ANNUAL FINANCIAL STATEMENTS OF THE FRoSTA GROUP

CONSOLIDATED INCOME STATEMENT OF FRoSTA AG

CONSOLIDATED INCOME STATEMENT OF FRoSTA AG FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015

IN EUR THOUSAND	NOTE	2014	2015	IMPACT ON PROFIT / LOSS
1. Turnover	(40)	407,839	439,950	7.9%
2. Reduction in inventories of finished goods and work in progress (previous year: increase in inventories)		5,790	–1,286	< –100%
3. Other own work capitalised		11	120	> 100%
4. Other operating income	(41)	8,421	11,151	32.4%
5. OPERATING INCOME		**422,061**	**449,935**	**6.6%**
6. Cost of materials				
a) Cost of raw materials, consumables and supplies		–245,495	–266,584	–8.6%
b) Cost of purchased services		–11,429	–9,175	19.7%
		–256,924	**–275,759**	**–7.3%**
7. GROSS PROFIT		**165,137**	**174,176**	**5.5%**
8. Personnel expenses	(42)			
a) Wages and salaries		–55,873	–54,825	1.9%
b) Social security, post-employment and other employee benefit costs of which post-employment benefits: EUR 10 thousand (previous year: EUR 3 thousand)		–8,969	–9,511	–6.0%
		–64,842	**–64,336**	**0.8%**
9. Depreciation and amortisation of intangible assets and fixed assets including property, plant and equipment	(43)	–11,449	–12,178	–6.4%
10. Other operating expenses	(44)	–64,059	–71,562	–11.7%
11. OPERATING PROFIT		**24,787**	**26,100**	**5.3%**
12. Income from equity investments of which associates: EUR 89 thousand (previous year: EUR –83 thousand)		1	160	> 100%
13. Other interest and similar income	(45)	440	319	–27.5%
14. Write-downs of financial assets and on securities classified as current assets		0	–301	n.a.
15. Interest and similar expenses	(45)	–1,370	–949	30.7%
16. Financial result		**–929**	**–771**	**17.0%**
17. RESULT FROM ORDINARY BUSINESS ACTIVITIES		**23,858**	**25,329**	**6.2%**
18. Current taxes on income	(46)	–7,051	–7,244	–2.7%
19. Deferred taxes	(46)	447	125	–72.0%
20. CONSOLIDATED PROFIT FOR THE YEAR		**17,254**	**18,210**	**5.5%**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF FRoSTA AG

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF FRoSTA AG FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015

IN EUR THOUSAND	2014	2015	IMPACT ON PROFIT / LOSS
1. Consolidated profit for the year	17,254	18,210	5.5%
2. Other comprehensive income			
a) **Items that will never be reclassified to profit or loss** Actuarial gains and losses	26	–28	–207.7%
b) **Items that were or can subsequently be reclassified to profit or loss** Gains and losses on the translation of annual financial statements of foreign subsidiaries	–797	32	104.0%
3. COMPREHENSIVE INCOME	**16,483**	**18,214**	**10.5%**
Allocation of comprehensive income to owners of the parent company	16,483	18,214	10.5%
Non-controlling interests	**0**	**0**	**0.0%**
	16,483	**18,214**	**10.5%**

CONSOLIDATED BALANCE SHEET OF FRoSTA AG

CONSOLIDATED BALANCE SHEET OF FRoSTA AG AS AT 31 DECEMBER 2015

IN EUR THOUSAND		NOTE	31.12.2014	31.12.2015	DEVIATION
ASSETS					
NON-CURRENT ASSETS					
A.	**FIXED ASSETS**				
1.	Intangible assets	(24)	1,152	1,149	–0.3%
2.	Property, plant and equipment	(25)	71,908	73,357	2.0%
3.	Financial assets	(26)	271	120	–55.7%
4.	Investments accounted for using the equity method	(26)	218	307	40.8%
			73,549	**74,933**	**1.9%**
B.	**DEFERRED TAXES**	(47)	**1,889**	**1,553**	**–17.8%**
			75,438	**76,486**	**1.4%**
CURRENT ASSETS					
C.	**CURRENT ASSETS**				
1.	Inventories	(27)	72,970	69,384	–4.9%
2.	Trade receivables	(28)	64,783	79,221	22.3%
3.	Receivables from affiliated companies		2	3	50.0%
4.	Receivables from current taxes on income		519	441	–15.0%
5.	Other assets	(29)			
	Financial assets		4,963	4,412	–11.1%
	Miscellaneous other assets		385	290	–24.7%
6.	Funds		16,061	14,439	–10.1%
			159,683	**168,190**	**5.3%**
BALANCE SHEET TOTAL			**235,121**	**244,676**	**4.1**

CONSOLIDATED BALANCE SHEET OF FRoSTA AG AS AT 31 DECEMBER 2015

IN EUR THOUSAND		NOTE	31.12.2014	31.12.2015	DEVIATION
EQUITY AND LIABILITIES					
A.	**EQUITY**	(30)			
1.	Subscribed capital				
	Nominal amount	(31)	17,440	17,440	0.0%
	Treasury shares		–33	–16	–51.5%
			17,407	**17,424**	**0.1%**
2.	Capital reserves	(32)	12,815	12,815	0.0%
3.	Retained earnings	(33)	77,331	79,914	3.3%
4.	Other reserves	(34)	–962	–958	–0.4%
5.	Equity earned by the Group (without retained earnings)		19,090	25,505	33.6%
			125,681	**134,700**	**7.2%**
B.	**NON-CURRENT PROVISIONS AND LIABILITIES**				
1.	Provisions for pensions	(36)	886	892	0.7%
2.	Other provisions	(37)	2,131	2,302	8.0%
3.	Liabilities to banks	(38)	18,135	12,368	–31.8%
4.	Deferred tax liabilities	(47)	3,370	2,906	–13.8%
			24,522	**18,468**	**–24.7%**
C.	**CURRENT PROVISIONS AND LIABILITIES**				
1.	Other provisions	(37)	147	0	–100.0%
2.	Liabilities to banks	(38)	11,334	20,871	84.1%
3.	Trade payables	(38)	53,466	46,380	–13.3%
4.	Liabilities to long-term investees	(38)	34	0	–100.0%
5.	Liabilities from current taxes on income		2,368	2,233	–5.7%
6.	Other liabilities	(39)			
	Financial liabilities		6,044	6,248	3.4%
	Miscellaneous other liabilities		11,525	15,776	36.9%
			84,918	**91,508**	**7.8%**
BALANCE SHEET TOTAL			**235,121**	**244,676**	**4.1%**

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS OF FRoSTA AG

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS OF FRoSTA AG 2014

IN EUR THOUSAND	PURCHASE AND MANUFACTURING COSTS					
	AS AT 01.01.14	EXCHANGE RATE EFFECTS	ADDITIONS	TRANSFERS	DISPOSALS	AS AT 31.12.14
1. INTANGIBLE ASSETS						
Concessions, industrial and similar rights and assets, and licenses in such rights and assets	**13,681**	**−3**	**577**	**271**	**129**	**14,397**
2. PROPERTY, PLANT AND EQUIPMENT						
a. Land, land rights and buildings, including buildings on third-party land	78,239	−259	1,948	59	921	79,066
b. Plant and machinery	140,186	−441	9,574	672	2,078	147,913
c. Other operating and office equipment	43,980	−28	2,970	59	1,281	45,700
d. Prepayments and assets under construction	1,101	−3	1,058	−1,061	0	1,095
	263,506	**−731**	**15,550**	**−271**	**4,280**	**273,774**
3. LONG-TERM FINANCIAL ASSETS						
a. Financial assets	423	0	205	0	247	381
b. Investments accounted for using the equity method	1,876	0	0	0	83	1,793
	2,299	**0**	**205**	**0**	**330**	**2,174**
	279,486	**−734**	**16,332**	**0**	**4,739**	**290,345**

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS OF FRoSTA AG 2015

IN EUR THOUSAND	PURCHASE AND MANUFACTURING COSTS					
	AS AT 01.01.15	EXCHANGE RATE EFFECTS	ADDITIONS	TRANSFERS	DISPOSALS	AS AT 31.12.15
1. INTANGIBLE ASSETS						
Concessions, industrial and similar rights and assets, and licenses in such rights and assets	**14,397**	**1**	**414**	**92**	**27**	**14,877**
2. PROPERTY, PLANT AND EQUIPMENT						
a. Land, land rights and buildings, including buildings on third-party land	79,066	31	1,634	189	76	80,844
b. Plant and machinery	147,913	57	5,616	648	1,159	153,075
c. Other operating and office equipment	45,700	6	3,152	126	900	48,084
d. Prepayments and assets under construction	1,095	0	2,981	−1,055	0	3,021
	273,774	**94**	**13,383**	**−92**	**2,135**	**285,024**
3. LONG-TERM FINANCIAL ASSETS						
a. Financial assets	381	0	210	0	60	531
b. Investments accounted for using the equity method	1,793	0	89	0	0	1,882
	2,174	**0**	**299**	**0**	**60**	**2,413**
	290,345	**95**	**14,096**	**0**	**2,222**	**302,314**

ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT							NET BOOK VALUE	
AS AT 01.01.14	EXCHANGE RATE EFFECTS	ADDITIONS	REVERSALS OF WRITE DOWNS	TRANSFERS	DISPOSALS	AS AT 31.12.14	AS AT 31.12.13	AS AT 31.12.14
12,918	**−2**	**458**	**0**	**0**	**129**	**13,245**	**763**	**1,152**
48,897	−68	2,172	0	0	921	50,080	29,342	28,986
110,636	−255	6,173	0	1	2,038	114,517	29,550	33,396
35,910	−18	2,646	0	−1	1,268	37,269	8,070	8,431
0	0	0	0	0	0	0	1,101	1,095
195,443	**−341**	**10,991**	**0**	**0**	**4,227**	**201,866**	**68,063**	**71,908**
324	0	0	38	0	176	110	99	271
1,575	0	0	0	0	0	1,575	301	218
1,899	**0**	**0**	**38**	**0**	**176**	**1,685**	**400**	**489**
210,260	**−343**	**11,449**	**38**	**0**	**4,532**	**216,796**	**69,226**	**73,549**

ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT							NET BOOK VALUE	
AS AT 01.01.15	EXCHANGE RATE EFFECTS	ADDITIONS	REVERSALS OF WRITE DOWNS	TRANSFERS	DISPOSALS	AS AT 31.12.15	AS AT 31.12.14	AS AT 31.12.15
13,245	**0**	**510**	**0**	**0**	**27**	**13,728**	**1,152**	**1,149**
50,080	9	2,305	0	0	2	52,392	28,986	28,452
114,517	33	6,665	0	0	1,037	120,178	33,396	32,897
37,269	2	2,698	0	0	872	39,097	8,431	8,987
0	0	0	0	0	0	0	1,095	3,021
201,866	**44**	**11,668**	**0**	**0**	**1,911**	**211,667**	**71,908**	**73,357**
110	0	301	0	0	0	411	271	120
1,575	0	0	0	0	0	1,575	218	307
1,685	**0**	**301**	**0**	**0**	**0**	**1,986**	**489**	**427**
216,796	**44**	**12,479**	**0**	**0**	**1,938**	**227,381**	**73,549**	**74,933**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF FRoSTA AG

STATEMENT OF CHANGES IN EQUITY

IN EUR THOUSAND	SUBSCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	OTHER RETAINED EARNINGS: ACTUARIAL GAINS / LOSSES	OTHER RETAINED EARNINGS: ADJUSTMENT ITEM FROM FOREIGN CURRENCY TRANSLATION	EQUITY EARNED BY THE GROUP (WITHOUT RETAINED EARNINGS)	EQUITY
AS AT 1 JANUARY 2014	**17.440**	**12.815**	**76.956**	**–50**	**–141**	**9.594**	**116.614**
Dividends paid						–6.813	–6.813
Acquisition of own shares	–211		–1.792				–2.003
Employee share programme	178		1.512				1.690
Appropriation to retained earnings			945			–945	0
Currency change					–797		–797
Liquidation of FRoSTA GmbH in Baden			–290				–290
Change in profit / loss				26			26
Consolidated profit for the year						17.254	17.254
AS AT 31 DECEMBER 2014	**17.407**	**12.815**	**77.331**	**–24**	**–938**	**19.090**	**125.681**
Dividends paid						–9.247	–9.247
Acquisition of own shares	–154		–1.983				–2.137
Employee share programme	171		2.018				2.189
Appropriation to retained earnings			2.548			–2.548	0
Currency change					32		32
Change in profit / loss				–28			–28
Consolidated profit for the year						18.210	18.210
AS AT 31 DECEMBER 2015	**17.424**	**12.815**	**79.914**	**–52**	**–906**	**25.505**	**134.700**

CONSOLIDATED STATEMENT OF CASH FLOWS OF FRoSTA AG

CONSOLIDATED STATEMENT OF CASH FLOWS OF FRoSTA AG

IN EUR THOUSAND	2014	2015
Consolidated profit before tax	23,858	25,329
Amortisation and depreciation of fixed assets	11,449	12,178
Interest income	–440	–319
Interest expense	1,370	949
Increase in non-current provisions	89	177
Gain / loss on disposal of fixed assets	–13	–62
Other non-cash income and expenses	–999	597
Interest paid	–1,345	–925
Interest received	48	17
Income taxes paid	–6,930	–7,417
Income taxes received	6	15
CASH FLOW BEFORE CHANGE IN WORKING CAPITAL	**27,093**	**30,539**
Increase / decrease in current provisions	146	–147
Increase in inventories, trade receivables and other assets not attributable to investing or financing activities	–9,105	–9,905
Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	14,287	–2,896
CASH FLOW FROM OPERATING ACTIVITIES	**32,421**	**17,591**
Proceeds from disposal of fixed assets	100	221
Proceeds from grants	172	—
Payments for investments in tangible fixed assets	–15,722	–13,383
Payments for investments in intangible fixed assets	–577	–414
Payments for investments in long-term financial assets	–205	–210
CASH FLOW FROM INVESTING ACTIVITIES	**–16,232**	**–13,786**
Payments to acquire own shares	–2,003	–2,137
Proceeds from disposal of own shares	1,690	2,189
Dividends to shareholders	–6,813	–9,247
Proceeds from obtaining bank loans	—	875
Payments to repay bank loans	–9,884	–6,162
Increase in bank overdrafts	293	9,046
CASH FLOW FROM FINANCING ACTIVITIES	**–16,717**	**–5,436**
Effect on cash funds of exchange rate movements	–64	9
Net change in cash funds	–528	–1,631
Cash funds at beginning of period	16,653	16,061
CASH FUND AT END OF PERIOD	**16,061**	**14,439**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2015 FINANCIAL YEAR

FRoSTA AKTIENGESELLSCHAFT, BREMERHAVEN

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 registered seat is in 27572 Bremerhaven, Germany, Am Lunedeich 116. FRoSTA AG's Executive Board released the consolidated financial statements on 16 March 2016 for presentation to the Supervisory Board. It is the task of the Supervisory Board to review the consolidated financial statements and to state whether it approves them.

(1)

1. ACCOUNTING PRINCIPLES

FRoSTA AG's consolidated financial statements as at 31 December 2015 have been prepared in compliance with the International Accounting Standards Board's (IASB) financial reporting standards – the International Accounting Standards (IASs) and the International Financial Reporting Standards (IFRSs) – as applicable within the European Union.

In doing so, all IASs or IFRSs to be applied as at 31 December 2015 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 net assets, financial position and results of operations as well as the cash flows within the financial year.

The conditions laid down in section 315a of the German Commercial Code (HGB) on the exemption from preparing consolidated financial statements according to German accounting standards have been fulfilled. 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 preparing 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 31 December 2014.

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

2. CONSOLIDATION

(2)

A. CONSOLIDATION PRINCIPLES

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

The subsidiaries are consolidated. In this context, the carrying amount of the equity investment is compared with the proportion of the subsidiary's equity to be consolidated at the time when the shares were purchased (acquisition method) according to IFRS 3. In doing so equity must be determined according to the revaluation method. As a rule, IFRS 3 must be shown retrospectively for all business combinations before the effective date (31 December 2005).

As regards business combinations before the transition date (1 January 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 (1 January 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 are eliminated through profit or loss.

(3)

B. BASIS OF CONSOLIDATION

CONSOLIDATED SUBSIDIARIES

NAME OF ENTITY	REGISTERED SEAT OF ENTITY	PERCENTAGE OF CAPITAL HELD IN 2014 IN %	PERCENTAGE OF CAPITAL HELD IN 2015 IN %
Copack Tiefkühlkost-Produktions GmbH	Bremerhaven / Germany	100.00	100.00
Elbtal Tiefkühlkost Vertriebs GmbH	Lommatzsch / Germany	100.00	100.00
Feldgemüse GmbH Lommatzsch	Lommatzsch / Germany	100.00	100.00
FRoSTA France S.a.r.l.	Boulogne-Billancourt / France	100.00	100.00
FRoSTA Tiefkühlkost GmbH	Bremerhaven / Germany	100.00	100.00
FRoSTA Foodservice GmbH	Bremerhaven / Germany	100.00	100.00
FRoSTA Italia s.r.l.	Rome / Italy	100.00	100.00
FRoSTA ČR s.r.o.	Prague / Czech Republic	100.00	100.00
FRoSTA Sp. z o.o.	Bydgoszcz / Poland	100.00	100.00
BioFreeze GmbH	Bremerhaven / Germany	100.00	100.00
TIKO Vertriebsgesellschaft mbH	Bremerhaven / Germany	100.00	100.00

ASSOCIATED COMPANIES (EQUITY METHOD) NAME AND REGISTERED SEAT OF ENTITY	PERCENTAGE OF CAPITAL HELD IN 2014 IN %	PERCENTAGE OF CAPITAL HELD IN 2015 IN %	CARRYING AMOUNT IN 2014 IN EUR THOUSAND	CARRYING AMOUNT IN 2015 IN EUR THOUSAND
BIO-FROST Westhof GmbH, Wöhrden / Germany	45.00	45.00	218	307

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 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 22 November 2013, it was decided to change the dates of the financial year. As from 1 January 2014, the financial year runs from 1 June to 31 May. For this reason, 1 January 2014 to 31 May 2014 was recorded as a short financial year. The comparability of annual figures is therefore limited.

FINANCIAL FIGURES OF BIO-FROST WESTHOF GMBH

IN EUR THOUSAND	31.5.2014	31.5.2015
Total assets	2,882	2,996
Total liabilities	1,793	1,709
Net assets	1,089	1,287
Group share of net assets	490	579
Turnover	878	4,551
Profit / loss for the year	–185	198
Group share	–83	89

As the entity does not prepare IFRS financial statements, classification of assets and liabilities as current and non-current is not possible.

The consolidated financial statements for the financial year do not include the following entities which are in total of minor importance for the Group’s net assets, financial position and results of operations:

COMPANIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS NAME OF ENTITY	REGISTERED SEAT OF ENTITY	PERCENTAGE OF CAPITAL HELD IN 2014 IN %	PERCENTAGE OF CAPITAL HELD IN 2015 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	100.00	100.00
FRoSTA Hungary Kft.	Esztergom / Hungary	100.00	100.00
Copack Sp. z o.o.	Bydgoszcz / Poland	100.00	100.00
Columbus Spedition GmbH	Bremerhaven / Germany	33.33	33.33

(4) **C. TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS**

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

The exchange rate differences that occur from translation are recorded as an adjustment from currency translation.

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

DEVELOPMENT OF ESSENTIAL EXCHANGE RATES

CLOSING RATE	31.12.2014	31.12.2015
Polish zloty	4.2805	4.2660
Czech koruna	27.718	27.022

3. NOTES ON THE ACCOUNTING AND VALUATION POLICIES

(5) **A. RECOGNITION OF INCOME AND EXPENSES**

Revenue from the sale of products and goods is recognised 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 entered on an accrual basis according to the sales they are based on.

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

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

Dividends are recognised at the time they are paid out.

(6) **B. INTANGIBLE ASSETS**

Purchased intangible assets are carried at cost.

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

AMORTISATION PERIOD OF INTANGIBLE ASSETS

IN YEARS	USEFUL LIFE
Software	4
Licences	4

(7)

C. PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are recognised at cost and subjected to straight-line depreciation according to their probable useful life. Costs of self-constructed items of property, plant and equipment include all direct costs and all overheads that are incurred as a result of the production process.

Investment grants and investment subsidies are recognised if it is sufficiently certain that these payments are actually made and the requirements attached to them are fullfilled. They result in a reduction of acquisition or production costs. Expenditure-related grants and subsidies are recognised as revenue in the financial year in which the expenditure concerned took place. Borrowing costs are capitalised as part of costs in line with IAS 23. Costs incurred for repairs of items of property, plant and equipment are always expensed. They are only capitalised if the costs result in an enhancement or significant improvement of the asset. The assets to be recognised are subjected to separate analyses for the purposes of measuring depreciation expense if significant cost segments have different economic lives.

Finance lease assets, where basically all risks and benefits associated with an asset are transferred to the Group, are carried less accumulated depreciation and an appropriate liability in the amount of the lower of the fair value of the asset or the present value of the rent or lease payments.

The assets are depreciated using the straight-line method over their useful life.

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

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

DEPRECIATION PERIOD OF PROPERTY, PLANT AND EQUIPMENT

IN YEARS	USEFUL LIFE
Buildings	25 – 40
Other constructions	12 – 15
Plant and machinery	7 – 15
IT equipment	3 – 7
Other factory and office equipment	5 – 13

(8)

D. IMPAIRMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND FINANCIAL ASSETS

FRoSTA AG examines the carrying amounts of fixed assets to establish whether impairment charges are necessary, as soon as events occur or circumstances change implying that permanent impairment has occurred ("impairment test".) An impairment charge is recognised when the expected proceeds from sale or the capital value of the cash flows to be expected from the assets are lower than the asset's carrying amount.

If it is not possible to determine the recoverable amount for individual assets, the cash flow for the next higher group of assets for which this type of cash flow can be established, 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 going beyond 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 structure and amounts to 8.35% before taxes. If the reasons for impairment no longer apply, the impairment loss is reversed, with such reversal not exceeding amortised cost.

(9)

E. FINANCIAL ASSETS AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Disposable financial assets are recognised as at the reporting date at fair value or, if this cannot be established, at amortised cost.

(10)

F. INVENTORIES

Inventories are measured at cost. Costs of raw materials and consumables as well as merchandise are determined using the weighted average cost formula and result from the purchasing prices plus incidental costs. Cost includes, apart from the directly attributable costs, overheads directly attributable to the production process including appropriate depreciation of manufacturing assets assuming normal utilisation. Borrowing costs are not included in the measurement of the inventories, but are recognised as an expense in the period they are incurred.

Write-downs for inventory risks are recognised as appropriate and sufficient. If necessary, the lower net realisable value is recognised. The net realisable value is the estimated selling price achievable in the course of ordinary business less the estimated manufacturing and selling costs.

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

(11)

G. RECEIVABLES AND OTHER ASSETS

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

(12) **H. FUNDS**

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

(13) **I. PROVISIONS FOR PENSIONS**

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

Service costs are recognised under personnel expenses. The interest included in the pension expenses is recognised under interest expense. The actuarial gains and losses are recognised in other 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 amount.

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

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

Provisions for restructuring are only taken into account, if on the balance sheet date the measures intended have become sufficiently concrete and have been communicated.

(15) **K. LIABILITIES**

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

Liabilities in foreign currencies are translated at closing rates. Hedged items in foreign currency are also measured 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 accounts and the annual financial statements prepared in accordance with commercial law, and for the future use of tax loss carry forwards. The calculation is made on the basis of the tax rates applicable in future at the balance sheet date. Deferred tax assets are only recognised if it is likely that these can be used against future taxable income.

M. DERIVATIVE FINANCIAL INSTRUMENTS

(17) **Currency forwards, options contracts and interest rate swaps**

Currency forwards and option contracts as well as interest rate swaps and caps can be used as derivative financial instruments. These are only concluded with banks which have an excellent credit rating. 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 operating business and the financing transactions associated with it. Hedging mainly concerns US dollar requirements. These occur because FRoSTA purchases some of the required raw materials in this currency without reporting any US dollar income.

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

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

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

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

Derivative financial instruments are accounted for at cost when purchased. They are subsequently recognised at their fair value. The banks establish the fair values based on market quotations.

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

(18)

SCOPE AND FAIR VALUES OF THE DERIVATIVES

IN EUR THOUSAND		31.12.2014 NOTIONAL AMOUNT	31.12.2014 FAIR VALUE	31.12.2015 NOTIONAL AMOUNT	31.12.2015 FAIR VALUE
Currency forwards	Purchase, USD thousand	38,055	2,692	44,882	1,043
	Sale, GBP thousand	3,289	–47	1,298	34
Currency swaps	Purchase, USD thousand	501	6	940	7
	Sale, GBP thousand	0	0	38	1
Interest rate swaps	Loan, EUR thousand	6,777	–363	4,043	–147

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

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

DUE DATES FOR THE INTEREST HEDGING INSTRUMENTS

IN EUR THOUSAND	31.12.2014	31.12.2015
Within one year	2,734	2,722
Between one and five years	4,043	1,321
Over five years	0	0
Total	**6,777**	**4,043**

(19)

N. EMPLOYEE SHARE PROGRAMME

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

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

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

(20) **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 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 translated at the current rate applicable at the time of the transactions. Assets and liabilities in foreign currencies are translated at the exchange rate on the balance sheet date to the Group's functional currency. Gains and losses from the translations are recognised in profit or loss.

(22) **Q. USE OF ESTIMATES**

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

Significant estimates and assumptions have in particular been made with regard to establishing depreciable lives, the actuarial parameters in assessing pensions, jubilee and partial retirement provisions and the ability to realise deferred tax assets. The actual amounts 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 ADDITIONAL IAS AND IFRS STANDARDS

New standards and interpretations not previously applied

A series of new and amended standards become effective in the first reporting period of a financial year after 1 January 2015. The Group did not apply the following new or amended standards when preparing these consolidated financial statements.

IFRS 9 (Financial Instruments)

Issued in July 2014, IFRS 9 replaces the existing guidelines in IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 contains revised guidelines for the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment losses on financial assets, as well as new general accounting standards for hedging transactions. It also incorporates guidelines on the recognition and derecognition of financial instruments from IAS 39. IFRS 9 becomes effective initially in the first reporting period of a financial year commencing on or after 1 January 2018; earlier adoption is also permissible. The Group is currently assessing the possible effects of IFRS 9 on the consolidated financial statements.

IFRS 15 (Revenue from Contracts with Customers)
IFRS 15 establishes a comprehensive framework for establishing whether, to what extent and at what point revenue should be recognised. It replaces existing revenue recognition guidelines 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 1 January 2018; earlier adoption is also permissible. The Group is currently assessing the possible effects of IFRS 15 on the consolidated financial statements.

Amendments to IAS 16 and IAS 41 (Agriculture: Bearer Plants)
These amendments require a bearer plant, defined as a live plant, to be recognised as property, plant and equipment and places it within the scope of IAS 16 (Property, Plant and Equipment) instead of IAS 41 (Agriculture). These amendments become effective initially in the first reporting period of a financial year commencing on or after 1 January 2016; earlier adoption is also permissible. The Group has no bearer plants.

The following new or revised standards are not expected to have a significant effect on the consolidated financial statements: IFRS 14 (Regulatory Deferral Accounts); amendments to IFRS 11 (Acquisition of an Interest in a Joint Operation); amendments to IAS 16 and IAS 38 (Clarification of Permissible Methods); amendments to IAS 27 (Application of the Equity Method in Individual Financial Statements); amendments to IFRS 10 and IAS 28 (Sale or Contribution of Assets between an Investor and an Associate or a Joint Venture); Annual Improvements to IFRSs 2012 – 2014; amendments to IFRS 10, IFRS 12 and IAS 28 (Investment Entities: Application of the Consolidation Exception); and amendments to IAS 1 (Disclosure Initiative).

New standards or amendments to be applied for the first time in 2015 and future requirements
A succession of new or amended standards and interpretations have been issued since the last publication. The new or amended standards and interpretations published up to and including 1 August and not yet applicable for periods that began on 1 January 2014 are outlined below. They must therefore be taken into consideration for the first time when preparing IFRS financial statements relating to reporting periods for the financial year beginning on 1 January 2015.

New, currently effective requirements
Latest IFRS amendments effective for financial years commencing on 1 January 2015.

Effective as at 1 July 2014: amendments to IAS 19 (Employee Contributions to Defined Benefit Plans), Annual Improvements to IFRSs 2010 – 2012, Annual Improvements to IFRSs 2011 – 2013.

Future requirements
The latest amendments to the IFRSs that can be applied early in financial years beginning on 1 January 2015, despite only becoming effective in later reporting periods. These requirements are not taken into consideration in the consolidated financial statements.

Effective as at 1 January 2016: IFRS 14 (Regulatory Deferral Accounts); amendments to IFRS 11 (Acquisition of an Interest in a Joint Operation); amendments to IAS 16 and IAS 38 (Clarification of Permissible Methods of Depreciation and Amortisation); amendments to IAS 16 and IAS 41 (Agriculture: Bearer Plants); amendments to IAS 27 (Application of the Equity Method in Individual Financial Statements); amendments to IFRS 10 and IAS 28 (Sale or Contribution of Assets between an Investor and an Associate or a Joint Venture); Annual Improvements to IFRSs 2012 – 2014; amendments to IFRS 10, IFRS 12 and IAS 28 (Investment Entities: Application of the Consolidation Exception); and amendments to IAS 1 (Disclosure Initiative).

Effective as at 1 January 2018: IFRS 15 (Revenue from Contracts with Customers), IFRS 9 (Financial Instruments).

5. CONSOLIDATED BALANCE SHEET DISCLOSURES

(24)

A. INTANGIBLE ASSETS

The development of the individual items of intangible assets is shown in the consolidated statement of changes in non-current assets (appendix to the notes). The share of foreign subsidiaries in the net carrying amount as per 31 December 2015 amounted to EUR 78 thousand (previous year: EUR 34 thousand).

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 2015 amounted to EUR 1,532 thousand (previous year: EUR 1,485 thousand).

(25)

B. PROPERTY, PLANT AND EQUIPMENT

As regards the development of property, plant and equipment, please see the consolidated statement of changes in non-current assets. The share of property, plant and equipment located abroad, primarily in Poland, in the net carrying amount as at 31 December 2015 amounted to EUR 14,595 thousand (previous year: EUR 14,599 thousand). Investment grants and subsidies received in the financial year reduce procurement costs by EUR 4,278 thousand (previous year: EUR 5,315 thousand). Based on current earnings forecasts no impairment losses were recognised in the reporting year. In prior years, impairment losses were recognised. If the reasons for impairment no longer apply, the impairment loss is reversed, with such reversal not exceeding amortised cost. This reversal amounted to EUR 821 thousand as at 31 December 2015 (previous year: EUR 1,142 thousand). In the reporting year no borrowing costs were capitalised according to IAS 23.

(26)

C. FINANCIAL ASSETS AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Changes in the financial assets and equity-accounted investments are shown in the consolidated statement of changes in non-current assets. The non-consolidated equity investments in subsidiaries are measured at amortised costs as at the reporting date. Loans to affiliated companies were amortised by EUR 301 thousand (previous year: EUR 0 thousand). Write-ups of EUR 0 thousand (previous year: EUR 38 thousand) were recognised on other loans and are shown in profit or loss for the period. Equity-method investments were presented separately in both the consolidated balance sheet and statement of changes in fixed assets in the reporting year.

(27)

D. INVENTORIES

INVENTORIES

IN EUR THOUSAND	31.12.2014	31.12.2015
Raw materials and consumables	30,466	27,928
Unfinished goods	16,951	16,692
Finished products and goods	25,234	24,621
Prepayments	319	143
Inventories	**72,970**	**69,384**

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 carrying amount of inventories recognised at the lower net realisable value amounted to EUR 607 thousand in 2015. The impairments of inventories shown in expenses amount to EUR 183 thousand (previous year: EUR 508 thousand).

(28)

E. TRADE RECEIVABLES

TRADE RECEIVABLES

IN EUR THOUSAND	31.12.2014	31.12.2015
Trade receivables, gross	65,283	79,957
Impairment charges on trade receivables	–500	–736
Trade receivables	**64,783**	**79,221**

IMPAIRMENT CHARGES ON TRADE RECEIVABLES

IN EUR THOUSAND	2014	2015
Impairment charges as at 1 January	454	500
Exchange rate differences	–2	0
Allocations	63	269
Utilisation	–10	–16
Dissolutions	–5	–17
Impairment charges as at 31 December	**500**	**736**

The expenses for the full derecognition of receivables are based on payment defaults and amount to EUR 25 thousand (previous year: EUR 2 thousand). Income from derecognised receivables amounts to EUR 17 thousand (previous year: EUR 5 thousand).

RISKS INCLUDED IN THE TRADE RECEIVABLES

IN EUR THOUSAND	31.12.2014	31.12.2015
Neither past due nor impaired receivables	**61,394**	**76,175**
Receivables past due but not impaired		
Less than 30 days	2,887	2,643
30 to 60 days	204	145
More than 60 days	298	258
Total receivables past due	**3,389**	**3,046**
Carrying amount (net)	**64,783**	**79,221**

Receivables sold in asset-backed securities transactions (ABS) amounted to EUR 17,957 thousand. 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 recognised under liabilities to banks.

In asset-backed securities contracts receivables are sold to a special purpose entity in the financial sector, which then offers the receivables on the capital market. The price paid for the receivables is based on the receivables' nominal value less the expected deductions. At the same time, a variable interest rate based on current rates for 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

OTHER ASSETS

IN EUR THOUSAND	31.12.2014	31.12.2015
Creditors with debit balances	199	292
Employees	30	37
VAT and consumer tax	1,966	2,438
Other financial assets	2,768	1,645
Financial assets	**4,963**	**4,412**
Accruals	385	290
Miscellaneous other assets	**385**	**290**
Other assets	**5,348**	**4,702**

No counterparty credit risks have been identified for the other assets.

Excess of plan assets over post-employment benefit liability
An excess of plan assets over post-employment benefit liability amounting to EUR 15 thousand (previous year: EUR 46 thousand) is shown under other assets.

EXCESS OF PLAN ASSETS OVER POST-EMPLOYMENT BENEFIT LIABILITY

IN EUR THOUSAND	31.12.2014	31.12.2015
Fair value of invested assets	214	96
Costs of invested assets	204	85

For further explanations, please refer to item 37.

(30)

G. EQUITY

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

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 EUR 17,440 thousand. Based on 6,812,598 shares, each share has an arithmetical value of EUR 2.56.

A total of 6,448 individual FRoSTA AG no-par value bearer shares with a nominal value of EUR 16 thousand or 0.09% of the share capital were set off against equity. Purchasing costs in excess of the nominal value amounting to EUR 242 thousand are presented in a reduction of retained earnings. The no-par value bearer shares are not entitled to any rights under section 71b of the German Stock Corporation Act.

Apart from this there is an authorised capital, as yet unused, for a fixed period until 17 July 2018, amounting to EUR 201 thousand for the issuing of shares to employees of FRoSTA AG and its affiliated companies, as well as authorised capital of EUR 5,000 thousand for a fixed period until 17 July 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 programme.

(33)

Retained earnings and equity earned by the group (without retained earnings)

Retained earnings include the profits achieved in the past of the companies included in the consolidated financial statements, if they have not been paid out.

The consolidated equity includes the profits achieved in the current period of the companies included in the consolidated financial statements, unless they have been allocated to the reserves.

According to the German Stock Corporation Act, the dividend to be paid out to the shareholders is measured according to the net retained profits shown in FRoSTA AG's annual financial statements. As at 31 December 2015, these came to EUR 13,349 thousand (previous year: EUR 11,795 thousand).

The Annual General Meeting on 19 June 2015 decided to pay out a dividend of EUR 1.36 per share (totalling a dividend sum of EUR 9,247 thousand) from the net retained profits of FRoSTA AG as at 31 December 2014.

FRoSTA AG's Executive Board proposes a dividend of EUR 1.36 per share for 2015 subject to the approval of the Annual General Meeting.

(34)

Other reserves

The other reserves comprise the differences resulting from currency translation at subsidiaries who report in a currency different from that of the parent company. The measurement difference is mainly the result of the equity investment in FRoSTA Sp. z o.o., Bydgoszcz / Poland, whose annual financial statements are prepared in Polish zloty. The adjustment from currency translation amounted to EUR –906 thousand on the reporting date as opposed to EUR –938 thousand in the previous year. As at 31 December 2015, the other reserves also include actuarial losses totalling EUR 52 thousand (previous year: EUR 24 thousand).

(35)

Employee share programme

FRoSTA AG has 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.

EMPLOYEE SHARE PROGRAMME: SHARE PURCHASES MADE

	2014	2015
Proposal I		
Number of shares	46,039	37,419
Issue price (EUR)	12.00	16.50
Average stock exchange price (EUR)	24.30	34.51
Difference (EUR)	12.30	18.01
Value (EUR thousand)	**566**	**674**
Proposal II		
Number of shares	15,855	18,395
Issue price (EUR)	5.00	7.50
Average stock exchange price (EUR)	24.30	34.51
Difference (EUR)	19.30	27.01
Value (EUR thousand)	**306**	**497**
Total (EUR)	**872**	**1,171**

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

Share-based payments

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

SHARE-BASED PAYMENTS

	2014	2015
Shares issued for the previous financial year	7,640	10,845

(36)

H. PENSION OBLIGATIONS

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

The Group pension schemes are all defined benefit plans.

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

PARAMETERS USED FOR CALCULATING PENSION PROVISIONS

IN %	2014	2015
Interest rate	2.20	2.29
Salary trend	2.00	2.00
Pension trend	2.00	1.80

The actuarial assumptions regarding life expectancy are based on the “Richttafeln 2005 G” mortality tables by Dr Klaus Heubeck.

PENSIONS COSTS

IN EUR THOUSAND	2014	2015
Other pension costs	25	29
Personnel expenses	**25**	**29**
Interest expense	22	13
Pensions costs	**47**	**42**

NET OBLIGATIONS RECOGNISED IN THE BALANCE SHEET

IN EUR THOUSAND	2014	2015
Provision as at 1 January	**939**	**886**
Pensions costs	47	42
Payments to pensioners	–74	–64
Actuarial losses (+) / gains (–)	–26	28
Provision as at 31 December	**886**	**892**

The number of beneficiaries receiving pension payments was 14.

(37)

I. OTHER PROVISIONS

OTHER PROVISIONS

IN EUR THOUSAND	AS AT 01.01.2015	UTILISATION	REVERSAL	ADDITION	AS AT 31.12.2015
Jubilee payments	2,116	247	0	430	2,299
Other non-current provisions	**2,116**	**247**	**0**	**430**	**2,299**
Severance payments	147	146	1	0	0
Other current provisions	**147**	**146**	**1**	**0**	**0**
Other provisions	**2,263**	**393**	**1**	**430**	**2,299**

PARTIAL RETIREMENT PLAN ASSETS

IN EUR THOUSAND	AS AT 01.01.2015	UTILISATION	REVERSAL	ADDITION	AS AT 31.12.2015
Partial retirement	184	134	12	45	83
Plan assets	214	122	0	4	95

Since the plan assets are assigned on the basis of individual partial retirement obligations, the principle of item-by-item measurement resulted in a surplus of assets of EUR 15 thousand as well as a provision for partial retirement obligations of EUR 3 thousand.

(38)

J. LIABILITIES

LIABILITIES

IN EUR THOUSAND	TOTAL AMOUNT	OF WHICH DUE WITHIN UP TO ONE YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
Liabilities to banks	33,239	20,871	10,173	2,195
(previous year)	(29,469)	(11,334)	(14,644)	(3,491)
Trade payables	46,380	46,380	0	0
(previous year)	(53,466)	(53,466)	(0)	(0)
Liabilities to long-term investees	0	0	0	0
(previous year)	(34)	(34)	(0)	(0)
Other liabilities	22,024	22,024	0	0
(previous year)	(17,569)	(17,569)	(0)	(0)

The liabilities to banks are guaranteed by mortgages amounting to EUR 16,781 thousand (previous year: EUR 19,435 thousand) and similar rights amounting to EUR 0 thousand (previous year: EUR 1,572 thousand). The customary retentions of title apply to trade payables.

LIABILITIES TO BANKS

IN EUR THOUSAND	31.12.2014	31.12.2015
Non-current loans	**18,135**	**12,368**
Current loans	6,031	6,521
Bank overdrafts	5,303	14,350
Current liabilities to banks	**11,334**	**20,871**
Liabilities to banks	**29,469**	**33,239**

Receivables sold in asset-backed securities transactions (ABS) amounted to EUR 17,957 thousand as at 31 December 2015. After deducting a discount of EUR 3,607 thousand, an amount of EUR 14,350 thousand is included in bank overdrafts.

Two of the financing agreements made with credit institutes include financial covenants. These are prescribed key balance sheet figures with minimum values which must be adhered to. Failing this, the loan commitment can be withdrawn. In 2015, all such covenants were met.

LOANS PAYABLE

31.12.2014 IN EUR THOUSAND	31.12.2015 IN EUR THOUSAND	INTEREST RATE IN %	DUE DATE
23	0	Wibor 3M + 2.25	27.02.2015
750	375	3.00	30.12.2016
2,906	1,462	Euribor 3M + 1.00	31.12.2016
0	750	4.98	31.05.2017
1,750	1,250	3.29	29.03.2018
3,047	2,109	5.31	31.03.2018
1,094	781	3.20	31.03.2018
2,188	1,563	3.20	31.03.2018
2,438	1,925	3.40	30.09.2019
1,500	1,278	3.00	30.09.2021
2,880	2,496	2.65	30.06.2022
2,001	1,734	3.05	30.06.2022
3,589	3,166	2.05	30.06.2023
24,166	**18,889**		

(39)

OTHER CURRENT LIABILITIES

IN EUR THOUSAND	31.12.2014	31.12.2015
Collection commissions	5,598	6,120
Customers with a credit balance	286	78
Miscellaneous other financial liabilities	160	50
Financial liabilities	**6,044**	**6,248**
Liabilities to employees	5,999	5,800
Social security contributions	182	225
Taxes	661	636
Accruals	4,683	9,115
Miscellaneous other liabilities	**11,525**	**15,776**
Other liabilities	**17,569**	**22,024**

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

Accruals include both employee claims for leave and non-working shifts not yet taken as well as other liabilities. During the reporting year, provisions were also recognised for possible VAT backpayments for previous years totalling EUR 2,510 thousand. These potential obligations result from the tax treatment of the flow of goods into FRoSTA AG warehouses in Italy and the United Kingdom. Accruals also include EUR 1,484 thousand of tax liabilities to the Austrian Tax Office from previous years. These obligations result from the tax treatment of deliveries from FRoSTA AG's Austrian warehouses to customers in Austria. Austrian customers have already been invoiced for this amount. Incoming payments were received in January 2016.

6. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME DISCLOSURES

(40)

A. TURNOVER

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

TURNOVER BY REGION

IN EUR THOUSAND	2014	2015
Germany	230,399	250,238
Abroad	177,440	189,712
Turnover	**407,839**	**439,950**

TURNOVER BY PRODUCT GROUPS

IN EUR THOUSAND	2014	2015
Fish	187,839	203,977
Vegetables and fruit	101,338	109,461
Ready meals and other products	118,662	126,512
Turnover	**407,839**	**439,950**

(41)

B. OTHER OPERATING INCOME

OTHER OPERATING INCOME

IN EUR THOUSAND	2014	2015
Currency translation gains	4,572	8,664
Income from the derecognition of accruals	1,137	1,108
Income from credits from previous years and the derecognition of liabilities	573	149
Income from energy tax refund	767	0
Miscellaneous operating income	1,372	1,230
Other operating income	**8,421**	**11,151**

Income from energy tax refund are offset against electricity costs in the reporting period, thus reducing expenses.

(42)

C. PERSONNEL EXPENSES

PERSONNEL EXPENSES

IN EUR THOUSAND	2014	2015
Wages and salaries	55,001	53,654
Social security contributions	8,966	9,501
Pension costs	3	10
Costs of share-based payments	872	1,171
Personnel expenses	**64,842**	**64,336**

Interest contained in personnel expenses is shown in net finance income.

EMPLOYEES (ANNUAL AVERAGE)

NUMBER	2014	2015
Wage-earners	1,019	1,051
Salaried staff	408	418
Temporary employees	105	132
Number of employees according to Section 314 (1) No. 4 HGB	**1,532**	**1,601**
Apprentices	27	30
Number of employees	**1,559**	**1,631**

(43)

D. DEPRECIATION AND AMORTISATION

DEPRECIATION AND AMORTISATION

IN EUR THOUSAND	2014	2015
Amortisation of intangible assets	458	510
Depreciation of property, plant and equipment	10,991	11,668
Depreciation and amortisation	**11,449**	**12,178**

(44)

E. OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES

IN EUR THOUSAND	2014	2015
Storage and transport costs	19,297	20,547
External personnel costs	8,863	9,709
Marketing costs	11,872	11,308
Rent and cold-storage expenses	7,239	7,610
Maintenance	4,450	4,697
Currency losses	2,839	5,163
Fees, contributions and insurance	2,726	2,921
Other expenses	6,773	9,607
Other operating expenses	**64,059**	**71,562**

The other operating expenses include severance payments amounting to EUR 85 thousand (previous year: EUR 238 thousand) as well as topping-up payments for the early retirement scheme amounting to EUR 46 thousand (previous year: EUR 42 thousand). They also contain provisions for possible VAT backpayments for previous years totalling EUR 2,197 thousand. These potential obligations result from the tax treatment of the flow of goods into FRoSTA AG warehouses in Italy and the United Kingdom.

(45)

F. INTEREST RESULT

INTEREST RESULT

IN EUR THOUSAND	2014	2015
Interest income on bank balances	48	12
Interest income from loans	1	13
Interest income from a reduction in provisions for anticipated losses from interest swaps	320	222
Other interest income	71	72
Interest income	440	319
Interest expense for liabilities to banks	–1,298	–865
Interest expense from interest swaps	0	–6
Interest expense for provisions for pensions and partial retirement schemes	–18	–12
ABS	–51	–64
Other interest expense	–3	–2
Interest and similar expenses	–1,370	–949
Interest result	**–930**	**–630**

(46)

G. TAXES ON INCOME AND DEFERRED TAXES

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

TAX EXPENSE BY ORIGIN

IN EUR THOUSAND	2014	2015
Current taxes Germany	5,253	5,768
Current foreign taxes	1,831	1,587
Current taxes for the financial year	**7,084**	**7,355**
Taxes for previous years	–33	–111
Taxes on income	**7,051**	**7,244**
Deferred taxes Germany	–179	–402
Deferred foreign taxes	–268	277
Deferred taxes	**–447**	**–125**
Tax expense according to the income statement	**6,604**	**7,119**

The expected expense for taxes on income, which would have resulted if the tax rate of the Group's ultimate parent FRoSTA AG of 30.53% (previous year: 30.31%) had been applied on the IFRS consolidated pre-tax profit, is reconciled to taxes on income according to the income statement as follows:

TAX EXPENSE RECONCILIATION

IN EUR THOUSAND	2014	2015
Profit before taxes on income	**23,858**	**25,329**
FRoSTA AG's tax rate	30.31%	30.53%
Anticipated tax expense	**7,231**	**7,733**
Different tax rates (especially for deferred taxes)	–1,055	–706
Taxes on income for previous years	–33	–111
Tax expense for non-deductible operating expenses	520	359
Tax savings from tax-free income	–59	–156
Tax expense according to the income statement	**6,604**	**7,119**

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 EUR 1,794 thousand, which is paid out in ten equal instalments as from 2008. Following a tax audit, the corporation tax credit rose in 2010 to EUR 1,871 thousand. This amount less two payments received in 2008 and 2009 are paid in eight equal annual instalments as from 2010. The present value was recognised in receivables from current taxes on income.

(47)

DEFERRED TAX ASSETS AND LIABILITIES

IN EUR THOUSAND	31.12.2014 DEFERRED TAX ASSETS	31.12.2014 DEFERRED TAX LIABILITIES	31.12.2015 DEFERRED TAX ASSETS	31.12.2015 DEFERRED TAX LIABILITIES
Intangible assets	0	11	3	1
Property, plant and equipment	103	3,004	146	2,535
Financial assets	625	0	602	0
Inventories	23	140	0	224
Trade receivables	10	14	10	16
Other assets	61	195	29	95
Pension provisions	112	0	159	0
Other provisions	484	0	425	0
Trade payables	0	4	0	20
Other liabilities	471	2	179	15
Temporary differences	**1,889**	**3,370**	**1,553**	**2,906**

(48)

H. EARNINGS PER SHARE

EARNINGS PER SHARE

	2014	2015
Consolidated profit for the year (EUR thousand)	17,254	18,210
Number of ordinary shares issued (in thousand)	6,813	6,813
Consolidated profit for the year per share (EUR)	**2.53**	**2.67**

A figure of EUR 2.67 (previous year: EUR 2.53) is reported as both basic and diluted earnings per share.

7. CONSOLIDATED STATEMENT OF CASH FLOWS DISCLOSURES

(49)

Composition of cash funds

The cash funds are made up of cash and credit at banks of EUR 14,439 thousand (previous year: EUR 16,061 thousand).

(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 as amended in April 2009, we are now required to adapt our segment reporting to correspond with the FRoSTA AG structure (“management approach”). We manage FRoSTA AG in two separate sales units. Firstly, there is the FRoSTA operating segment, which includes the brand business in Germany, Austria, Eastern Europe and Italy, the private label business in Italy and Eastern Europe as well as sales to home delivery services in Germany; and secondly, there is the COPACK operating segment, which is responsible for the private label, industrial and catering businesses in Germany and the private label business in the rest of Western Europe. Management only considers the profit performance of the segments. Assets or liabilities are not considered in the segment reporting. The presentation of the segment report corresponds to the structure of the internal reporting.

DEVELOPMENT BY REGION

IN EUR MILLION	GERMANY 2014	GERMANY 2015	+ / –	ABROAD 2014	ABROAD 2015	+ / –	TOTAL 2014	TOTAL 2015	+ / –
Turnover	230.5	250.3	8.6%	177.3	189.7	7.0%	407.8	440.0	7.9%
Operating income	**238.6**	**255.9**	**7.3%**	**183.5**	**194.0**	**5.7%**	**422.1**	**449.9**	**6.6%**
Gross profit	**90.1**	**96.6**	**7.2%**	**75.0**	**77.6**	**3.5%**	**165.1**	**174.2**	**5.5%**
in % of turnover	39.1%	38.6%		42.4%	40.9%		40.5%	39.6%	
Depreciation and amortisation	–7.0	–7.5	–7.1%	–4.4	–4.7	–6.8%	–11.4	–12.2	–6.4%
Operating profit	**10.1**	**12.1**	**19.8%**	**14.7**	**14.0**	**–4.8%**	**24.8**	**26.1**	**5.3%**
in % of turnover	4.4%	4.8%		8.3%	7.4%		6.1%	5.9%	
Financial result							–0.9	–0.8	17.0%
Result from ordinary business activities							**23.9**	**25.3**	**6.2%**
in % of turnover							5.9%	5.8%	
Current taxes							–7.0	–7.2	–2.7%
Deferred taxes							0.4	0.1	–72.0%
Consolidated profit for the year							**17.3**	**18.2**	**5.5%**

DEVELOPMENT BY SEGMENT

IN EUR MILLION	SEGMENT FRoSTA 2014	SEGMENT FRoSTA 2015	+ / –	SEGMENT COPACK 2014	SEGMENT COPACK 2015	+ / –	TOTAL 2014	TOTAL 2015	+ / –
Turnover	154.6	170.3	10.2%	253.2	269.7	6.5%	407.8	440.0	7.9%
Operating income	**160.0**	**174.1**	**8.8%**	**262.1**	**275.8**	**5.2%**	**422.1**	**449.9**	**6.6%**
Gross profit	**71.1**	**76.1**	**7.0%**	**94.0**	**98.1**	**4.4%**	**165.1**	**174.2**	**5.5%**
in % of turnover	46.0%	44.7%		37.1%	36.4%		40.5%	39.6%	
Depreciation and amortisation	–4.1	–4.6	–12.2%	–7.3	–7.6	–4.1%	–11.4	–12.2	–6.4%
Operating profit	**13.7**	**15.9**	**16.1%**	**11.1**	**10.2**	**–8.1%**	**24.8**	**26.1**	**5.3%**
in % of turnover	8.8%	9.3%		4.4%	3.8%		6.1%	5.9%	
Financial result							–0.9	–0.8	17.0%
Result from ordinary business activities							**23.9**	**25.3**	**6.2%**
in % of turnover							5.9%	5.8%	
Current taxes							–7.0	–7.2	–2.7%
Deferred taxes							0.4	0.1	–72.0%
Consolidated profit for the year							**17.3**	**18.2**	**5.5%**

The line items from "net finance income" to "consolidated profit for the year" are not used within the Company as part of its "management approach".

Net income from investments amounting to EUR 160 thousand (previous year: EUR 1 thousand) comprises income from the investment in Columbus Spedition totalling EUR 71 thousand (previous year: EUR 84 thousand) and income from the investment in associated company BIO-FROST Westhof of EUR 89 thousand (previous year: investment loss of EUR 83 thousand).

As in the previous year, no single customer contributed 10% or more to consolidated turnover in 2015.

(51)

9. OTHER DISCLOSURES

A. PRIMARY FINANCIAL INSTRUMENTS

PRIMARY FINANCIAL INSTRUMENTS

	31.12.2014		31.12.2015	
IN EUR THOUSAND	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
Liabilities to banks	29,469	30,339	33,239	34,045
Other financial liabilities	6,044	6,044	6,248	6,248

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

(52)

B. CONTINGENT LIABILITIES

The FRoSTA Group believes there are no significant contingencies.

(53)

C. OTHER FINANCIAL OBLIGATIONS

OTHER FINANCIAL OBLIGATIONS

IN EUR THOUSAND	2014	2015
Liabilities from current lease agreements	1,410	1,510
Liabilities under current rental and maintenance contracts	3,534	3,101
Purchase obligation from expansion investments	1,753	4,611
Consignment agreements	1,711	2,140
Other financial obligations	**8,408**	**11,362**

Liabilities from current lease agreements result mostly from the leasing of cars and industrial trucks and are handled exclusively in the form of operative lease agreements. The existence of a lease agreement is verified on submission of the agreement or invoice.

Obligations under current leases concern rent for office space, software and communications systems.

REMAINING MATURITIES OF RENTAL, MAINTENANCE AND LEASE AGREEMENTS AS AT 31 DECEMBER 2015

IN EUR THOUSAND	< 1 YEAR	1 TO 5 YEARS	> 5 YEARS
Future payments from current lease agreements	865	645	0
Future payments from current rental and maintenance contracts	2,323	721	57
Total	**3,188**	**1,366**	**57**

Total expenditure from rental and lease agreements amounted to EUR 3,613 thousand (previous year: EUR 3,740 thousand) in the financial year.

(54)

D. AUDITORS' FEES

AUDITORS' FEES

IN EUR THOUSAND	2015
Auditing services	53
Other assurance services	27
Total	**80**

(55)

E. RELATED PARTIES

Executive Board

The following persons were members of the Executive Board of FRoSTA AG in financial year 2015:

- Felix Ahlers, businessman, Hamburg (Chairman)
  As at 31 December 2015: 2,279,429 FRoSTA shares = 33.5%
- Hinnerk Ehlers, businessman, Hamburg (Chief Marketing and Sales Officer)
- Dr Stephan Hinrichs, businessman, Kampen (Chief Financial and Administrative Officer, until 31 December 2015)
- Jürgen Marggraf, businessman, Bremen (Chief Operations Officer)

The total number FRoSTA shares owned by the Executive Board as at 31 December 2015 was 2,333,895 shares = 34.3%.

Supervisory Board

The following persons were members of the Supervisory Board of FRoSTA AG in financial year 2015:

- Dirk Ahlers, businessman, Hamburg (Chairman of the Supervisory Board)
  As at 31 December 2015: 681,259 FRoSTA shares = 10.0%
- 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 AG shares owned by the Supervisory Board as at 31 December 2015 was 683,459 shares = 10.0%.

Other

All transactions with related parties are disclosed.

In financial year 2015, Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co., Hamburg, whose partners include Dirk Ahlers, invoiced FRoSTA AG a total of EUR 70 thousand for travel expenses, rents and other services (previous year: EUR 93 thousand for travel expenses, rents, goods delivered and other services). In the financial year, FRoSTA AG charged personnel expenses amounting to EUR 5 thousand (previous year: personnel expenses and goods amounting to EUR 59 thousand). The balance at 31 December 2015 amounted to EUR 0 thousand (previous year: EUR 5 thousand).

In 2015, Lenox Frozen Food Ltd., an 80% shareholding of Dirk Ahlers, invoiced FRoSTA AG EUR 548 thousand for goods delivered (previous year: EUR 740 thousand). In the same year, FRoSTA AG charged EUR 14 thousand (previous year: EUR 11 thousand) for goods (foil). The balance at 31 December 2015 amounted to EUR 0 thousand (previous year: EUR 0 thousand).

In the financial year 2015, BIO-FROST Westhof GmbH invoiced FRoSTA AG EUR 218 thousand for goods delivered (previous year: EUR 1,011 thousand). The balance as per 31 December 2015 amounted to EUR 0 thousand (previous year: EUR 34 thousand).

In the financial year 2015, Columbus Spedition GmbH invoiced FRoSTA AG, Bremerhaven, as well as FRoSTA Sp. z o.o., Poland, EUR 1,882 thousand for freight costs (previous year: EUR 2,062 thousand). The balance as per 31 December 2015 amounted to EUR 59 thousand (previous year: EUR 181 thousand).

In the financial year, marketing costs amounting to EUR 322 thousand (previous year: EUR 310 thousand) were invoiced by non-consolidated subsidiaries.

(56)

F. REMUNERATION ACCORDING TO SECTION 314 (1) NO. 6 HGB

The total remuneration of the Executive Board for the financial year 2015 amounted to EUR 4,217 thousand (previous year: EUR 4,794 thousand). Of this the fixed remuneration came to EUR 1,208 thousand (previous year: EUR 1,199 thousand) and variable remuneration to EUR 3,009 thousand (previous year: EUR 3,595 thousand).

TOTAL REMUNERATION OF THE EXECUTIVE BOARD

			2015			
IN EUR	2013	2014	TARGET AT 100% GOAL ACHIEVEMENT	GOAL ACHIEVEMENT IN % (PERFORMANCE)	EFFECTIVE REMUNERATION	+/– PREVIOUS YEAR
Fixed remuneration						
Fixed compensation	1,062,150	1,062,156			1,066,956	0.5%
Other non-cash benefits	129,631	136,555			140,737	3.1%
Fixed remuneration, total	**1,191,781**	**1,198,711**			**1,207,693**	**0.7%**
Variable remuneration						
Short-term bonus	1,440,320	2,043,972	1,623,950	105%	1,702,799	–16.7%
Long-term bonus	490,654	577,355	325,000	137%	445,355	–22.9%
Remuneration to purchase shares	943,096	973,949	817,102	105%	860,772	–11.6%
Variable remuneration, total	**2,874,070**	**3,595,276**	**2,766,052**	**109%**	**3,008,926**	**–16.3%**
Total remuneration of the Executive Board	**4,065,851**	**4,793,987**			**4,216,619**	**–12.0%**
Additional provisions		200,043				
TOTAL EXPENSES	**4,065,851**	**4,994,030**			**4,216,619**	**–15.6%**

The total remuneration of former members of the Executive Board was EUR 52 thousand in the financial year (previous year: EUR 60 thousand). Pension provisions for former Executive Board members amounted to EUR 477 thousand on the balance sheet date (previous year: EUR 486 thousand).

The remuneration of the Supervisory Board totalled EUR 107 thousand, of which EUR 93 thousand was variable and EUR 14 thousand was fixed remuneration. The remuneration of the previous year at EUR 102 thousand comprised variable remuneration of EUR 88 thousand and fixed remuneration of EUR 14 thousand.

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

(57) G. APPROPRIATION OF PROFITS

Based on 6,812,598 no-par value bearer shares, less 6,448 no-par value bearer treasury shares not entitled to a dividend in accordance with Section 71b of the German Stock Corporation Act, this results in 6,806,150 no-par value bearer shares entitled to a dividend. At the Annual General Meeting, we will be proposing a gross dividend payment of EUR 1.36 per share corresponding to a total dividend payment of EUR 9,256,364.00. This payment will be taken from the net income for the year reported by FRoSTA AG as at 31 December 2015 of EUR 13,349,401.21. The remaining EUR 4,093,037.21 will be allocated to other retained earnings. The gross dividend is subject to capital gains tax (25%) amounting to EUR 2,314,091.00 as well as a 5.5% solidarity surcharge of EUR 127,275.01. This results in a net dividend payment of EUR 6,814,997.99. 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 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 combined management report and the Group management report of FRoSTA AG for detailed information about the corporate risks.

Bremerhaven, 16 March 2016
The Executive Board

(F. Ahlers) (H. Ehlers) (J. Marggraf)

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

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Bremerhaven, 16 March 2016

(F. Ahlers) (H. Ehlers) (J. Marggraf)

AUDITOR'S REPORT

We have audited the consolidated financial statements – comprising the balance sheet, the income statement, the statement of changes in equity, the statement of cash flows and the notes – as well as the consolidated management report and the Group management report prepared by FRoSTA Aktiengesellschaft, Bremerhaven, for the financial year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) HGB [Handelsgesetzbuch: German Commercial Code] are the responsibility of the Company's management. Our responsibility is to express an opinion on 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 section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements substantially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used and significant estimates made by the 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 our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the HGB and of IFRSs overall and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the Group's position and suitably presents the opportunities and risks of future development.

Bremen, 18 March 2016

Gräwe & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr Meyer	Manke
Auditor	Auditor

MANAGEMENT BODIES

SUPERVISORY BOARD

Dirk Ahlers
Hamburg
Businessman
Chairman

Oswald Barckhahn
Chicago / USA
Businessman
Vice Chairman

Jürgen Schimmelpfennig
Bremerhaven
Machine fitter

EXECUTIVE BOARD

Felix Ahlers
Hamburg
Chairman

Hinnerk Ehlers
Hamburg

Dr Stephan Hinrichs
Bremerhaven
(until 31.12.2015)

Jürgen Marggraf
Bremerhaven