FRoSTA AG

ANNUAL REPORT 2013

FINANCIAL YEAR		2012	2013
Employees (average)	number	1,504	1,523
Turnover	mill. EUR	380	386
EBITDA[1]	mill. EUR	21.5	29.5
in % of turnover		5.7 %	7.6 %
Depreciation	mill. EUR	11.2	11.3
EBIT[2]	mill. EUR	10.3	18.2
in % of turnover		2.7 %	4.7 %
Result from ordinary business activities	mill. EUR	8.3	15.9
Group result for the year	mill. EUR	6.1	12.0
Cash flow	mill. EUR	16.4	29.9
Investments	mill. EUR	7.8	8.4
Dividend per share	EUR	0.75	1.00

[1] Earnings before interest, tax and depreciation
[2] Earnings before interest and tax

FINANCIAL CALENDAR 2014

Wednesday, March 26, 2014	Financial Press Conference FRoSTA AG, Bremerhaven
Monday, May 5, 2014	Publication of interim report per April 30, 2014
Friday, June 13, 2014	Annual General Meeting Stadthalle Bremerhaven Wilhelm-Kaisen-Platz · 27576 Bremerhaven
Friday, August 1, 2014	Publication of half-year report 2014
Monday, October 6, 2014	Publication of interim report per September 30, 2014

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

in 2013, after several difficult years of falling turnover and profit, we were finally able to record a significant improvement. Sales rose by 2 %, and at 15.9 million EUR, profit was almost as high as in the years 2007 – 2009.

In the tenth year since the launch of the FRoSTA Purity Command, turnover in Germany grew exceptionally well by 6.8 %. The re-introduction of a FRoSTA fish range was particularly successful. This dynamic development is continuing in 2014 and still is the subject of an intensive advertising campaign.

Another very welcome development was the clear reduction in our operating costs. This contributed greatly to the improved overall result. We will continue to work hard on productivity and cost improvements. This in turn will allow us to make long-term investments in our brand and in state-of-the-art technology.

On the whole, we were successful in turning the ship around in 2013. Once again, we are extremely grateful to our customers, employees and shareholders for their ongoing trust and support in 2013.

Yours faithfully,

Felix Ahlers

MANAGEMENT REPORT

I. BUSINESS STRUCTURE AND GENERAL CONDITIONS

1. Business Structure

Our business is divided into three sales segments: the brand business with our FRoSTA brand, private label and "non-retail" business comprising the fields of foodservice and home delivery. In addition to our sales activities in Germany and Poland, we also operate sales offices in France, Italy, the Czech Republic, Romania and Hungary.

Our products are manufactured in four specialized facilities: vegetables and herbs harvested by ourselves in Lommatzsch and Bobenheim-Roxheim, and fish and meals in Bremerhaven and Bydgoszcz (Poland).

Taking into account pricing policy and our customers' requirements, it is our aim to offer the highest quality in each segment, with a focus on fish, meals, vegetables, fruit and herbs. We want to grow faster than the market, particularly in the FRoSTA brand segment and in foodservice. In the private label business, we are concentrating on innovative products with a high added value.

Basically, we differentiate between our FRoSTA brand with its Purity Command, which we offer in many European countries, and the brands of our customers for whom we produce. In addition, we market without advertising expenditure the secondary brands Tiko (fish and ready meals) and Elbtal (vegetables).

A strategically important role is also played by our certified organic products, bio-vegetables, bio-herbs and bio-meals. The ingredients for these products are mostly grown in Lommatzsch and Bobenheim-Roxheim, where processing also takes place. In Europe, we are one of the leading producers of frozen organic products.

2. Employees

The average number of employees for the year rose slightly by 1.3%.

Total labour costs increased by 5 % from 55.8 million EUR to 58.6 million. Besides wage and salary increases of approximately 3 %, this was also due to bonus payments made to tariff and non-tariff employees following the positive company result. These bonus payments amounted to 6.5 million EUR in 2013 (2012: 3.5 million EUR) – an increase of 3 million EUR. As the number of employees in the Group also increased, it is apparent that we have been able to reduce labour costs structurally and limit the cost increase to 3 million EUR.

The number of apprentices employed was 27 as opposed to 34 in the previous year. Fluctuation was again very low at 3.1 %. In Germany the already low sickness leave rate improved slightly from 4.8 % in the previous year to 4.6 % in 2013.

In 2013, a survey was carried out to assess levels of cooperation within the Group. The good results of previous years were not quite attained and we intend to improve this result by introducing various training programmes.

As in the years before, in 2013 we again offered our employees the opportunity to share in the ownership of FRoSTA AG by purchasing employee shares at a reduced price. The number of shares purchased amounted to 108,642 (2012: TEUR 74,453). A total of 331 buyers took part in the campaign (2012: 303). We are satisfied with our employees' involvement in this scheme and pleased with the trust demonstrated. We hope that even more employees will become FRoSTA shareholders in future.

During the past year, all of our employees and the Workers' Council contributed with great commitment and dedication to the successful financial year. We would like to express our sincere thanks for this support!

EMPLOYEES	2012	2013
FRoSTA HEAD OFFICE	233	213
- thereof administration	154	137
- thereof sales (also abroad)	79	76
PRODUCTION SITES	1,271	1,310
- Schottke, Bremerhaven	500	499
- Rheintal, Bobenheim-Roxheim	130	127
- ELBTAL, Lommatzsch	161	161
- Bydgoszcz, Poland	480	523
GROUP TOTAL	1,504	1,523

3. Procurement

In the business year 2013, further optimising measures were undertaken together with our suppliers. This allowed us to avoid announced price increases in packaging and vegetable raw materials. In some cases, it was even possible to reduce sourcing prices.

In the poultry and dairy sector, our buyers were faced with double-digit price increases. This was due to high international demand, which meant that we had to accept price increases for these raw material groups in the second half of 2013.

In the sourcing of fish raw material, there were only slight price fluctuations, which means that the supply situation can be described as stable.

Long-term bottlenecks in supply were either non-existent, or, as in some cases, minimised through the implementation of risk management procedures.

4. R & D Report

In 2013, we developed various innovative products. These included FRoSTA brand products as well as products for our customers' labels. A special innovation was the launch of our new ”Schlemmerfilets”, which can now for the first time be prepared in the microwave as well as in the oven.

5. Production

Early in 2013, the whole of Germany saw heavy rainfall which led to widespread flooding. Cultivation at our vegetable production plants in Lommatzsch and Bobenheim-Roxheim was also affected, resulting in a severe depletion of the spring spinach harvest. These shortfalls amounted in places to about 40 % of the normal yield per acre. Unfortunately, this gap could not be filled by the second harvest in autumn, which also suffered in the wake of extremely unfavourable weather conditions. The total spinach harvest for the year was down by about 25 %.

In 2013, all FRoSTA AG production facilities were subject to certification according to ISO 50001 (energy management). With this certification achieved, an application was filed for exemption of our vegetable production units from the EEG-supplement (German Renewable Energy Act) in 2014. Our overall goal is to reduce by 5 % the average amount of energy consumed at our factories per ton of finished goods.

It has also been decided to design and create in 2014 in a own power plant to supply electricity, steam and hot water.

In the field of fish production and ready meals lines, we coped with the situation very well, with production volume slightly up on the previous year.

The production volume at all our plants has seen an overall slight increase. Large reductions in spinach could be more than compensated for by growth in volume at our facility in Poland.

6. Investments

At our factory in Bremerhaven, we were able to launch the new packaging line for fish products which had been planned and installed in the previous year. In addition, we made further investments in equipment replacement as well as in some minor efficiency-improving measures. On top of that, plans were made and investment approved for major investment in our fish lines in 2014. In order to maintain the competitiveness of our German production plants, we will again have to make investments aimed at improving our energy efficiency.

7. Organisation, administration and company structure

The organisation structure developed in the previous years was maintained. Executive Board responsibility is split into the fields of Marketing and Sales, Finance and Administration and Operations. At the same time, the business is subdivided operationally into the sections FRoSTA and COPACK.

The Board of FRoSTA AG is made up of Felix Ahlers (Chairman), Jürgen Marggraf (Vice-Chairman and Operations), Hinnerk Ehlers (Marketing and Sales) and Dr Stephan Hinrichs (Finance and Administration). The FRoSTA business section is headed by Mr Ahlers and Mr Ehlers, while COPACK is under the leadership of Dr Hinrichs and Mr Marggraf.

The Supervisory Board of FRoSTA AG comprises Dirk Ahlers (Chairman of Supervisory Board), Oswald Barckhahn (Vice-Chairman of Supervisory Board) and Jürgen Schimmelpfennig as elected workers' representative.

The Supervisory Board appoints the members of the Executive Board and determines their number. The Supervisory Board transferred the completion, alteration or termination of employment contracts to a Supervisory Board committee for Finances and Personnel.

On the recommendation of its Committee for Finances and Personnel, FRoSTA AG's Supervisory Board determines the value and structure of Executive Board Members' remuneration. Dirk Ahlers and Oswald Barckhahn are members of this committee.

Executive Board Members receive remuneration made up of the following components:
- a fixed basic annual salary paid over twelve months,
- a remuneration made in the form of shares as part of the employee participation programme,
- an annual bonus related to the Group profit before tax; this bonus is paid in three instalments,
- a long-term bonus based on the three-year average ROI of FRoSTA AG (applies only for some Board Members).

Supervisory Board members receive remuneration made up of the following components:
- a fixed basic payment paid yearly,
- a bonus related to the proposed dividend payment. This bonus is paid out once a year.

II. SITUATION CONCERNING ASSETS, FINANCING AND EARNINGS

1. General economic climate

In 2013 the German economy grew by 0.4 %. A negative growth rate of 0.3 % was recorded in Euroland as a whole. Compared to the previous year, inflation fell slightly to 1.5 % in Germany and 1.5 % in the Eurozone (source: Statistisches Bundesamt). In general, 2013 was marked by sharp increases in the price of dairy products, meat and energy.

The relentlessly fierce price competition has continued, and we expect no relief in the next few years. Accordingly, we continued in 2013 to work on energy and cost-saving measures. Based on an export ratio of more than 40 % as well as a business spread over our FRoSTA brand, private labels and foodservice, we feel we can look to the future with confidence.

2. Development of the frozen food market

In Germany, sales of frozen food in the retail sector (LEH), including hard-discount (Aldi/Lidl/Norma), increased in 2013 by 2.5 % to just over 6 billion EUR (source: IRi 2013). In value terms, this almost equates to a doubling of growth as compared to the previous year. This development can be traced in particular to price increases in dairy products, meat and energy. The average price per kilo thus rose by 2.8 %, with sales saw a slight drop of 0.3 %. The FRoSTA Group is specialised in the fish, meals, vegetable, herb and fruit sectors, which also all saw an increase in value.

In the fish and meals sectors, price increases were also largely responsible for the positive development. However, the volume of both commodities more or less stagnated. In vegetables on the other hand (including herbs), the volume (3.1%) rose more than the value (2.9 %) (source: IRi 1–12 2013, LEH including Aldi/Lidl/Norma).

Market Development	Value		
	2011	2012	2013
Ready meals – of these complete ready meals	–1.3 % 0.4 %	4.2 % 6.7 %	4.3 % 3.2 %
Fish	–1.6 %	0.8 %	2.9 %
Vegetables	–2.8 %	–1.1 %	2.9 %
Fruit	2.9 %	–3.1 %	4.6 %
Frozen food (total in food retail)	0.7 %	1.3 %	2.5 %

(source: IRi 2013)

In this tenth jubilee year of the FRoSTA Purity Command, the FRoSTA brand enjoyed an especially positive development, in spite of fierce competition from strong rivals. With an increase in value of 6.8 % on the previous year, the FRoSTA brand grew more than twice as strongly as the market as a whole, making it the fastest-growing label among the major established brands in the German market (source: IRi 2013).

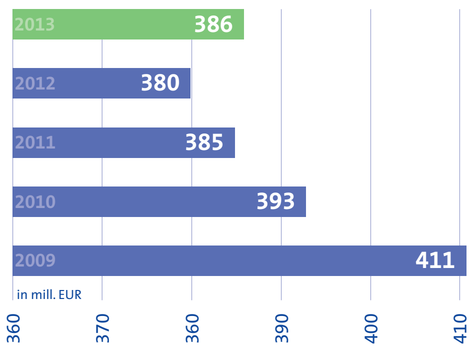
3. Business development

In 2013, we were able to improve FRoSTA group turnover slightly for the first time since 2009 (by 2 % on the previous year), with volume also seeing a slight increase of 1 % on 2012. The positive development was especially apparent in the FRoSTA brand business, in the foodservice sector and in the FRoSTA brand business in Eastern Europe. Domestic sales and volume development of the private label business was basically stable.

At 29.5 million EUR, EBITDA is up by 8 million EUR on the previous year's figure of 21.5 million EUR.

GROUP TURNOVER

+ 1.6 % (2013 vs. 2012)



This development is mainly a result of an increase in unadjusted profit, which grew in 2012 from 36.5% to 37.3% in 2013. This led to a rise in raw earnings of 5.6 million EUR as compared to the previous year. The increase in unadjusted profit is due to improved growth in the more lucrative sales area as well as a reduction in production costs coupled with improvements in raw material sourcing. Other operating expenditure was 5.3 million EUR lower than in the previous year. It was possible to reduce expenditure as compared to the previous year on such items as coldstore rental, severance payments, maintenance, sales promotion and advertising.

On the other hand the Group's personnel expenditure rose by 20.8 million EUR, resp. 5 %. At 18.2 million EUR, EBIT is up on the previous year's figure of 10.3 million EUR, with depreciation remaining more or less steady at 11.3 million EUR.

The financial result deteriorated from – 1.9 million EUR to – 2.3 million EUR. This is a result of a writing-off of our stake amounting to 1.0 million EUR in the company "BIO-FROST Westhof GmbH". This meant that in 2013 our result from ordinary business activities amounted to 15.9 million EUR as opposed to 8.3 million EUR in the previous year. Group tax was 3.9 million EUR (2.2 million EUR in previous year), leaving an after-tax profit of 12.0 million EUR as compared to 6.1 million EUR the year before.

We are satisfied with the result development for the year 2013. We have achieved the target we set ourselves, and FRoSTA AG has returned to its former level of profitability.

The equity capital reported in the FRoSTA AG group balance sheet can be broken down as follows, in each case as per December 31:

in TEUR	31.12.2012	31.12.2013
Subscribed capital	**17,142**	**17,440**
+ Capital reserves	11,709	12,815
+ Revenue reserves	77,919	76,956
+ Other reserves	–37	–191
+ Net result	1,618	9,594
Equity capital	**108,351**	**116,614**
Balance sheet total	222,363	221,994
Equity ratio	**48.7 %**	**52.5 %**

Investments amounting to 8.4 million EUR were slightly above in the previous year (7.8 million EUR) but below depreciation. They could be completely financed from the cash flow from operating activities amounting to 29.9 million EUR (previous year 16.4 million EUR),

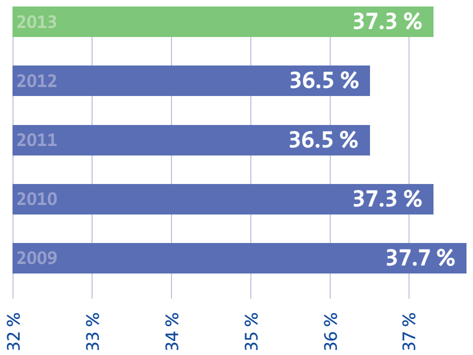
Our balance sheet total of 222 million EUR is on a par with the previous year's figure. Stocks dropped by 5 % to 63 million EUR due to the poor harvest which led us hold less agricultural produce in stock than in the previous year. Capital assets at 6 % are under the previous year's value. Receivables at 67 million EUR are on the previous year's value. As in previous years, some of the receivables are refinanced as part of an ABS programme. At the end of 2013, liquid funds amounted to 17 million EUR (2012: 10 million EUR).

In addition to the 8 % increase in equity from 108 million EUR to 117 million EUR, the balance sheet total was financed by long and short-term deferrals and liabilities, with bank liabilities falling 22 % from 50 million EUR in 2012 to 39 million EUR in 2013. In 2013 we took out a ten-year loan amounting to 3.8 million EUR from the KfW (the German state-owned development bank). Derivative financial instruments were used mainly to protect us from currency fluctuations against the US Dollar, which is used for the purchase of most of our raw material.

Due to the increase in equity, the equity ratio grew from 48.7 % to 52.5 %. This equity ratio allows us to retain our financial independence even in difficult economic times.

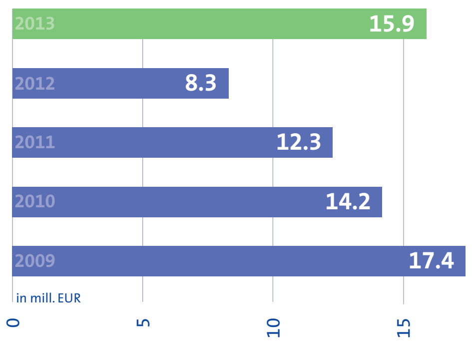
UNADJUSTED PROFIT

37.3 % (2013)



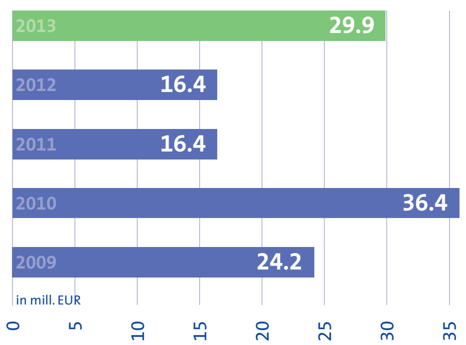
RESULT FROM ORDINARY BUSINESS ACTIVITIES

+ 91.6 % (2013 vs. 2012)



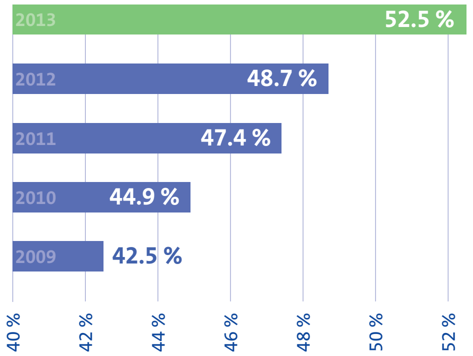
CASH FLOW FROM OPERATING ACTIVITIES

+ 82.3 % (2013 vs. 2012)



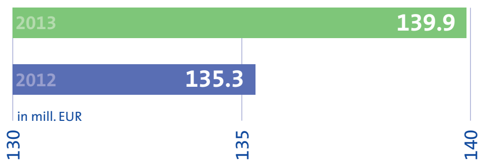
EQUITY RATIO

52.5 % (2013)



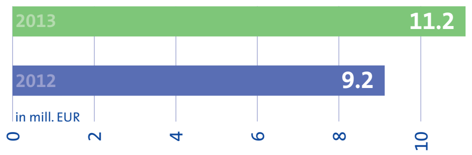
TURNOVER BUSINESS SEGMENT FRoSTA

+ 3.4 % (2013 vs. 2012)



EBIT BUSINESS SEGMENT FRoSTA

+ 21.7 % (2013 vs. 2012)



4. Segment reporting

4.1. Development in business segment FRoSTA

The FRoSTA business segment (brand business in Germany, Austria, Poland, Hungary, Czech Republic, Romania, Russia and Italy, private label business in Eastern Europe, France and Italy as well as home delivery service in Europe) has enjoyed a positive development in all sales areas. In this way, sales and profit could be increased, which was mostly due to the improved cost situation.

In the tenth year since the launch of the FRoSTA Purity Command, the FRoSTA brand had a very positive development in Germany, where it was the strongest growing brand in the frozen food category (source: IRi 2013).

Our clear market leadership in pan meals saw a slight improvement. Particularly strong growth was achieved by our new vegetarian pan meals (up 25 % on the previous year). In the complete meals category, FRoSTA was the only brand to record growth (source: IRi 2013).

Especially strong demand for FRoSTA vegetable pans led to an increase of 30.8 %. Demand for FRoSTA vegetable pans has been growing on this scale for three years now, with particularly strong demand being recorded for our Mediterranean vegetable pans (source: IRi 2013). Such sustainable growth is especially welcome in this fiercely competitive market. In this way, we have been able to transfer the success of the original FRoSTA Purity Command from our pan meals to the vegetable category as a whole.

The introduction of FRoSTA fish in autumn 2013 saw a positive response from the trade with extensive distribution being achieved nationwide. All major trading organisations listed FRoSTA fish products and marketing by traders is well on the way. The launch of the new FRoSTA "Schlemmerfilets" has been particularly pleasing with satisfactory sales levels soon being achieved (source: IRi 2013).

In Poland, the effect on the market of the launch of the FRoSTA Purity Command has been apparent. The positive levels of growth recorded after the switching of the complete range to the Purity Command in autumn 2012 were continued throughout the whole year. In this way, FRoSTA was able to consolidate its market leadership, especially in the fish sector. The foodservice business in Poland also enjoyed healthy growth and thus made an important contribution to the good result achieved there.

In Hungary, we focussed activities on our brand business and were able to generate a very positive growth rate.

In Romania, we did not reach our targeted sales level due to the severe challenges in our business resulting from the overall economic situation and market conditions in general.

Despite renewed difficulties with importers, we were able to stabilise our business in Russia, especially through activities in the foodservice sector.

Slight improvements on the previous year were made in the Balkans, where we were able to create once more additional contracts for private label fish products in Serbia, Croatia and Slovenia. However, consumer buying in this region is affected by the strained overall economic situation.

In Italy, we were again able to improve turnover and thus achieve a good result.

The home delivery service finds itself confronted with more and more competition from food retailers. Long opening hours and a dense network of outlets, even in country areas, have combined to pose a severe challenge in this sector, and we have consequently seen a drop in turnover and profit.

4.2. Development in business segment COPACK

The COPACK business segment includes all activities of the private label business with the food retail industry in Germany, the Benelux countries, Switzerland, Austria, Spain and the UK, as well as the catering and industrial sectors, i.e. "Business to Business". The COPACK sales units made a strong impression on European competition through their sales areas, with particularly positive results being achieved in the catering sector. In this segment turnover rose slightly but with a substantial increase in profit as a result of lower costs and higher unadjusted profit.

5. Individual financial statement of FRoSTA AG

The individual financial statements and FRoSTA AG's consolidated financial statements are practically identical. The fundamental differences between the balance sheets result from the consolidation of the Polish subsidiary and the different accounting standards.

In contrast to the Group financial statements, for which the international rules of IFRS apply, the individual financial statements of FRoSTA AG are created according to the rules of the German Commercial Code (HGB).

Group turnover in 2013 developed by 2 % on the previous year, which is recorded to the overall good performance in turnover in the FRoSTA brand business in Germany and the foodservice sector.

The individual financial statement shows a profit after tax based on the accounting principles of the German Commercial Code of 7.8 million EUR. The previous year's figure was 4.1 million EUR. This clear improvement in the result is mainly due to the business development in the two above-mentioned profitable business areas as well as the higher unadjusted profit resulting from lower costs.

The detailed differences between the net profit for the year according to German Commercial Code standards and the consolidated net profit for the year according to IFRS are illustrated below:

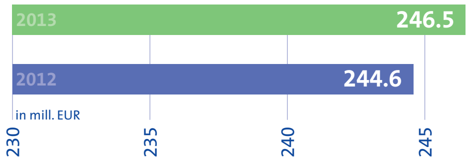
	TEUR
FRoSTA AG ANNUAL NET PROFIT FOR 2013 (HGB)	**7,758**
Changes IFRS	
Depreciation	–2,489
Pallet Expenditure	547
Deferred Taxes	1,075
Currency	–141
Miscellaneous	–343
FRoSTA AG ANNUAL NET PROFIT FOR 2013 (IFRS)	**6,407**
Total result for the year for subsidiaries consolidated in the Group financial statement	5,750
Consolidating entries: Effects of the consolidating entries affecting the operating result	–122
CONSOLIDATED ANNUAL NET PROFIT FRoSTA AG 2013	**12,035**

The increased depreciation figures in the Group statement result from the fixed assets, which are given a higher value using IFRSs than in the German Commercial Code, and from the other depreciation methods and useful lives applied.

The individual financial statement is still the basis for determining what dividend is to be paid.

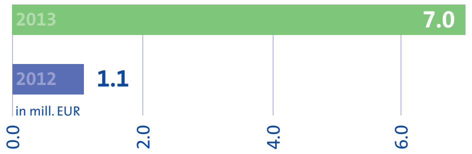
TURNOVER BUSINESS SEGMENT COPACK

+ 0.8 % (2013 vs. 2012)



EBIT BUSINESS SEGMENT COPACK

+ 536.4 % (2013 vs. 2012)



On the basis of the result improvement and the sound financial structure, the Board will propose at the Annual General Meeting a dividend of 1.00 EUR per share to be paid from the balance sheet profit (previous year 0.75 EUR per share), with the remaining profit being added to the reserves.

The FRoSTA Group profit before tax amounting to 15.9 million EUR is thus being paid out as dividend (32 %), paid as tax (35 %) and retained in the company (33 %):

	TEUR	Proportion
Current corporation tax	3,875	24 %
Capital gains tax including "solidarity" supplement in dividends	1,797	11 %
Total taxes	**5,672**	**35 %**
Net dividend payments	5,016	32 %
Retained by company	5,222	33 %
Total	**15,910**	**100 %**

The individual and consolidated financial statements correspond with each other in all other aspects of the Management Report, with the exception of typical Group peculiarities.

6. The FRoSTA share

Key data of the FRoSTA share	
Market segment	Entry Standard at Frankfurt Stock Exchange
WKN	606900
ISIN	DE0006069008
Nominal share value	2.56 EUR

The FRoSTA share saw the following development in 2013: In January 2013, the share price was 15.30 EUR, and in December 2013 18.49 EUR. The dividend yield of more than 5 % makes the FRoSTA share an interesting proposition for investors. Since February 2011, the FRoSTA share has been traded in the Entry Standard of the Frankfurt Stock Exchange and no longer in the Regulated Market of the Berlin Stock Exchange. Two shareholders have litigated against this so-called downgrading but their action was rejected by the State Court and Supreme Court of Bremen. The same two shareholders lodged an appeal against this verdict, but this was also rejected by the Federal Court in 2013, which means that the judgement is now final.

KEY FIGURES FOR THE FRoSTA SHARE	2012	2013
Equity capital (TEUR)	17,142	17,440
Number of shares	6,695,900	6,812,598
Equity capital on consolidated balance sheet (TEUR) Equity capital per share (EUR)	108,351 16.18	116,614 17.12
Share price at year end (EUR) Year high (EUR) Year low (EUR) Number of shares sold	15.60 18.30 15.10 260,043	18.49 19.24 15.00 475,897
Price-earnings ratio (Price at year end/annual net profit)	16.95	10.45
Dividend payout per share (EUR) Dividend yield (Dividende/price at year end)	0.75 4.8 %	1.00 5.4 %
Annual net profit Group (TEUR) Annual net profit per share (EUR)	6,083 0.92	12,035 1.80
Cash flow from operating activities for Group (TEUR) Cash flow from operating activities per share (EUR)	16,442 2.46	29,921 4.39

III. RISK MANAGEMENT SYSTEM / INTERNAL CONTROLLING SYSTEM

The risks mentioned affect all segments of the Group.

The main features of the internal controlling and risk management processes related to corporate accounting can be presented as follows: FRoSTA has set up an internal control and monitoring system to be enforced by the Group's Controlling, Accounting, Debtors Management and Human Resources departments. Process-integrated and independent monitoring procedures make up the main components of the control system. Besides manual measures such as the "four-eyes principle", there are also automatic mechanisms fully integrated in our SAP-ERP system with its BO analysis tool. The strict separation of administrative, executive, accounting and approval functions reduces the likelihood of fraudulent actions.

The most important item in internal controlling at FRoSTA AG is among Contribution Margin II (based on sales and marketing costs) and Operating Result the Return on Investment.

Our process-independent monitoring programme includes the internal audits of our quality management officers, internal review projects and indeed the Supervisory Board.

The compliance and reliability of our corporate accounting is guaranteed by adherence to the work instructions and internal accounting manual which applies to all relevant affiliated companies. These regulations also stipulate the material and formal requirements concerning the creation of the financial statement. Despite the large number of regulations, there is still a possibility of risk, for example as a result of unusual or complex transactions.

All our managerial staff are actively involved in our risk management system. The system ensures that warning signals are given early enough, even in times of crisis.

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

The risk management system at FRoSTA AG is the subject of an ongoing improvement process. In 2013, a management workshop was held to review and assess all company risks and opportunities.

IV. RISKS AND OPPORTUNITIES REPORT

1. 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 smoothen these fluctuations and avoid dependencies. Being located in various different places our own vegetable production is also largely secured against the effects of inclement local weather conditions, which can lead to poor harvests. Despite all this, considerable changes in the prices of raw materials are still possible and, if we are to remain competitive, we cannot always pass these on directly to the customers. This situation presents risks and opportunities. However, price agreements with customers with a validity of more than six months increase our risk/opportunity as we are not normally in a position to secure raw material cover for 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. However, competition sometimes makes this impossible.

The quality of the raw materials is monitored by audits at our suppliers' facilities and by checking goods as they arrive at our factories. 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.

2. Currency situation

FRoSTA purchases most of its raw materials from international markets. Some of these goods are invoiced in US Dollars. We make use of the usual options and futures trading instruments available on the market to hedge exchange rate fluctuations. The way these currency hedging instruments are dealt with is precisely stipulated by a set of procedural regulations, and controlling instruments are employed to ensure that these are adhered to. The hedging of exchange rate risks can only compensate to a limited extent for the continually rising US Dollar. A long-term deterioration in the EUR-USD rate would lead to a rise in expenditure for commodity purchases. Opportunities may derive from falling US Dollar exchange rates.

3. Sales market

The increasing concentration of trade is leading to risks arising from the potential loss of bulk contracts. This can mean our fixed costs are not covered. Our broad customer structure is based on our own and customers' brands, as well as the supplying of home delivery services, caterers and industrial customers and this secures us against excessive fluctuations in sub-sections of the market. Our contracts with our customers normally include items and prices but do not guarantee fixed volumes, which means that we carry the risk of reduced purchases by the consumer.

The risk of losing outstanding receivables is limited by credit risk insurance with the usual deductibles, a rigorous reminder system and internal credit limits.

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 to respond to changes, or even to initiate changes ourselves within the market.

Besides market growth in Germany and Western Europe, there are special opportunities for FRoSTA AG, particularly in Eastern Europe. Combined with FRoSTA's strong market position, the low per-capita consumption in these countries offers extraordinary potential for growth.

4. Financing

Our financing is dependent on loans. By exercising alternative forms of financing such as selling receivables through asset-backed securities, but also by maintaining an adequate equity base, we aim to reduce our dependence on borrowing and to meet rising demands from the capital market. In doing so, we run the risk of interest fluctuations on the capital market. By the use of long-term loans and interest-rate hedging we can limit the interest-rate risk.

5. Legal risks

There are no significant risks from pending legal disputes. Two shareholders have litigated against the transfer of FRoSTA share dealings from the regulated market to the Entry Standard of the Frankfurt Stock Exchange. This lawsuit was rejected by the State Court and Supreme Court of the State of Bremen. The same two shareholders have appealed these judgements which were also rejected by the German Federal Court.

V. SUBSEQUENT EVENTS REPORT

There have been no events subsequent to the reporting deadline for this report which would have any bearing on the financial year in question.

VI. BRANCH REPORT

FRoSTA AG has the following subsidiaries:
F. Schottke, Bremerhaven
Elbtal Tiefkühlkost, Lommatzsch
Rheintal Tiefkühlkost, Bobenheim-Roxheim

VII. FORECAST

In the next years we expect the market for frozen food to continue to grow at lower single-digit figures. Our goal for the next year is to participate in this growth as well as to improve our profitability. For this reason, we expect a slight increase in turnover for 2014. At the same time, we aim to improve profitability considerably through cost discipline and stronger growth in our more lucrative business areas.

In the first 11 weeks of 2014 we saw an increase in sales of 2 % against last year's figure. Profit is considerably higher than in the previous year. One of our most important targets is to improve margins by price increases and cost cutting and in particular by increasing growth in the lucrative business areas. At the same time, we continue to work on reducing especially our overheads to meet the ever fiercer competition. An improvement in profit should be possible if currencies and raw material prices remain relatively stable.

For we believe we are well equipped as regards personnel, finances and organisation to cope with the difficult market situation. In this endeavour, we will be supported by our long-standing good relations with our customers, suppliers and banks as well as by our reliable workforce.

Bremerhaven, March 2014

The Executive Board

CONSOLIDATED FINANCIAL STATEMENTS FROSTA AG

	Note item	2012 TEUR	2013 TEUR	*deviation in %*
1. Turnover	(40)	379,920	386,424	*1.7 %*
2. Decrease of stocks of finished and unfinished products (2012: increase of stocks)		3,798	–5,069	*–233.5 %*
3. Own work capitalised		57	151	*164.9 %*
4. Other operating income	(41)	9,102	5,764	*–36.7 %*
5. OPERATING INCOME		**392,877**	**387,270**	*–1.4 %*
6. Cost of materials				
a) Raw materials, consumables and goods purchased for resale		–242,675	–231,101	*–4.8 %*
b) Purchased services		–11,491	–11,884	*3.4 %*
		–254,166	**–242,985**	*–4.4 %*
7. GROSS PROFIT		**138,711**	**144,285**	***4.0 %***
8. Personnel expenses	(42)			
a) Wages and salaries		–47,166	–50,025	*6.1 %*
b) Social security and other pension costs and for support thereof for pensions TEUR 62 (2012: TEUR 112)		–8,617	–8,566	*–0.6 %*
		–55,783	**–58,591**	***5.0 %***
9. Depreciation/amortisation of intangible and tangible fixed assets	(43)	–11,158	–11,297	*1.2 %*
10. Other operating expenses	(44)	–61,501	–56,214	*–8.6 %*
11. OPERATING RESULT		**10,269**	**18,183**	***77.1 %***
12. Result from participations, thereof from participations with associated companies TEUR –76 (2012: TEUR 68)		140	–21	*–115.0 %*
13. Other interest and similar income	(45)	255	746	*192.5 %*
14. Depreciation of shares in affiliated companies and securities of current assets		–147	–1,105	*651.7 %*
15. Interest and similar expenses	(45)	–2,189	–1,893	*–13.5 %*
16. Financial result		**–1,941**	**–2,273**	***17.1 %***
17. RESULT FROM ORDINARY BUSINESS ACTIVITIES		**8,328**	**15,910**	***91.0 %***
18. Current taxes on income and earnings	(46)	–3,448	–4,887	*41.7 %*
19. Deferred taxes	(46)	1,203	1,012	*–15.9 %*
20. CONSOLIDATED PROFIT FOR THE YEAR		**6,083**	**12,035**	***97.8 %***
21. Other Result				
a) Items which can never be re-classified as profit or loss Actuarial profits and losses		0	–50	
b) Items which can be re-classified as profit or loss Profit and loss from currency conversion of foreign subsidiaries' results		1,153	–141	*–112.2 %*
22. Total result		**7,236**	**11,844**	***63.7 %***
Consolidated income attributable to owners of parent company		7,236	11,844	*63.7 %*
to other shareholders		0	0	

ASSETS

	Note item	2012 TEUR	2013 TEUR	deviation in %
NON-CURRENT ASSETS				
A. FIXED ASSETS				
1. Intangible assets	(24)	969	763	–21.3 %
2. Tangible assets	(25)	71,034	68,063	–4.2 %
3. Financial assets	(26)	274	99	–63.9 %
4. Financial assets accounted for using the equity method	(26)	1,403	301	–78.5 %
		73,680	**69,226**	**–6.0 %**
B. DEFERRED TAXES	(47)	**1,457**	**1,836**	**26.0 %**
		75,137	**71,062**	**–5.4 %**
CURRENT ASSETS				
1. Inventories	(27)	66,739	63,435	–5.0 %
2. Trade receivables	(28)	66,277	66,795	0.8 %
3. Receivables from associated companies		6	1	–83.3 %
4. Receivables from current taxes on earnings and income		818	674	–17.6 %
5. Other current assets	(29)			
Financial assets		3,217	3,046	–5.3 %
Other assets		234	328	40.2 %
6. Financial capital		9,935	16,653	67.6 %
		147,226	**150,932**	**2.5 %**
BALANCE SHEET TOTAL		**222,363**	**221,994**	**–0,2 %**

LIABILITIES

	Note item	2012 TEUR	2013 TEUR	deviation in %
A. EQUITY CAPITAL	(30)			
1. Subscribed capital	(31)	17,142	17,440	1.7 %
2. Capital reserves	(32)	11,709	12,815	9.4 %
3. Revenue reserves	(33)	77,919	76,956	–1.2 %
4. Ordinary reserves	(34)	–37	–191	416.2 %
5. Group equity capital generated (without revenue reserves)		1,618	9,594	493.0 %
		108,351	**116,614**	**7.6 %**
B. NON-CURRENT PROVISIONS AND LIABILITIES				
1. Pension provisions	(36)	1.140	939	–17.6 %
2. Other provisions	(37)	1,884	1,989	5.6 %
3. Bank loans and overdrafts	(38)	30,271	24,177	–20.1 %
4. Passive deferred taxes	(47)	4,368	3,744	–14.3 %
		37,663	**30,849**	**–18.1 %**
C. CURRENT PROVISIONS AND LIABILITIES				
1. Other current provision	(37)	563	1	–99.8 %
2. Bank loans and overdrafts	(38)	19,685	14,905	–24.3 %
3. Trade payables	(38)	40,818	42,983	5.3 %
4. Liabilities to associated companies	(38)	32	0	–100.0 %
5. Amounts owed to companies in which a shareholding is held	(38)	31	27	–12.9 %
6. Liabilities from current taxes on earnings and income		2,070	2,339	13.0 %
7. Other liabilities	(39)			
Financial liabilities		6,443	6,770	5.1 %
Other liabilities		6,707	7,506	11.9 %
		76,349	**74,531**	**–2.4 %**
BALANCE SHEET TOTAL		**222,363**	**221,994**	**–0.2 %**

MOVEMENT ON CONSOLIDATED FIXED ASSETS OF FRoSTA AG (CONSOLIDATED FIXED ASSETS) as per December 31, 2012 and as per December 31, 2013

CONSOLIDATED FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2012	PURCHASE AND MANUFACTURING COSTS						ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS							NET BOOK VALUE	
	As per 1.1.2012 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As per 31.12.2012 TEUR	As per 1.1.2012 TEUR	Effects of exchange rate TEUR	Appreciation in value TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As per 31.12.2012 TEUR	As per 31.12.2012 TEUR	As per 31.12.2011 TEUR
1. INTANGIBLE ASSETS															
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	13,136	11	267	0	0	13,414	11,866	9	0	570	0	0	12,445	969	1,270
2. TANGIBLE ASSETS															
a. Land, land rights and buildings including buildings on land owned by third-parties	76,119	659	1,029	98	0	77,905	43,587	133	0	2,734	0	0	46,454	31,451	32,532
b. Plant and machinery	130,847	1,094	3,222	153	467	134,849	101,335	522	0	5,218	3	466	106,612	28,237	29,512
c. Other plant, operating and office equipment	42,221	64	1,668	4	814	43,143	32,634	38	0	2,635	–3	804	34,500	8,643	9,587
d. Prepayments and assets under construction	1,421	7	1,530	–255	0	2,703	0	0	0	0	0	0	0	2,703	1,421
	250,608	1,824	7,449	0	1,281	258,600	177,556	693	0	10,587	0	1,270	187,566	71,034	73,052
3. FINANCIAL ASSETS	2,470	0	69	0	55	2,484	708	0	48	147	0	0	807	1,677	1,762
	266,214	1,835	7,785	0	1,336	274,498	190,130	702	48	11,304	0	1,270	200,818	73,680	76,084

CONSOLIDATED FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2013	PURCHASE AND MANUFACTURING COSTS						ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS							NET BOOK VALUE	
	As per 1.1.2013 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As per 31.12.2013 TEUR	As per 1.1.2013 TEUR	Effects of exchange rate TEUR	Appreciation in value TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As per 31.12.2013 TEUR	As per 31.12.2013 TEUR	As per 31.12.2012 TEUR
1. INTANGIBLE ASSETS															
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	13,414	–2	351	0	82	13,681	12,445	–1	0	555	0	81	12,918	763	969
2. TANGIBLE ASSETS															
a. Land, land rights and buildings including buildings on land owned by third-parties	77,905	–116	466	28	44	78,239	46,454	–27	0	2,513	0	43	48,897	29,342	31,451
b. Plant and machinery	134,849	–192	4,721	2,462	1,654	140,186	106,612	–104	0	5,679	0	1,551	110,636	29,550	28,237
c. Other plant, operating and office equipment	43,143	–14	1,915	94	1,158	43,980	34,500	–10	0	2,550	0	1,130	35,910	8,070	8,643
d. Prepayments and assets under construction	2,703	–4	986	–2,584	0	1,101	0	0	0	0	0	0	0	1,101	2,703
	258,600	–326	8,088	0	2,856	263,506	187,566	–141	0	10,742	0	2,724	195,443	68,063	71,034
3. FINANCIAL ASSETS															
a. Financial assets	532	0	0	0	109	423	257	0	0	80	0	13	324	99	275
b. Financial assets accounted for using the equity method	1,952	0	0	0	76	1,876	550	0	0	1,025	0	0	1,575	301	1,402
	2,484	0	0	0	185	2,299	807	0	0	1,105	0	13	1,899	400	1,677
	274,498	–328	8,439	0	3,123	279,486	200,818	–142	0	12,402	0	2,818	210,260	69,226	73,680

	Subscribed capital TEUR	Capital reserve TEUR	Revenue reserves TEUR	Other accumulated equity capital		Group equity capital earned (excluding revenue reserves) TEUR	Equity capital TEUR
				Actuarial result TEUR	Balancing items from currency conversion TEUR		
As per January 1, 2012	**16,920**	**10,822**	**75,780**	**0**	**–1,190**	**2,631**	**104,963**
Dividends paid						–4,957	–4,957
Share issue	222	647					869
Additional expenditure due to issue of employee shares		240					240
Transfer to revenue reserves			2,139			–2,139	0
Currency change					1,153		1,153
Consolidated profit for the year						6,083	6,083
As per December 31, 2012	**17.142**	**11,709**	**77,919**	**0**	**–37**	**1,618**	**108,351**
Dividends paid						–5,022	–5,022
Share issue	298	789					1,087
Additional expenditure due to issue of employee shares		317					317
Withdrawal from revenue reserves			–963			963	0
Currency change					–104		–104
Change in result				–50			–50
Consolidated profit for the year						12,035	12,035
As per December 31, 2013	**17,440**	**12,815**	**76,956**	**–50**	**–141**	**9,594**	**116,614**

	31.12.2012 TEUR	31.12.2013 TEUR
Consolidated profit for the year before taxes on income	8,328	15,910
Depreciation of fixed assets	+11,158	+11,297
Income from interest	–255	–746
Interest expenses	+2,189	+1,893
Increase/decrease in non-current provisions	+402	–96
Result of the disposal of non-current fixed assets	–5	–92
Non-cash income and expense	+1,165	+1,173
Interest paid	–2,156	–1,874
Interest received	+79	+117
Taxes on income paid	–2,583	–4,891
Taxes on income received	+146	+378
CASH FLOW BEFORE CHANGE IN WORKING CAPITAL	**+18,468**	**+23,069**
Increase/decrease in current provisions	+407	–562
Increase/decrease in inventories, trade receivables and other assets that cannot be classified as investing or financial activities	–2,968	+3,496
Increase in trade payables and other liabilities that cannot be classified as investing or financing activities	+535	+3,918
CASH FLOW FROM OPERATING ACTIVITIES	**+16,442**	**+29,921**
Proceeds from disposals of fixed assets	+61	+50
Proceeds from grants	+23	–
Payments for investments in fixed assets	–7,445	–8,088
Payments for investments in intangible assets	–294	–351
CASH FLOW FROM INVESTING ACTIVITIES	**–7,655**	**–8,389**
Proceeds from increases in equity capital	+869	+1,087
Dividends to shareholders	–4,957	–5,022
Proceeds from new bank loans	+6,184	+3,800
Repayment of bank loans	–11,524	–9,685
Increase/decrease of current liabilities to banks	+12	–4,989
CASH FLOW FROM FINANCING ACTIVITIES	**–9,416**	**–14,809**
Effect of changes in exchange rates on cash and cash equivalents	+181	–5
Net change in cash and cash equivalents	–629	+6,723
Cash and cash equivalents at the beginning of the period	+10,383	+9,935
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**9,935**	**16,653**

FRoSTA Aktiengesellschaft, Bremerhaven

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2013

FRoSTA Aktiengesellschaft (hereafter referred to as FRoSTA AG), is a public limited company according to German law and is listed in the Entry Standard of the Frankfurt Stock Exchange. FRoSTA AG 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 headquarters are in 27572 Bremerhaven, Am Lunedeich 116. FRoSTA AG's Executive Board approved the consolidated financial statements on March 18, 2014 for submission to the Supervisory Board. The Supervisory Board has to review the consolidated financial statements and to state whether it has their approval.

01

1) Accounting principles

FRoSTA AG's consolidated financial statements as at December 31, 2013 have been prepared in compliance with the International Accounting Standards Board's (IASB) financial accounting standards – the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRSs) – which are binding within the European Union.

In doing so all IAS or IFRSs to be applied as at December 31, 2013 and the appropriate interpretations provided by the Standing Interpretations Committee (SIC) or the International Financial Reporting Interpretations Committee (IFRIC) were complied with. The requirements of the above mentioned regulations were fulfilled, so that FRoSTA AG's consolidated financial statements convey an appropriate picture of the assets, finances and earnings as well as the cash flows within the financial year.

The conditions laid down in article 315a HGB on the exemption from preparing a consolidated financial statement according to German accounting standards have been fulfilled. To put the statements on an equal footing with the consolidated financial statements drawn up according to HGB-regulations, all legal obligations on disclosure and notes above and beyond the IASB regulations, in particular drawing up a management report, have been fulfilled.

The income statement is structured according to the nature of expense format.

Comparisons are made based on the reference date of December 31, 2012.

The consolidated financial statements are prepared in Euros. If not otherwise stated, all amounts are stated in thousands of Euros (TEUR).

2) Consolidation

02

a) Consolidation principles

All the most important German and foreign subsidiaries where FRoSTA AG can directly or indirectly influence financial and business policies in these companies are included in FRoSTA AG's consolidated financial statements. These companies' statements are drawn up according to standardised accounting principles.

The subsidiaries are recorded according to the full consolidation method, where the book value of the participating interest is compared with the proportion of the subsidiary's equity capital to be consolidated at the time when the shares were purchased (purchase method) according to IFRS 3. In doing so equity capital must be established according to the revaluation method. As a rule IFRS 3 must be shown retrospectively for all business combinations before the first adoption (December 31, 2005).

As regards business combinations before the transition date (January 1, 2004) FRoSTA AG will take advantage of the following facilities under IFRS 1:

- IRFS 3 will not be used retrospectively for business combinations that took place before the transition date (January 1, 2004.)
- This means that the consolidation method originally chosen will be retained.

Expenses and income as well as accounts receivable and payable between consolidated companies are eliminated. Interim profits and losses from inter-company transactions were eliminated with effect on profit.

03

b) Consolidated Group

The Group Statement includes FRoSTA AG and the following fully consolidated subsidiaries:

Name of company	Headquarter of company	Capital share 2012 in %	Capital share 2013 in %
1. COPACK Tiefkühlkost-Produktions GmbH	Bremerhaven	100.00	100.00
2. ELBTAL Tiefkühlkost Vertriebs GmbH	Lommatzsch	100.00	100.00
3. Feldgemüse GmbH Lommatzsch	Lommatzsch	100.00	100.00
4. FRoSTA France S.a.r.l.	Boulogne-Billancourt/France	100.00	100.00
5. FRoSTA Tiefkühlkost GmbH	Bremerhaven	100.00	100.00
6. FRoSTA Foodservice GmbH	Bremerhaven	100.00	100.00
7. FRoSTA Italia s.r.l.	Rome/Italy	100.00	100.00
8. FRoSTA Tiefkühlkost GmbH u. l.	Baden/Austria	100.00	100.00
9. FRoSTA ČR s.r.o.	Prague/Czech Republic	100.00	100.00
10. FRoSTA Sp. z o.o.	Bydgoszcz/Poland	100.00	100.00
11. BioFreeze GmbH	Bremerhaven	100.00	100.00
12. TIKO Vertriebsgesellschaft mbH	Bremerhaven	100.00	100.00

The Group Statement includes the following affiliated company by equity method:

Name and headquarter of company	Capital share 2012 in %	Capital share 2013 in %	Book value 2012 TEUR	Book value 2013 TEUR
BIO-FROST Westhof GmbH, Wöhrden	45.00	45.00	1,402	301

The company BIO-FROST Westhof GmbH operates a coldstore facility in Wöhrden. It is also involved in the manufacture, trading and distribution of organic frozen fruit and vegetable produce as well as the buying and selling of other similar foods. In the wake of sustained negative profit forecasts, it was decided to reduce the book value of the participation to a fair value of TEUR 301.

This is a summary of the financial data pertaining to this company:

	31.12.2012 TEUR	31.12.2013 TEUR
Total financial assets	4,285	3,527
Total debts	2,829	2,241
Net assets	1,456	1,286
Group share of net assets	655	579
Turnover	4,887	4,251
Result for the year	151	–169
Group share	68	–76

The Group Statement for the financial year does not include the following companies which are in total of minor importance for the Group financial standings:

Name of company	Headquarter of company	Capital share 2012 in %	Capital share 2013 in %
FRoSTA Romania S.R.L.	Bucharest/Romania	100.00	100.00
NORDSTERN America Inc.	Seattle/USA	100.00	100.00
FRoSTA Hungary Kft.	Esztergom/Hungary	100.00	100.00
COPACK Sp. z o.o.	Bydgoszcz/Poland	100.00	100.00
Columbus Spedition GmbH	Bremerhaven	33.33	33.33

04

c) Conversion of foreign currency transactions

The assets and liabilities of subsidiaries whose functional currency is not the Euro are converted at the applicable exchange rate on the balance sheet date. Income statement items are converted to average monthly exchange rates, because due to minor exchange rate fluctuations in the given period, conversion to average exchange rates is a more accurate reflection of the exchange rates on the day the transactions occurred.

The exchange rate differences that occur from conversion are recorded as balancing items from currency conversion.

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

Closing rate	2012	2013
Polish Zloty	4.0928	4.1502
Czech Crown	25.121	27.401

05

3) Illustration of accounting and valuation methods

a) Realisation of revenue and expenses

Revenues from the sale of products and goods are recorded once the delivery owed has been carried out and risk and ownership have been passed on. Customer discounts and rebates as well as returned goods are accounted on an accrual basis according to the sales they are based on.

Operating expenses are recognised in profit and loss once the service in question is taken up or at the time it is triggered.

Interest is recorded as expense or income at the time it occurs.

Dividends are recognised at the time they are paid out.

06

b) Intangible assets

Purchased intangible assets are valued at cost.

Intangible assets that have a determinable useful life are subjected to straight-line depreciation when they start being used over their expected useful lives as follows:

	Useful life in years
Software	4
Licences	4

07

c) Tangible assets

Tangible assets are capitalised at cost and subjected to straight-line depreciation according to their probable useful economic life. Costs of self-produced assets include all direct costs and all overheads that are incurred as a result of the manufacturing process.

Investment grants and investment subsidies are included if it is sufficiently clear that these payments are actually effected and the relevant requirements are fullfilled. They result in a reduction of procurement and production costs. Expenditure-related grants and subsidies are recorded as revenue in the financial year in which the expenditure concerned took place. Financing costs are capitalised as part of procurement or production costs in line with IAS 23 . Costs incurred for repairs of tangible assets are always treated as expenditure. Capitalisation only occurs if the costs mean a development or important improvement in the asset. The assets to be capitalised are subjected to separate analyses for the purposes of measuring depreciation expense if significant cost segments have different economic useful lives.

As regards "finance lease" assets, where basically all risks and use of an asset are transferred to the Group, these are valued minus accumulated depreciation and an appropriate liability at the market price of the asset or the lower cash value of the renting or leasing payments.

The capitalised assets are depreciated straight-line according to their useful economic life.

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

Scheduled depreciation is carried out in the same way throughout the Group over the following useful economic lives:

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

08 **d) Unscheduled depreciation of intangible assets, tangible assets and financial assets**

FRoSTA AG checks the values of the fixed assets to establish whether unscheduled depreciation is necessary, as soon as events occur or circumstances change implying that permanent impairments have occurred ("impairment test".) Unscheduled depreciation is carried out when the expected proceeds from sale, or the capital value of the cash flows to be expected in the future from the assets, are lower than the individual book value of the asset.

If it is not possible to determine the amount obtainable for individual assets, the cash flow for the next higher classification of assets for which this type of cash flow can be established, will be determined. The cash flow forecast of these cash-generating units is based on the detailed financial budget for the next years and the financial planning strategy over and above this period. The growth rates assumed do not exceed the average growth rates for the industry in which the respective cash-generating unit is active. The discount rate is based on a weighted average calculation of capital costs taking into account the borrowing capital/equity capital structure and amounts to 8.35 % before taxes. Should there be no reason for unscheduled depreciation, a revaluation is carried out to a maximum of the cumulative procurement or manufacturing cost.

09 **e) Financial assets and assets reported according to the equity method**

Disposable financial assets are accounted on the balance sheet date at fair value, or if this cannot be established, at cumulative cost.

10 **f) Inventories**

Inventories are valued at cost. Costs of raw materials, consumables, goods purchased for resale as well as trade goods are established according to the weighted average cost method and are produced from the purchasing prices plus incidental cost. The cost includes, apart from the directly attributable costs, overheads directly attributable to the production process including appropriate depreciation of manufacturing assets assuming normal utilisation. Interest from borrowing capital is not included in the valuation of the inventories, but is recorded as an expense in the period it is incurred.

Devaluation for inventory risks is carried out to an appropriate and sufficient extent. If necessary, the lower net realisable value is recorded. The net realisable value is the estimated selling price achievable in the course of ordinary business minus the estimated manufacturing and selling costs.

Should the reasons no longer apply that have led to an impairment of the inventories, an appropriate reversal of impairment losses will take place.

11 **g) Accounts receivable and other fixed assets**

Trade receivables and other assets are, for the initial valuation, accounted at fair value plus transaction costs and in the next valuation at cumulative cost. The fair value (transaction price) is calculated based on quoted prices in active markets for identical assets (Level 1). The sales market is used as a basis for the active market in asset values. If not covered by insurances, credit risks are taken into account by sufficient value adjustments.

12 **h) Financial resources**

The cash holdings and credit balances at banks are accounted at the nominal value.

13 **i) Pension provisions**

Provisions for employer pension plans are established in line with IAS 19 according to the projected unit credit method, taking into account future adjustments in payment and pensions. The valuation of employer pension obligations is carried out based on expert pension reports. The cash value of the defined benefit obligation is determined by discounting the estimated future payments of the current benefits. The interest rate is based here on first class fixed interest bonds of a comparable term on the reporting date. The currency and maturity of the bonds should be in the same currency and have the same term as the vested pension claims.

Periods of service are recorded under personnel expenses. The interest included in the pension payments is reported in the interest expenses. The actuarial profits and losses are covered in sundry reserves. A pension fund does not exist.

14 **j) Other provisions**

Other provisions take into account all clear legal and actual obligations a corporation has towards third parties, where settlement is likely and the level of settlement can be reliably estimated. The provisions are recognised according to IAS 37 with the expected settlement value.

Jubilee benefits and partial retirement obligations are part of the long-term employee benefits. Provisions for jubilee benefits are valued under IAS 19 according to the projected unit credit method. Each year the actual value of the rights obtained on the reporting date must be put in reserves. Provisions for partial retirement benefits must also be made at their actual value. Existing plan assets are to be set off against provisions for partial retirement. The plan assets are to be evaluated at fair value, which is to be appended.

Non-current provisions are recognised at their settlement value discounted to the balance sheet date. Discounting is based on appropriate market interest rates.

Provisions for restructuring procedures will only be taken into account, if on the balance sheet date the measures intended have taken a proper shape and these measures have been communicated.

15 **k) Liabilities**

For the initial evaluation liabilities are carried at the fair value plus transaction costs and in the following valuation at cumulative cost. The fair value (transaction price) is calculated based on quoted prices in active markets for identical liabilities (Level 1). The procurement market is used as a basis for the active market in liability values.

Liabilities in foreign currencies are converted at closing rates. Hedged items in foreign currency are also valued at the closing rate.

16 **l) Deferred taxes**

Under IAS 12 (income taxes) deferred tax assets and liabilities are recognised for all temporary differences in assets and liabilities between tax statement and trade balance and for the future use of tax loss carry forwards. To calculate these we use the tax rates applicable in the future on the balance sheet date. Deferred taxes carried as asset are only recognised if it is likely that these can be used against future taxable income.

17 **m) Derivative financial instruments**

Forward-exchange contracts, forward options and interest-rate swaps

Forward-exchange contracts and forward options as well as interest-rate swaps can be used as derivative financial instruments. These are only concluded with banks which are entirely financially sound. These transactions are only carried out strictly in line with FRoSTA's own internal procedures and are subject to stringent internal controls.

These transactions are only concluded to safeguard the operative business and the financing procedures associated with it. US Dollar requirements are predominantly hedged. These occur because FRoSTA purchases some of the raw materials it requires in this currency without reporting any US Dollar income.

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

In forward options, the company is guaranteed the right to purchase a fixed amount of US Dollars on an agreed date at an agreed conversion rate. If, after completion of the contract, the market exchange rate develops unfavourably for the company, it can buy the agreed amount of US Dollars at the agreed conversion rate. If the exchange rate develops positively for the buyer, he is not obliged to take up his option and can purchase the currency required on the market at a more favourable rate. By means of forward options, FRoSTA can lower the risk of rising dollar prices without foregoing the opportunities offered by lower dollar prices. However, for this flexibility charges are incurred which become payable on completion of the forward option contract.

Interest securing instruments are used to secure short and long term variable financing.

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

Derivative financial instruments are accounted at cost when purchased. At later dates they are recognised at their fair value. The banks establish the fair values according to market quotations.

All derivative financial instruments are treated as freestanding derivatives, i.e. all realised and unrealised gains and losses are recognised in this year's profit and loss account.

18 Extent and market values of the derivatives are made up as follows:

		31.12.2012		31.12.2013	
Financial instruments	Type	Nominal amount TEUR	Fair value TEUR	Nominal amount TEUR	Fair value TEUR
Forward-exchange contracts	Purchase TUSD Sale TGBP	32,856 928	–579 8	30,553 2,088	–870 –12
Currency swaps	Purchase TUSD Sale TGBP	1,434 129	7 0	1,020 542	–10 –6
Interest-rate swaps	Loan TEUR	20,641	–1.315	13,583	–693

The accounting base the payments are derived from is the notional amount of a derivative hedging transaction. Collateral and risk are not the notional amount itself, but only the price changes referred to it.

The market value is the amount that would have to be paid or would be received on the reporting date at the assumed termination of the hedging transaction. As the hedging transaction only concerns commonly tradable financial instruments the fair value is established on the basis of market quotations. Hedge accounting is not applied.

The positive market value of the financial instruments is recorded under "Other assets" and negative market values under "Other liabilities". These financial instruments involve no credit risks as the underlying contracts have been made with financially sound banks.

The due dates for the interest-rate swaps as at December 31, 2012 and 2013 are as follows:

TEUR	31.12.2012	31.12.2013
Within a year	7,056	6,805
Between one and five years	13,335	6,778
Over five years	250	0
Total	20,641	13,583

19 **n) Employee share programme**

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

There are three different purchasing prices per share depending on the retention periods of one or four years, after which the securities may be sold.

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

In line with IFRS 2 the "fair value" of the shares is to be established taking into account the retention periods agreed. The purchase price is compared with the market price at the time of purchase and the resulting difference minus a deduction for the retention period is recorded as personnel costs and credited to the capital reserves.

20 **o) Fair values of the financial instruments**

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

For non-current provisions and liabilities the fair value is determined based on the cash flows to be expected by using the benchmark interest rates valid on the balance sheet date. The derivative financial instruments are established based on existing forward exchange rates and benchmark interest rates on the balance sheet date.

21 **p) Foreign currency transactions**

Purchases and sales in foreign currencies are converted at the current rate applicable at the time of the transactions. Assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date to the Group's functional currency. Gains and losses from the conversions are recognised in profit or loss.

22 **q) Use of accounting estimates**

Preparing the IFRS consolidated financial statements requires accounting estimates and assumptions which affect the identification of assets and liabilities, the disclosure of contingent liabilities on the balance sheet date and the recording of income and expenses.

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

23 **4) Application of further IAS and IFRS standards**

New and current requirements

An amendment to the EU standard IAS 1 (Presentation of Items of Other Comprehensive Income) became effective on July 1, 2012.

Other changes affect IFRS 1 (Government Loans) and IFRS 7 (Disclosures-Offsetting of Financial Assets and Financial Debts). In addition, the implementation of the following standards has become mandatory as from January 1, 2013: IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements), IFRS 12 (Disclosure of Interests in Other Entities), IFRS 13 (Fair Value Measurement), IAS 19 (Employee Benefits), IAS 27 (Separate Financial Statements) und IAS 28 (Investments in Associates and Joint Ventures).

Future requirements

In 2013 the EU adopted some other standards which were not yet mandatory as per December 31, 2013. This concerns changes to IAS 32 (Offsetting of Financial Assets and Liabilities), IFRS 10, IFRS 12 and IAS 27 (Investment Entities) and IAS 36 (Recoverable Amount Disclosures for Non-Financial Assets) as well as IFRIC 21 (Levies). These changes have become effective as of January 1, 2014. Standard IFRS 9 Version 2009/2010 Financial Instruments) becomes mandatory on January 1, 2015. IFRS 9 (2009) introduces new requirements governing the assessment and valuation of financial assets. According to IFRS 9 (2009), financial assets were assessed and valued on the basis of the relevant business model and the contractual cashflow specifications. IFRS 9 (2010) introduced supplementary amendments relating to financial liabilities. An IASB project is currently underway to implement limited changes regarding IFRS 9 assessment and valuation requirements as well as the introduction of new requirements governing the impairment of financial assets and hedge accounting.

The Group intends to apply these standards promptly. The Board does not anticipate any major repercussions for the FRoSTA AG consolidated statement in the period of its initial aplication however the report notes will probably be more extensive. The report structure will also be adapted.

5) Notes on the consolidated balance sheet

24 **a) Intangible assets**

The development of the individual items in the intangible assets is shown in the consolidated assets (p. 22). The share of foreign subsidiaries in the net book value as per December 31, 2013 amounted to TEUR 33 (2012: TEUR 51).

In the FRoSTA Group development costs have not been capitalised, as their future economic use cannot be reliably determined, as long as the products have not been launched on the market. The expenses for product development for the financial year 2013 amounted to TEUR 1,406 (2012: TEUR 1,493).

25 **b) Tangible assets**

As regards the development of the tangible assets please see the consolidated fixed assets. The share of tangible assets located abroad, primarily in Poland, in the net book value as per December 31, 2013 amounted to TEUR 12,861 (2012: TEUR 13,450). Investment grants and subsidies received in the financial year reduce procurement costs by TEUR 6,315 (2012: TEUR 7,579). Based on current earnings forecasts no unscheduled depreciation was taken into consideration for this financial year. In past years further non-scheduled depreciation was included. In the event of the reasons for the non-scheduled depreciation not applying, the maximum revaluation possible is the amount of the cumulative procurement or production costs. This amounted to TEUR 1,487 on December 31, 2013 (2012: TEUR 1,762).

For the reporting year in question, no borrowing costs were capitalised according to IAS 23.

26 **c) Financial assets and assets reported according to the equity method**

Developments in the financial assets and assets reported according to the equity method are shown in the consolidated asset analysis. The non-consolidated holdings in subsidiaries are valued at amortised costs on the day of reporting. In the reporting year in question, a depreciation of TEUR 1,025 was effected on a holding in an affiliated company. The depreciations were recorded in the result for the period. The depreciations were made in accordance with the current and anticipated profit situation. Depreciations amounting to TEUR 80 were made on sundry borrowings in the financial year under consideration as opposed to a write-up of TEUR 48 in the previous year. The company management assumes that loan receivables are irrecoverable. Assets based on the equity method are reported separately in both the consolidated statement and the consolidated asset analysis. The values from the previous year have been adjusted accordingly.

27 **d) Inventories**

The inventories are comprised as follows:

TEUR	31.12.2012	31.12.2013
Raw materials and consumables	26,561	27,555
Unfinished goods	18,244	15,011
Finished products and goods	21,846	20.349
Down payments	88	520
Inventories	66,739	63,435

The lower net realisable value, in so far as this was necessary, taking into account sales and manufacturing costs still being incurred was recognised. The book value of stocks recorded at the lower net realisable value amounted to TEUR 252 in 2013. The impairments of inventories shown in expenses amount to TEUR 266 (2012: TEUR 351).

28 **e) Trade receivables**

Trade receivables are comprised as follows:

TEUR	31.12.2012	31.12.2013
Trade receivables, gross	66,675	67,249
Value adjustments on trade receivables	–398	–454
Trade receivables	66,277	66,795

Value adjustments on trade receivables have developed as follows:

TEUR	2012	2013
Value adjustments January 1	345	398
Spread	1	–1
Allocations	86	86
Utilisation	–19	0
Dissolutions	–15	–29
Value adjustments December 31	398	454

Expenditure on total write-offs on payment defaults and amount to TEUR 113 (2012: TEUR 26). Income from written-off receivables amount to TEUR 29 (2012: TEUR 15).

Risks included in the trade receivables:

TEUR	31.12.2012	31.12.2013
Neither overdue nor adjusted receivables	62,860	63,170
Overdue receivables not individually adjusted		
Less than thirty days	3,071	3,387
Thirty to sixty days	213	92
More than sixty days	133	146
Total receivables overdue	3,417	3,625
Net accounting value	66,277	66,795

Receivables sold in ABS transactions amounted to TEUR 6,496. According to the structure of the contract, ownership of the receivables is retained by FRoSTA. Liabilities resulting from the advance financing of the receivables collection are recorded under liabilities from bank loans.

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

29 **f) Other assets**

FRoSTA AG's other assets are made up as follows:

TEUR	31.12.2012	31.12.2013
Creditors with debit balances	207	142
Employees	54	30
VAT and consumer tax	1,908	1,781
Other financial assets	1,048	1,093
Financial assets	3,217	3,046
Delimitations	234	328
Other assets	234	328
Sundry assets	3,451	3,374

No risks of default have been identified for the sundry assets.

Active difference from asset accounting

Included in the remaining assets is an active difference based on asset accounting of TEUR 33 (2012: TEUR 143).

TEUR	31.12.2012	31.12.2013
Fair value of invested assets	333	219
Procurement costs of invested assets	326	212

For further explanations, please refer to item 37.

30 **g) Equity capital**

The change of consolidated equity capital is shown in the statement of changes in equity capital.

Minimum capital requirements have been met.

A higher than average equity ratio is being aimed at. Achieving this target will be enhanced through self-financing and the issue of employee shares.

31 **Subscribed capital**

Subscribed capital amounts to TEUR 17,440. Taking into consideration 6,812,598 shares, the calculatory value is EUR 2.56 per share. On September 27, 2013 the Board decided to raise the company subscribed capital by TEUR 299 to a total of TEUR 17,440 by issuing 108,642 transferable shares from the employee participation program and 8,056 transferable shares as part of the bonus scheme. The bonus scheme shares were issued at the share price valid on the day of transfer. The purchase price was TEUR 127 (see item 35).

Apart from this there are authorised capital funds, as yet unused, for a fixed period until July 17, 2018 amounting to TEUR 201 for the issuing of shares to employees of FRoSTA AG and its affiliated companies, as well as authorised capital funds of TEUR 5,000 for a fixed period until July 17, 2018 for a capital increase from cash contributions.

32 **Capital reserves**

The capital reserves include the premiums from issuing the shares and the personnel expenses from the employee share program.

33 **Revenue reserves and consolidated equity capital generated (without retained earnings)**

The revenue reserves include the results achieved in the past in the companies included in the consolidated financial statement, if they have not been paid out.

The consolidated equity capital includes the results achieved in the current period in the companies included in the consolidated financial statement, unless they have been allocated to the reserves.

According to the German Stock Corporation Law, the dividend to be paid out to the shareholders is measured according to the net profit stated in FRoSTA AG's annual financial statements. As per December 31, 2013, these came to TEUR 7,758 (2012: TEUR 5,022).

The Shareholders' Meeting on June 7, 2013 decided to pay out a dividend of EUR 0,75 per share (TEUR 5,022).

FRoSTA AG's Executive Board proposes a dividend of EUR 1.00 per share for 2013 subject to the approval of the Shareholders' Meeting.

34 **Sundry reserves**

The sundry reserves record the differences resulting from currency conversion at subsidiaries who balance in another currency than the parent company. The valuation difference is mainly the result of the participating interest in FRoSTA Sp. z o.o., Bydgoszcz/Poland, whose annual financial statements are prepared in Polish Zloty. The adjustment resulting from currency conversion amounted to TEUR –141 on the day of reporting as opposed to TEUR –37 in the previous year. As from December 31, 2013, the sundry reserves also include actuarial losses totalling TEUR 50.

35 **Additional expenditure due to issue of employee shares**

FRoSTA AG offered its employees and pensioners the opportunity of purchasing FRoSTA shares at a preferential price. There are three separate proposals with a different retention period and a limited purchasing opportunity for each employee and pensioner.

The following share purchases were effected:

TEUR	2012	2013
Proposal 1 – number of shares	35,576	50,112
Issue price (EUR)	8.00	7.65
Market rate (EUR)	16.00	15.30
Estimated market price (EUR)	10.67	10.22
Balance (EUR)	2.67	2.57
Value (TEUR)	96	129
Proposal 2 – number of shares	25,465	44,170
Issue price (EUR)	12.00	11.45
Estimated market price (EUR)	14.67	14.03
Balance (EUR)	2.67	2.57
Value (TEUR)	68	113
Proposal 3 – number of shares	13,412	14,360
Issue price (EUR)	5.00	5.00
Estimated market price (EUR)	10.67	10.22
Balance (EUR)	5.67	5.22
Value (TEUR)	76	75
Total (TEUR)	240	317

The difference between the estimated market price of the FRoSTA share at the date of issue and the reduced price to be paid by employees is counted as personnel costs. The estimated market price was calculated on the basis of the market rate at the selling date including a reduction due to the respective retention period.

Share-based remuneration

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

TEUR	2012	2013
Shares issued for the previous financial year	12,259	8,056

36 **h) Pension obligations**

Provisions for pensions are created for liabilities from future pensions and current payments due to individual assurances to former and current employees of the FRoSTA Group and their surviving dependents.

The Group pension schemes are all performance-related (defined benefit plans).

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

In the financial years 2012 and 2013 the following parameters were used:

	2012	2013
Interest rate	3.80 %	3.50 %
Salary trend	2.00 %	2.00 %
Pension trend	2.00 %	2.00 %

The actuarial assumptions regarding life expectancy are based on "Richttafeln 2005G" by Dr Klaus Heubeck.

In 2012 and 2013 the following expenses were incurred:

TEUR	2012	2013
Actuarial losses	69	0
Sundry personel costs	0	61
Personnel costs	69	61
Interest paid	26	25
Pensions costs	95	86

The provision recorded in the balance sheet developed as follows:

TEUR	2012	2013
Provisions as per January 1	1,132	1,140
Pensions costs	95	86
Payments to pensioners	–87	–337
Actuarial losses	0	50
Provisions as at December 31	1,140	939

The number of beneficiaries of pension payments was 18. As from 2013, actuarial profits and losses are recorded under sundry reserves. If this method had been applied in 2012, the sundry reserves based on actuarial profits and losses would have been lowered by TEUR –69 to TEUR –106.

37

i) Other provisions

The other provisions are made up as follows:

TEUR	As at 01.01.2013	Utilisation	Dissolutions	Allocations	As at 31.12.2013
Jubilee payments	1,796	200	0	350	1,946
Sundry non-current provisions	**1,796**	**200**	**0**	**350**	**1,946**
Severance payments	563	538	25	1	1
Sundry current provisions	**563**	**538**	**25**	**1**	**1**
Sundry provisions	**2,359**	**738**	**25**	**351**	**1,947**

TEUR	As at 01.01.2013	Utilisation	Dissolutions	Allocations	As at 31.12.2013
Partial retirement scheme	278	88	19	57	228
Plan assets	333	127	0	13	219

Since the plan assets are assigned as per commitments from the partial retirement scheme, based on the principle of single-asset valuation, it transpired that a surplus of assets amounting to TEUR 33 was recorded as well as accruals of TEUR 42 resulting from the partial retirement programme.

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j) Liabilities

TEUR	Total amount	thereof with a remaining maturity of up to one year	between one and five years	more than five years
Liabilities to banks (previous year)	39,082 (49,956)	14,905 (19,685)	19,005 (24,658)	5,172 (5,613)
Trade payables (previous year)	42,983 (40,818)	42,983 (40,818)	0 (0)	0 (0)
Liabilities to affiliated companies (previous year)	0 (32)	0 (32)	0 (0)	0 (0)
Amounts owed to companies in which a shareholding is held (previous year)	27 (31)	27 (31)	0 (0)	0 (0)
Other liabilities (previous year)	14,276 (13,150)	14,276 (13,150)	0 (0)	0 (0)

Bank loans and overdrafts are secured by mortgages totalling TEUR 22,441 (2012: TEUR 21,934) and secured by similar rights totalling TEUR 3,231 (2012: TEUR 4,890). Trade payables are subject to standard reservations of title.

Bank loans and overdrafts are listed as follows:

TEUR	31.12.2012	31.12.2013
Non-current loans	**30,271**	**24,177**
Current loans	9,685	9,895
Current account liabilities	10,000	5,010
Current liabilities to banks	**19,685**	**14,905**
Bank loans and overdrafts	**49,956**	**39,082**

Receivables sold in asset-backed securities transactions (ABS) amounted to TEUR 6,496 as per December 31, 2013. After deducting a discount of TEUR 1,486 they are included in other current liabilities at a value of TEUR 5,010.

Two of the financing agreements made with credit institutes include so-called “financial covenants”. These are prescribed balance sheet minimum values which must be adhered to. Failing this, the promise of the loan can be withdrawn. In 2013, all such requirements were fulfilled.

Bank loans as per December 31, 2013 have the following interest rates and maturity dates:

31.12.2012 TEUR	31.12.2013 TEUR	Interest rate in %	Maturity
3,500	1,750	3.87	31.01.2014
1,500	750	3.87	31.12.2014
1,500	750	3.87	31.12.2014
1,500	750	3.87	31.12.2014
210	115	Wibor 3M + 2.25	27.02.2015
1,500	1,125	3.00	30.12.2016
5,826	4,372	Euribor 3M + 1.00	31.12.2016
2,750	2,250	3.29	29.03.2018
4,922	3,985	5.31	31.03.2018
1,719	1,406	3.20	31.03.2018
3,437	2,813	3.20	31.03.2018
3,464	2,951	3.40	30.09.2019
1.944	1,722	3.00	30.09.2021
3,649	3,265	2.65	30.06.2022
2,535	2,268	3,05	30.06.2022
0	3,800	2.05	30.06.2023
39,956	**34,072**		

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The other current liabilities are structured as follows:

TEUR	31.12.2012	31.12.2013
Collection commissions	4,442	4,888
Customers with a credit balance	113	85
Other sundry financial liabilities	1,888	1,598
Financial liabilities	**6,443**	**6,571**
Liabilities to employees	2,267	4,151
Social security contributions	189	174
Taxes	536	490
Accruals	3,715	2,890
Other sundry liabilities	**6,707**	**7.705**
Other liabilities	**13,150**	**14,276**

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

Deferrals and accruals include employees’ rights to outstanding holiday and free shifts as well as other liabilities.

6) Explanatory notes to the consolidated income statement

40

a) Turnover

Turnover is measured at the fair value of the consideration received or receivable. FRoSTA AG’s turnover is made up as follows:

TEUR	2012	2013
Germany	220,394	224,373
Abroad	159,526	162,051
Turnover	**379,920**	**386,424**

Turnover can be categorised according to product groups as follows:

TEUR	2012	2013
Fish	174,413	174,832
Fruit and vegetables	100,673	103,761
Ready meals and other products	104,834	107,831
Turnover	**379,920**	**386,424**

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b) Other operating income

Other operating income is structured as follows:

TEUR	2012	2013
Exchange rate profits	5,830	1,868
Income from charged-off accruals	717	1,276
Income from credits from previous years and charged-off liabilities	238	238
Income from mineral oil tax refund	861	712
Sundry operating income	1,456	1,625
Other operating income	**9,102**	**5,764**

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c) Personnel costs

Personnel costs are split up as follows:

TEUR	2012	2013
Wages and salaries	46,927	49,708
Social security contributions	8,505	8,504
Pension costs	112	62
Costs of share-related remunerations	239	317
Personnel costs	**55,783**	**58,591**

Severance payments and expenditure for topping-up of early retirement schemes were moved in the year under consideration from "personnel costs" to "other operating expenses". Values for the previous year were adjusted accordingly. Interest contained in personnel expenses is shown in the financial result.

The following figures state the average numbers of personnel employed in 2012/2013:

	2012	2013
Wage-earners	997	1,019
Salaried staff	427	410
Temporary employees	46	67
Number of employees according to article 314 (1) No. 4 HGB	**1,470**	**1,496**
Apprentices	34	27
Number of employees	**1,504**	**1,523**

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d) Depreciation and amortisation

A breakdown of depreciation and amortisation is as follows:

TEUR	2012	2013
Amortisation of intangible assets	570	555
Depreciation of tangible assets	10,588	10,742
Depreciation and amortisation	**11,158**	**11,297**

44

e) Other operating expenses

Other operating expenses are grouped as follows:

TEUR	2012	2013
Storage and transport costs	18,186	18.,528
External personnel costs	8,358	8,188
Marketing costs	7,482	7,422
Rent and cold-storage expenses	6,973	6,329
Maintenance	4,533	4,042
Foreign currency exchange losses	5,331	2,999
Fees, contributions and insurance	2,943	2,644
Other expenses	7,695	6,062
Other operating expenses	**61,501**	**56,214**

The other operating expenses include severance payments amounting to TEUR 89 (2012: TEUR 1,004) as well as topping-up payments for the early retirement scheme amounting to TEUR 67 (2012: TEUR 151).

45 **f) Interest result**

The interest result is divided up as follows:

TEUR	2012	2013
Income from interest on bank balances	76	68
Income from interest loans	4	0
Income from interest resulting from a reduction in provisions for anticipated losses from interest swaps	104	614
Other income from interest	71	64
Income from interest	**255**	**746**
Interest paid for bank loans and overdrafts	–1,894	–1,452
Interest expenses from interest swaps	–206	–343
Interest paid on provisions for pensions and partial retirement schemes	–20	–25
ABS	–66	–70
Other interest paid	–3	–4
Interest and similar expenses	**–2,189**	**–1,893**
Result from interest	**–1,934**	**–1,147**

46 **g) Taxes on income and earnings and deferred taxes**

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

Tax expenditure is divided up as follows according to origin:

TEUR	2012	2013
Current taxes Germany	2,253	3,614
Current foreign taxes	1,071	1,430
Current taxes for financial year	**3,324**	**5,044**
Taxes for previous years	124	–157
Taxes on income and earnings	**3,448**	**4,887**
Deferred taxes Germany	–968	–1,073
Deferred foreign taxes	–235	61
Deferred taxes	**–1,203**	**–1,012**
Tax expenditure according to income statement	**2,245**	**3,875**

The expected expense for taxes on earnings and income, which would have resulted if the parent company FRoSTA AG's tax rate of 29.62 % on the group result under IFRS before taxes had been used, is reconciled to taxes on earnings and income according to the income statement as follows:

TEUR	2012	2013
Result before taxes on income and earnings	**8,328**	**15,910**
FRoSTA AG's tax rate	29.62 %	29.62 %
Expected tax expenditure	**2,467**	**4.713**
Different tax rates (especially for deferred taxes)	–1,005	–1,048
Taxes on income and earnings for previous years	124	–157
Tax expenditure for non-deductible operating expenses	719	416
Tax savings from tax-free earnings	–60	–49
Tax expenditure according to income statement	**2,245**	**3,875**

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

The transition from imputation method to half income system has resulted in a cooperation tax credit of TEUR 1,794, which is paid out in ten equal instalments as from 2008. Following a tax audit, the corporation tax credit rose in 2010 to TEUR 1,871. This amount less two payments received in 2008 and 2009 will be paid in eight equal annual instalments as from 2010. The cash value was activated in receivables from current taxes on income and profit.

47 The active and passive deferred taxes resulting from the temporary differences are divided up as follows:

TEUR	31.12.2012 Active deferred taxes	31.12.2012 Passive deferred taxes	31.12.2013 Active deferred taxes	31.12.2013 Passive deferred taxes
Intangible assets	4	67	0	3
Tangible assets	42	4,076	77	3,551
Financial assets	41	0	586	0
Inventories	0	158	8	134
Trade receivables	12	14	13	16
Other assets	113	40	84	31
Pension reserves	43	0	44	0
Sundry provisions	575	0	495	0
Trade payables	0	13	0	9
Other liabilities	627	0	529	0
Temporary differences	**1,457**	**4,368**	**1,836**	**3,744**

48 **h) Earnings per share**

The undiluted and diluted earnings per share are calculated as follows:

		2012	2013
Consolidated profit for the year	**TEUR**	**6,083**	**12,035**
Weighted average of issued common shares	1,000 shares	6,624	6,704
Consolidated profit for the year per share	**EUR**	**0.92**	**1.80**

A figure of EUR 1.80 (2012: EUR 0.92) is reported for the undiluted as well as for the diluted result.

49 **7) Explanatory notes on the Group cash flow statement**

Structure of the financial funds

The financial funds are made up of cash and credit at banks of TEUR 16,653 (2012: TEUR 9,935).

50 **8) Segment reporting**

Please refer to the Management Report for more information on segment reporting as presented below.

Due to the changes made to IFRS 8.23 in the version of April 2009, we are now required to adapt our segment reporting to correspond with the FRoSTA AG structure (Management Approach). We present FRoSTA AG in two separate distribution sectors. Firstly, the business segment FRoSTA, which includes brand sales in Germany, Austria, Eastern Europe and Italy, private labels in Italy, Austria and Eastern Europe as well as sales to home delivery services in Germany, and secondly, the COPACK business segment, which is responsible for the private label, industrial and catering businesses in Germany and private labels in the rest of Western Europe. Management only considers the profit development of the segments. Assets or debts are not considered in the segment reporting. The presentation of the segment report correspondends to the structure of the internal reporting. Changes were made in internal reporting in the year under consideration. Values for the previous year have been adjusted accordingly.

The information regarding the items between "Financial Result" and "Consolidated Profit for the Year" are not used by the Company in its Management Approach reporting.

The result from shareholdings amounting to TEUR –20 (2012: TEUR 140) comprises a profit of TEUR 56 (2012: TEUR 72) from Columbus Spedition and a loss of TEUR 76 (2012: profit TEUR 68) at the affiliated company BIO-FROST Westhof.

As in the previous year, no single customer in 2013 accounted for 10 % or more of Group turnover.

million EUR	Germany 2012	Germany 2013	+/–	Abroad 2012	Abroad 2013	+/–	Total 2012	Total 2013	+/–
Turnover	220.4	224.4	+1.8 %	159.5	162.0	+1.6 %	379.9	386.4	+1.7 %
Operating income	**228.1**	**224.9**	**–1.4 %**	**164.8**	**162.4**	**–1.5 %**	**392.9**	**387.3**	**–1.4 %**
Gross profit	**79.1**	**81.5**	**+3.0 %**	**59.6**	**62.8**	**+5.4 %**	**138.7**	**144.3**	**+4.0 %**
in % of turnover	35.9 %	36.3 %		37.4 %	38.8 %		36.5 %	37.3 %	
Depreciation	–7.0	–7.1	+1.4 %	–4.2	–4.2	0.0 %	–11.2	–11.3	+0.9 %
Operating result	**5.4**	**8.8**	**+63.0 %**	**4.9**	**9.4**	**+91.8 %**	**10.3**	**18.2**	**+76.7 %**
in % of turnover	2.4 %	3.9 %		3.1 %	5.8 %		2.7 %	4.7 %	
Financial result							–2.0	–2.3	–15.0 %
Result from ordinary business activities							**8.3**	**15.9**	**+91.6 %**
in % of turnover							2.2 %	4.1 %	
Current taxes							–3.4	–4.9	+44.1 %
Deferred taxes							1.2	1.0	
Consolidated profit							**6.1**	**12.0**	**+96.7 %**

million EUR	Segment FRoSTA 2012	Segment FRoSTA 2013	+/–	Segment COPACK 2012	Segment COPACK 2013	+/–	Total 2012	Total 2013	+/–
Turnover	135.3	139.9	+3.4 %	244.6	246.5	+0.8 %	379.9	386.4	+1.7 %
Operating income	**139.9**	**140.3**	**+0.3 %**	**253.0**	**247.0**	**–2.4 %**	**392.9**	**387.3**	**–1.4 %**
Gross profit	**58.0**	**60.2**	**+3.8 %**	**80.7**	**84.1**	**+4.2%**	**138.7**	**144.3**	**+4.0 %**
in % of turnover	42.9 %	43.0 %		33.0 %	34.1 %		36.5 %	37.3 %	
Depreciation	–3.9	–4.0	+2.6 %	–7.3	–7.3	0.0 %	–11.2	–11.3	+0.9 %
Operating result	**9.2**	**11.2**	**+21.7 %**	**1.1**	**7.0**	**+536.4 %**	**10.3**	**18.2**	**+76.7 %**
in % of turnover	6.8 %	8.0 %		0.5 %	2.8 %		2.7 %	4.7 %	
Financial result							–2.0	–2.3	–15.0 %
Result from ordinary business activities							**8.3**	**15.9**	**+91.6 %**
in % of turnover							2.2 %	4.1 %	
Current taxes							–3.4	–4.9	+44.1 %
Deferred taxes							1.2	1.0	
Consolidated profit							**6.1**	**12.0**	**+96.7%**

51 **9) Other information**

a) Primary financial instruments

The fair values of the primary financial instruments are shown in the following overview:

TEUR	31.12.2012		31.12.2013	
	Book value	Fair value	Book value	Fair value
Bank loans and overdrafts	49,956	51,033	39,082	39,635
Other financial liabilities	6,443	6,443	6,571	6,571

For the other primary financial instruments the book values conform to the market values.

52 **b) Contingencies**

The FRoSTA Group believes there are no significant contingencies.

53 **c) Other financial liabilities**

The other FRoSTA AG financial liabilities are divided up as follows:

TEUR	2012	2013
Liabilities from current leasing contracts	2,103	2,002
Liabilities from current leases and maintenance agreements	3,017	3,232
Commitments from expansion investments	2,521	2,327
Consignment agreements	1,740	2,006
Other financial liabilities	9,381	9,567

Liabilities from current leasing contracts result mostly from the leasing of cars and trucks and are handled exclusively in the form of operative leasing contracts. Verification of the existence of a leasing agreement is performed on submission of the contract or invoice.

Rental liabilities are based on the rental of office space, software and communications systems.

Future payments from lease, maintenance and hire contracts as at December 31, 2013 have the following remaining maturities:

TEUR	< 1 year	1–5 years	> 5 years
Future payments from current leasing contracts	992	1,010	0
Future payments from current lease and maintenance contracts	2,253	959	20
Total	3,245	1,969	20

Total expenditure from leasing contracts amounted to TEUR 3,721 (2012: TEUR 3,779).

54 **d) Group auditor's remuneration**

The auditor's remuneration, reported as expense during the financial year, breaks down as follows:

	TEUR
Final audit service	51
Other valuation service	20
Total	71

55 **e) Affiliated individuals**

Executive Board

Members of the FRoSTA AG's Executive Board in the financial year 2013 were:

- Felix Ahlers, businessman, Hamburg (Chairman)
  – As at December 31, 2013: 1,488,458 FRoSTA shares = 21.9 %
- Hinnerk Ehlers, businessman, Hamburg (Vice President Marketing and Sales)
- Dr Stephan Hinrichs, businessman, Kampen (Vice President Finance and Administration)
- Jürgen Marggraf, businessman, Bremen (Vice President Operations)

The total number of Executive Board FRoSTA shares as at December 31, 2013 amounts to 1,536,596 shares = 22.6 %.

Supervisory board

Members of FRoSTA AG's Supervisory Board in the financial year 2013 were:

- Dirk Ahlers, businessman, Hamburg (Chairman of the Supervisory Board)
  As at December 31, 2013: 2,242,271 FRoSTA shares = 32.9 %
- Oswald Barckhahn, businessman, Chicago/USA (Vice Chairman of the Supervisory Board)
- Jürgen Schimmelpfennig, Chairman of the Works Council of FRoSTA AG, Bremerhaven

The total number of FRoSTA AG shares owned by the Supervisory Board as at December 31, 2013 is 2,244,821 shares = 33.0 %.

In the financial year 2013, the Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co., Hamburg, whose partners include Dirk Ahlers, invoiced FRoSTA AG for travel expenses, rentals, goods delivered and other services totalling TEUR 68 (2012: TEUR 279). In 2013, FRoSTA AG charged goods and personnel expenses amounting to TEUR 2 (2012: TEUR 40). The balance as per December 31, 2013 amounts to TEUR 6 (2012: TEUR 0).

Lenox Frozen Fruits Ltd., a 100 % subsidiary of the Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co., invoiced FRoSTA AG for goods delivered and commission on commodities sold to a value of TEUR 180 (2012: TEUR 595). In the financial year FRoSTA AG charged TEUR 0 (2012: TEUR 23) for goods (foil). As at December 31, 2013 this results in a balance of TEUR 0 (2012: TEUR 6).

In 2013, Lenox Frozen Food Ltd., an 80% shareholding of Dirk Ahlers, invoiced FRoSTA AG for goods delivered and commission on commodities sold to a value of TEUR 654 (2012: 0 EUR). In the same year, FRoSTA AG charged TEUR 29 (2012: 0 EUR) for goods (foil). As at December 31, 2013, this results in a balance of TEUR 69 (2012: 0 EUR).

In the financial year 2013, BIO-FROST Westhof GmbH invoiced FRoSTA AG for goods delivered to a value of TEUR 933(2012: TEUR 1,151). The balance at December 31, 2013 amounts to TEUR 27 (2012: TEUR 31).

In the financial year 2013, Columbus Spedition GmbH invoiced FRoSTA AG, Bremerhaven, as well as FRoSTA Sp. z o.o., Poland, for freight costs to a value of TEUR 2,044 (2012: TEUR 1,772). The balance at December 31, 2013 amounts to TEUR 95 (2012: TEUR 122).

In the financial year, marketing costs amounting to TEUR 304 (2012: TEUR 304) were invoiced by non-consolidated subsidiaries.

56 **f) Remuneration according to Art. 314 (1) No. 6 HGB**

The total remuneration of the Executive Board for the financial year 2013 amounted to TEUR 4,039 (2012: TEUR 2,122). Of this the fixed remuneration came to TEUR 1,191 (2012: TEUR 1,190) and variable remuneration TEUR 2,848 (2012: TEUR 932).

The total remuneration of former members of the Executive Board was TEUR 76 in the financial year (2012: TEUR 74). Pension reserves for former Executive Board members amounted to TEUR 574 on the balance sheet date (2012: TEUR 583).

The remuneration of the Supervisory Board amounted to TEUR 79. Of that, TEUR 65 were variable and TEUR 14 fixed payments. The remuneration of the previous year at TEUR 60 comprised variable payments of TEUR 46 and fixed payments of TEUR 14.

57 **g) Appropriation of profits**

At the Annual General Meeting, we will be proposing a gross dividend payment of EUR 1.00 per share corresponding to a total dividend payment of EUR 6,812,598.00. This payment will be taken from the FRoSTA AG annual balance sheet profit on December 31, 2013 of EUR 7,757,607.92. The remaining EUR 945,009.92 will be allocated to other retained earnings. The gross dividends are subject to capital gains tax (25 %) amounting to EUR 1,703,149.50 as well as a 5.5 % solidarity surcharge of EUR 93,673.22. This results in a net dividend payment of EUR 5,015,775.28. The owners of the parent company are fully entitled to the result. No non-controlling interests are held in the FRoSTA AG Group.

58 **h) Risk management report**

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

Business risks are carried by the Group itself. We try to avoid or keep damages as low as possible by applying appropriate risk management.

Please refer to the condensed FRoSTA AG management report and Group management report for detailed information about the corporate risks.

Bremerhaven, March 18, 2014

The Executive Board

(F. Ahlers) (H. Ehlers) (Dr S. Hinrichs) (J. Marggraf)

Statement by the Legal Representatives in conformance with Art. 297 (2), sentence 4 and Art. 315 (1), sentence 6 of the German Commercial Code

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements of FRoSTA AG give a true and fair view of the assets, liabilities, financial position and profit situation of the group, and the Group Management Report includes a fair review of the development and performance of the business and of the position of the Group, together with a description of the main opportunities and risks associated with expected development of the Group.

Bremerhaven, March 18, 2014

The Executive Board

(F. Ahlers) (H. Ehlers) (Dr S. Hinrichs) (J. Marggraf)

Auditors' report

We have audited the consolidated financial statements of FRoSTA Aktiengesellschaft, Bremerhaven, comprising balance sheet, profit and loss account, statement of changes in equity capital, cash flow statement and notes to the consolidated financial statements, as well as its Company and Group management report for the financial year from January 1, 2013 to December 31, 2013. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs, as applicable in the EU, and the additionally applicable commercial provisions in accordance with Art. 315a (1) German Commercial Code (HGB) are the responsibility of the Company's management. Our responsibility is to provide an assessment of the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Art. 317 HGB and German GAAP (Generally Accepted Accounting Principles) for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Auditors). Those standards require that we plan and perform the audit so that we can reliably identify any inaccuracies and infringements affecting the presentation of assets, finances and earnings in the consolidated financial statements and in the Group management report, in accordance with German GAAP. Knowledge of the business activities and economic and legal environment of the Company and the Group, as well as expectations of possible inaccuracies, are taken into account when establishing audit procedures. The effectiveness of the system of internal accounting control and the evidence supporting the disclosures in the consolidated financial statement and the Group management report are primarily assessed by making spot checks during the audit. The audit includes assessing the annual financial statements of the consolidated affiliates, the definition of the consolidation Group, the accounting and consolidation principles used and the most relevant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for making our assessment.

Our audit did not reveal any grounds for objection.

In our opinion and based on the information obtained during the audit, the consolidated financial statements are in accordance with IFRSs as applicable in the EU as well as the supplementary provisions of Art. 315a (1) HGB (German Commercial Code) and the IFRS as a whole. Taking into account these regulations and the actual situation, we believe that the consolidated financial statements give a true and fair view of the Group's assets, finances and earnings. The Group management report concurs with the consolidated financial statements and provides an accurate picture of the Group's position, correctly depicting the challenges and risks of future developments.

Bremen, March 18, 2014

Gräwe & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr Meyer · Auditor

Schleeßelmann · Auditor

FINANCIAL STATEMENTS FROSTA AG

	Note item	2012 TEUR	2013 TEUR	*deviation in %*
1. Turnover	(10)	361,165	368,144	*1.9 %*
2. Decrease of stocks of finished and unfinished products (2012: increase of stocks)		2,800	–5,226	*–286.6 %*
3. Own work capitalised		57	151	*164.9 %*
4. Other operating income	(11)	6,076	5,730	*–5.7 %*
5. OPERATING EFFICIENCY		**370,098**	**368,799**	***–0.4 %***
6. Cost of materials				
a) Raw materials, consumables and goods purchased for resale		–241,267	–233,524	*–3.2 %*
b) Purchased services		–10,239	–10,710	*4.6 %*
		–251,506	**–244,234**	***–2.9 %***
7. OPERATING INCOME		**118,592**	**124,565**	***5.0 %***
8. Personnel expenses				
a) Wages and salaries		–40,602	–43,180	*6.3 %*
b) Social security and other pension costs and for support – hereof for pensions TEUR 32 (2012: TEUR 36)		–7,304	–7,217	*–1.2 %*
		–47,906	**–50,397**	***5.2 %***
9. Depreciation/amortisation of intangible and tangible fixed assets	(3)	–7,375	–7,084	*–3.9 %*
10. Other operating expenses	(11)	–54,943	–53,440	*–2.7 %*
11. OPERATING RESULT		**8,368**	**13,644**	***63.0 %***
12. Income from participating interests		72	56	*–22.2 %*
13. Other interest and similar income – thereof from associated companies TEUR 108 (2012: TEUR 10)		220	477	*116.8 %*
14. Depreciation in financial assets		–147	–1,105	*654.3 %*
15. Interest and similar expenses – thereof to associated companies TEUR 16 (2012: TEUR 25)		–1,946	–1,664	*–14.5 %*
16. Financial result		**–1,801**	**–2,236**	***24.2 %***
17. RESULT FROM ORDINARY BUSINESS ACTIVITIES		**6,567**	**11,408**	***73.7 %***
18. Taxes on income and earnings	(13)	–2,354	–3,497	*48.6 %*
19. Other taxes		–154	–153	*–0.6 %*
20. PROFIT FOR THE YEAR		**4,059**	**7,758**	***91.2 %***
21. Withdrawal from other revenue reserves		963	0	*–100,0 %*
22. BALANCE SHEET PROFIT		**5,022**	**7,758**	***54.5 %***

BALANCE SHEET FRoSTA AG

as per December 31, 2013

ASSETS

	Note item	2012 TEUR	2013 TEUR	deviation in %
A. FIXED ASSETS				
I. Intangible assets	(3)			
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets		791	729	–7.8 %
		791	**729**	**–7.8 %**
II. Tangible assets	(3)			
1. Land, land rights and buildings including buildings on land owned by third-parties		21,187	19,804	–6.5 %
2. Plant and machinery		15,378	17,784	15.6 %
3. Other plant, operating and office equipment		5,161	5,060	–2.0 %
4. Prepayments and assets under construction		2,469	990	–59.9 %
		44,195	**43,638**	**–1.3 %**
III. Financial assets	(3)			
1. Shares in associated companies		11,092	11,046	–0.4 %
2. Participating interests		1,042	17	–98,4 %
3. Liabilities to companies in which a shareholding is held		116	0	–100,0 %
4. Long-term securities		6	6	0.0 %
5. Other liabilities		38	33	–13.2 %
		12,294	**11,102**	**–9.7 %**
		57,280	**55,469**	**–3,2 %**
B. CURRENT ASSETS				
I. Inventories	(2)			
1. Raw materials and consumables		19,031	21,179	11.3 %
2. Work in progress		17,685	14,310	–19.1 %
3. Finished products and goods purchased for resale		18,410	16,607	–9.8 %
		55,126	**52,096**	**–5.5 %**
II. Accounts receivable and miscellaneous other fixed assets	(4)			
1. Trade receivables		60,533	60,910	0.6 %
2. Receivables from associated companies		4,411	2,240	–49.2 %
3. Amounts owed by associated companies – thereof with a remaining period of more than one year TEUR 633 (2012: TEUR 672)		2,772	2.506	–9.6 %
		67,716	**65,656**	**–3.0 %**
III. Cash, bank balances and cheques		**8,561**	**13,415**	**56.7 %**
		131,403	**131,167**	**–0.2 %**
C. DEFERRED INCOME				
Other accruals and deferrals		**207**	**303**	**46.4 %**
D. ACTIVE DIFFERENCE FROM THE ASSETS CALCULATION	(5)	**145**	**36**	**–75.2 %**
BALANCE SHEET TOTAL		**189,035**	**186,975**	**–1.1 %**

Liabilities

	Note item	2012 TEUR	2013 TEUR	deviation in %
A. EQUITY CAPITAL	(6)			
I. Subscribed capital		**17,142**	**17,440**	1.7 %
II. Capital reserves		**10,658**	**11,447**	7.4 %
III. Revenue reserves				
1. Statutory reserve		200	200	0.0 %
2. Other revenue reserves		56,897	56,897	0.0 %
		57,097	**57,097**	**0.0 %**
IV. Balance sheet profits		**5,022**	**7,758**	54.5 %
		89,919	**93,742**	**4.3 %**
B. PROVISIONS				
1. Pension provisions and similar obligations	(7)	645	629	–2.5 %
2. Provisions for taxes		1,603	1,454	–9.3 %
3. Other provisions	(8)	16,253	18,023	10.9 %
		18,501	**20,106**	**8.7 %**
C. CREDITORS	(9)			
1. Bank loans and overdrafts		43,921	34,594	–21.2 %
2. Trade payables		23,517	24,181	2.8 %
3. Amounts owed to associated companies		6,435	6,408	–0.4 %
4. Amounts owed to companies in which a shareholding is held		31	27	–12.9 %
5. Other creditors – thereof taxes: TEUR 447 (2012: TEUR 486)		6,661	7,913	18.8 %
		80,565	**73,123**	**–9.2 %**
D. ITEMS OF ACCURAL AND DEFERRAL				
Other items		**50**	**4**	**–92.0 %**
BALANCE SHEET TOTAL		**189,035**	**186,975**	**–1.1 %**

MOVEMENT ON FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2013	PURCHASE AND MANUFACTURING COST					ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS						NET BOOK VALUE	
	As at 1.1.2013 TEUR	Additions TEUR	Disposals TEUR	Transfers TEUR	As at 31.12.2013 TEUR	As at 1.1.2013 TEUR	Additions TEUR	Appreciation in value EUR	Disposals TEUR	Transfers TEUR	As at 31.12.2013 TEUR	As at 31.12.2013 TEUR	As at 31.12.2012 TEUR
I. INTANGIBLE ASSETS													
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	**11,753**	**345**	**12**	**0**	**12,086**	**10,962**	**407**	**0**	**12**	**0**	11,357	**729**	**791**
II. TANGIBLE ASSETS													
1. Land, land rights and buildings including buildings on land owned by third-parties	69,461	290	35	7	69,723	48,274	1,802	122	35	0	49,919	19,804	21,187
2. Plant and machinery	119,634	3,760	1,367	2,268	124,295	104,256	3,604	0	1,349	0	106,511	17,784	15,378
3. Other plant, operating and office equipment	39,903	1,226	720	79	40,488	34,742	1,393	0	707	0	35,428	5,060	5,161
4. Prepayments and assets under construction	2,469	875	0	–2,354	990	0	0	0	0	0	0	990	2,469
	231,467	**6,151**	**2,122**	**0**	**235,496**	**187,272**	**6,799**	**122**	**2,091**	**0**	**191,858**	**43,638**	**44,195**
III. FINANCIAL ASSETS													
1. Shares in associated companies	11,543	0	46	0	11,497	451	0	0	0	0	451	11,046	11,092
2. Participating interests	1,781	0	13	0	1,768	739	1,025	0	13	0	1,751	17	1,042
3. Loans to affiliated companies	250	0	41	–209	0	134	43	0	0	–177	0	0	116
4. Long-term securities	6	0	0	0	6	0	0	0	0	0	0	6	6
5. Other liabilities	60	0	0	209	269	22	37	0	0	177	236	33	38
	13,640	**0**	**100**	**0**	**13,540**	**1,346**	**1,105**	**0**	**13**	**0**	**2,438**	**11,102**	**12,294**
	256,860	6,496	2,234	0	261,122	199,580	8,311	122	2,116	0	205,653	55,469	57,280

FRoSTA Aktiengesellschaft, Bremerhaven

NOTES FOR THE FINANCIAL YEAR 2013 OF FRoSTA AG

01

A. BASIC PRINCIPLES FOR THE FINANCIAL STATEMENTS

The financial statements of FRoSTA Aktiengesellschaft (hereafter referred to as 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), the values are specified in thousand euros (TEUR).

02

B. ACCOUNTING AND CALCULATION PRINCIPLES

Profit and loss account

FRoSTA AG uses the total cost method for profit and loss accounting.

Fixed assets

Intangible fixed assets are shown at purchase costs less scheduled amortisation. Amortisation is recorded straight-line on the basis of the normal useful lives of the assets concerned. With respect to self-created intangible assets, the right of activation was not used. Costs for research and development are thus posted entirely to expenses.

Tangible assets are valued at purchase and manufacturing costs, less scheduled depreciation in case of assets with a limited useful life. The depreciation is calculated on the basis of the normal useful life of the assets concerned. A transition from the declining-balance method to the straight-line method is made as soon as this leads to higher depreciation rates. This rule applies to additions to fixed assets up to 31.12.2009. As of 01.01.2010, additions to fixed assets have been depreciated according to the straight-line method. Unscheduled depreciation is carried out for foreseeable permanent impairment losses.

Low value assets with purchase costs of up to EUR 150 are recorded as expenditure in the year in which they are acquired. In case of purchase costs between 150.01 and 410.00 EUR, low value assets are fully depreciated and shown as disposals in the summary of fixed assets.

A fixed value is assigned to recognized transport pallets.

Investment grants and subsidies received or requested lower the procurement and manufacturing costs of the subsidised assets.

Financial assets are valued at purchase costs less the write-downs to the fair value.

Current assets

Inventories are valued at purchase or manufacturing costs unless a lower valuation is required in accordance with the lower-of-cost-or-market principle. The purchase costs of raw materials, supplies and goods are based on the purchase prices plus incidental acquisition expenses less purchase price reductions.

Besides the individual costs, the manufacturing costs include also adequate shares of the manufacturing and material overheads as well as of the depreciation of the fixed assets. General administration costs as well as expenses for social facilities of the company, for voluntary social benefits and for company pension schemes are not activated. Write-downs were recorded for loss-free valuation and inventory risks due to excessive storage times or reduced usability.

Receivables and other assets are shown at nominal value. Non-payment and credit risks are accounted for by individual or global valuation allowances. The percentage used to calculate the global valuation allowance is 1.0.

Expenses prior to the reporting deadline for this report which represent expenditure for a certain time subsequent to that date have been posted under active deferred income.

Deferred taxes

Deferred taxes on temporary differences between the commercial and fiscal valuation rates of assets, debts and deferrals and accruals are recorded in accumulated form. In case the active deferred taxes exceed the passive deferred taxes, the option not to represent them is used. The calculation is made on the basis of the tax rates applicable in future at the balance sheet date.

Offsetting assets, income and expenses

Assets that are exempt from access by all other creditors and serve exclusively to fulfil liabilities for partial retirement benefit obligations are valued at the fair value.

Income and expenses from these assets are offset against the income from discounting and shown in the financial result. Furthermore, these assets are offset against the obligation they are based on. If there is a surplus of obligations, this is recorded in the reserves. If the value of the assets exceeds the obligations, this is shown as an excess of plan assets over pension liability.

Pensions and similar obligations

Pension obligations are valued in accordance with the recognized principles of actuarial mathematics by means of the so-called "projected unit credit method" and the "cash value method". The amount of the reserves is determined by including expected tendencies with respect to future pension developments as well as any probabilities of fluctuation. Since 01.01.2010 the average interest rate used for discounting has been the rate published by the Deutsche Bundesbank for a residual term of 15 years.

Other reserves

The other reserves include at a resonable and sufficient extent individual provisions for any recognizable risks and uncertain liabilities and for any threatening losses from pending business transactions.

Anniversary and partial retirement benefit obligations are valued in accordance with the recognized principles of actuarial mathematics by means of the so-called "projected unit credit method" as well as the "cash value method". Any increases of salaries and pensions to be expected for the future are taken into account when the cash value is determined. Since 01.01.2010, the interest rate used for discounting has been the rate published by the Deutsche Bundesbank. Liability insurance policies have been taken out for partial retirement commitments.

For offsetting obligations against assets and for offsetting income and expenses, please refer to section "Offsetting assets, income and expenses".

Liabilities

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

C. COMMENTS ON THE BALANCE SHEET

03

1. Fixed assets

An overview of the fixed assets based on the entire purchase and manufacturing costs is attached to these Notes.

In this Financial Year, unscheduled depreciation of TEUR 1,105 (2012: TEUR 147) was carried out with respect to the financial assets of FRoSTA AG. Based on the current and forecast profit situation, TEUR 1,025 of this sum is accounted for by the holding in BIO-FROST Westhof GmbH.

The value of recognized transport pallets has been fixed at TEUR 219 (2012: TEUR 219).

The impairment loss of the purchase and manufacturing costs of fixed assets subsidised due to investment grants and subsidies as per 31.12.2013 amounted to TEUR 1,510 (2012: TEUR 1,877). The release of investment grants and subsidies of TEUR 367 (2012: TEUR 380) directly reduces the gross depreciations.

Participations

FRoSTA AG holds participating interests in the following companies:

Name and headquarter of the company	Share of capital %	Share of subscribed capital TEUR	Equity TEUR	Result for the year 2012 TEUR	Result for the year 2013 TEUR
1. COPACK Tiefkühlkost-Produktions GmbH, Bremerhaven	100.00	256	247	0	0
2. ELBTAL Tiefkühlkost Vertriebs GmbH, Lommatzsch	100.00	26	27	0	0
3. FRoSTA Tiefkühlkost GmbH, Bremerhaven	100.00	255	261	1	1
4. FRoSTA Foodservice GmbH, Bremerhaven	100.00	256	266	1	1
5. TIKO Vertriebsgesellschaft mbH, Bremerhaven	100.00	256	269	2	2
6. BioFreeze GmbH, Bremerhaven	100.00	256	254	0	0
7. Feldgemüse GmbH Lommatzsch, Lommatzsch	100.00	26	14	1	1
8. FRoSTA Sp. z o.o., Bydgoszcz/Poland	100.00	8,433	21,659	3,202	5,668
9. FRoSTA France S.a.r.l., Boulogne-Billancourt/France	100.00	153	334	10	9
10. FRoSTA Italia s.r.l., Rome/Italy	100.00	10	305	30	47
11. FRoSTA Tiefkühlkost GmbH, Baden/Austria u. l.	100.00	36	327	12	16
12. FRoSTA ČR s.r.o., Prague/Czech Republic	100.00	36	191	27	5
13. FRoSTA Hungary Kft., Esztergom/Hungary	100.00	22	38	6	5
14. FRoSTA Romania S.R.L., Bucharest/Romania	100.00	20	0	–3	–7
15. COPACK Sp. z o.o., Bydgoszcz/Poland	100.00	12	4	–1	–2
16. BIO-FROST Westhof GmbH, Wöhrden	45.00	617	1,286	151	–169
17. Columbus Spedition GmbH, Bremerhaven	33.33	135 [1]	340 [1]	115	[2]

[1] applies to 2012
[2] no dates available

Passive Accruals and Deferrals

The term "Passive Accruals and Deferrals" refers to income received before the final reporting date which nevertheless constitutes profit for a certain period after that date.

Foreign currency conversion

Receivables and liabilities from supplies and services in foreign currencies are generally valued with the average exchange rate at the balance sheet date. Unrealised profits and losses are recognised. Derivative financial instruments, in contrast, are recognized according to the imparity principle, i.e. provisions are created for negative values whereas positive values are not recognized.

In addition, there are two other participations which are not included in the overview with reference to Art. 286 (3) No. 1 HGB.

04 **2. Accounts receivable and miscellaneous other fixed assets**
The amounts owed by associated companies result from intercompany supplies and services TEUR 1,153 (2012: TEUR 627) and clearing transactions TEUR 1,087 (2012: TEUR 3,784). Of these, TEUR 0 are financially relevant (2012: TEUR 2,900).

As per December 31, 2013, trade receivables of TEUR 6,496 (2012: TEUR 12,536) were sold in the frame of asset backed security transactions.

Of the other assets, TEUR 633 (2012: TEUR 672) have a residual term of more than one year.

05 **3. Active difference resulting from asset offsetting**
The active difference resulting from asset offsetting amounts to TEUR 36 (2012: TEUR 145). The fair value of assets invested amounts to TEUR 219 (2012: TEUR 333); procurement costs amount to TEUR 212 (2012: TEUR 326).

The assets in question were liability insurances.

06 **4. Equity capital**
On December 31, 2013, the equity capital amounted to EUR 17,440,250.88 and was divided into 6,812,598 no-par value shares. The shares are made out to the bearer.

On September 27, 2013, the Executive Board took the decision to increase the Company's equity capital by EUR 298,746.88 to EUR 17,440,250.88 by issuing 116,698 bearer shares to employees.

07 **5. Reserves for pensions and similar obligations**
The amounts to be paid for pension reserves apply only to pensioners already receiving a pension and amounted to TEUR 629 in this financial year (2012: TEUR 645). The actuarial valuation of the amounts to be paid is based on a discount rate of 4.88 % (2012: 5.05 %) and a rate of pension progression of 2.0 % (2012: 2.0 %).

The calculation of mortality rates is based on the "Richttafeln 2005 G" by Dr Klaus Heubeck.

08 **6. Other reserves**
The other reserves include reserves for personnel costs amounting to TEUR 6,938. This includes anniversary reserves with a settlement value of TEUR 1,535. The discount rate on which this is based is 4.88 % assuming a residual term of 15 years.

Partial retirement provisions are valued at a settlement amount of TEUR 241. Calculations were made using an adequate discount rate. Since the plan assets amounting to TEUR 219 are assigned as per commitments from the partial retirement scheme, based on the principle of single-asset valuation, it transpired that a surplus of assets amounting TEUR 36 was recorded as well as accruals of TEUR 58 resulting from the partial retirement scheme.

Further reserves result from collection provisions of TEUR 4,888 and outstanding invoices amounting to TEUR 4,308.

09 **7. Liabilities**

TEUR	Total amount	thereof with a remaining maturity of up to one year	1–5 years	more than five years
Bank loans and overdrafts to financial institutions (previous year)	34,594 (43,921)	13,358 (18,137)	16,064 (20,171)	5,172 (5,613)
Trade payables (previous year)	24,181 (23,517)	24,181 (23,517)	0 (0)	0 (0)
Liabilities to associated companies (previous year)	6,408 (6,435)	6,408 (6,435)	0 (0)	0 (0)
Liabilities to companies in which a shareholding is held (previous year)	27 (31)	27 (31)	0 (0)	0 (0)
Other liabilities (previous year)	7,913 (6,661)	7,913 (6,661)	0 (0)	0 (0)
	73,123 (80,565)	51,887 (54,781)	16,064 (20,171)	5,172 (5.613)

The increase was made due to the authorization granted to the Executive Board in Art. 4 (3) of the Articles of Incorporation. A resolution passed by the Supervisory Board on September 27, 2013 approved this resolution taken by the Executive Board on the increase of the equity capital. Due to premiums from the issuing of shares, the amount of EUR 788,877.30 was transferred to the capital reserves.

In addition to this, there are authorised capital funds as yet unused for a fixed period until July 17, 2018 in the amount of EUR 201,253.12 for issuing shares to the employees of the Company and its associated companies as well as capital funds in the amount of EUR 5,000,000.00 for a fixed period until July 17, 2018 for a capital increase against cash contributions.

The liabilites towards financial institutions are guaranteed by mortage amounting to TEUR 18,068 (2012: TEUR 16,108) and similar securities amounting to TEUR 3,231 (2012: TEUR 4,891).

The usual reservations of title are applicable to the trade payables.

The liabilities towards associated companies result from intercompany supplies amounting to TEUR 4,112 (2012: 3,683) and clearing transactions TEUR 2,295 (2012: TEUR 2,752).

8. Contingencies
FRoSTA AG gave collateral securities towards banks for liabilities of FRoSTA Sp. z o.o. At 31.12.2013, these liabilities had a value of TEUR 4,487 (2012: TEUR 6,036). The company does not expect that these securities will be made use of.

D. COMMENTS CONCERNING THE PROFIT AND LOSS ACCOUNT

10 **1. Turnover**
The turnovers of FRoSTA AG are as follows:

	2012 mill. EUR	2013 mill. EUR	Deviation %
Product sales - Germany - Abraod	 261 143	 270 146	 +3.5 +2.1
	404	416	+3.0
Sales deductions	43	48	+11.6
	361	368	+1.9

According to product groups, the turnover is as follows:

	2012 mill. EUR	2013 mill EUR	Deviation %
Fish	153	155	+1.3
Vegetables and fruit	100	103	+3.0
Ready meals and other products	108	110	+1.9
	361	368	+1.9

11 **2. Income and expenses for other accounting periods**
The profit and loss account of FRoSTA AG includes income for other accounting periods of TEUR 2,570 (2012: TEUR 1,689) and expenses for other accounting periods in the amount of TEUR 508 (2012: TEUR 335). The income for other accounting periods is mainly due to charge-off of advertising subsidies and bonus payments, the write-back of personnel reserves and other reserves.

12 **3. Earnings and Expenditure**
Earnings from a plan asset amounting to TEUR 4 (2012: TEUR 7) were set off against interest expenditure for partial retirement benefit obligations amounting to TEUR 11 (2012: TEUR 10).

13 **4. Taxes on earnings and income**
This item includes, among other things, tax earnings of TEUR 117 for other accounting periods (2012: tax expenses of TEUR 103).

The deferred taxes on the temporary differences between the commercial and fiscal valuation rates of assets, debts and accruals and deferrals are as follows:

TEUR	31.12.2012 Active deferred taxes	31.12.2012 Passive deferred taxes	31.12.2013 Active deferred taxes	31.12.2013 Passive deferred taxes
Intangible assets	0	29	0	3
Tangible assets	0	110	0	125
Other financial assets	153	0	675	0
Other assets	0	0	0	0
Accruals and deferrals	113	0	84	0
Pension reserves	28	0	28	0
Other reserves	511	0	438	0
Trade payables	0	16	0	10
Total	805	155	1,225	138
Balancing	–155	–155	–138	–138
Balance	650	0	1,087	0

The temporary differences were valued with the combined tax rate of corporation tax and trade tax of 29.62 % (2012: 29.62 %).

The tax relief arithmetically possible as a result of this was not activated in accordance with the right to choose as set forth in Art. 274 HGB in its latest version.

E. OTHER INFORMATION

14 **1. Other financial liabilities**
FRoSTA AG has the following other financial liabilities:

TEUR	31.12.2012	31.12.2013
Liabilities under current leasing contracts	1,936	1,748
Liabilities under current tenancy and maintenance contracts	2,862	3,135
Purchase commitment from expansion investments	2,112	2,254
Consignment agreements	1,740	2,006
	8,650	9,143

As at December 31, 2013 the following remaining maturities apply to future payment liabilities from hire, maintenance and leasing contracts:

TEUR	< 1 year	1–5 years	> 5 year
Future payments from current leasing contracts	888	860	0
Future payments from current rental and maintenance contracts	2,184	931	20
Purchase commitment from expansion investments	2,254	0	0
Consignment agreements	2,006	0	0
	7,332	1,791	20

15 **2. Hedging transactions/derivatives**
Currency hedging is used to secure incoming payments in pounds sterling and outgoing payments in US dollars. Derivative financial instruments are valued with their purchase costs at the purchase date. For the balance sheet date, the banks determine the fair values on the basis of market quotations. Valuation of hedging transactions is made according to the imparity principle, i.e. reserves for anticipated losses are created for negative values whereas positive values are not recognised.

Interest-rate swaps were entered into in order to safeguard interests.

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

Financial instrument	Type	Volume	Fair value TEUR
Call options	Purchase TUSD Sale TGBP	29,620 1,750	–633 –12
Foreign exchange swaps	Purchase TUSD Sale TGBP	941 457	–6 –6
Interest-rate swaps	Loan TEUR	9,090	–359

16 **3. Auditor's remuneration and services**

The total remuneration invoiced by the auditors, Gräwe & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, for the financial year is included in the relevant section in the Appendix of the consolidated balance sheet.

17 **4. Number of Employees**

The average number of employees of FRoSTA AG in the financial year is shown in the table below:

	2012	2013
Wage-earners	613	591
Salaried staff	320	305
Temporary staff	46	67
No. of employees according to Art. 285 no 7 HGB	979	963
Apprentices	34	27
	1,013	990

18 **5. Executive Board**

Members of the Executive Board of FRoSTA AG in the financial year 2013 were:

- Felix Ahlers, businessman, Hamburg (Chairman)
  As at December 31, 2013: 1.488,458 FRoSTA shares = 21.5 %
- Hinnerk Ehlers, businessman, Hamburg
  (Vice President Marketing and Sales)
- Dr Stephan Hinrichs, businessman, Kampen
  (Vice President Finance and Administration)
- Jürgen Marggraf, businessman, Bremen
  (Vice President Operations)

The total number of FRoSTA shares held by the Executive Board on December 31, 2013 amounts to 1,536,596 shares = 22.6 %.

19 **6. Supervisory Board**

Members of the Supervisory Board of FRoSTA AG in the financial year 2013 were:

- Dirk Ahlers, businessman, Hamburg
  (Chairman of the Supervisory Board)
  As at December 31, 2013: 2,242,271 FRoSTA shares = 32.9 %
- Oswald Barckhahn, businessman, Chicago/USA
  (Deputy Chairman of the Supervisory Board)
- Jürgen Schimmelpfennig, Chairman of the Works Council of FRoSTA AG, Bremerhaven

The total number of shares of FRoSTA AG held by the Supervisory Board on December 31, 2013 amounts to 2,244,821 shares = 33.0 %.

20 **7. Remuneration according to Art. 285 No. 9 HGB**

The total remuneration of the Executive Board of FRoSTA AG in the financial year amounted to TEUR 4,039 (2012: TEUR 2,122). The fixed remuneration amounted to TEUR 1,191 (2012: TEUR 1,190) and the variable remuneration amounted to TEUR 2,848 (2012: TEUR 932).

The total remuneration of the former members of the Executive Board of FRoSTA AG in the financial year amounted to TEUR 76 (2012: TEUR 74). The pension reserves for former members of the Executive Board amounted to TEUR 531 (2012: TEUR 542) at the balance sheet date.

The remuneration of the Supervisory Board amounted to TEUR 79 (2012: TEUR 60), the variable remuneration amounting to TEUR 65 (2012: TEUR 46) and the fixed remuneration amounting to TEUR 14 (2012: TEUR 14).

21 **8. Appropriation of profits**

At the Annual General Meeting, we will be proposing a dividend payment of EUR 1.00 per share corresponding to a total dividend payment of EUR 6,812,598.00. This payment will be taken from the balance sheet profit reported on December 31, 2013 (EUR 7,757,607.92). The remaining EUR 945,009.92 will be allocated to other retained earnings.

Bremerhaven, March 18, 2014

The Executive Board

(F. Ahlers) (H. Ehlers)

(Dr S. Hinrichs) (J. Marggraf)

Statement by the Legal Representatives in conformance with Art. 289 (1) sentence 5 HGB

To the best of our knowledge, and in accordance with the applicable reporting principles, the Financial Statement of FRoSTA AG gives a true and fair view of the assets, liabilities, financial position and profit situation of the company, and the company Management Report includes a fair review of the development and performance of the business and of the position of the company, together with a description of the main opportunities and risks associated with expected development of the company.

Bremerhaven, March 18, 2014

The Executive Board

(F. Ahlers) (H. Ehlers)

(Dr S. Hinrichs) (J. Marggraf)

Auditors' report

We have audited the financial statements of FRoSTA Aktiengesellschaft, Bremerhaven, comprising the balance sheet, the profit and loss account, the notes to the financial statements as well as its Company and Group management report for the financial year from January 1, 2013 to December 31, 2013. Accountancy and presentation of financial statements and management report according to German commercial regulations are the responsibility of the Company's Executive Board. Our responsibility is to provide an assessment of the financial statements, including accountancy and management reports, based on our audit.

We conducted our audit of the financial statements in accordance with article 317 of the German Commercial Code and German GAAP (Generally Accepted Accounting Principles) for the audit of financial statements promulgated by the German Institut der Wirtschaftsprüfer (Institute of Auditors). Those standards require that we plan and perform the audit so that inaccuracies and infringements are reliably identified that affect the presentation of the assets, finances and earnings in the financial statements and in the Group management report, in accordance with German GAAP. Information about the Group's business activities and the economic and legal environment and expectations of possible inaccuracies are taken into account when determining audit procedures. The effectiveness of the system of internal accounting control and the evidence supporting the disclosures in the financial statements and the management report are assessed primarily by carrying out spot checks during the audit. The audit includes assessing the accounting and consolidation principles used and the relevant estimates made by management, as well as evaluating the overall presentation of the financial statements and the management report. We believe that our audit provides a reasonable basis for our assessment.

Our audit did not reveal any grounds for objection.

We believe that based on the information obtained during the audit, the financial statements are in accordance with German law and give a true and fair view of the assets, finances and earnings of the Company in compliance with generally accepted accounting principles. The management report concurs with the financial statements and provides an accurate picture of the Company's position and correctly shows the challenges and risks of future developments.

Bremen, March 18, 2014

Gräwe & Partner GmbH
Wirtschaftsprüfungsgesellschaft · Steuerberatungsgesellschaft

Dr Meyer · Auditor

Schleeßelmann · Auditor

SUPERVISORY BOARD

Dirk Ahlers
Hamburg
Businessman, Chairman

Oswald Barckhahn
Chicago/USA
Businessman, Deputy Chairman

Jürgen Schimmelpfennig
Bremerhaven
Fitter

EXECUTIVE BOARD

Felix Ahlers
Hamburg
Chairman

Hinnerk Ehlers
Hamburg

Dr Stephan Hinrichs
Bremerhaven

Jürgen Marggraf
Bremerhaven

10-YEARS' SUMMARY FOR THE GROUP

FINANCIAL YEAR		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Employees (average)	number	1,523	1,504	1,528	1,520	1,614	1,539	1,372	1.248	1,167	1,138
Turnover	(mill. EUR)	386	380	385	393	411	392	349	307	269	264
Unadjusted profit margin		35.8 %	34.1 %	34.3 %	35.0 %	35.8 %	35.9 %	37.6 %	37.7 %	40.0 %	40.9 %
EBITDA	(mill. EUR)	29.5	21.5	26.0	29.8	32.5	32,0	30.2	27.4	26.1	25.8
EBIT	(mill. EUR)	18.2	10.3	14.9	17.7	20.9	20.8	19.3	16.6	15.2	15.4
Return on sales (related to operating result) [1]		4.7 %	2.7 %	3.9 %	4.5 %	5.1 %	5.3 %	5.5 %	5.4 %	5.7 %	5.8 %
Result from ordinary business activities	(mill. EUR)	15.9	8.3	12.3	14.2	17.4	17.7	16.6	14.6	13.5	12.9
Taxes on income	(mill. EUR)	3.9	2.2	3.6	4.4	5.4	5.6	4.4	4.2	5.1	5.1
Group result for the year	(mill. EUR)	12.0	6.1	8.7	9.8	12.0	12.1	12.2	10.4	8.4	7.8
Cash flow	(mill. EUR)	23.1	18.5	21.1	21.8	25.1	25.7	20.0	17.6	17.8	24.8
Investments	(mill. EUR)	8.4	7.8	8.6	10.7	12.1	25.7	20.0	7.7	5.8	6.6
Shares	number	6,812,598	6,695,900	6,609,188	6,531,457	6,450,833	6,413,386	6,373,673	6,338,389	6,303.316	6,277,965
Total dividend	(TEUR)	6,813	5,022	4,957	4,899	4,838	4,810	4,207	3,803	3,152	1,256
Dividend per share	(EUR)	1.00	0.75	0.75	0.75	0.75	0.75	0.66	0.60	0.50	0.20
Income per share	(EUR)	1.80	0.92	1.33	1.52	1.87	1.89	1.93	1.64	1.33	1.24
Fixed assets	(mill. EUR)	71.1	75.1	76.8	81.5	82.9	88.4	75.9	66.7	68.8	73,7
Current assets	(mill. EUR)	150.9	147.2	144.8	144.0	140.2	148.9	129.1	107.3	95.0	61.4
Equity capital	(mill. EUR)	116.6	108.4	105.0	101.2	94.8	87.0	80.2	70.4	62.7	55.1
Equity ratio		52.5 %	48.7 %	47.4 %	44.9 %	42.5 %	36.6 %	39.1 %	40.5 %	38.1 %	34.3 %
Amounts owed to credit institutions	(mill. EUR)	39.1	50.0	55.3	63.6	76.7	86.3	69.6	49.5	44.5	28.8
Credit capital ratio [2]		17.6 %	22.5 %	25.0 %	28.2 %	34.4 %	36.4 %	34.0 %	28.4 %	27.0 %	17.9 %
Return on investment [3]		10.1 %	5.7 %	8.2 %	9.3 %	10.8 %	11.4 %	12.2 %	11.7 %	10.9 %	12.3 % (HGB)
Return on equity [4]		13.6 %	7.7 %	11.7 %	14.0 %	18.4 %	20.4 %	20.7 %	20.7 %	21.5 %	23.4 %

1) Operating result / (turnover / 100)
2) Amount owed to credit institutions / (balance sheet result / 100)
3) [EBIT/(average balance sheet total incl. ABS - average trade liabilities)] x 100
4) (Profit for the year + taxes on income) / (equity capital per balance sheet / 100)

Dear shareholders,

In the financial year 2013, the Supervisory Board of FRoSTA AG fulfilled all its legal and statutory obligations. In the same period, it was regularly and extensively involved in matters concerning the economic and financial development as well as the strategy of FRoSTA AG and the Group as a whole. It held regular consultations with the Executive Board and monitored its activities closely. The Supervisory Board participated directly in all decisions of fundamental importance to the Company. The Executive Board informed the Supervisory Board regularly, comprehensively and in a timely fashion, in written form and verbally, on all matters concerning business policy, current turnover and profit, risks and risk management, as well as the order book status and the Company and Group situation as a whole. In addition, the Chairman of the Supervisory Board, Dirk Ahlers, exchanged information with the Executive Board at regular intervals.

After thorough examination, the Supervisory Board approved the proposals of the Executive Board.

A total of three scheduled meetings of the Supervisory Board were held on March 21, June 7 and December 18, 2013. The meetings of the Supervisory Board were all attended by all members.

There arose no conflicts of interest for Supervisory Board members from their activities as members of the Supervisory Board of FRoSTA AG.

Main points discussed by Supervisory Board

In the year under review, the Supervisory Board once again took a great interest in developments on the market. Together with the Executive Board, it discussed ways of strengthening and further growing the FRoSTA brand as well as developments in the fiercely competitive private label business. In both fields good progress was made. The Supervisory Board consequently welcomed the addition of the frozen fish category to the FRoSTA range. This sector promises considerable growth opportunities for the brand, of which it has been a central component since its introduction in the 1960s. The Executive Board was also able to far exceed annual targets through the private label business and by ending the previously existing loss situation in some fields. The expansion of the foodservice sector was also discussed in depth and the Executive Board was again able to report a positive development.

On the whole, the Executive Board was successful in implementing the strategy discussed by the Supervisory Board in 2012. More lucrative business areas were expanded both geographically as well as through product innovations.

The main topics discussed at the individual Supervisory Board meetings were as follows:

At the Supervisory Board meeting of March 21, 2013, the Supervisory Board discussed in particular the business development in 2012 as well as the Company and Group Statements and Reports as per December 31, 2012.

At a meeting of the Supervisory Board on June 7, 2013, the Supervisory Board discussed the situation in the raw material markets as well as corporate changes affecting our competitors in the fish sector.

In the session held on December 18, 2013, the Supervisory Board examined the annual plan presented by the Executive Board for 2014. This was then discussed with the Executive Board and approved. The Supervisory Board also approved the Executive Board's proposed investments for the current year 2014. These investments do not require an increase in long-term borrowing as current assets are sufficient to cover planned investment and the ongoing business. At the December session, as in previous years, the Supervisory Board also reviewed and in some cases adjusted the remuneration of senior managers and Executive Board members.

Committees

The Committee for Finances and Personnel, consisting of the Supervisory Board members Dirk Ahlers and Oswald Barckhahn, convened on the occasions of the Supervisory Board meetings. They also prepared these meetings. The Committee consulted with the Supervisory Board on the Annual Report 2012 at a joint session in Hamburg on March 21, 2013. In many telephone conversations, and in particular during a telephone conference with the Chairman of the Executive Board on September 25, 2013, the current market strategy was discussed and consulted on.

Membership of the Executive Board and the Supervisory Board

With respect to existing contracts, there was no necessity for discussions on changes to the Executive Board. The Supervisory Board also remained unchanged in the financial year 2013.

Individual and Consolidated Statements

In accordance with a decision taken at the Annual General Meeting, the Supervisory Board commissioned Gräwe & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Bremen, with the task of auditing the FRoSTA AG individual statement and the consolidated Group financial statement. The auditors examined the annual financial statement and the consolidated statement and issued unqualified audit certificates. The FRoSTA AG management report also received an unqualified audit certificate.

The auditor's reports were submitted to the members of the Supervisory Board in good time. They were discussed initially by the Committee for Personnel and Finances and then thoroughly by the complete Supervisory Board in the presence of the auditor on March 25, 2014. The auditors fulfilled the Supervisory Board's request for detailed explanations of some balance sheet items. The Supervisory Board declares that, having completed its assessment, it has no objections either to the consolidated and individual financial statements as per December 31, 2013, nor to the management report of 2013. For this reason, the Supervisory Board has unanimously approved and passed the individual and Group financial statements prepared by the Executive Board.

The Supervisory Board also approved the proposal of the Executive Board on the appropriation of balance sheet profits.

Word of Thanks

The Supervisory Board would like to express its thanks to the Executive Board and to all employees for their great commitment in the business year 2013.

Hamburg, March 25, 2014

For the Supervisory Board
Dirk Ahlers

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