working hours and shift leave	1,936
Provision for profit-sharing	506
Provision for outstanding invoices	6,205
Provision for payment differences	535
Provision for obligations from sales-related agreements on terms and conditions	16,984
Provision for debt collection commissions	402
Provision for tax consultancy	164
Provision for costs relating to preparation of the annual financial statements	130
Provision for remuneration of the Supervisory Board	168
Provision for expected losses from purchase and sale contracts	284
Other provisions	1,344
Total	39,374

(24) LIABILITIES

Liabilities (in kEUR)

	Total amount	due within		
		up to 1 year	more than 1 year	thereof more than 5 years
Liabilities to banks	28,790	18,371	10,419	626
(previous year)	(55,698)	(38,868)	(14,810)	(2,020)
Trade payables	50,866	50,866	0	0
(previous year)	(55,195)	(55,195)	(0)	(0)
Other liabilities	7,742	7,742	0	0
(previous year)	(7,070)	(7,070)	(0)	(0)

The liabilities to banks are guaranteed by mortgages amounting to kEUR 5,223 (2019: kEUR 6,852) and similar rights amounting to kEUR 167 (2019: kEUR 389).

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)

	2019	2020	Change in %
Germany	299,740	319,407	6.6
Outside Germany	223,651	232,342	3.9
Sales	523,392	551,749	5.4

Sales by product groups (in kEUR)

	2019	2020	Change in %
Fish	238,035	253,763	6.6
Fruit and vegetables	136,750	150,479	10.0
Ready meals and other products	148,607	147,507	-0.7
Sales	523,392	551,749	5.4

(26) INCOME AND EXPENSES OF AN EXCEPTIONAL NATURE OR SIGNIFICANCE

In the financial year 2020, expenses of an exceptional nature or exceptional significance amounting to kEUR 3,284 were incurred. The exceptional expenses result from restructuring expenses and the amortisation of trademark rights.

(27) OTHER OPERATING INCOME

Other operating income includes prior-period income amounting to kEUR 1,294 (2019: kEUR 2,251) as well as income from currency translation amounting to kEUR 5,670 (2019: kEUR 2,647). Prior-period income mainly relates to the reversal of personnel provisions and other provisions.

PERSONNEL EXPENSES (28)

Personnel expenses (in kEUR)

	2019	2020
Wages and salaries	62,374	65,673
Social security contributions	12,384	12,251
Post-employment benefit costs	78	39
Costs of share-based payments	746	994
Personnel expenses	75,582	78,957

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

OTHER OPERATING EXPENSES (29)

Other operating expenses includes prior-period expenses amounting to kEUR 877 (2019: kEUR 737) as well as expenses from currency translation amounting to kEUR 6,015 (2019: kEUR 2,755).

Prior-period expenses can be broken down as follows:

Prior-period expenses (in kEUR)	
Fire damage unpacking hall	103
Wage tax and pension insurance audits	67
Contribution to the Chamber of Industry and Commerce (IHK)	24
Not received supplier bonus	109
Customer promotion discount	56
Penalties	26
Outstanding cost accounts in Italy	218
Other	274
Total	877

INCOME FROM LONG-TERM EQUITY INVESTMENTS

Income from long-term equity investments amounting to kEUR 116 (2019: kEUR 566) relates to income from the investment in Columbus Spedition GmbH. As in the previous year, this is income from affiliated companies.

(30) INTEREST AND SIMILAR EXPENSES

The interest cost of provisions for pensions and jubilee benefits amounted to kEUR 41 (2019: kEUR 47) in the 2020 financial year. Income from plan assets amounting to kEUR 4 (2019: kEUR 1) was offset against interest expense from the partial retirement obligation amounting to kEUR 4 (2019: kEUR 7).

(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)

	2019	2020
Current taxes Germany	909	7,718
Current foreign taxes	2,698	3,326
Current taxes for the financial year	**3,607**	**11,044**
Taxes for prior periods	140	175
Taxes on income	**3,747**	**11,219**
Deferred taxes	**0**	**0**
Tax expense	3,747	11,219

CASH AND CASH EQUIVALENTS

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:

- Dirk Ahlers, businessman, Hamburg, until 17 July 2020 Chairman of the Supervisory Board, thereafter Vice Chairman, former Chairman of the Executive Board
- Volker Kuhn, businessman, London, until 17 July 2020 Vice Chairman of the Supervisory Board, thereafter Chairman, Chief Transformation Officer, Reckitt Benckiser
- 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 2020 financial year amounted to kEUR 3,195 (2019: kEUR 2,140). Of this, the fixed remuneration came to kEUR 804 (2019: kEUR 1,009) and variable remuneration to kEUR 2,391 (2019: kEUR 1,131).

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 168 (2019: kEUR 120), of which kEUR 78 (2019: kEUR 30) was variable remuneration and kEUR 90 (2019: kEUR 90) was fixed remuneration.

(34) NUMBER OF EMPLOYEES

Number of employees ((Annual average))

	2019	2020
Wage earners	1,259	1,180
Salaried staff	562	570
thereof trainees	10	7
Number of employees pursuant to Section 314 (1) No. 4 HGB	**1,821**	**1,750**
Apprentices	31	28
Number of employees	1,852	1,778

(35) OTHER FINANCIAL OBLIGATIONS

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

Other financial obligations (in kEUR)

	2019	2020
Obligations arising from current lease agreements	2,333	2,101
Obligations under current rental and maintenance contracts	3,772	3,432
Purchase commitments from expansion investments	3,075	6,131
Consignment agreements	1,867	2,150
Other financial obligations	11,047	13,814

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

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

Due dates for other financial obligations (in kEUR)

	< 1 year	1–5 years	> 5 years
Future payments from current lease agreements	961	1,132	8
Future payments from current rental and maintenance contracts	2,995	433	4
Total	3,956	1,565	12

Total expenditure from rental and lease agreements amounted to kEUR 4,599 (2019: kEUR 4,357).

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 2020 financial year.

AUDITORS' FEES (37)

Auditors' fees (in kEUR)

Auditing services	82
Other assurance services	12
Total	94

REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

No significant events having a material impact on the net assets, financial position and results of operations as at 31 December 2020 occurred after the balance sheet date.

(38) APPROPRIATION OF NET PROFIT OF THE PARENT

As the parent did not hold any bearer treasury shares at 31 December 2020, the number of no-par bearer shares entitled to a dividend is 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 2020 of EUR 29,999,471.98. The remaining EUR 19,099,315.18 will be allocated to other capital reserves.

Bremerhaven, 22 February 2021

The Executive Board

Felix Ahlers   Maik Busse   Hinnerk Ehlers

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

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

Bremerhaven, 22 February 2021

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 2020, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January 2020 to 31 December 2020, and the notes to the consolidated financial statements, including the presentation of the significant accounting and measurement policies.

In addition, we have audited the Group management report of FRoSTA Aktiengesellschaft for the financial year from 1 January 2020 to 31 December 2020.

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 provisions of German commercial law pursuant to the provisions of the German Commercial Code [Handelsgesetzbuch – HGB] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of 31 December 2020 and of its financial performance for the financial year from 1 January 2020 to 31 December 2020, 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 audit opinion on the Group management report does not cover the elements referred to in the OTHER INFORMATION section of the Group management report.

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 THE 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' RESPONSIBILITIES 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 other information.

The other information comprises the corporate governance statement in accordance with 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 the Group management report do not cover the other information, and we therefore do not provide an opinion or any other form of audit conclusion on these matters.

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

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

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

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern.

They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 when it exists. 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 accounting estimates and related disclosures made by the executive directors.
- 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 opinion. 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 in compliance with German Generally Accepted Accounting Principles achieve a fair presentation of the assets, liabilities, financial position and financial performance of the Group.
- Obtain sufficient appropriate audit evidence regarding the financial information of the businesses or business activities within the Group to express opinions on the consolidated financial statements and on the 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 for the forward-looking disclosures made 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 audit 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, 24 February 2021

BDO AG
Wirtschaftsprüfungsgesellschaft

signed. Sabath	signed Renken
German Public Auditor	German Public Auditor

MANAGEMENT REPORT FRoSTA AG 2020

MANAGEMENT REPORT OF FRoSTA AKTIENGESELLSCHAFT, BREMERHAVEN

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020

BASIC INFORMATION CONCERNING FRoSTA AG

BUSINESS MODEL

These separate financial statements only report on the business of FRoSTA AG without its subsidiaries.

FRoSTA AG has 1,118 employees working at three production sites. The FRoSTA brand is a successful provider of frozen fish, vegetables and ready meals in Germany and Austria. 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, in addition to classic dishes such as nasi goreng 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 is also a production partner for the development and production of high-quality private labels for the retail and wholesale sectors. For the most part, these concern customer brands. However, the secondary brands Tiko (for fish and ready meals) and Elbtal (for vegetables) are also offered for retailers as required.

FRoSTA AG generates 78% of its business in Germany and 22% abroad.

BRANCH OFFICES

Production is organised via the following branch offices:

- FRoSTA AG Bremerhaven Plant (formerly F. Schottke Zweigniederlassung der FRoSTA AG)
- FRoSTA AG Bobenheim-Roxheim Plant (formerly Rheintal Tiefkühlkost Zweigniederlassung der FRoSTA AG)
- FRoSTA AG Lommatzsch Plant (formerly Elbtal Tiefkühlkost Zweigniederlassung der FRoSTA AG)

CONTROL 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 economic situation in Germany developed negatively in 2020 for the first time in many years. The global spread of the SARS-CoV-2 virus and the associated measures to contain the pandemic have hit society and the economy hard. According to first calculations by the Federal Statistical Office, the gross domestic product was 5.0% lower in real terms than in the previous year. The consumer price index for Germany steadily declined over the course of 2020, ending December 2020 at -0.3% compared to the previous month. (Source: https://www.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Inlandsprodukt/Tabellen/bip-bubbles.html)

By contrast, the food retail sector in Germany in 2020 is estimated to be 4.1% up on the previous year. (Source: https://www.destatis.de/DE/Themen/Wirtschaft/Grosshandel-Einzelhandel/_inhalt.html).

CHALLENGES OF THE PANDEMIC

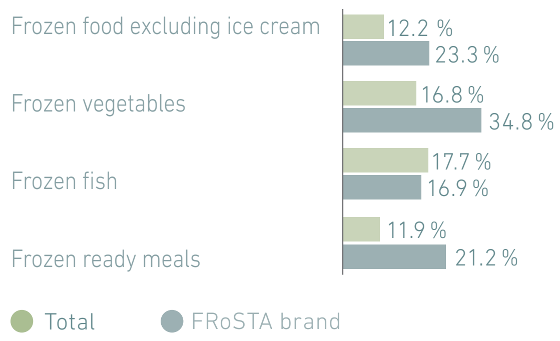
The prevailing economic conditions in the year of the coronavirus pandemic were particularly challenging. The first priority was to protect our employees in the production facilities in order to ensure operational capability. In the areas of sales and administration, it was important to make expeditious and effective use of the modern IT infrastructure in order to give all employees the opportunity to work from home. At the same time, it was necessary to safeguard the international logistical supply of raw and packaging materials during this difficult situation. Temporary shutdowns of individual production plants, in some cases even entire markets, as well as temporary border closures resulted in repeated bottlenecks at very short notice. By raising stock levels to cover requirements, sourcing alternative suppliers and substituting materials, it was often only possible to meet the surge in demand at significant additional cost.

THE FROZEN FOOD MARKET IN 2020

The market for frozen foods in the German food retail sector (fish/ready meals/vegetables and herbs) developed exceptionally strongly in 2020, growing in value by 12.2% year-on-year.

The FRoSTA brand again posted double-digit growth and gained 23.3% overall. In all market categories (fish, ready meals, vegetable and herbs), FRoSTA contributed with double digit growth rates to the positive segment development. (Source: Nielsen YTD Dec 2020).

Food retail sector in Germany Basis YTD Dec 20
Performance in % (2020 vs 2019)



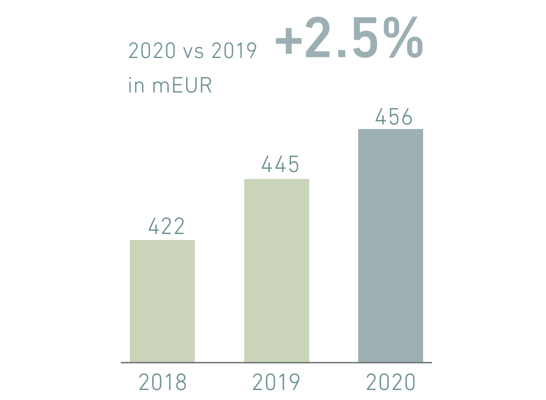
BUSINESS DEVELOPMENT, RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

DEVELOPMENT OF SALES

Sales of FRoSTA AG increased by 2.5% to EUR 456.1m in the reporting year.

While out-of-home business, which caters to restaurant and wholesale customers, declined due to the extensive lockdown periods, brand business posted double-digit growth in all markets.

Sales



Business in the private label segment saw a slight decline in the reporting period, as we were not always able to match our customers' price expectations.

Sales performance in the Home Delivery segment also rose in 2020.

The ready meals product group (-3.2% compared with 2019) developed at a below-average rate due to lost private label contracts and the lockdown effect in the out-of-home segment. The fish (+3.6% compared with 2019) and vegetables (+4.8% compared with 2019) segments grew on the other hand. The brand posted double-digit growth in all product groups.

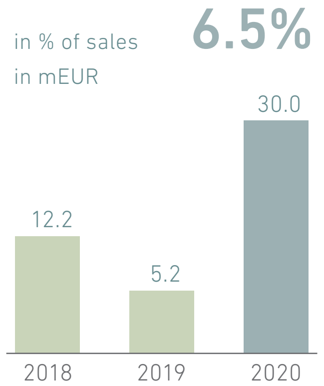
RESULTS OF OPERATIONS

Net income for the year increased significantly in 2020 to EUR 30.0m. The sharp rise in material costs in the last four months of 2019 had already led to unavoidable price increases and therefore no longer had a negative impact on 2020 earnings.

A substantial amount of EUR 15.1m resulted from investment income, which is mainly attributable to the consolidated subsidiaries.

Overall, net income corresponds to 6.5% of sales, thus slightly surpassing the forecast for this reporting year in terms of sales and earnings.

NET INCOME FOR THE FINANCIAL YEAR



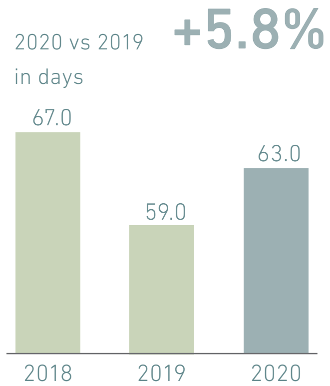
Despite additional corona safeguards and expensive weekend shifts, the production plants were able to considerably improve their cost structures. The new production lines commissioned in the previous years were ramped up to the planned output levels. A LEARNER, SMARTER & GREENER programme has significantly strengthened collaboration between production and technology, increased the involvement of line employees in the continuous improvement of workflows and is beginning to produce results in all plants. Due to increased capital expenditure on digitalisation, amortisation/depreciation remained at a high level.

NET ASSETS AND FINANCIAL POSITION

The working capital was raised by 3.4 days (EUR 6.3m) to ensure sufficient stock levels during the ongoing pandemic. FRoSTA's working capital is calculated by adding inventories and receivables from customers, less trade payables.

Key account management worked very closely with all customers in order to prevent any corona-related receivables defaults in the out-of-home business. It was possible to almost completely offset the increase in stock levels of critical raw materials by optimising the stock mix (+2.0 days). Trade payables were reduced through short-term sourcing of alternative suppliers as well as through lower capital expenditure (-5.5 days).

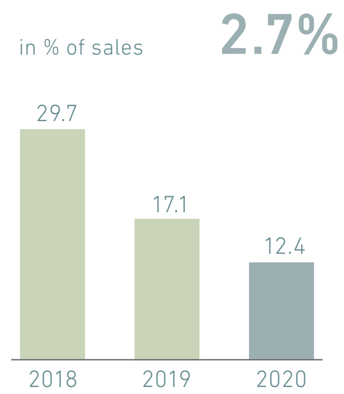
WORKING CAPITAL



The Company took advantage of the good earnings situation to reduce liabilities to banks from EUR 55.7m in 2019 to EUR 28.8m in 2020.

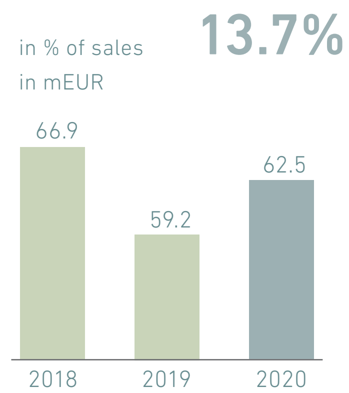
The investment volume was lower than in the previous years, since the necessary capacity increases in the production facilities have been completed for the time being. Investing activities in the reporting year focused mainly on digitalisation.

CAPITAL EXPENDITURE



The improved liquidity situation was utilised to repay short-term money market loans and parts of the asset-backed security programme. In addition, the Company has unutilised committed credit lines of EUR 15.0m at its disposal.

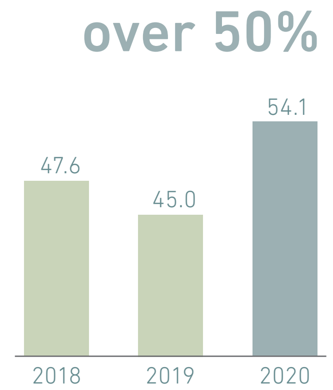
CASH FLOW FROM OPERATING ACTIVITIES



The equity ratio is an important benchmark for the Group's economic independence and was expanded in the reporting year to 54.1%.

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

EQUITY RATIO



SEGMENT REPORTING

FRoSTA SEGMENT

The FRoSTA operating segment includes the brand business, out-of-home, Home Delivery and industrial business in Germany and Austria.

The FRoSTA segment accounts for EUR 238.4m of total sales, which equates to growth of 10.1% year-on-year. Due to the coronavirus pandemic, out-of-home business unfortunately did not contribute to sales growth, and posted a loss of 39.7%.

FRoSTA AG's brand business was up by 27.4% overall. The Home Delivery and industrial business recorded an increase of 38.3% in this extraordinary year.

COPACK SEGMENT

The COPACK operating segment comprises our private label business sales channels with food retailers in Germany and Austria and generated sales of EUR 217.7m in the 2019 financial year. This is a decline of 4.1% compared with 2019. In the case of some contracts, we were not always able to match the price expectations of our private label customers, leading to a corresponding loss in volumes.

PRODUCTION AND TECHNOLOGY

The production volume increased by 8.5% compared with 2019 due mainly to the good market development and the build up of stock levels for the beginning of the new business year.

The LEANER, SMARTER & GREENER programme introduced in the production plants at the end of 2019 already showed first positive results in the reporting year with over 50 improvement projects. Downtimes were reduced by 2.3 percentage points in total.

By shutting down uneconomical "energy guzzlers" and increasingly switching to "green" electricity, FRoSTA AG managed to lower CO_2 emissions across all plants by 19.5% to 31,385 t CO_2e. Specific consumption per tonne (CO_2e/t of finished products) was even reduced by 27.8% due to the good employment rate.

All production facilities are successfully certified in accordance with ISO 50001 (energy management).

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

EMPLOYEES AND ORGANISATION

EMPLOYEE NUMBERS

The average number of employees decreased by 44 in the reporting year.

Employees

	2019	2020
FRoSTA head office	**238**	**244**
Administration	155	158
Sales	83	86
FRoSTA production facilities	**924**	**874**
Bremerhaven	582	521
Lommatzsch	198	192
Bobenheim-Roxheim	144	162
Total	**1,162**	**1,118**

Total personnel expenses including social security benefits increased by 5.2% in 2020 to a level of EUR 65.0m.

WOMEN IN MANAGEMENT POSITIONS

We intend to continue raising the proportion of women in management. positions. In the reporting year, the proportion of women in first-level management below executive level remained unchanged at 7%, and in second-level management showed a slight decline to 33% (2019: 41%). Overall, women made up 30.4% of the workforce in 2020 (-0.1% compared to the previous year). The goal is to raise the proportion of women also in senior management positions over time through higher levels of female participation in our management trainee programme.

Our long-term goal is to achieve a balanced gender ratio at all management levels, including the Executive Board and the Supervisory Board.

HEALTH MANAGEMENT AND PROTECTIVE MEASURES AGAINST THE CORONAVIRUS

The occupational health management system was introduced at all FRoSTA locations in 2019. We use comprehensive interviews and targeted measures (also in collaboration with statutory health insurance providers) to continuously improve the daily stress levels of our employees. In the corona year 2020, one of the main focuses was protecting our employees in all departments. While employees in the areas of sales and administration were given the opportunity to work at least partly from home on mobile devices, in production strict social distancing measures were introduced. With the help of staggered shift schedules, temperature measurement at the door, mandatory wearing of protective facemasks, plexiglass screens between workplaces and in communal spaces, as well as regular radar tests, no effort was spared to offer the workforce the best possible protection.

DIGITALISATION AND TRAINING

In early 2020, we rolled out the extended HR module for SAP SuccessFactors at all locations. Improved master data management combined with modern workflow software greatly facilitates absence management and planning. Parallel to this, even under coronavirus conditions we were able to offer our employees a comprehensive programme of virtual training.

EMPLOYEE SHARE PROGRAMME

In 2020, our employees again had the option to participate in our employee share programme and purchase employee shares at preferential conditions. A total of 450 buyers (2019: 385) took part in the campaign and acquired 25,842 shares between them (2019: 18,375). Employees were offered two options to purchase shares. To motivate as many employees as possible to share in the Company's ownership, the first offer (limited to 50 shares) had an issue price of EUR 16.50. A total of 19,127 shares were acquired. In the second offer (limited to a maximum of 950 shares depending on seniority), additional shares could be purchased at the special price of EUR 48.75, with a take-up of 6,713 shares in the reporting year. Total costs for the programme in 2020 amounted to kEUR 994 (2019: kEUR 746), which are recognised in personnel expenses.

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

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.

Consequently, 21.1% of the net income for the year before tax will be distributed as a net dividend and 28.8% paid as taxes, with 50.1% being retained by the Company.

Appropriation of net profit 2020

	mEUR	Share
Current company taxes	8.1	
Capital gains tax including solidarity surcharge on dividends	2.9	
Total taxes	**11.0**	**28.8 %**
Net dividend	**8.0**	**21.1 %**
VRetained by the Company	**19.1**	**50.1 %**
Net income before tax	**38.1**	**100.0 %**

THE FRoSTA SHARE

Since March 2017, the FRoSTA share has been traded in the Open Market segment of the Frankfurt Stock Exchange. The FRoSTA share developed positively in 2020: in December 2020, the share price was at EUR 72.60, which was 23.3% higher than at the previous year's reporting date.

Key data of the FRoSTA share

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

For more information about the FRoSTA share, please see the Group management report 2020.

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

Overall, the financial position of FRoSTA AG developed positively in the completed financial year.

SUSTAINABILITY, ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

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

In condensed form, we also provide information in this management report on the environment (see page 62 (Production)), employees (see page 62), corruption/bribery (see page 65 (Risk Management System)), human rights (see page 66 (Procurement market risks)) and, in the following section, on our social commitment.

Since 2015, we have spent 2% of FRoSTA's dividends from the previous year on social projects in Germany and abroad. We are involved in social projects at our four production sites and in the countries where we source our ingredients. We continued to support our project with the children's aid organisation PLAN International, which is designed to assist young people in Ecuador with securing an existence. In 2020, around 200 budding entrepreneurs received enterprise skills training and access to microcredits. The project thus supports the young people in developing and implementing their own business ideas. Since we became involved in the project in Ecuador, five youth-run start-ups have been established, which FRoSTA continues to support. These are bakeries and small farms, whose products are supplied to sometimes remote and difficult-to-access regions by bicycle. Particularly noteworthy is the fact that during the pandemic the youths have made over 11,000 facemasks and like this have played a part in providing PLAN Hygiene Kits to public institutions.

REPORT ON OPPORTUNITIES AND RISKS

INTERNAL CONTROL SYSTEM

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

The most important internal control variables are sales growth and profitability. These performance figures and their respective drivers are examined, analysed and discussed in the relevant departments on the basis of financial controlling reports drawn up in daily, weekly and monthly cycles. The objective is to continuously work on improving the results and at the same time to introduce early measures to counter potential negative developments.

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

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

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

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

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

RISK MANAGEMENT SYSTEM

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

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

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

Under the guidance of our Compliance core team, we have developed a Code of Conduct for all employees of FRoSTA AG which is aimed at raising awareness among the workforce for how they interact with one another, their conduct towards third parties and when handling data. This Code of Conduct will be presented by the Executive Board in the first quarter of 2021 and distributed to all employees by their supervisors. Furthermore, at the beginning of 2020, face-to-face compliance training was carried out in the particularly sensitive areas of Purchasing and Sales, which it is planned to repeat in a two-yearly rhythm in 2022. A senior management executive training course is planned for early 2021, aimed at sensitising leaders to their role model function and responsibility.

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

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

RISKS AND OPPORTUNITIES

PROCUREMENT MARKET

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

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

We purchase raw materials from over 30 different countries, including the BSCI risk countries. We thus bear our share of responsibility for the working conditions at our suppliers, as well as for the respect for human rights. Our Code of Conduct, which every supplier must sign, regulates working conditions and insists on compliance with those conditions. It is also required for suppliers from BSCI risk countries and checked by means of social audits. 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).

No breaches of our Code of Conduct became known in 2020. In order to gain a first-hand idea of working conditions at our suppliers and minimise the risk of noncompliance, we intend to continue to conduct internal, unannounced social audits in 2021.

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

The risk of 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 including distribution and/or production partners where appropriate. We have attempted to limit the concrete risk posed by Brexit by agreeing on future terms and conditions with our customers from an early date.

The frozen food market is subject to constant change. Our competitors might respond to product trends more quickly or gain technological leads. In close cooperation with our Product Development department, we conduct intensive research to identify market trends. This enables us to produce innovative product concepts in response to changes or even to initiate changes ourselves within the market.

The FRoSTA brand offers the opportunity for further sustainable growth based on the Purity 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 also available at very short notice thanks to long-standing partnerships with banks. By exercising alternative forms of financing such as selling receivables through asset-backed securities (ABS), 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.

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

In assessing the overall risk situation, we can state that from today's perspective there are no risks jeopardising the continued existence of FRoSTA AG and that there are no risks identified at the present time that could threaten the continued existence of FRoSTA AG for the future.

REPORT ON POST-BALANCE-SHEET DATE EVENTS

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

FORECAST

In the ongoing coronavirus pandemic and current lockdown phase, we expect to continue to see increased demand for frozen food in the retail food market and home delivery services for some time to come. Similarly, we are also likely to continue to sustain losses in out-of-home business. All in all, based on the current situation, we are anticipating slightly positive growth up to the end of lockdown. However, it remains uncertain how demand patterns and the general economic conditions will develop in the further course of the year. We anticipate that there will initially be a higher-than-average surge in out-of-home consumption and that consumer spending in the food retail sector will decline as a result. From the current (working from home) discussion, we can infer that compared to pre-pandemic consumer behaviour, demand for frozen food is likely to be up.

From today's perspective, sales growth is expected to be between 3 and 6%, with net profit in % of sales in the mid-single-digit range.

We will continue to focus strongly on enhancing service and quality and on developing additional innovations in order to further grow our business.

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

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

Bremerhaven, February 2021

The Executive Board

ANNUAL FINANCIAL STATEMENTS OF FRoSTA AG

INCOME STATEMENT OF FRoSTA AG

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020

Income statement of FRoSTA AG (in kEUR)

		2019	2020	Impact on profit/loss
1.	**Sales**	**444,808**	**456,069**	**2,5%**
2.	Increase/decrease in finished goods inventories and work in progress	3,266	6,037	84.8%
3.	Other own work capitalised	56	128	>100.0%
4.	Other operating income – of which from currency translation: kEUR 1,096 (2019: kEUR 1,163)	9,712	8,886	-8.5%
5.	Cost of materials			
	a) Cost of raw materials, consumables and supplies and of purchased merchandise	-295,056	-285,242	3.3%
	b) Cost of purchased services	-9,667	-9,822	-1.6%
		-304,723	**-295,064**	**3.2%**
6.	Personnel expenses			
	a) Wages and salaries	-51,954	-55,291	-6.4%
	b) Social security, post-employment and other employee benefit costs – of which in respect of post-employment benefits: kEUR 6 (2019: kEUR 7)	-9,900	-9,755	1.5%
		-61,854	**-65,046**	**-5.2%**
7.	Amortisation and write-downs of intangible fixed assets, depreciation and write-downs of tangible fixed assets	-12,423	-14,554	-17.2%
8.	Other operating expenses – of which from currency translation: kEUR 1,347 (2019: kEUR 619)	-72,800	-72,920	-0.2%
9.	**Operating result**	**6,042**	**23,536**	**>100.0%**
10.	Income from long-term equity investments	566	15,062	>100.0%
11.	Other interest and similar income – of which from affiliated companies: kEUR 68 (2019: kEUR 69)	195	68	-65.1%
12.	Interest and similar expenses – of which to affiliated companies: kEUR 3 (2019: kEUR 3) – of which from unwinding the discount kEUR 41 (2019: kEUR 56)	-586	-561	4.3%
13.	Taxes on income	-837	-7,928	>-100.0%
14.	Earnings after taxes	5,380	30,177	>100.0%
15.	Other taxes	-177	-177	0.0%
16.	Net income for the year	5,203	30,000	>100.0%
17.	Withdrawals from other revenue reserves	5,680	0	>-100.0%
18.	**Net retained profits**	**10,883**	**30,000**	**>100.0%**

BALANCE SHEET OF FRoSTA AG – ASSETS

TO 31 DECEMBER 2020

Balance sheet of FRoSTA AG — Assets (in kEUR)

	2019	2020	Change
A. FIXED ASSETS			
I. Intangible fixed assets			
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets			
	11,420	10,637	-6.9%
II. Tangible fixed assets			
1. Land, land rights and buildings	24,128	23,248	-3.6%
2. Technical equipment and machinery	49,583	46,523	-6.2%
3. Other equipment, operating and office equipment	12,281	13,855	12.8%
4. Prepayments and assets under construction	2,187	3,136	43.4%
	88,179	86,762	-1.6%
III. Long-term financial assets			
1. Shares in affiliated companies	11,289	11,289	0.0%
2. Other long-term equity investments	17	17	0.0%
3. Long-term securities and shares in cooperatives	6	6	0.0%
	11,312	11,312	0.0%
	110,911	108,711	-2.0%
B. CURRENT ASSETS			
I. Inventories			
1. Raw materials, consumables and supplies	24,715	24,943	0.9%
2. Work in progress	14,991	19,735	31.6%
3. Finished goods and merchandise	22,326	21,567	-3.4%
	62,032	66,245	6.8%
II. Receivables and other assets			
1. Trade receivables	43,580	43,340	-0.6%
2. Receivables from affiliated companies	19,059	16,053	-15.8%
3. Other assets	8,724	3,159	-63.8%
	71,363	62,552	-12.3%
III. Cash-in-hand, bank balances and cheques	5,556	6,835	23.0%
	138,951	135,632	-2.4%
C. PREPAID EXPENSES	665	703	5.7%
D. EXCESS OF PLAN ASSETS OVER POST-EMPLOYMENT BENEFIT LIABILITY	98	88	-10.2%
Balance sheet total	250,625	245,134	-2.2%

BALANCE SHEET OF FRoSTA AG – EQUITY AND LIABILITIES

TO 31 DECEMBER 2020

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

	2019	2020	Change
A. EQUITY			
I. Issued capital			
1. Subscribed capital	17,440	17,440	0.0%
2. Treasury shares	-27	0	> 100.0%
	17,413	17,440	0.2%
II. Capital reserves			
	11,447	11,447	0.0%
III. Revenue reserves			
1. Legal reserve	200	200	0.0%
2. Other revenue reserves	72,863	73,487	0.9%
	73,063	73,687	0.9%
IV. Net retained profits			
	10,883	30,000	>100.0%
	112,806	132,574	17.5%
B. PROVISIONS			
1. Provisions for pensions and similar obligations	74	73	-1.4%
2. Provisions for taxes	1,065	2,888	>100.0%
3. Other provisions	24,647	29,127	18.2%
	25,786	32,088	24.4%
C. LIABILITIES			
1. Liabilities to banks	55,698	28,790	-48.3%
2. Trade payables	35,833	35,250	-1.6%
3. Liabilities to affiliated companies	16,945	12,181	-28.1%
4. Other liabilities – of which taxes: kEUR 667 (2019: kEUR 603)	3,557	4,251	19.5%
	112,033	80,472	-28.2%
Balance sheet total	250,625	245,134	-2.2%

STATEMENT OF CHANGES IN FIXED ASSETS OF FRoSTA AG 2020

Statement of changes in fixed assets (in kEUR)

	Purchase and production costs					Cumulative depreciation, amortisation and write-downs				Net carrying amount	
	as at 01.01.2020	Additions	Disposals	Reclassi-fications	as at 31.12.2020	as at 01.01.2020	Additions	Disposals	as at 31.12.2020	as at 31.12.2020	as at 31.12.2019
I. Intangible fixed assets											
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	26,240	1,224	0	363	27,827	14,821	2,369	0	17,190	10,637	11,420
	26,240	**1,224**	**0**	**363**	**27,827**	**14,821**	**2,369**	**0**	**17,190**	**10,637**	**11,420**
II. Tangible fixed assets											
1. Land, land rights and buildings	83,941	1,060	0	24	85,025	59,813	1,964	0	61,777	23,248	24,128
2. Technical equipment and machinery	174,973	3,864	871	464	178,430	125,390	7,385	868	131,907	46,523	49,583
3. Other equipment, operating and office equipment	56,062	3,300	2,511	1,115	57,966	43,781	2,836	2,506	44,111	13,855	12,281
4. Prepayments and assets under construction	2,187	2,915	0	-1,966	3,136	0	0	0	0	3,136	2,187
	317,163	**11,139**	**3,382**	**-363**	**324,557**	**228,984**	**12,185**	**3,374**	**237,795**	**86,762**	**88,179**
III. Long-term financial assets											
1. Shares in affiliated companies	11,741	0	0	0	11,741	452	0	0	452	11,289	11,289
2. Loans to affiliated companies	301	0	0	0	301	301	0	0	301	0	0
3. Other long-term equity investments	193	0	0	0	193	176	0	0	176	17	17
4. Long-term securities and shares in cooperatives	6	0	0	0	6	0	0	0	0	6	6
5. Other loans	22	0	0	0	22	22	0	0	22	0	0
	12,263	**0**	**0**	**0**	**12,263**	**951**	**0**	**0**	**951**	**11,312**	**11,312**
	355,666	12,363	3,382	0	364,647	244,756	14,554	3,374	255,936	108,711	110,911

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE 2020 FINANCIAL YEAR

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

(1) BASIS FOR PREPARATION

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

INCOME STATEMENT

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

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

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

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

(2) ACCOUNTING POLICIES AND MEASUREMENT METHODS

FIXED ASSETS

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

Tangible 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 in the value of assets used for production.

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

Depreciation period of tangible assets

	Useful life in years
Buildings	25–40
Other constructions	12–19
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.

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

CURRENT ASSETS

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

In addition to direct costs, production costs also include an appropriate share of the production and material overheads as well as of the depletion in the value of fixed assets. General administration costs as well as social expenses, voluntary social benefits and Company pension schemes are not capitalised. Write-downs are charged to anticipate identifiable expected losses and for inventory risks arising from excessive storage times or reduced usability. Allowances for finished goods as at the balance sheet date amounted to kEUR 830 (2019: kEUR 335) as well as kEUR 578 (2019: kEUR 475) 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 general bad debt allowances. The percentage used to calculate the general bad debt allowance is 1.0.

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

PREPAID EXPENSES

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

DEFERRED TAXES

Deferred taxes on temporary differences between the 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 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.: 2.31% (2019: 2.72%) (10-year average)
- Pension trend p.a.: 1.00% (2019: 1.10%)

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

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

OTHER PROVISIONS

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

Partial retirement obligations are measured in accordance with 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 1.60% 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 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

FIXED ASSETS (3)

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

In the course of the financial year, FRoSTA AG carried out impairment testing for the fair value of the

trademark rights acquired in the financial year 2017. This resulted in a write-down of EUR 1.0m.

The value of recognised transport pallets was fixed at kEUR 421 (2019: kEUR 421).

The reduction in the purchase or production costs of fixed assets to which investment grants and subsidies relate as at 31 December 2020 amounted to kEUR 259 (2019: kEUR 357). The reversal of investment grants and subsidies of kEUR 98 (2019: kEUR 99) directly reduced gross depreciation/amortisation.

Other long-term equity investments (in kEUR)

Name of entity	Share of capital %	Subscribed capital	Equity	Annual profit/ loss 2019	Annual profit/ loss 2020
1. Copack Tiefkühlkost-Produktionsgesellschaft mbH. Bremerhaven	100.00	256	232	−2	−1
2. FRoSTA Tiefkühlkost GmbH. Bremerhaven	100.00	255	268	1	1
3. FRoSTA Foodservice GmbH. Bremerhaven	100.00	256	272	1	1
4. TIKO Vertriebsgesellschaft mbH. Bremerhaven	100.00	256	280	2	1
5. FRoSTA Sp. z o.o.. Bydgoszcz/Poland	100.00	7,681	47,886	5,560	8,315
6. COPACK France S.a.r.l.. (formerly FRoSTA France S.a.r.l) Boulogne-Billancourt/France	100.00	153	405	1	-1
7. FRoSTA CR s.r.o.. Prague/Czech Republic	100.00	38	246	8	7
8. FRoSTA Hungary Kft.. Esztergom/Hungary	100.00	18	80	8	7
9. FRoSTA S.r.l. Rome/Italy	100.00	500	4,378	1,376	1,421
10. Copack Sp. z o.o.. Bydgoszcz/Poland	100.00	15	1	0	0
11. Columbus Spedition GmbH. Bremerhaven	33.33	225	517[1]	217	[2]

[1] relates to 2019. [2] no data available

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

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

(4) RECEIVABLES AND OTHER ASSETS

Receivables from affiliated companies included receivables from intercompany deliveries and services amounting to kEUR 10,442 (2019: kEUR 8,221). Other assets were recognised in an amount of kEUR 5,611 (2019: kEUR 10,838).

Of the receivables from affiliated companies, kEUR 2,233 (2019: kEUR 4,413) have a residual term of more than one year.

As at 31 December 2020, trade receivables of kEUR 15,014 (2019: kEUR 25,023) were sold in asset-backed security transactions. The sale of the receivables made funds amounting to kEUR 11,960 available at an earlier date. Conversely, charges of kEUR 201 were incurred.

Of the other assets, kEUR 155 (2019: kEUR 181) 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 88 (2019: kEUR 98). kEUR 0 (2019: kEUR 5) is subject to a distribution restriction. The fair value of assets invested amounted to kEUR 376 (2019: kEUR 436); procurement costs amounted to kEUR 376 (2019: kEUR 431).

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

(6) EQUITY

At 31 December 2020, 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 17 July 2020, a dividend was distributed to shareholders in the amount of EUR 10,867,044.80 from the recognised net retained profits of EUR 10,882,884.80. This necessitated a withdrawal from revenue reserves in the amount of EUR 5,680,101.53. 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 -609).

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

This results from the following purchase and sales transactions:

In addition to the 10,795 treasury shares with a nominal value of EUR 27,635.20 acquired in a share buyback between 11 April 2019 and 01 August 2019, FRoSTA AG acquired a further 15,047 treasury shares in a share buyback between 06 April 2020 and 23 October 2020. This corresponds to a nominal amount of EUR 38,520.32, or 0.22% of the share capital. This cost the Company EUR 995,456.00, which equates to a weighted average price of EUR 66.16 per share.

FRoSTA AG subsequently sold 25,842 no-par value bearer treasury shares under an employee share programme. This corresponds to a nominal amount of EUR 66,155.52 or 0.38% of the share capital as at 31 December 2020. For these shares, FRoSTA AG received a total of EUR 638,105.00 to be used as it sees fit. The Company did not issue shares to employees at management level as part of a bonus scheme.

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

(7) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The amount required to cover pension provisions applies exclusively to pensioners already receiving a pension. The carrying amount pursuant to Section 253 (2) HGB applying the ten-year average interest rate of 2.31% was kEUR 73 in the financial year 2020. Applying the seven-year average interest rate pursuant to Section 253 (6) HGB of 1.60% would have produced a carrying amount of kEUR 76. In 2019, the carrying amount applying a seven-year average interest rate of 1.97% was kEUR 78.

The difference amounting to kEUR 3 (2019: kEUR 4) is subject to a distribution restriction.

(8) OTHER PROVISIONS

Other provisions comprised provisions for personnel expenses amounting to kEUR 11,223. This included provisions for jubilee benefits with a settlement amount of kEUR 2,421. The discount rate on which this is based is 1.60%, assuming a residual term of 15 years.

Provisions for partial retirement were recognised with a settlement amount of kEUR 341. This was determined based on an interest rate of 1.60% (Section 253 (2) Sentence 1 HGB). As the plan assets in the amount of kEUR 376 are assigned on the basis of individual partial retirement obligations, the principle of item-by-item measurement resulted in an excess of assets of kEUR 88 as well as a provision for partial retirement obligations of kEUR 53.

Additional provisions were also recognised for outstanding invoices amounting to kEUR 3,782. Other provisions also related to obligations arising from sales-related agreements on terms and conditions totalling kEUR 12,029.

(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)	28,790 (55,698)	18,371 (38,868)	10,419 (16,830)	626 (2,021)
Trade payables (previous year)	35,250 (35,833)	35,250 (35,833)	0 (0)	0 (0)
Liabilities to affiliated companies (previous year)	12,181 (16,945)	12,181 (16,945)	0 (0)	0 (0)
Other liabilities (previous year)	4,250 (3,557)	4,250 (3,557)	0 (0)	0 (0)
Total **(previous year)**	**80,471** **(112,033)**	**70,052** **(95,203)**	**10,419** **(16,830)**	**626** **(2,021)**

The liabilities to banks were guaranteed by mortgages amounting to kEUR 5,223 (2019: kEUR 6,852) and similar rights amounting to kEUR 167 (2019: kEUR 389) (total kEUR 5,390; 2019: kEUR 7,241).

The customary retentions of title apply to trade payables.

Liabilities to affiliated companies result from intercompany deliveries and services amounting to kEUR 10,763 (2019: kEUR 10,701) and in an amount of kEUR 1,418 (2019: kEUR 6,244) from other liabilities.

NOTES TO THE INCOME STATEMENT

SALES (10)

Sales by region (in mEUR)

	2019	2020	Change in %
Germany	351	377	7.4
Sales deductions	49	56	14.3
Total	**302**	**321**	**6.3**
Outside Germany	146	138	-5.5
Sales deductions	3	3	0.0
Total	**143**	**135**	**-5.6**
Total	**445**	**456**	**2.5**

Sales by product groups ((in mEUR)

	2019	2020	Change in %
Fish	172	173	0.6
Fruit and vegetables	120	135	12.5
Ready meals and other products	153	148	-3.3
	445	456	2.5

In 2019, advertising expense allowances of kEUR 3,759 were recognised in other operating expenses. In the current financial statements, kEUR 4,720 was recognised under sales deductions in sales.

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

The income statement of FRoSTA AG includes income relating to prior accounting periods of kEUR 1,138 (2019: kEUR 1,811) and expenses relating to prior accounting periods in the amount of kEUR 569 (2019: kEUR 453). Prior-period income mainly relates to the derecognition of advertising expense allowances and bonus payments, the reversal of personnel provisions and other provisions. In the financial year 2020, expenses of an exceptional nature or exceptional significance amounting to kEUR 3,169 were incurred. The exceptional expenses result from the amortisation of trademark rights and from restructuring expenses.

(12) OFFSETTING OF INCOME AND EXPENSES

Income from plan assets amounting to kEUR 4 (2019: kEUR 1) was offset against interest expense from the partial retirement obligation amounting to kEUR 4 (2019: kEUR 7).

(13) TAXES ON INCOME

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)

	31.12.2019		31.12.2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible fixed assets	0	174	0	77
Property, plant and equipment	0	21	0	100
Provisions for pensions	5	0	5	0
Other provisions	261	0	453	0
Trade payables	0	17	0	14
Total	**266**	**212**	**458**	**191**
Netting	-212	-212	-191	-191
Balance	**54**	**0**	**267**	**0**

The temporary differences were measured based on the combined tax rate of corporation tax and trade tax of 30.66% (2019: 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)

	31.12.2019	31.12.2020
Obligations arising from current lease agreements	1,968	1,840
Obligations under current rental and maintenance contracts	3,489	3,212
Purchase commitments from expansion investments	2,948	5,766
Consignment agreements	1,867	2,150
	10,272	**12,968**

Remaining maturities of rental, maintenance and lease agreements as at 31 December 2020 (in kEUR)

	< 1 year	1 – 5 years	> 5 years
Future payments from current lease agreements	819	1,013	8
Future payments from current rental and maintenance contracts	2,864	344	4
Purchase commitments from expansion investments	5,766	0	0
Consignment agreements	2,150	0	0
	11,599	**1,357**	**12**

(15) HEDGING TRANSACTIONS / DERIVATIVES

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

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

Hedging transactions/derivatives

Financial instrument	Type	Period	Underlying transaction	Scope in kEUR	Fair value in kEUR
Currency forwards	Purchase kUSD	22.10.2020 until 16.12.2021	22,000	18,227	-305

(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)

	2019	2020
Wage earners	792	751
Salaried staff	339	339
thereof trainees	10	7
Number of employees pursuant to Section 285 No. 7 HGB	**1.131**	**1.090**
Apprentices	31	28
	1,162	1,118

(18) EXECUTIVE BOARD

The following persons were members of the Executive Board of FRoSTA AG in the financial year 2020:

- Felix Ahlers, businessman, Hamburg, Chairman, as at 31 December 2020: 2,289,322 FRoSTA shares = 33.6%.
- 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 2020 was 2,300,072 shares = 33.8%.

(19) SUPERVISORY BOARD

The following persons were members of the Supervisory Board of FRoSTA AG in the financial year 2020:

- Dirk Ahlers, businessman, Hamburg, until 17 July 2020 Chairman of the Supervisory Board, thereafter Vice Chairman, former Chairman of the Executive Board, as at 31 December 2020: 681,159 FRoSTA shares = 10.0%.
- Volker Kuhn, businessman, London, until 17 July 2020 Vice Chairman of the Supervisory Board, thereafter Chairman, Chief Transformation Officer, Reckitt Benckiser
- Torsten Richter, employee of FRoSTA AG, Lommatzsch

The total number of FRoSTA AG shares owned by the Supervisory Board as at 31 December 2020 was 681,159 shares = 10.0%.

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

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

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

The paid out total remuneration of the Executive Board of FRoSTA AG in the 2020 financial year amounted to kEUR 3,195 (2019: kEUR 2,140). Of this, the fixed remuneration came to kEUR 804 (2019: kEUR 1,009) and variable remuneration to kEUR 2,391 (2019: kEUR 1,131).

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 168 (2019: kEUR 120), of which

kEUR 78 (2019: kEUR 30) was variable remuneration and kEUR 90 (2019: kEUR 90) was fixed remuneration.

(21) REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

No significant events having a material impact on the net assets, financial position and results of operations as at 31 December 2020 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 bearer treasury shares at 31 December 2020, the number of no-par bearer shares entitled to a dividend is 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 2020 of EUR 29,999,471.98. The remaining EUR 19,099,315.18 will be allocated to other capital reserves.

Bremerhaven, 22 February 2021

The Executive Board

Felix Ahlers Maik Busse Hinnerk Ehlers

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

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

Bremerhaven, 22 February 2021

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 2020 and the income statement for the financial year from 1 January to 31 December 2020, and the notes to the annual financial statements, including the recognition and measurement principles presented therein.

In addition, we have audited the management report of FRoSTA Aktiengesellschaft for the financial year from 1 January 2020 to 31 December 2020.

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 pertaining to large corporations pursuant to the provisions of the German Commercial Code [Handelsgesetzbuch – HGB] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Company as of 31 December 2020 and of its financial performance for the financial year from 1 January 2020 to 31 December 2020, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, the management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

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 THE OPINIONS

We conducted our audit of the annual financial statements and 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' RESPONSIBILITIES 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 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 the management report do not cover the other information, and we therefore do not provide an opinion or any other form of audit conclusion on these matters.

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

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

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 that 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 provisions of German commercial law for large corporations, and that the annual financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company. In addition, the executive directors are responsible for such internal control as they have determined necessary in compliance with German Generally Accepted Accounting Principles to enable the preparation of annual financial statements that are free from material misstatement – whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 when it exists. 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 accounting estimates and related disclosures made by the executive directors.
- 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 opinion. 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 in compliance with German Generally Accepted Accounting Principles achieve a fair presentation of the assets, liabilities, financial position and financial performance of the Company.
- 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 for the forwardlooking disclosures made 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, 24 February 2021

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Sabath	signed Renken
Auditor	Auditor

TEN-YEAR OVERVIEW FOR THE FRoSTA GROUP

HGB <-----> IFRS

Ten-year overview for the FRoSTA Group

		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Employees (average)	Anzahl	1,778	1,852	1,778 [3]	1,709	1,665	1,631	1,559	1,523	1,504	1,528
Revenue	mEUR	552	523	509	501	466	440	408	386	380	385
EBITDA	mEUR	43.6	28.8	46.6	49.3	43.8	38.3	36.2	29.5	21.5	26.0
Consolidated profit/loss	mEUR	25.1	12.4	20.0	23.4	21.6	18.2	17.3	12.0	6.1	8.7
Capital expenditure	mEUR	15.2	19.7	37.3	31.6	26.0	14.1	16.3	8.4	7.8	8.6
Shares	Anzahl	6,812,598	6,812,598	6,812,598	6,812,598	6,812,598	6,812,598	6,812,598	6,812,598	6,695,900	6,609,188
Total dividend	kEUR	10,900 [4]	10,900	10,900	10,900	10,203	9,265	9,265	6,813	5,022	4,957
Dividend per share	EUR	1.60 [4]	1.60	1.60	1.60	1.50	1.36	1.36	1.00	0.75	0.75
Earnings per share	EUR	3.68	1.82	2.93	3.43	3.17	2.67	2.53	1.80	0.92	1.33
Non-current assets	mEUR	125.5	130.9	135.1	115.3	89.7	76.5	75.4	71.1	75.1	76.8
Current assets	mEUR	181.6	189.7	193.5	194.8	181.8	168.2	159.7	150.9	147.2	144.8
Equity	mEUR	175.9	165.1	169.5	161.9	145.7	134.7	125.7	116.6	108.4	105.0
Equity ratio		57.7	51.4%	51.6%	52.2%	53.7%	55.1%	53.5%	52.5%	48.7%	47.4%
Liabilities to banks	mEUR	28.8	55.7	42.2	44.6	27.6	33.2	29.4	39.1	50.0	55.3
Debt ratio [1]		9.4%	17.3%	12.8%	14.4%	10.2%	13.6%	12.5%	17.6%	22.5%	25.0%
Return on investment [2]		14.7%	6.9%	12.4%	15.2%	16.0%	13.7%	13.8%	10.5%	5.7%	8.3%

[1] Bank liabilities / (balance sheet total / 100)
[2] [EBIT / average (non-current assets (excl. financial assets) + trade receivables + inventories - trade payables)] × 100 (adjusted for prior years)
[3] In 2018, the employees of the small sales offices in Eastern Europe were included in the calculation for the first time and the allocation of administration – previously partly included in the plant in Bydgoszcz – was adjusted, so that the comparative figure for 2017 was also adjusted accordingly.
[4] subject to approval by the General Meeting

REPORT OF THE SUPERVISORY BOARD FOR THE 2020 FINANCIAL YEAR

Dear Shareholders,

In the 2020 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 respective incumbent 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 consulting duties.

MEETINGS AND FOCUS OF CONSULTATIONS

Since spring 2020, the year was naturally 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's business situation. Thus the pandemic has, for example, given rise to enormous and exceptional shifts in demand,

- resulting in significantly increased retail sales, especially in Germany. Brand sales grew by 27% in 2020, while the private label segment saw a decline of 3%.
- Due to the complete or partial closure of restaurants and company canteens, the Foodservice business, by contrast, experienced an extremely sharp decline. The reduction of delivery quantities was 28% for the financial year as a whole; during the final months of the year even up to 60% in some cases. However, at only 10% the share of Foodservice business in total sales is relatively small compared with many other companies in the food sector.
- 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 almost without interruption. Closures were only necessary once at the Bobenheim-Roxheim production plant in one shift for a fortnight, because a few staff members there had become infected.

One of the main focuses of regular discussions in the 2020 financial year was the development of the FRoSTA brand. The Supervisory Board supported the Executive Board with the transformation of the Company into a strong brand producer. The increase in the share of brand business in total sales from 28% in 2019 to 34% now confirms the successful, deliberately phased implementation.

As in the previous year, the Supervisory Board devoted special attention to the difficult situation on the procurement markets in 2020, in particular the market for Alaska pollack, which is an important variety of fish for FRoSTA AG. 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 2019.

Another focus of regular consultations in the 2020 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 2020. The opportunities and risks presented by the digitalisation of business processes and cyber risks also continued to front the Supervisory Board's deliberations.

The Supervisory Board convened four ordinary meetings in 2020: on 26/02/2020, 17/07/2020, 21/09/2020 and 16/12/2020, 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, 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 26 February 2020 with reviewing and adopting the 2019 annual financial statements and a detailed discussion about the business development in Italy, as well as in the Foodservice segment.

On 17 July 2020 with preparations for the virtual Annual General Meeting being held the same day and afterwards a discussion on the impact of the coronavirus pandemic.

On 21 September 2020 with a discussion of the digitalisation measures already implemented and further steps planned by the Executive Board.

On 16 December 2020 with the presentation, discussion and approval of the annual planning for the 2021 financial year. The cyber risks to which FRoSTA AG is exposed were also given careful consideration. Torsten Richter, employee representative on the Supervisory Board, also reported on developments at the production plants.

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The 2020 separate and consolidated financial statements and the management reports for FRoSTA AG and the Group prepared by the Executive Board were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Bremen, as commissioned 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 consolidated financial statements for the financial year 2020 were for the first time not prepared in accordance with International Financial Reporting Standards (IFRSs), but in accordance with the German Commercial Code (HGB). This does not result in any material differences in the key financial indicators, but it does simplify the accounting process and auditing of the financial statements.

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 24 February 2021. For its part, the Supervisory Board thoroughly reviewed the separate 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 has no objections either to the separate financial statements as at 31 December 2020 or to the consolidated financial statements as at 31 December 2020, nor to the management reports of FRoSTA AG and the Group as at 31 December 2020. The Supervisory Board therefore unanimously approved the separate and consolidated financial statements prepared by the Executive Board. The annual financial statements were thereby adopted.

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

COMPOSITION OF 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 2020 were Dirk Ahlers (Chairman until 17 July 2020, thereafter Vice Chairman), Volker Kuhn (Vice Chairman until 17 July 2020, thereafter Chairman) and Torsten Richter as employee representative.

COMMITTEES

The Finance and Personnel Committee, composed of Dirk Ahlers and Volker Kuhn, met prior to each Supervisory Board meeting and discussed in advance by phone the detailed monthly earnings figures. 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 2020 remained unchanged compared with 2019. However, the variable remuneration of the Executive Board increased on the strength of the significantly improved earnings. The remuneration to purchase shares was also higher due to the improved earnings situation

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 2020 and developed positively, reporting, at EUR 25.1m, the highest profit in the company's history to date.

Bremerhaven, 24 February 2021

For the Supervisory Board

Volker Kuhn

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**
Mendelssohnstraße 15 d
22761 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

VP **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 Rom
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 Prag 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