ANNUAL REPORT 2014

FRoSTA AG

FINANCIAL YEAR		2013	2014
Employees (average)	number	1,523	1,559
Turnover	mill. EUR	386	408
EBITDA[1]	mill. EUR	29.5	36.2
in % of turnover		7.6 %	8.9 %
Depreciation	mill. EUR	11.3	11.4
EBIT[2]	mill. EUR	18.2	24.8
in % of turnover		4.7 %	6.1 %
Result from ordinary business activities	mill. EUR	15.9	23.9
Group result for the year	mill. EUR	12.0	17.3
Cash flow	mill. EUR	29.9	32.4
Investments	mill. EUR	8.4	16.3
Dividend per share	EUR	1.00	1.36

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

FINANCIAL CALENDAR 2015

Thursday, March 26, 2015	Financial Press Conference FRoSTA AG, Bremerhaven
Tuesday, May 5, 2015	Publication of interim report per April 30, 2015
Friday, June 19, 2015	Annual General Meeting Stadthalle Bremerhaven Wilhelm-Kaisen-Platz · 27576 Bremerhaven
Friday, July 31, 2015	Publication of half-year report 2015
Monday, October 5, 2015	Publication of interim report per September 30, 2015

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

In 2014, in spite of a drop of 1.1 % in the German frozen food market as a whole, at FRoSTA we were able to increase turnover and profit.

Our turnover grew by 5 % while the result rose above average with a margin on turnover of 4.1 % being recorded. This represents a fair performance as compared to other food producers but there is still room for improvement.

An important factor in this positive development was the introduction of our new FRoSTA fish range. These products are all covered by our Purity Command and the origins of ingredients used are declared online at www.zutatentracker.de. There was a particularly high demand for our new "Schlemmerfilets" (in an environmentally-friendly cardboard tray instead of aluminium). The FRoSTA brand (including fish, meals and vegetables) grew in Germany by 12.6 %.

Outside Germany sales also rose above average at 9 %. In Eastern Europe we continued to strengthen our market leadership, especially in Poland and Hungary. The successful introduction of our Purity Command demonstrates that in these countries, too, more and more consumers are developing a preference for additive-free food.

This year FRoSTA will take another major step towards increased transparency. In the coming weeks the outer wall of our production plant in Bremerhaven will be replaced by a 100-metres long glass facade, which will give passers-by the chance to see at first hand how our fishfingers are produced.

It is difficult to make a forecast for 2015. Although turnover is developing well we still have to deal with currency fluctuations. Since the beginning of the year the US dollar has increased in value versus the Euro by more than 20 % which means a dramatic rise in our raw material costs. We have to combat this development by increasing prices and productivity as soon as possible.

I congratulate all our staff on the good result achieved in 2014. I also thank our customers and shareholders sincerely for their trust and support.

Yours faithfully,

Felix Ahlers

MANAGEMENT REPORT

I. BUSINESS STRUCTURE AND GENERAL CONDITIONS

1. Business Structure

The structure of our business remained unchanged in 2014. Our sales activities are split into three areas: 1. the brand business with our FRoSTA brand, 2. the private label business and 3. the ”non-retail” business including the private label Foodservice and Home Delivery. In addition to our distribution 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. In this respect we were very successful in 2014.

In general, we make a distinction between our own brand FRoSTA with its Purity Command, which we offer in many European countries, and our customers’ brands, which we produce according to their requirements. In addition, we also have the brands TIKO (fish and ready meals) and ELBTAL (vegetables), which we market without the support of advertising.

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 2.4 %. The number of workers employed in production rose above average + 3.0 % while administration staff remained at more or less the same level.

Total labour costs increased by 11 % from 58.6 million EUR to 64.8 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. Compared to 2013, these bonus payments rose by 2.6 million EUR. This equates to an increase of 29 %, with a rise of 33 % being particularly noticeable on variable payments to tariff employees. This can be accounted for specifically by a voluntary payment of 500 EUR to all tariff staff based on the good result. Bonus payments to non-tariff staff increased by 23 % and to the company boards by 25 %. In this way, the complete workforce benefits from the improvement in result.

The number of apprentices employed was 27 as in the previous year. Fluctuation was again very low at 1.3 %. In Germany the already low sickness leave rate of 5.1 % remained on a low level (2013: 4.6 %).

In 2014, a survey was carried out within the Group to assess line managers’ performances and we were able to repeat the good results of previous years. We intend to even improve this result by introducing various training programmes.

In addition, we initiated a training scheme for all management personnel in the implementation of our management philosophy. The process began in 2014 and will continue in 2015 and 2016. The last time such a comprehensive training program took place was between 1999 and 2002.

As in the years before, in 2014 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 61,894 (2013: 108,642). A total of 333 buyers took part in the campaign (2013: 331). 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	2013	2014
FRoSTA HEAD OFFICE	213	211
- thereof administration	137	133
- thereof sales (also abroad)	76	78
PRODUCTION SITES	1,310	1,348
- Schottke, Bremerhaven	499	522
- Rheintal, Bobenheim-Roxheim	127	128
- ELBTAL, Lommatzsch	161	161
- Bydgoszcz, Poland	523	537
GROUP TOTAL	1,523	1,559

3. Procurement

As a result of the complex political background (EU sanctions against Russia in the wake of the Ukraine crisis) and the severe weakness of the Euro against the US dollar, procurement processes experienced difficulties in the business year 2014. It was vitally important to finalise contracts at the right time in order to guarantee the supply of goods on competitive terms. There was a significant drop, for example, in prices for dairy products as compared with the previous year. The lower oil price also put pressure on the price of foil wrapping materials which meant that we were able to secure more favourable contracts at the end of 2014.

In the sourcing of fish raw material there were only minor price fluctuations. The weak Euro has not yet led to higher acquisition costs. This, in turn, is partly due to lower fuel costs in 2014. There were no major supply bottlenecks in 2014 which means that the overall supply and purchasing situation can be described as good.

4. R & D Report

In 2014, our innovation focus was on new production processes. For the first time we were able to go into mass production of a standard roux sauce. This process meets the requirements of conventional kitchen practices which are the standard for FRoSTA's Purity Command. We have also developed many new fish products which will be launched within the next few months.

In 2014, 28 members of staff were employed in Research and Development (2013: 27).

5. Production

FRoSTA AG's production facilities were able to increase volumes in 2014 by a good 3 % compared with the previous year. This growth was aided by very good harvests at both vegetable producing locations, and the harvest targets for all major vegetable types were easily achieved. Productivity could also be improved by between 2 and 3 % which meant that higher expenditure caused by salary increases and some higher energy costs could be more or less compensated.

Total capacity utilisation at our production plants was very high in 2014, especially during the Easter and Christmas seasons. Nevertheless, we were still able to meet all our market demands.

6. Investments

Two major investments were made in the business year 2014. At our factory in Bydgoszcz fish production was enhanced both technologically and in volume handling capacity. Here we manufacture special products for the Foodservice sector. These include grilled fish fillets in different variations.

At our Bremerhaven facility we invested in a power plant designed to generate steam, hot water and electricity for consumption on site. Its installation also ran smoothly and without any major deviations from plan.

Other investments concerned smaller improvements urgently needed to improve productivity.

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 variable remuneration for the purchase of FRoSTA shares
- a variable remuneration based on the Group profit before tax; the 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 and which is also paid once per year

II. SITUATION CONCERNING ASSETS, FINANCING AND EARNINGS

1. General economic climate

In 2014, the German economy grew by 1.4 % while Euroland as a whole saw growth of only 0.8 %. Inflation dropped slightly again as compared to the previous year – to 0.8 % in Germany and only 0.4 % in Euroland (source: www.economist.com).

2014 was also marked by major currency fluctuations. At the beginning of the year, the Euro was listed at well over 1.35 USD, while at the end of the year it had dropped to only 1.20 USD. This naturally impacted on our business as a large part of our raw material is paid for in US dollars.

Since the end of 2014, we have been working intensively to compensate for the steep increase in raw material costs by raising our prices and reducing our other costs. The ongoing fierce price competition remains a major challenge.

2. Development of the frozen food market

In Germany sales of frozen food in the food retail sector including hard discount (Aldi/Lidl/Norma) fell in 2014 by 1.1 % to 5.9 billion EUR (source: IRi 2014). Volume saw an even sharper decline of 3 %. The decrease was particularly noticeable in meat products. Sales of (for us important) frozen ready meals bucked the trend and grew by 1.2 %.

Market Development	Value		
	2012	2013	2014
Ready meals – of these complete ready meals	4.2 % 6.7 %	4.3 % 3.2 %	1.2 % 1.3 %
Fish	0.8 %	2.9 %	–1.5 %
Vegetables	–1.1 %	2.9 %	–3.2 %
Fruit	–3.1 %	4.6 %	11.9 %
Frozen food (total in food retail)	**1.3 %**	**2.5 %**	**–1.1 %**

(source: IRi 2014)

As in the previous year, the FRoSTA brand enjoyed a very positive development with our brand sales growing by 12.6 %. Brand growth has once again accelerated as compared to the already good previous year. Strongest growth was recorded in the sales of our fish products (source: IRi 2014).

3. Business development

In 2014, FRoSTA Group sales again achieved a considerable increase of 6 % as compared to the previous year. The volume also saw a slight increase of 3 % compared to 2013. The positive development was especially apparent in the FRoSTA brand business, in Western Europe/Italy as well as in the FRoSTA brand business in Eastern Europe. Domestic sales and volume development of the private label business was basically stable.

At 36 million EUR, EBITDA is up by 7 million EUR on the previous year's figure of 29 million EUR.

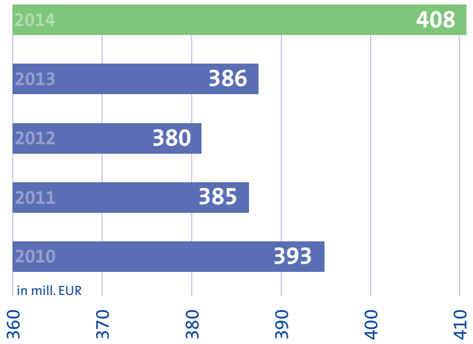
This development is mostly due to the positive trend in sales as well as the rise in unadjusted profit from 35.8 % in 2013 to 38.4 % in 2014, an absolute increase of 18 million EUR. This rise in profit is, on the one hand, a result of the consolidated growth in our more profitable sales areas and, on the other, of improvements achieved in the purchase of raw material. Other operating costs were 8 million EUR higher than in the previous year. Advertising expenses in particular were up by 4 million EUR. Group personnel costs increased by 6 million EUR (11 %).

At 24.8 million EUR, EBIT is up on the previous year's figure of 18.2 million EUR, with depreciation remaining more or less steady at 11.4 million EUR.

The financial result improved from –2.3 million EUR to –0.9 million EUR, since the previous year's result had been negatively affected by the exceptional write-off of our shareholding in BIO-FROST Westhof GmbH. This means that in 2014 our result from ordinary business activities amounted to 23.9 million EUR as opposed to 15.9 million EUR in the previous year. Group tax was 6.6 million EUR (2013: 3.9 million EUR), leaving an after-tax profit of 17.3 million EUR as compared to 12.0 million EUR the year before.

GROUP TURNOVER

+ 5.7 % (2014 vs. 2013)



We are very satisfied with the result development for the year 2014. We have not only achieved the target we set ourselves to make FRoSTA AG return to its former level of profitability, but also the best operative result in the history of FRoSTA AG. The Board would like to express its sincere thanks to all members of staff for this first-class performance.

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	31.12.2013	31.12.2014
Subscribed capital	**17,440**	**17,407**
+ Capital reserves	12,815	12,815
+ Revenue reserves	76,956	77,331
+ Other reserves	–191	–962
+ Net result	9,594	19,090
Equity capital	**116,614**	**125,681**
Balance sheet total	221,994	235,121
Equity ratio	**52.5 %**	**53.5 %**

Investments amounting to 16.3 million EUR were above the previous year's amount of 8.4 million EUR and above depreciation. They could be completely financed from the cash flow from operating activities amounting to 32.4 million EUR (2013: 29.9 million EUR).

The focus of our investment was on the construction of a power plant in Bremerhaven and a new fish production line in Bydgoszcz.

Our balance sheet total of 235 million EUR is up on the previous year's figure of 222 Mio. EUR. Stocks rose by 15 % to 73 million EUR due to the good vegetable harvest which allowed us to store more produce than in the previous year.

Capital assets at 6 % are above the previous year's value. Receivables at 65 million EUR are under the previous year's value of 67 million EUR. As in previous years, some of the receivables are refinanced as part of an ABS programme. At the end of 2014, liquid funds amounted to 16 million EUR (2013: 17 million EUR).

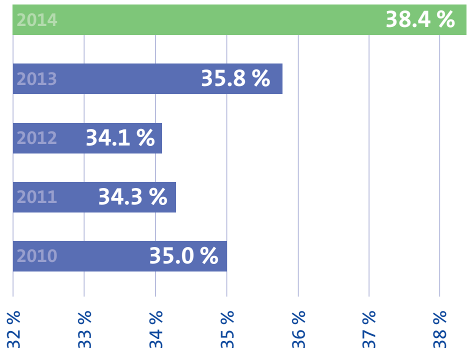
Working Capital at the end of 2014 amounted to 75 million EUR as opposed to 76 million EUR in the previous year. This was mostly due to the fact that the higher stock levels were offset by higher trade payables.

In addition to the 7.8 % increase in equity from 117 million EUR to 126 million EUR, the balance sheet total was financed by long and short-term deferrals and liabilities, with bank liabilities falling by 26 % from 39 million EUR in 2013 to 29 million EUR in 2014. 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 52.5 % to 53.5 %. This equity ratio allows us to retain our financial independence even in difficult economic times.

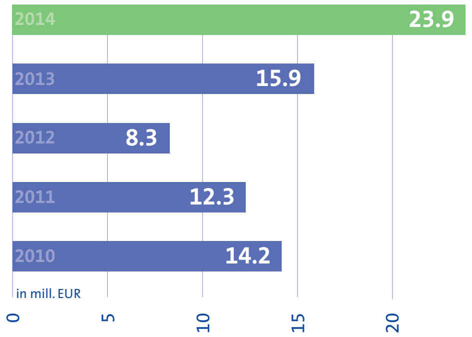
UNADJUSTED PROFIT

38.4 % (2014)



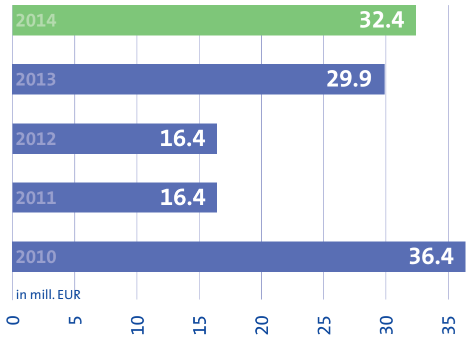
RESULT FROM ORDINARY BUSINESS ACTIVITIES

+ 50.3 % (2014 vs. 2013)



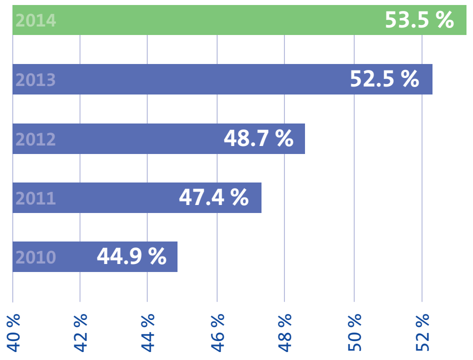
CASH FLOW FROM OPERATING ACTIVITIES

+ 8.4 % (2014 vs. 2013)



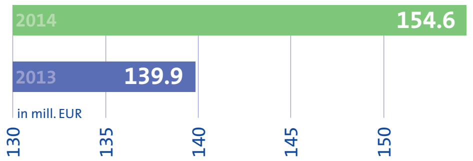
EQUITY RATIO

53.5 % (2014)



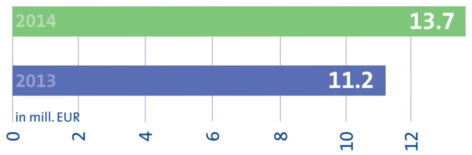
TURNOVER BUSINESS SEGMENT FRoSTA

+ 10.5 % (2014 vs. 2013)



EBIT BUSINESS SEGMENT FRoSTA

+ 21.4 % (2014 vs. 2013)



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. Increased advertising expenditure in almost all markets led to a rise in consumer demand. The result also improved in spite of this increased advertising investment.

The FRoSTA brand in Germany developed very well last year and was once again the strongest growing brand in the frozen food category (source: IRi 2014).

In pan meals we were able to further expand our clear market leadership. The FRoSTA complete meals segment recorded growth of 4.7 %, which was considerably faster than the market as a whole (2.6 %) (source: IRi 2014). This made FRoSTA the strongest growing brand in this segment and it also allowed us to consolidate our market leadership once more. This is particularly pleasing since our biggest competitor had been very active with some new products since late summer.

The frozen vegetable market declined slightly in Germany last year. Against this difficult background FRoSTA vegetable products were able to record a total increase of about 10 % (source: IRi 2014). FRoSTA vegetable pans grew by a little more than 3 %, not quite as strongly as in the previous three years (source: IRi 2011–2014). Nevertheless, we are pleased to have achieved growth in this fiercely competitive market.

The launch of FRoSTA fish in autumn 2013 received a warm welcome from the market and its comprehensive distribution nationwide dovetailed with the good marketing of FRoSTA fish articles last year. In total we achieved a turnover in end consumer prices of just over 10 million EUR (source: IRi 2014). This result was driven by the especially high demand for FRoSTA Schlemmerfilets and fishfingers.

The introduction of the FRoSTA Purity Command in Poland in autumn 2013 continues to have a positive effect on our market share, with the strong growth of previous years being maintained throughout 2014. In this way, FRoSTA was able to strengthen its market leadership, especially in the fish segment.

In Hungary, we also concentrated our activities on the brand business, which generated a very acceptable growth rate supported by advertising.

In Romania, we increased brand awareness through advertising, which led to a sharp increase in demand for our brand.

In Russia, we founded a new subsidiary in 2014. In future, it should be able to manage independently the complete value adding process. Various political conflicts have caused the Rubel to devalue dramatically which in turn has a negative impact on the whole import economy. At the same time, however, we see good opportunities for our products resulting from the embargo on many articles and commodities. In the market itself there is great uncertainty regarding the availability of goods.

In the Balkans, our business was once again successful. 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. Nevertheless, we were able to stop the decline in sales and profit in this sector and even generate slight growth.

4.2. Development in business segment COPACK

The COPACK business segment comprises the sales channels of the traditional trade brands business with food retailers in Germany, Benelux, Switzerland, Austria, Spain and the UK as well as foodservice and industrial users.

Competition last year was very fierce, especially in the field of fish products, which meant that some non-cost-covering contracts were discontinued.

The product segments ready meals and vegetable pans as well as herbs and fish meals all developed positively. Total sales were slightly up on the previous year, while an improved order structure meant that a significant increase in profit could be achieved, from 7.0 million EUR to 11.1 million EUR.

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 2014 was up by 6 % on the previous year. This was mainly due to the good development in turnover of the FRoSTA brand in Germany and the sales areas of Western Europe and Italy.

The individual financial statement shows a profit after tax based on the accounting principles of the German Commercial Code of 11.8 million EUR. The previous year's figure was 7.8 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:

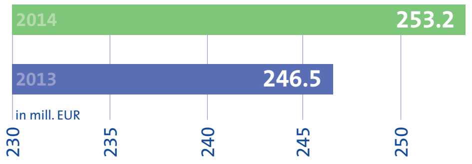
	TEUR
FRoSTA AG ANNUAL NET PROFIT FOR 2014 (HGB)	**11,795**
Changes IFRS	
Depreciation	–2,315
Pallet Expenditure	985
Currency	684
Deferred Taxes	179
Miscellaneous	–306
FRoSTA AG ANNUAL NET PROFIT FOR 2014 (IFRS)	**11,022**
Total result for the year for subsidiaries consolidated in the Group financial statement	6,177
Effects of the consolidating entries affecting the operating result	55
CONSOLIDATED ANNUAL NET PROFIT FRoSTA AG 2014	**17,254**

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.

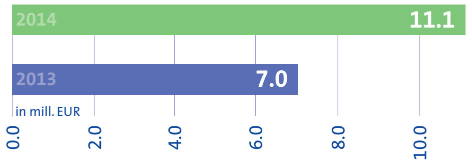
TURNOVER BUSINESS SEGMENT COPACK

+ 2.8 % (2014 vs. 2013)



EBIT BUSINESS SEGMENT COPACK

+ 60.4 % (2014 vs. 2013)



On the basis of the result improvement and the sound financial structure, the Board will propose at the Annual General Meeting a dividend of 1.36 EUR per share to be paid from the balance sheet profit (previous year 1.00 EUR per share), with the remaining profit being added to the reserves.

Taking into consideration a total of 6,812,598 shares, minus 12,971 treasury shares which are excluded from dividend payments as per German law (§ 71b Aktiengesetz), this equates to a total dividend of 9.2 million EUR.

The FRoSTA Group profit before tax amounting to 23.9 million EUR is thus being paid out as dividend (29 %), paid as tax (38 %) and retained in the company 33 %:

	TEUR	Anteil
Current corporation tax	6,604	28 %
Capital gains tax including "solidarity" supplement in dividends	2,439	10 %
Total taxes	**9,043**	**38 %**
Net dividend payments	6,808	29 %
Retained by company	8,007	33 %
Total	**23,858**	**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 2014: In January 2014, the share price was 18.20 EUR and 27.18 EUR in December 2014. The dividend yield of more than 4 % 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.

KEY FIGURES FOR THE FRoSTA SHARE	2013	2014
Equity capital (TEUR)	17,440	17,440
Number of shares	6,812,598	6,812,598
Equity capital on consolidated balance sheet (TEUR) Equity capital per share (EUR)	116,614 17.12	125,681 18.45
Share price at year end (EUR) Year high (EUR) Year low (EUR) Number of shares sold	18.49 19.24 15.00 475,897	27.18 27.80 18.05 634,060
Price-earnings ratio (Price at year end/annual net profit)	10.27	10.74
Dividend payout per share (EUR) Dividend yield (Dividende/price at year end)	1.00 5.4 %	1.36 5.0 %
Annual net profit Group (TEUR) Annual net profit per share (EUR)	12,035 1.80	17,254 2.53
Cash flow from operating activities for Group (TEUR) Cash flow from operating activities per share (EUR)	29,921 4.39	32,421 4.75

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 (Contribution Margin I less 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 2014, 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. Most of these goods are invoiced in US dollars. We make use of the usual options and futures trading instruments available on the market to hedge exchange rate fluctuations. The way these currency hedging instruments are dealt with is precisely stipulated by a set of procedural regulations, and 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. 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 legal risks.

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. And so for 2015 we expect an increase in turnover of 5 % on the previous year. At the same time, we intend to improve profitability slightly by achieving cost discipline and increased growth in the more lucrative business fields. Consequently, profit before tax should grow by 13 %.

In the first 11 weeks of 2015 we saw an increase in sales of + 4 % against last year's figure. Profit is similar to the previous year. One of our most important targets is to hold margins by price increases and cost cutting and in particular by increasing growth in the lucrative business areas. Against this background, our unadjusted profit is under particular pressure from Euro/US dollar currency fluctuations since most of our raw material is paid for in US dollars. At the same time, we continue to work on adapting our overheads to the tough market environment. For the above reasons, achieving improvement in profit will be a major challenge.

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 2015

The Executive Board

CONSOLIDATED FINANCIAL STATEMENTS FRoSTA AG

	Note item	2013 TEUR	2014 TEUR	*deviation in %*
1. Turnover	(40)	386,424	407,839	*5.5 %*
2. Increase of stocks of finished and unfinished products (2013: decrease of stocks)		−5,069	5,790	*214.2 %*
3. Own work capitalised		151	11	*−92.7 %*
4. Other operating income	(41)	5,764	8,421	*46.1 %*
5. OPERATING INCOME		**387,270**	**422,061**	***9.0 %***
6. Cost of materials				
a) Raw materials, consumables and goods purchased for resale		−231,101	−245,495	*−6.2 %*
b) Purchased services		−11,884	−11,429	*3.8 %*
		−242,985	**−256,924**	***−5.7 %***
7. GROSS PROFIT		**144,285**	**165,137**	***14.5 %***
8. Personnel expenses	(42)			
a) Wages and salaries		−50,025	−55,873	*−11.7 %*
b) Social security and other pension costs and for support thereof for pensions TEUR 3 (2013: TEUR 62)		−8,566	−8,969	*−4.7 %*
		−58,591	**−64,842**	***−10.7 %***
9. Depreciation/amortisation of intangible and tangible fixed assets	(43)	−11,297	−11,449	*−1.3 %*
10. Other operating expenses	(44)	−56,214	−64,059	*−14.0 %*
11. OPERATING RESULT		**18,183**	**24,787**	***36.3 %***
12. Result from participations thereof from participations with associated companies TEUR −83 (2013: TEUR −76)		−21	1	*104.8 %*
13. Other interest and similar income	(45)	746	440	*−41.0 %*
14. Depreciation of shares in affiliated companies and securities of current assets		−1,105	0	*100.0 %*
15. Interest and similar expenses	(45)	−1,893	−1,370	*27.6 %*
16. Financial result		**−2,273**	**−929**	***59.1 %***
17. RESULT FROM ORDINARY BUSINESS ACTIVITIES		**15,910**	**23,858**	***50.0 %***
18. Current taxes on income and earnings	(46)	−4,887	−7,051	*−44.3 %*
19. Deferred taxes	(46)	1,012	447	*−55.8 %*
20. CONSOLIDATED PROFIT FOR THE YEAR		**12,035**	**17,254**	***43.4 %***
21. Other Result				
a) Items which can never be re-classified as profit or loss Actuarial profits and losses		−50	26	*152.0 %*
b) Items which can be re-classified as profit or loss Profit and loss from currency conversion of foreign subsidiaries' results		−141	−797	*−465.2 %*
22. Total result		**11,844**	**16,483**	***39.2 %***
Consolidated income attributable to owners of parent company		11,844	16,483	*39.2 %*
to other shareholders		0	0	

ASSETS

	Note item	2013 TEUR	2014 TEUR	deviation in %
NON-CURRENT ASSETS				
A. FIXED ASSETS				
1. Intangible assets	(24)	763	1,152	51.0 %
2. Tangible assets	(25)	68,063	71,908	5.6 %
3. Financial assets	(26)	99	271	173.7 %
4. Financial assets accounted for using the equity method	(26)	301	218	–27.6 %
		69,226	**73,549**	**6.2 %**
B. DEFERRED TAXES	(47)	**1,836**	**1,889**	**2.9 %**
		71,062	**75,438**	**6.2 %**
CURRENT ASSETS				
1. Inventories	(27)	63,435	72,970	15.0 %
2. Trade receivables	(28)	66,795	64,783	–3.0 %
3. Receivables from associated companies		1	2	100 %
4. Receivables from current taxes on earnings and income		674	519	–23.0 %
5. Other current assets	(29)			
Financial assets		3,046	4,963	62.9 %
Other assets		328	385	17.4 %
6. Financial capital		16,653	16,061	–3.6 %
		150,932	**159,683**	**5.8 %**
BALANCE SHEET TOTAL		221,994	235,121	5.9 %

LIABILITIES

	Notes item	2013 TEUR	2014 TEUR	deviation in %
A. EQUITY CAPITAL	(30)			
1. Subscribed capital				
Nominal Amount	(31)	17,440	17,440	0.0 %
Treasury shares		0	–33	n.a.
		17,440	**17,407**	**–0.2 %**
2. Capital reserves	(32)	12,815	12,815	0.0 %
3. Revenue reserves	(33)	76,956	77,331	0.5 %
4. Ordinary reserves	(34)	–191	–962	403.7 %
5. Group equity capital generated (without revenue reserves)		9,594	19,090	99.0 %
		116,614	**125,681**	**7.8 %**
B. NON-CURRENT PROVISIONS AND LIABILITIES				
1. Pension provisions	(36)	939	886	–5.6 %
2. Other provisions	(37)	1,989	2,131	7.1 %
3. Bank loans and overdrafts	(38)	24,177	18,135	–25.0 %
4. Passive deferred taxes	(47)	3,744	3,370	–10.0 %
		30,849	**24,522**	**–20.5 %**
C. CURRENT PROVISIONS AND LIABILITIES				
1. Other current provision	(37)	1	147	14,600 %
2. Bank loans and overdrafts	(38)	14,905	11,334	–24.0 %
3. Trade payables	(38)	42,983	53,466	24.4 %
4. Amounts owed to companies in which a shareholding is held	(38)	27	34	25.9 %
5. Liabilities from current taxes on earnings and income		2,339	2,368	1.2 %
6. Other liabilities	(39)			
Financial liabilities		6,770	6,044	–10.7 %
Other liabilities		7,506	11,525	53.5 %
		74,531	**84,918**	**13.9 %**
BALANCE SHEET TOTAL		221,994	235,121	5.9 %

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	Additions TEUR	Appreciation in value 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	555	0	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	2,513	0	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	5,679	0	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	2,550	0	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	10,742	0	0	2,724	195,443	68,063	71,034
3. FINANCIAL ASSETS															
a. Financial assets	532	0	0	0	109	423	257	0	80	0	0	13	324	99	275
b. Financial assets accounted for using the equity method	1,952	0	0	0	76	1,876	550	0	1,025	0	0	0	1,575	301	1,402
	2,484	0	0	0	185	2,299	807	0	1,105	0	0	13	1,899	400	1,677
	274,498	–328	8,439	0	3,123	279,486	200,818	–142	12,402	0	0	2,818	210,260	69,226	73,680

CONSOLIDATED FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2014	PURCHASE AND MANUFACTURING COSTS						ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS							NET BOOK VALUE	
	As per 1.1.2014 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As per 31.12.2014 TEUR	As per 1.1.2014 TEUR	Effects of exchange rate TEUR	Additions TEUR	Appreciation in value TEUR	Transfers TEUR	Disposals TEUR	As per 31.12.2014 TEUR	As per 31.12.2014 TEUR	As per 31.12.2013 TEUR
1. INTANGIBLE ASSETS															
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	13,681	–3	577	271	129	14,397	12,918	–2	458	0	0	129	13,245	1,152	763
2. TANGIBLE ASSETS															
a. Land, land rights and buildings including buildings on land owned by third-parties	78,239	–259	1,948	59	921	79,066	48,897	–68	2,172	0	0	921	50,080	28,986	29,342
b. Plant and machinery	140,186	–441	9,574	672	2,078	147,913	110,636	–255	6,173	0	1	2,038	114,517	33,396	29,550
c. Other plant, operating and office equipment	43,980	–28	2,970	59	1,281	45,700	35,910	–18	2,646	0	–1	1,268	37,269	8,431	8,070
d. Prepayments and assets under construction	1,101	–3	1,058	–1,061	0	1,095	0	0	0	0	0	0	0	1,095	1,101
	263,506	–731	15,550	–271	4,280	273,774	195,443	–341	10,991	0	0	4,227	201,866	71,908	68,063
3. FINANCIAL ASSETS															
a. Financial assets	423	0	205	0	247	381	324	0	0	38	0	176	110	271	99
b. Financial assets accounted for using the equity method	1,876	0	0	0	83	1,793	1,575	0	0	0	0	0	1,575	218	301
	2,299	0	205	0	330	2,174	1,899	0	0	38	0	176	1,685	489	400
	279,486	–734	16,332	0	4,739	290,345	210,260	–343	11,449	38	0	4,532	216,796	73,549	69,226

	Subscribed capital	Capital reserve	Revenue reserves	Other accumulated equity capital		Group equity capital earned (excluding revenue reserves)	Equity capital
				Actuarial result	Balancing items from currency conversion		
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As per January 1, 2013	**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**
Dividends paid						–6,813	–6,813
Aquisition of treasury shares	–211		–1,792				–2,003
Additional expenditure due to issue of employee shares	178		1,512				1,690
Transfer to revenue reserves			945			–945	0
Currency change					–797		–797
Liquidation FRoSTA GmbH in Baden/Austria			–290				–290
Change in result				26			26
Consolidated profit for the year						17,254	17,254
As per December 31, 2014	**17,407**	**12,815**	**77,331**	**–24**	**–938**	**19,090**	**125,681**

	31.12.2013 TEUR	31.12.2014 TEUR
Consolidated profit for the year before taxes on income	15,910	23,858
Depreciation of fixed assets	+11,297	+11,449
Income from interest	–746	–440
Interest expenses	+1,893	+1,370
Decrease/increase in non-current provisions	–96	+89
Result of the disposal of non-current fixed assets	–92	–13
Non-cash income and expense	+1,173	–999
Interest paid	–1,874	–1,345
Interest received	+117	+48
Taxes on income paid	–4,891	–6,930
Taxes on income received	+378	+6
CASH FLOW BEFORE CHANGE IN WORKING CAPITAL	**+23,069**	**+27,093**
Decrease/increase in current provisions	–562	+146
Decrease/increase in inventories, trade receivables and other assets that cannot be classified as investing or financial activities	+3,496	–9,105
Increase in trade payables and other liabilities that cannot be classified as investing or financing activities	+3,918	+14,287
CASH FLOW FROM OPERATING ACTIVITIES	**+29,921**	**+32,421**
Proceeds from disposals of fixed assets	+50	+100
Proceeds from grants	–	+172
Payments for investments in fixed assets	–8,088	–15,722
Payments for investments in intangible assets	–351	–577
Payments for investments in financial assets	–	–205
CASH FLOW FROM INVESTING ACTIVITIES	**–8,389**	**–16,232**
Payments from acquisition of treasury shares	–	–2,003
Proceeds from the sale of treasury shares	–	+1,690
Proceeds from increases in equity capital	+1,087	–
Dividends to shareholders	–5,022	–6,813
Proceeds from new bank loans	+3,800	–
Repayment of bank loans	–9,685	–9,884
Decrease/increase of current liabilities to banks	–4,989	+293
CASH FLOW FROM FINANCING ACTIVITIES	**–14,809**	**–16,717**
Effect of changes in exchange rates on cash and cash equivalents	–5	–64
Net change in cash and cash equivalents	+6,723	–528
Cash and cash equivalents at the beginning of the period	+9,935	+16,653
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**16,653**	**16,061**

FRoSTA Aktiengesellschaft, Bremerhaven

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014

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, Germany, Am Lunedeich 116. FRoSTA AG's Executive Board approved the consolidated financial statements on March 18, 2015, 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, 2014 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, 2014, 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 of the German Commercial Code (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, 2013.

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 2013 in %	Capital share 2014 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 ČR s.r.o.	Prague/Czech Republic	100.00	100.00
9. FRoSTA Sp. z o.o.	Bydgoszcz/Poland	100.00	100.00
10. BioFreeze GmbH	Bremerhaven	100.00	100.00
11. 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 2013 in %	Capital share 2014 in %	Book value 2013 TEUR	Book value 2014 TEUR
BIO-FROST Westhof GmbH, Wöhrden	45.00	45.00	301	218

In view of the equity share of 45 % held in BIO-FROST Westhof GmbH, Wöhrden, a case can be made for "significant influence" on that company. 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 products as well as the buying and selling of other similar food. At a meeting of the shareholders on November 22, 2013, it was decided to change the dates of the business year. As from January 01, 2014, the business year runs from June 01 until May 31. For this reason, January 01, 2014, until May 31, 2014, was recorded as a short financial year.

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

	31.12.2013 TEUR	31.05.2014 TEUR
Total financial assets	3,527	2,882
Total debts	2,241	1,793
Net assets	1,286	1,089
Group share of net assets	579	490
Turnover	4,251	878
Result for the year	–169	–185
Group share	–76	–83

As the company does not report according to IFRS standards, it is not possible to classify the assets and debts as long or short term.

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 2013 in %	Capital share 2014 in %
FRoSTA Romania S.R.L.	Bucharest/Romania	100.00	100.00
NORDSTERN America Inc.	Seattle/USA	100.00	100.00
OOO FRoSTA	Moscow/Russia	0.00	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	2013	2014
Polish Zloty	4.1502	4.2805
Czech Crown	27.401	27.718

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. There are no risks of default arising from liabilities.

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:

		31.12.2013		31.12.2014	
Financial instruments	Type	Nominal amount TEUR	Fair value TEUR	Nominal amount TEUR	Fair value TEUR
Forward-exchange contracts	Purchase TUSD Sale TGBP	30,553 2,088	–870 –12	38,055 3,289	2,692 –47
Currency swaps	Purchase TUSD Sale TGBP	1,020 542	–10 –6	501 0	6 0
Interest-rate swaps	Loan TEUR	13,583	–693	6,777	–363

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, 2013 and 2014 are as follows:

TEUR	31.12.2013	31.12.2014
Within a year	6,805	2,734
Between one and five years	6,778	4,043
Over five years	0	0
Total	13,583	6,777

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

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

20 **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 standards and interpretations still to be applied

A series of new and altered standards become effective in the first reporting periods of a financial year beginning later than January 01, 2014. In compiling this Annual Report, the Group has not applied the following new or altered standards.

IFRS 9 (Financial Instruments)

Issued in July 2014, IFRS 9 replaces the existing guidelines IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 contains revised guidelines on the classification and evaluation of financial instruments including a new expected loss model to calculate impairment of financial assets as well as new general hedge accounting requirements. It also retains the IAS 39 guidelines on the recognition and derecognition of financial instruments.

IFRS 9 becomes effective in the first reporting period commencing on or after January 01, 2018, whereby an earlier implementation is also permissible. The Group is currently assessing the possible implications of IFRS 9 for the Group Statement.

IFRS 15 (revenue from contracts with customers)

IFRS 15 stipulates in detail how, when and to what amount revenue is to be recorded. It replaces the existing guidelines on the recognition of revenue including IAS 18 (Revenue), IAS 11 (Construction Contracts) and IFRIC 13 (Customer Loyalty Programmes).

IFRS 15 becomes effective initially in the first reporting period of a financial year commencing on or after January 01, 2017, whereby an earlier implementation is also permissible. The Group is currently assessing the possible implications of IFRS 15 for the Group Statement.

Changes to IAS 16 und IAS 41 (Agriculture: Bearer Plants)

These changes require that a fruit-bearing plant, defined as a living plant, is to be reported as an item of property, plant and equipment falling within the scope of IAS 16 (Property, Plant and Equipment), and not IAS 41 (Agriculture). These changes become effective initially in the first reporting period of a financial year commencing on or after January 01, 2016, whereby an earlier implementation is also permissible. The Group has no fruit-bearing plants.

The following new or revised standards have probably no implications for the Group Statement: IFRS 14 (Regulatory Deferral Accounts), changes to IFRS 11 (Acquisition of an interest in a joint operation), changes to IAS 16 and IAS 38 (Clarification of permissible methods), changes to IAS 19 (Employee Contributions to Defined Benefit Plans), "Annual Improvements to IFRSs" 2010–2012 and "Annual Improvements to IFRSs" 2011–2013.

New standards or alterations effective as from 2014 and future requirements

A number of new or revised standards and interpretations have been issued since the last publication. Below are listed those new or revised standards and interpretations issued before August 10 and not yet effective for periods which had commenced on January 01, 2013. They are consequently first effective for IFRS statements reporting on periods in a financial year commencing on January 01, 2014.

New, currently effective requirements:

Latest IFRS changes mandatory for financial years commencing on January 01, 2014.

Effective as from January 01, 2014: changes to IFRS 10, IFRS 12 and IAS 27 (Investment Entities), changes to IAS 32 (offsetting of financial assets and liabilities), changes to IAS 36 (recoverable amount disclosures for non-financial assets), changes to IAS 39 (novation of derivatives and continuing designation for hedge accounting) and IFRIC 21 (levies).

Future requirements:

Recent changes to IFRS which can be applied in business years beginning January 01, 2014 although they do not become mandatory until a later accounting period. These requirements have not been taken into consideration in the Group Statement.

Effective as from July 01, 2014: changes to IAS 19 (Employee Contributions to Defined Benefit Plans), "Annual Improvements to IFRSs" 2010–2012, "Annual Improvements to IFRSs" 2011–2013.

Effective as from January 01, 2016: IFRS 14 (Regulatory Deferral Accounts), changes to IFRS 11 (Acquisition of an interest in a joint operation), changes to IAS 16 and IAS 38 (Clarification of permissible methods), changes to IAS 16 and IAS 41 (Agriculture: Bearer Plants).

Effective as from January 01, 2017: IFRS 15 (Revenue from Contracts with Customers).

Effective as from January 01, 2018: IFRS 9 (Financial Instruments).

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, 2014, amounted to TEUR 34 (2013: TEUR 33).

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 2014 amounted to TEUR 1,485 (2013: TEUR 1,406).

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, 2014, amounted to TEUR 14,599 (2013: TEUR 12,861). Investment grants and subsidies received in the financial year reduce procurement costs by TEUR 5,315 (2013: TEUR 6,315). 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 1,142 on December 31, 2014 (2013: TEUR 1,487).

For the reporting year 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 a depreciation of TEUR 0 (2013: TEUR 1,025) was effected on a holding in an affiliated company. A write-up amounting to TEUR 38 was made on sundry borrowings in the financial year 2014 (2013: depreciation of TEUR 80). Assets based on the equity method are reported separately in both the consolidated statement and the consolidated asset analysis.

27 **d) Inventories**

The inventories are comprised as follows:

TEUR	31.12.2013	31.12.2014
Raw materials and consumables	27,555	30,466
Unfinished goods	15,011	16,951
Finished products and goods	20,349	25,234
Down payments	520	319
Inventories	63,435	72,970

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 308 in 2014. The impairments of inventories shown in expenses amount to TEUR 508 (2013: TEUR 266).

28 **e) Trade receivables**

Trade receivables are comprised as follows:

TEUR	31.12.2013	31.12.2014
Trade receivables, gross	67,249	65,283
Value adjustments on trade receivables	–454	–500
Trade receivables	66,795	64,783

Value adjustments on trade receivables have developed as follows:

TEUR	2013	2014
Value adjustments January 1	398	454
Spread	–1	–2
Allocations	86	63
Utilisation	0	–10
Dissolutions	–29	–5
Value adjustments December 31	454	500

Expenditure on total write-offs on payment defaults and amount to TEUR 2 (2013: TEUR 113). Income from written-off receivables amount to TEUR 5 (2013: TEUR 29).

Risks included in the trade receivables:

TEUR	31.12.2013	31.12.2014
Neither overdue nor adjusted receivables	63,170	61,394
Overdue receivables not individually adjusted		
Less than thirty days	3,387	2,887
Thirty to sixty days	92	204
More than sixty days	146	298
Total receivables overdue	3,625	3,389
Net accounting value	66,795	64,783

Receivables sold in ABS transactions amounted to TEUR 6,758. 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	31.12.2013	31.12.2014
Creditors with debit balances	142	199
Employees	30	30
VAT and consumer tax	1,781	1,966
Other financial assets	1,093	2,768
Financial assets	3,046	4,963
Delimitations	328	385
Other assets	328	385
Sundry assets	3,374	5,348

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 46 (2013: TEUR 33).

TEUR	31.12.2013	31.12.2014
Fair value of invested assets	219	214
Procurement costs of invested assets	212	204

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. A total of 12,971 individual FRoSTA AG bearer shares with a nominal value of TEUR 33 or 0.19 % of the share capital were set off against the equity capital. Purchasing costs in excess of the nominal value amounting to TEUR 280 are represented in a reduction of the retained earnings. The individual bearer shares are not entitled to any rights resulting from § 71b of the German law governing shares.

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, 2014, these came to TEUR 11,795 (2013: TEUR 7,758).

The Shareholders' Meeting on June 13, 2014, decided to pay out a dividend of EUR 1.00 per share (TEUR 6,813).

FRoSTA AG's Executive Board proposes a dividend of EUR 1.36 per share for 2014 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 –938 on the day of reporting as opposed to TEUR –141 in the previous year. As from December 31, 2014, the sundry reserves also include actuarial losses totalling TEUR 24 (2013: TEUR 50).

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

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

The following share purchases were effected:

TEUR	2013	2014
Proposal 1 – number of shares	50,112	46,039
Issue price (EUR)	7.65	12.00
Market rate (EUR)	15.30	24.30
Estimated market price (EUR)	10.22	–
Balance (EUR)	2.57	12.30
Value (TEUR)	129	566
Proposal 2 – number of shares	44,170	–
Issue price (EUR)	11.45	–
Estimated market price (EUR)	14.03	–
Balance (EUR)	2.57	–
Value (TEUR)	113	–
Proposal 3 – number of shares	14,360	15,855
Issue price (EUR)	5.00	5.00
Estimated market price (EUR)	10.22	–
Balance (EUR)	5.22	19.30
Value (TEUR)	75	306
Total (TEUR)	317	872

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

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	2013	2014
Shares issued for the previous financial year	8,056	7,640

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 2013 and 2014 the following parameters were used:

	2013	2014
Interest rate	3.50 %	2.20 %
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 2013 and 2014 the following expenses were incurred:

TEUR	2013	2014
Sundry personnel costs	61	25
Personnel costs	61	25
Interest paid	25	22
Pensions costs	86	47

The provision recorded in the balance sheet developed as follows:

TEUR	2013	2014
Provisions as per January 1	1,140	939
Pensions costs	86	47
Payments to pensioners	–337	–74
Actuarial losses (+) / profits (–)	50	–26
Provisions as at December 31	939	886

The number of beneficiaries of pension payments was 14.

37 **i) Other provisions**

The other provisions are made up as follows:

TEUR	As at 01.01.2014	Utilisation	Dissolutions	Allocations	As at 31.12.2014
Jubilee payments	1,946	230	0	400	2,116
Sundry non-current provisions	1,946	230	0	400	2,116
Severance payments	1	1	0	147	147
Sundry current provisions	1	1	0	147	147
Sundry provisions	1,947	231	0	547	2,263

TEUR	As at 01.01.2014	Utilisation	Dissolutions	Allocations	As at 31.12.2014
Partial retirement scheme	228	84	2	42	184
Plan assets	219	89	0	84	214

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 46 was recorded as well as accruals of TEUR 15 resulting from the partial retirement programme.

38 **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)	29,469 (39,082)	11,334 (14,905)	14,644 (19,005)	3,491 (5,172)
Trade payables (previous year)	53,466 (42,983)	53,466 (42,983)	0 (0)	0 (0)
Amounts owed to companies in which a shareholding is held (previous year)	34 (27)	34 (27)	0 (0)	0 (0)
Other liabilities (previous year)	17,569 (14,276)	17,569 (14,276)	0 (0)	0 (0)

Bank loans and overdrafts are secured by mortgages totalling TEUR 19,435 (2013: TEUR 22,441) and secured by similar rights totalling TEUR 1,572 (2013: TEUR 3,231). Trade payables are subject to standard reservations of title.

Bank loans and overdrafts are listed as follows:

TEUR	31.12.2013	31.12.2014
Non-current loans	**24,177**	**18,135**
Current loans	9,895	6,031
Current account liabilities	5,010	5,303
Current liabilities to banks	**14,905**	**11,334**
Bank loans and overdrafts	**39,082**	**29,469**

Receivables sold in asset-backed securities transactions (ABS) amounted to TEUR 6,758 as per December 31, 2014. After deducting a discount of TEUR 1,455 they are included in other current liabilities at a value of TEUR 5,303.

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 2014, all such requirements were fulfilled.

Bank loans as per December 31, 2014, have the following interest rates and maturity dates:

31.12.2013 TEUR	31.12.2014 TEUR	Interest rate in %	Maturity
1,750	0	3.87	31.12.2014
750	0	3.87	31.12.2014
750	0	3.87	31.12.2014
750	0	3.87	31.12.2014
115	23	Wibor 3M + 2.25	27.02.2015
1,125	750	3.00	30.12.2016
4,372	2,906	Euribor 3M + 1.00	31.12.2016
2,250	1,750	3.29	29.03.2018
3,985	3,047	5.31	31.03.2018
1,406	1,094	3.20	31.03.2018
2,813	2,188	3.20	31.03.2018
2,951	2,438	3.40	30.09.2019
1,722	1,500	3.00	30.09.2021
3,265	2,880	2.65	30.06.2022
2,268	2,001	3.05	30.06.2022
3,800	3,589	2.05	30.06.2023
34,072	24,166		

39 The other current liabilities are structured as follows:

TEUR	31.12.2013	31.12.2014
Collection commissions	4,888	5,598
Customers with a credit balance	85	286
Other sundry financial liabilities	1,598	160
Financial liabilities	6,571	6,044
Liabilities to employees	4,151	5,999
Social security contributions	174	182
Taxes	490	661
Accruals	2,890	4,683
Other sundry liabilities	7,705	11,525
Other liabilities	14,276	17,569

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	2013	2014
Germany	224,373	230,399
Abroad	162,051	177,440
Turnover	386,424	407,839

Turnover can be categorised according to product groups as follows:

TEUR	2013	2014
Fish	174,832	187,839
Vegetables and fruit	103,761	101,338
Ready meals and other products	107,831	118,662
Turnover	386,424	407,839

41 **b) Other operating income**

Other operating income is structured as follows:

TEUR	2013	2014
Exchange rate profits	1,868	4,572
Income from charged-off accruals	1,276	1,137
Income from credits from previous years and charged-off liabilities	283	573
Income from mineral oil tax refund	712	767
Sundry operating income	1,625	1,372
Other operating income	5,764	8,421

42 **c) Personnel costs**

Personnel costs are split up as follows:

TEUR	2013	2014
Wages and salaries	49,708	55,001
Social security contributions	8,504	8,966
Pension costs	62	3
Costs of share-related remunerations	317	872
Personnel costs	58,591	64,842

Interest contained in personnel expenses is shown in the financial result.

The following figures state the average numbers of personnel employed in 2013/2014:

	2013	2014
Wage-earners	1,019	1,019
Salaried staff	410	408
Temporary employees	67	105
Number of employees according to article 314 (1) No. 4 HGB	1,496	1,532
Apprentices	27	27
Number of employees	1,523	1,559

43 **d) Depreciation and amortisation**

A breakdown of depreciation and amortisation is as follows:

TEUR	2013	2014
Amortisation of intangible assets	555	458
Depreciation of tangible assets	10,742	10,991
Depreciation and amortisation	11,297	11,449

44 **e) Other operating expenses**

Other operating expenses are grouped as follows:

TEUR	2013	2014
Storage and transport costs	18,528	19,297
External personnel costs	8,188	8,863
Marketing costs	7,422	11,872
Rent and cold-storage expenses	6,329	7,239
Maintenance	4,042	4,450
Foreign currency exchange losses	2,999	2,839
Fees, contributions and insurance	2,644	2,726
Other expenses	6,062	6,773
Other operating expenses	56,214	64,059

The other operating expenses include severance payments amounting to TEUR 238 (2013: TEUR 89) as well as topping-up payments for the early retirement scheme amounting to TEUR 42 (2013: TEUR 67).

45 **f) Interest result**

The interest result is divided up as follows:

TEUR	2013	2014
Income from interest on bank balances	68	48
Income from interest loans	0	1
Income from interest resulting from a reduction in provisions for anticipated losses from interest swaps	614	320
Other income from interest	64	71
Income from interest	746	440
Interest paid for bank loans and overdrafts	–1,452	–1,298
Interest expenses from interest swaps	–343	0
Interest paid on provisions for pensions and partial retirement schemes	–25	–18
ABS	–70	–51
Other interest paid	–4	–3
Interest and similar expenses	–1,893	–1,370
Result from interest	–1,147	–930

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	2013	2014
Current taxes Germany	3,614	5,253
Current foreign taxes	1,430	1,831
Current taxes for financial year	5,044	7,084
Taxes for previous years	–157	–33
Taxes on income and earnings	4,887	7,051
Deferred taxes Germany	–1,073	–179
Deferred foreign taxes	61	–268
Deferred taxes	–1,012	–447
Tax expenditure according to income statement	3,875	6,604

The expected expense for taxes on earnings and income, which would have resulted if the parent company FRoSTA AG's tax rate of 30.31 % (2013: 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	2013	2014
Result before taxes on income and earnings	**15,910**	**23,858**
FRoSTA AG's tax rate	29.62 %	30.31 %
Expected tax expenditure	**4,713**	**7,231**
Different tax rates (especially for deferred taxes)	–1,048	–1,055
Taxes on income and earnings for previous years	–157	–33
Tax expenditure for non-deductible operating expenses	416	520
Tax savings from tax-free earnings	–49	–59
Tax expenditure according to income statement	**3,875**	**6,604**

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.

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	31.12.2013 Active deferred taxes	31.12.2013 Passive deferred taxes	31.12.2014 Active deferred taxes	31.12.2014 Passive deferred taxes
Intangible assets	0	3	0	11
Tangible assets	77	3,551	103	3,004
Financial assets	586	0	625	0
Inventories	8	134	23	140
Trade receivables	13	16	10	14
Other assets	84	31	61	195
Pension reserves	44	0	112	0
Sundry provisions	495	0	484	0
Trade payables	0	9	0	4
Other liabilities	529	0	471	2
Temporary differences	**1,836**	**3,744**	**1,889**	**3,370**

48 **h) Earnings per share**

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

		2013	2014
Consolidated profit for the year	**TEUR**	**12,035**	**17,254**
Number of issued common shares (2013: weighted average of issued common shares)	Tsd. shares	6,704	6,813
Consolidated profit for the year per share	**EUR**	**1.80**	**2.53**

A figure of EUR 2.53 (2013: EUR 1.80) 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 16,061 (2013: TEUR 16,653).

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 corresponds to the structure of the internal reporting.

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 1 (2013: TEUR –20) comprises a profit of TEUR 84 (2013: TEUR 56) from Columbus Spedition and a loss of TEUR –83 (2013: TEUR –76) at the affiliated company BIO-FROST Westhof.

As in the previous year, no single customer in 2014 accounted for 10 % or more of Group turnover.

million EUR	Germany 2013	Germany 2014	+/–	Abroad 2013	Abroad 2014	+/–	Total 2013	Total 2014	+/–
Turnover	224.4	230.5	+2.7 %	162.0	177.3	+9.4 %	386.4	407.8	+5.5 %
Operating income	**224.9**	**238.6**	**+6.1 %**	**162.4**	**183.5**	**+13.0 %**	**387.3**	**422.1**	**+9.0%**
Gross profit in % of turnover	**81.5** 36.3 %	**90.1** 39.1 %	**+10.5 %**	**62.8** 38.8 %	**75.0** 42.4 %	**+19.6 %**	**144.3** 37.3 %	**165.1** 40.5 %	**+14.5 %**
Depreciation	–7.1	–7.0	–0.5 %	–4.2	–4.4	+4.5 %	– 11.3	–11.4	+1.3 %
Operating result in % of turnover	**8.8** 3.9 %	**10.1** 4.4 %	**+15.2 %**	**9.4** 5.8 %	**14.7** 8.3 %	**+56.1 %**	**18.2** 4.7 %	**24.8** 6.1 %	**+36.3 %**
Financial result							–2.3	–0.9	–59.1 %
Result from ordinary business activities in % of turnover							**15.9** 4.1 %	**23.9** 5.9 %	**+50.0 %**
Current taxes							– 4.9	–7.0	+44.3 %
Deferred taxes							1.0	0.4	–55.8 %
Consolidated profit							**12.0**	**17.3**	**+43.4 %**

million EUR	Segment FRoSTA 2013	Segment FRoSTA 2014	+/–	Segment COPACK 2013	Segment COPACK 2014	+/–	Total 2013	Total 2014	+/–
Turnover	139.9	154.6	+10.5 %	246.5	253.2	+2.8 %	386.4	407.8	+5.5 %
Operating income	**140.3**	**160.0**	**+14.1 %**	**247.0**	**262.1**	**+6.1 %**	**387.3**	**422.1**	**+9.0 %**
Gross profit in % of turnover	**60.2** 43.0 %	**71.1** 46.0 %	**+18.1 %**	**84.1** 34.1 %	**94.0** 37.1 %	**+11.9 %**	**144.3** 37.3 %	**165.1** 40.5 %	**+14.5 %**
Depreciation	–4.0	–4.1	+3.9 %	–7.3	–7.3	–0.1 %	–11.3	–11.4	+1.3 %
Operating result in % of turnover	**11.2** 8.0 %	**13.7** 8.8 %	**+21.4 %**	**7.0** 2.8 %	**11.1** 4.4 %	**+60.4 %**	**18.2** 4.7 %	**24.8** 6.1 %	**+36.3 %**
Financial result							–2.3	–0.9	–59.1 %
Result from ordinary business activities in % of turnover							**15.9** 4.1 %	**23.9** 5,9 %	**+50.0 %**
Current taxes							–4.9	–7.0	+44.3 %
Deferred taxes							1.0	0.4	–55.8 %
Consolidated profit							**12.0**	**17.3**	**+43.4 %**

51 **9) Other information**

a) Primary financial instruments

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

TEUR	31.12.2013		31.12.2014	
	Book value	Fair value	Book value	Fair value
Bank loans and overdrafts	39,082	39,635	29,469	30,339
Other financial liabilities	6,571	6,571	6,044	6,044

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	2013	2014
Liabilities from current leasing contracts	2,002	1,410
Liabilities from current leases and maintenance agreements	3,232	3,534
Commitments from expansion investments	2,327	1,753
Consignment agreements	2,006	1,711
Other financial liabilities	9,567	8,408

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, 2014, have the following remaining maturities:

TEUR	< 1 year	1–5 years	> 5 years
Future payments from current leasing contracts	900	510	0
Future payments from current lease and maintenance contracts	2,345	1,036	153
Total	3,245	1,546	153

Total expenditure from leasing contracts amounted to TEUR 3,740 (2013: TEUR 3,721).

54 **d) Group auditors' remuneration**

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

	TEUR
Final audit service	51
Other valuation service	25
Total	76

55 **e) Affiliated individuals**

Executive Board

Members of the FRoSTA AG's Executive Board in the financial year 2014 were:

- Felix Ahlers, businessman, Hamburg (Chairman)
- As at December 31, 2014: 1,495,008 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, 2014, amounts to 1,546,602 shares = 22.7 %.

Supervisory board

Members of FRoSTA AG's Supervisory Board in the financial year 2014 were:

- Dirk Ahlers, businessman, Hamburg (Chairman of the Supervisory Board)
  As at December 31, 2014: 2,251,271 FRoSTA shares = 33.0 %
- 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 shares owned by the Supervisory Board as at December 31, 2014, is 2,253,271 shares = 33.1 %.

Others

All dealings with affiliated individuals are declared.

In the financial year 2014, 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 93 (2013: TEUR 68). In 2014, FRoSTA AG charged goods and personnel expenses amounting to TEUR 59 (2013: TEUR 2). The balance as per December 31, 2014, amounts to TEUR 5 (2013: TEUR 6).

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 0 (2013: TEUR 180). As at December 31, 2014, this results in a balance of TEUR 0 (2013: TEUR 0).

In 2014, 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 740 (2013: 654 TEUR). In the same year, FRoSTA AG charged TEUR 11 (2013: 29 TEUR) for goods (foil). As at December 31, 2014, this results in a balance of TEUR 0 (2013: 69 TEUR).

In the financial year 2014, BIO-FROST Westhof GmbH invoiced FRoSTA AG for goods delivered to a value of TEUR 1,011 (2013: TEUR 933). The balance at December 31, 2014, amounts to TEUR 34 (2013: TEUR 27).

In the financial year 2014, Columbus Spedition GmbH invoiced FRoSTA AG, Bremerhaven, as well as FRoSTA Sp. z o.o., Poland, for freight costs to a value of TEUR 2,062 (2013: TEUR 2,044). The balance at December 31, 2014, amounts to TEUR 181 (2013: TEUR 95).

In the financial year, marketing costs amounting to TEUR 310 (2013: 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 2014 amounted to TEUR 4,794 (2013: TEUR 4,066). Of this the fixed remuneration came to TEUR 1,199 (2013: TEUR 1,192) and variable remuneration TEUR 3,595 (2013: TEUR 2,874).

The total remuneration of former members of the Executive Board was TEUR 60 in the financial year (2013: TEUR 76). Pension reserves for former Executive Board members amounted to TEUR 486 on the balance sheet date (2013: TEUR 574).

The remuneration of the Supervisory Board amounted to TEUR 102. Of that, TEUR 88 were variable and TEUR 14 fixed payments. The remuneration of the previous year at TEUR 79 comprised variable payments of TEUR 65 and fixed payments of TEUR 14.

Total Executive Board Remuneration	2012	2013	2014			
			Target value for 100 % target achievement	Target achievement in % (Performance)	Effective payment	+/- % Previous year
Fixed Remuneration						
Fixed payment		1,062,150			1,062,156	0.0 %
Other benefits in kind		129,631			136,555	5.3 %
Total Fixed Payments	**1,190,000**	**1,191,781**			**1,198,711**	**0.6 %**
Variable Payments						
Short-term bonus	572,722	1,440,320	1,530,968	133.5 %	2,043,972	41.9 %
Long-term bonus	134,636	490,654	439,149	131.5 %	577,355	17.7 %
Payment for share purchase	224,642	943,096	735,882	132.4 %	973,949	3.3 %
Total Variable Payments	**932,000**	**2,874,070**	**2,705,999**	**132.9 %**	**3,595,276**	**25.1 %**
Total Executive Board Remuneration	**2,122,000**	**4,065,851**			**4,793,987**	**17.9 %**
Additional reserves	0	0			200,043	
Total Expenditure	2,122,000	4,065,851			4,994,030	

Remuneration for the purpose of buying shares is subject to the shares being retained for a period of five years after purchase. The long-term boni are based on average per-formance over three years and are payable at the end of the three year period.

57 **g) Appropriation of profits**

Taking into consideration a total of 6,812,598 shares, minus 12,971 treasury shares which are excluded from dividend payments as per German law (§ 71b Aktiengesetz), there remains a total of 6,799,627 treasury shares entitled to dividend payment. At the Annual General Meeting, we will be proposing a gross dividend payment of EUR 1.36 per share corresponding to a total dividend payment of EUR 9,247,492.72. This payment will be taken from the FRoSTA AG annual balance sheet profit on December 31, 2014, of EUR 11,795,062.51. The remaining EUR 2,547,569.79 will be allocated to other retained earnings. The gross dividends are subject to capital gains tax (25 %) amounting to EUR 2,311,873.18 as well as a 5.5 % solidarity surcharge of EUR 127,153.02. This results in a net dividend payment of EUR 6,808,466.52. 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, 2015

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, 2015

(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, 2014, to December 31, 2014. 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, 2015

Gräwe & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr Meyer · Auditor

Manke · 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

FINANCIAL STATEMENTS FRoSTA AG

	Note Item	31.12.2013 TEUR	31.12.2014 TEUR	*deviation in %*
1. Turnover	(10)	368,144	388,634	*5.6 %*
2. Increase of stocks of finished and unfinished products (2013: decrease of stocks)		–5,226	6,528	*–224.9 %*
3. Own work capitalised		151	11	*–92.7 %*
4. Other operating income	(11)	5,730	6,945	*21.2 %*
5. OPERATING EFFICIENCY		**368,799**	**402,118**	***–9.0 %***
6. Cost of materials				
a) Raw materials, consumables and goods purchased for resale		–233,524	–250,083	*7.1 %*
b) Purchased services		–10,710	–10,262	*–4.2 %*
		–244,234	**–260,345**	***6.6 %***
7. OPERATING INCOME		**124,565**	**141,773**	***13.8 %***
8. Personnel expenses				
a) Wages and salaries		–43,180	–48,984	*13.4 %*
b) Social security and other pension costs and for support – hereof for pensions TEUR 67 (2013: TEUR 41)		–7,217	–7,558	*4.7 %*
		–50,397	**–56,542**	***12.2 %***
9. Depreciation/amortisation of intangible and tangible fixed assets	(3)	–7,084	–7,177	*1.3 %*
10. Other operating expenses	(11)	–53,440	–59,922	*12.1 %*
11. OPERATING RESULT		**13,644**	**18,132**	***32.9 %***
12. Income from participating interests		56	85	*51.8 %*
13. Other interest and similar income – thereof from associated companies TEUR 1 (2013: TEUR 15)		477	221	*–53.7 %*
14. Depreciation in financial assets		–1,105	–	*n.a.*
15. Interest and similar expenses – thereof to associated companies TEUR 11 (2013: TEUR 14)	(13)	–1,664	–1,237	*–25.7 %*
16. Financial result		**–2,236**	**–931**	***–58.4 %***
17. RESULT FROM ORDINARY BUSINESS ACTIVITIES		**11,408**	**17,201**	***50.8 %***
18. Taxes on income and earnings	(14)	–3,497	–5,250	*50.1 %*
19. Other taxes		–153	–156	*2.0 %*
20. PROFIT FOR THE YEAR		**7,758**	**11,795**	***52.0 %***
21. BALANCE SHEET PROFIT		**7,758**	**11,795**	***52.0 %***

ASSETS

	Note item	31.12.2013 TEUR	31.12.2014 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		729	1,115	*5.9 %*
II. Tangible assets	(3)			
1. Land, land rights and buildings including buildings on land owned by third-parties		19,804	19,160	*–3.3 %*
2. Plant and machinery		17,784	21,682	*21.9 %*
3. Other plant, operating and office equipment		5,060	5,433	*7.4 %*
4. Prepayments and assets under construction		990	835	*–15.7 %*
		43,638	**47,110**	***8.0 %***
III. Financial assets	(3)			
1. Shares in associated companies		11,046	11,064	*0.2 %*
2. Liabilities to associated companies		0	151	*n.a.*
3. Participating interests		17	17	*0.0 %*
4. Long-term securities		6	6	*0.0 %*
5. Other liabilities		33	0	*n.a.*
		11,102	**11,238**	***1.2 %***
		55,469	**59,463**	***7.2 %***
B. CURRENT ASSETS				
I. Inventories	(2)			
1. Raw materials and consumables		21,179	22,479	*6.1 %*
2. Work in progress		14,310	16,443	*14.9 %*
3. Finished products and goods purchased for resale		16,607	21,786	*31.2 %*
		52,096	**60,708**	***16.5 %***
II. Accounts receivable and miscellaneous other fixed assets	(4)			
1. Trade receivables		60,910	58,540	*–3.9 %*
2. Receivables from associated companies		2,240	1,970	*–12.1 %*
3. Other fixed assets – thereof with a remaining period of more than one year TEUR 432 (2013: TEUR 633)		2,506	2,174	*–13.2 %*
		65,656	**62,684**	***–4.5 %***
III. Cash, bank balances and cheques		**13,415**	**11,809**	***–12.0 %***
		131,167	**135,201**	***3.1%***
C. DEFERRED INCOME				
Other accruals and deferrals		**303**	**358**	***18.2 %***
D. ACTIVE DIFFERENCE FROM THE ASSETS CALCULATION	(5)	**36**	**48**	***33.3 %***
BALANCE SHEET TOTAL		**186,975**	**195,070**	***4.3 %***

LIABILITIES

	Note item	31.12.2013 TEUR	31.12.2014 TEUR	*deviation in %*
A. EQUITY CAPITAL	(6)			
I. Subscribed capital				
1. Nominal amount		17,440	17,440	*0.0 %*
2. Treasury shares		0	–33	*n.a.*
		17,440	**17,407**	***–0.2 %***
II. Capital reserves		**11,447**	**11,447**	***0.0 %***
III. Revenue reserves				
1. Statutory reserve		200	200	*0.0 %*
2. Other revenue reserves		56,897	57,562	*1.2 %*
		57,097	**57,762**	***1.2 %***
IV. Balance sheet profits		**7,758**	**11,795**	***52.0 %***
		93,742	**98,411**	***5.0 %***
B. PROVISIONS				
1. Pension provisions and similar obligations	(7)	629	521	*–17.2 %*
2. Provisions for taxes		1,454	1,542	*6.1 %*
3. Other provisions	(8)	18,023	21,987	*22.0 %*
		20,106	**24,050**	***19.6 %***
C. CREDITORS	(9)			
1. Bank loans and overdrafts		34,594	26,539	*–23.3 %*
2. Trade payables		24,181	31,792	*31.5 %*
3. Amounts owed to associated companies		6,408	5,508	*–14.0 %*
4. Amounts owed to companies in which a shareholding is held		27	34	*25.9 %*
5. Other creditors thereof taxes: TEUR 518 (2013: TEUR 447)		7,913	8,731	*10.3 %*
		73,123	**72,604**	***–0.7 %***
D. ITEMS OF ACCURAL AND DEFERRAL				
Other items		**4**	**5**	***25.0 %***
BALANCE SHEET TOTAL		**186,975**	**195,070**	***4.3 %***

MOVEMENT ON FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2014	PURCHASE AND MANUFACTURING COST					ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS						NET BOOK VALUE	
	As at 1.1.2014 TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As at 31.12.2014 TEUR	As at 1.1.2014 TEUR	Additions TEUR	Appreciation in value EUR	Transfers TEUR	Disposals TEUR	As at 31.12.2014 TEUR	As at 31.12.2014 TEUR	As at 31.12.2013 TEUR
I. INTANGIBLE ASSETS													
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	**12,086**	**570**	**252**	**124**	**12,784**	**11,357**	**436**	**0**	**0**	**124**	**11,669**	**1,115**	**729**
II. TANGIBLE ASSETS													
1. Land, land rights and buildings including buildings on land owned by third-parties	69,723	1,160	15	921	69,977	49,919	1,819	0	0	921	50,817	19,160	19,804
2. Plant and machinery	124,295	6,774	642	2,064	129,647	106,511	3,510	0	0	2,056	107,964	21,682	17,784
3. Other plant, operating and office equipment	40,488	1,744	44	626	41,650	35,428	1,412	0	0	623	36,217	5,433	5,060
4. Prepayments and assets under construction	990	798	–953	0	835	0	0	0	0	0	0	835	990
	235,496	**10,476**	**–252**	**3,611**	**242,109**	**191,858**	**6,741**	**0**	**0**	**3,600**	**194,998**	**47,110**	**43,638**
III. FINANCIAL ASSETS													
1. Shares in associated companies	11,497	54	0	36	11,515	451	0	0	0	0	451	11,064	11,046
2. Loans to affiliated companies	0	151	0	0	151	0	0	0	0	0	0	151	0
3. Participating interests	1,768	0	0	0	1,768	1,751	0	0	0	0	1,751	17	17
4. Long-term securities	6	0	0	0	6	0	0	0	0	0	0	6	6
5. Other liabilities	269	0	0	247	22	236	2	38	0	176	22	0	33
	13,540	**205**	**0**	**283**	**13,462**	**2,438**	**2**	**38**	**0**	**176**	**2,224**	**11,238**	**11,102**
	261,122	**11,251**	**0**	**4,018**	**268,355**	**205,653**	**7,177**	**38**	**0**	**3,900**	**208,892**	**59,463**	**55,469**

FRoSTA Aktiengesellschaft, Bremerhaven

NOTES FOR THE FINANCIAL YEAR 2014 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 EUR 150.01 and EUR 410.00, 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 reasonable and sufficient extent individual provisions for any recognizable risks and uncertain liabilities and for any threatening losses from pending business transactions.

Partial retirement obligations are valued in accordance with comment IDW RS HFA 3 published by the main committee (HFA) of the German Institute of Auditors (IDW).

Anniversary 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".

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, no unscheduled depreciation (2013: TEUR 1,105) was carried out with respect to the financial assets of FRoSTA AG.

The value of recognized transport pallets has been fixed at TEUR 219 (2013: TEUR 219).

The impairment loss of the purchase and manufacturing costs of fixed assets subsidised due to investment grants and subsidies as per 31.12.2014 amounted to TEUR 1,338 (2013: TEUR 1,510).

The release of investment grants and subsidies of TEUR 344 (2013: TEUR 367) 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	246	0	–1
2. ELBTAL Tiefkühlkost Vertriebs GmbH, Lommatzsch	100.00	26	27	0	0
3. FRoSTA Tiefkühlkost GmbH, Bremerhaven	100.00	255	263	1	1
4. FRoSTA Foodservice GmbH, Bremerhaven	100.00	256	267	1	1
5. TIKO Vertriebsgesellschaft mbH, Bremerhaven	100.00	256	271	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	8,177	27,087	5,668	6,115
9. FRoSTA France S.a.r.l., Boulogne-Billancourt/France	100.00	153	344	9	10
10. FRoSTA Italia s.r.l., Rome/Italy	100.00	10	348	47	43
11. FRoSTA ČR s.r.o., Prague/Czech Republic	100.00	36	195	5	5
12. FRoSTA Hungary Kft., Esztergom/Hungary	100.00	20	42	5	6
13. COPACK Sp. z o.o., Bydgoszcz/Poland	100.00	12	2	–2	–2
14. BIO-FROST Westhof GmbH, Wöhrden	45.00	617	1,089 [1]	–169	–185 [1]
15. Columbus Spedition GmbH, Bremerhaven	33.33	225	402 [2]	177	[3]

[1] applies to short financial year result as per 31.05.2014
[2] applies to 2013
[3] no dates available

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

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 four 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 inter-company supplies and services TEUR 637 (2013: TEUR 1,153) and clearing transactions TEUR 1,333 (2013: TEUR 1,087). Of these, TEUR 0 are financially relevant (2013: TEUR 0).

As per December 31, 2014, trade receivables of TEUR 6,758 (2013: TEUR 6,496) were sold in the frame of asset backed security transactions.

Of the other assets, TEUR 432 (2013: TEUR 633) 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 48 (2013: TEUR 36). The fair value of assets invested amounts to TEUR 214 (2013: TEUR 219); procurement costs amount to TEUR 204 (2013: TEUR 212).

The assets in question were liability insurances. The resulting amount excluded from dividend distribution was TEUR 7 (2013: TEUR 5).

06 **4. Equity capital**

On December 31, 2014, 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.

In accordance with a resolution passed at the Annual General Meeting on June 13, 2014, it was decided to place in Other Revenue Reserves the sum of EUR 945,009.92 from the Balance Sheet Profit of EUR 7,757,607.92.

A total of 12,971 individual FRoSTA AG bearer shares with a nominal value of EUR 33,205.76 or 0.19 % of the share capital was set off against the equity capital. Purchasing costs in excess of the nominal value amounting to EUR 280,118.44 are represented in a reduction of the retained earnings.

These 12,971 individual bearer shares proceeded from the following sales and purchases:

In a buy-back action, FRoSTA AG repurchased 82,505 treasury shares in two steps after August 14, 2014. This equates to a nominal value of EUR 211,212.80 or 1.21 % of the equity capital. For this, costs were incurred amounting to EUR 2,003,000.40, which corresponds to a weighted average share price of EUR 24.28.

After that, FRoSTA AG disposed of a total of 69,534 individual bearer shares as part of various share-based staff remuneration schemes. This is the equivalent of EUR 178,007.04 or 1.02 % of the relevant equity capital as per December 31, 2014. In return for 61,894 bearer shares sold as part of a staff purchasing programme, FRoSTA AG took in a total of EUR 631,743.00 to be used as it sees fit.

The share buy-backs were quantified on the basis of the previous year's share-based staff remuneration and purchase schemes. In the business year 2014, fewer shares were sold as part of the staff purchase scheme, which meant that share buy-backs exceeded disposals. The individual bearer shares are not entitled to any rights resulting from § 71b of the German law governing shares.

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.

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 521 in this financial year (2013: TEUR 629). The actuarial valuation of the amounts to be paid is based on a discount rate of 4.53 % (2013: 4.88 %) and a rate of pension progression of 2.0 % (2013: 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 9,597. This includes anniversary reserves with a settlement value of TEUR 1,566. The discount rate on which this is based is 4.53 % assuming a residual term of 15 years.

Partial retirement provisions are valued at a settlement amount of TEUR 181. Calculations were made using an adequate discount rate. Since the plan assets amounting to TEUR 214 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 48 was recorded as well as accruals of TEUR 15 resulting from the partial retirement scheme.

Further reserves result from collection provisions of TEUR 5,598 and outstanding invoices amounting to TEUR 5,251.

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)	26,539 (34,594)	9,862 (13,358)	13,186 (16,064)	3,491 (5,172)
Trade payables (previous year)	31,792 (24,181)	31,792 (24,181)	0 (0)	0 (0)
Liabilities to associated companies (previous year)	5,508 (6,408)	5,508 (6,408)	0 (0)	0 (0)
Liabilities to companies in which a shareholding is held (previous year)	34 (27)	34 (27)	0 (0)	0 (0)
Other liabilities (previous year)	8,731 (7,913)	8,731 (7,913)	0 (0)	0 (0)
	72,604 (73,123)	**55,927 (51,887)**	**13,186 (16,064)**	**3,491 (5,172)**

The liabilites towards financial institutions are guaranteed by mortage amounting to TEUR 16,528 (2013: TEUR 18,068) and similar securities amounting to TEUR 1,572 (2013: TEUR 3,231).

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

The liabilities towards associated companies result from inter-company supplies amounting to TEUR 3,549 (2013: 4,112) and clearing transactions TEUR 1,959 (2013: TEUR 2,295).

8. Contingencies

FRoSTA AG gave collateral securities towards banks for liabilities of FRoSTA Sp. z o.o. At 31.12.2014, these liabilities had a value of TEUR 2,929 (2013: TEUR 4,487). 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:

	2013 mill. EUR	2014 mill. EUR	Deviation %
Product sales - Germany - Abroad	 270 146	 284 159	 +5.2 +8.9
	416	**443**	**+6.5**
Sales deductions	48	55	+14.6
	368	**388**	**+5.4**

According to product groups, the turnover is as follows:

	2013 mill. EUR	2014 mill. EUR	Deviation %
Fish	155	166	+7.1
Vegetables and fruit	103	101	–1.9
Ready meals and other products	110	121	+10.0
	368	**388**	**+5.4**

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 3,166 (2013: TEUR 2,570) and expenses for other accounting periods in the amount of TEUR 392 (2013: TEUR 508). 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 5 (2013: TEUR 4) were set off against interest expenditure for partial retirement benefit obligations amounting to TEUR 12 (2013: TEUR 11).

13 **4. Taxes on earnings and income**

This item includes, among other things, tax earnings of TEUR 0 for other accounting periods (2013: tax income of TEUR 117).

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	31.12.2013		31.12.2014	
	Active deferred taxes	Passive deferred taxes	Active deferred taxes	Passive deferred taxes
Intangible assets	0	3	0	11
Tangible assets	0	125	87	0
Other financial assets	675	0	691	0
Accruals and deferrals	84	0	58	0
Pension reserves	28	0	24	0
Other reserves	438	0	227	0
Trade payables	0	10	0	9
Total	**1,225**	**138**	**1,087**	**20**
Balancing	–138	–138	–20	–20
Balance	**1,087**	**0**	**1,067**	**0**

The temporary differences were valued with the combined tax rate of corporation tax and trade tax of 30.31 % (2013: 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	31.12.2013	31.12.2014
Liabilities under current leasing contracts	1,748	1,223
Liabilities under current tenancy and maintenance contracts	3,135	3,341
Purchase commitment from expansion investments	2,254	1,555
Consignment agreements	2,006	1,711
	9,143	7,830

As at December 31, 2014 the following remaining maturities apply to future payment liabilities from hire, maintenance and leasing contracts:

TEUR	< 1 year	1–5 years	> 5 years
Future payments from current leasing contracts	801	422	0
Future payments from current rental and maintenance contracts	2,271	917	153
Purchase commitment from expansion investments	1,555	0	0
Consignment agreements	1,711	0	0
	6,338	1,339	153

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	23,020 2,600	0 –47
Foreign exchange swaps	Purchase TUSD	617	0
Interest-rate swaps	Loan TEUR	3,833	–203

16 **3. Auditors' 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:

	2013	2014
Wage-earners	591	582
Salaried staff	305	298
Temporary staff	67	105
No. of employees according to Art. 285 no 7 HGB	963	985
Apprentices	27	27
	990	1,012

18 **5. Executive Board**

Members of the Executive Board of FRoSTA AG in the financial year 2014 were:

- Felix Ahlers, businessman, Hamburg (Chairman)
  As at December 31, 2014: 1,495,008 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 FRoSTA shares held by the Executive Board on December 31, 2014, amounts to 1,546,602 shares = 22.7 %.

19 **6. Supervisory Board**

Members of the Supervisory Board of FRoSTA AG in the financial year 2014 were:

- Dirk Ahlers, businessman, Hamburg
  (Chairman of the Supervisory Board)
  As at December 31, 2014: 2,251,271 FRoSTA shares = 33.0 %
- 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, 2014, amounts to 2,253,271 = 33.1 %.

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 4,794 (2013: TEUR 4,066). The fixed remuneration amounted to TEUR 1,199 (2013: TEUR 1,192) and the variable remuneration amounted to TEUR 3,595 (2013: TEUR 2,874).

The total remuneration of the former members of the Executive Board of FRoSTA AG in the financial year amounted to TEUR 60 (2013: TEUR 76). The pension reserves for former members of the Executive Board amounted to TEUR 422 (2013: TEUR 531) at the balance sheet date.

The remuneration of the Supervisory Board amounted to TEUR 102 (2013: TEUR 79), the variable remuneration amounting to TEUR 88 (2013: TEUR 65) and the fixed remuneration amounting to TEUR 14 (2013: TEUR 14).

21 **8. Appropriation of profits**

Based on 6,812,598 bearer shares, less the 12,971 shares excluded from dividend payment as per § 71b of the German law governing shares, there remains a total of 6,799,627 shares entitled to dividend payment. At the Annual General Meeting we will be proposing a dividend payment of EUR 1.36 per share corresponding to a total dividend payment of EUR 9,247,492.72. This payment will be taken from the balance sheet profit reported on December 31, 2014, EUR 11,795,062.51. The remaining EUR 2,547,569.79 will be allocated to other retained earnings.

Bremerhaven, March 18, 2015

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, 2015

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, 2014, to December 31, 2014. 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, 2015

Gräwe & Partner GmbH
Wirtschaftsprüfungsgesellschaft · Steuerberatungsgesellschaft

Dr Meyer · Auditor   Manke · Auditor

FINANCIAL YEAR		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Employees (average)	number	1,559	1,523	1,504	1,528	1,520	1,614	1,539	1,372	1,248	1,167
Turnover	(mill. EUR)	408	386	380	385	393	411	392	349	307	269
Unadjusted profit margin		38.4%	35.8%	34.1%	34.3%	35.0%	35.8%	35.9%	37.6%	37.7%	40.0%
EBITDA	(mill. EUR)	36.2	29.5	21.5	26.0	29.8	32.5	32.0	30.2	27.4	26.1
EBIT	(mill. EUR)	24.8	18.2	10.3	14.9	17.7	20.9	20.8	19.3	16.6	15.2
Margin on turnover (related to operating result) [1]		6.1%	4.7%	2.7%	3.9%	4.5%	5.1%	5.3%	5.5%	5.4%	5.7%
Result from ordinary business activities	(mill. EUR)	23.9	15.9	8.3	12.3	14.2	17.4	17.7	16.6	14.6	13.5
Taxes on income	(mill. EUR)	6.6	3.9	2.2	3.6	4.4	5.4	5.6	4.4	4.2	5.1
Group result for the year	(mill. EUR)	17.3	12.0	6.1	8.7	9.8	12.0	12.1	12.2	10.4	8.4
Cash flow before change in working capital	(mill. EUR)	27.1	23.1	18.5	21.1	21.8	25.1	25.7	20.0	17.6	17.8
Investments	(mill. EUR)	16.3	8.4	7.8	8.6	10.7	12.1	25.7	20.0	7.7	5.8
Shares	number	6,812,598	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
Total dividend	(TEUR)	9,247	6,813	5,022	4,957	4,899	4,838	4,810	4,207	3,803	3,152
Dividend per share	(EUR)	1.36	1.00	0.75	0.75	0.75	0.75	0.75	0.66	0.60	0.50
Income per share	(EUR)	2.53	1.80	0.92	1.33	1.52	1.87	1.89	1.93	1.64	1.33
Fixed assets	(mill. EUR)	75.4	71.1	75.1	76.8	81.5	82.9	88.4	75.9	66.7	68.8
Current assets	(mill. EUR)	159.7	150.9	147.2	144.8	144.0	140.2	148.9	129.1	107.3	95.0
Equity capital	(mill. EUR)	125.7	116.6	108.4	105.0	101.2	94.8	87.0	80.2	70.4	62.7
Equity ratio		53.5%	52.5%	48.7%	47.4%	44.9%	42.5%	36.6%	39.1%	40.5%	38.1%
Amounts owed to credit institutions	(mill. EUR)	29.4	39.1	50.0	55.3	63.6	76.7	86.3	69.6	49.5	44.5
Credit capital ratio [2]		12.5%	17.6%	22.5%	25.0%	28.2%	34.4%	36.4%	34.0%	28.4%	27.0%
Return on investment [3]		13.8%	10.1%	5.7%	8.2%	9.3%	10.8%	11.4%	12.2%	11.7%	10.9%
Return on equity [4]		19.0%	13.6%	7.7%	11.7%	14.0%	18.4%	20.4%	20.7%	20.7%	21.5%

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 2014, 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, as well as the business development and the financial situation of the Company in the Group as a whole. The Chairman of the Supervisory Board, Dirk Ahlers, exchanged information at regular intervals with the Executive Board, for example by attendance at day-long Group management meetings three times per year.

After thorough examination the Supervisory Board approved those decisions of the Executive Board which require Supervisory Board consent.

A total of three scheduled meetings of the Supervisory Board were held on March 25, June 13 and December 18, 2014. 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 business year 2014 the Supervisory Board was deeply involved in the implementation of the most important goals of the annual planning. These comprised

- for the Group as a whole
  - growth through innovation
  - above-average growth of the FRoSTA brand
  - increased margin on turnover
- for the business segment FRoSTA brand
  - expansion of our fish range in Germany
  - marketing harmonisation of the FRoSTA Purity Command in all countries where sold
  - concentration on Germany, Eastern Europe and Italy as well as support for the markets in these countries through consumer advertising (with the exception of Italy)
- for the business segment COPACK
  - focusing on articles with positive margin on turnover
  - expansion of a profitable fish range
  - maintaining and strengthening the Foodservice business (catering)
  - optimisation and expansion of the entire range.

The Supervisory Board determined that the above-mentioned targets were in most cases achieved.

The main topics discussed at the individual Supervisory Board meetings were as follows: On March 25, the annual statements and reports, business development in 2013 as well as the long-term strategy for FRoSTA AG, on June 13, preparations for the Annual General Meeting, business development and forecast for the current year and distribution of employee shares, and on December 18, the annual planning for 2015 including "Vision FRoSTA 2020", planned investment for 2015, and risks and other issues arising for raw material procurement as a result of the new strength of the US dollar.

The Committee for Finances and Personnel

The Committee for Finances and Personnel, consisting of the Supervisory Board members Dirk Ahlers and Oswald Barckhahn, convened in advance to prepare the Supervisory Board meetings. The Committee consulted with the Supervisory Board on the Annual Report 2013 at a joint session in Hamburg on March 25, 2014. In numerous telephone conversations, and in particular during a telephone conference in September with the Chairman of the Executive Board, the current market strategy was discussed and consulted on.

Membership of the Executive Board and the Supervisory Board

Executive Board and Supervisory Board remained unchanged in the financial year 2014.

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 auditors' 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, 2015. 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, 2014, nor to the management report of 2014. 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.

The Committee for Finances and Personnel also consulted on the levels and structure of Executive Board remuneration.

Fixed payments are almost unchanged as measured against the previous year. Compared to companies of a similar size they come in at the lower end. Variable payments dependent on result rose well above average at 25 % on the previous year.

In view of the satisfactory increase in result of 58 % and the achievement of other targets the Committee considers the higher payments to the Executive Board as justified.

Targets for 2015 have been adapted to levels reached in 2014 which means that lower total remuneration is expected for the Executive Board in 2015.

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 2014.

Hamburg, March 25, 2015

For the Supervisory Board
Dirk Ahlers

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