FRoSTA AG

ANNUAL REPORT 2009

FINANCIAL YEAR		2008	2009
Employees (average)	number	1,539	1,614
Turnover	mill. EUR	392	411
EBITDA[1] in % of turnover	mill. EUR	32.0 8.2 %	32.5 7.9 %
Depreciation	mill. EUR	11.2	11.6
EBIT[2] in % of turnover	mill. EUR	20.8 5.3%	20.9 5.1 %
Result from business activities	mill. EUR	17.7	17.4
Group result for the year	mill. EUR	12.1	12.0
Cash flow	mill. EUR	25.7	25.1
Investments	mill. EUR	25.7	12.1
Dividend per share	EUR	0.75	0.75

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

FINANCIAL CALENDAR 2010	
Friday, March 19, 2010	Financial Press Conference FRoSTA-BiSTRO Große Johannisstraße 11 20457 Hamburg
Friday, May 7, 2010	Publication of interim report for the first tertial of 2010
Wednesday, June 24, 2010	Annual General Meeting Stadthalle Bremerhaven Wilhelm-Kaisen-Platz 27576 Bremerhaven
Thursday, August 5, 2010	Publication of half-year financial report 2010
Friday, October 8, 2010	Publication of interim report for the second tertial of 2010

CONTENT

FRoSTA AG
ANNUAL REPORT 2009

LETTER TO OUR SHAREHOLDERS 5
MANAGEMENT REPORT 6
CONSOLIDATED FINANCIAL STATEMENTS FRoSTA AG 18
FINANCIAL STATEMENTS FRoSTA AG 40
CORPORATE GOVERNANCE REPORT 52
MANAGEMENT BODIES 53
10-YEARS’ SUMMARY FOR THE GROUP 54
REPORT OF THE SUPERVISORY BOARD 56
CORPORATE STRUCTURE AND ADDRESSES 58
LOCATIONS 59

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

Fortunately, we are able to look back on 2009 as a successful year.

Despite the financial crisis, we could increase sales by almost 5 %. At the same time, our result almost equalled the previous year's. Overall profits were slightly down, however, as a result of further increases in the price of raw material.

Consequently, we must ensure that we remain lean and efficient. In this way, we can continue to grow and provide our customers with excellent products at affordable prices.

Last year we concentrated increasingly on consumer issues. The modern consumer demands:

- more transparency and clarity in labelling
- a reduction of the product carbon footprint to combat climate change
- fish from sustainable sources.

As early as 2003, the FRoSTA brand introduced its Purity Command, and its continued success proves that this was the right decision.

For more information on our work in these fields, please refer to our websites at www.frosta-ag.com, www.frosta.de and www.frostablog.de, where many consumers and shareholders discuss these topics with our staff, often in a not completely uncritical manner. Such comments are welcome at FRoSTA as they also serve to show us where and how we can improve.

I would like to thank all our staff for their great commitment, and I am convinced that in 2010 we will again be able to offer a whole range of healthy and wholesome products and achieve successful results.

Yours faithfully,

Felix Ahlers

MANAGEMENT REPORT

I. GENERAL CONDITIONS AND DEVELOPMENTS IN THE INDUSTRY
General economic climate 7
Development of the frozen food market 7
II. COMPANY SITUATION 7
Situation concerning assets, financing and earnings 7
Segment reporting 10
Individual financial statement of FRoSTA AG 10
The FRoSTA share 12
Employees 12
R & D Report 13
Procurement 13
Production 13
Investments 13
Organisation, administration and company structure 14
III. RISK REPORT 15
IV. EVENTS AFTER THE END OF THE FINANCIAL YEAR 16
Outlook 17

I. GENERAL CONDITIONS AND DEVELOPMENTS IN THE INDUSTRY

1. General economic climate

The financial crisis – the biggest since 1929 – was the overriding economic topic of 2009. The global economy slumped by 1.1 % while in Germany a drop of 5 % was recorded (Source: Statistisches Bundesamt).

Despite fears to the contrary, the negative economic development had only a moderate effect on the job market. Unemployment rose from 7.3 % at the end of 2008 to 7.8 % at the close of 2009. This may even be the reason why consumer spending showed a slight increase of 0.4 %. In the food retail sector, however, there was a drop in turnover of 1 %. This was chiefly as a result of price cuts (Source: GfK).

Other European countries showed a clearly negative development, particularly in the case of the negative growth experienced by our neighbours in Eastern and Central Europe. In earlier years, the economy there grew considerably faster than in Western Europe.

Fortunately, experts generally predict a stabilisation in 2010, albeit at current low levels.

2. Development of the frozen food market

In frozen food there was a weakening of the strong growth rates we had become accustomed to. However, we are happy to report that even in these difficult times, the market for frozen food saw overall growth in volume of 0.7 %. In value growth, the figure was 1.2 %. The table below shows the development in product groups relevant to our business:

	Volume			Value		
	2007	2008	2009	2007	2008	2009
Ready meals – of these complete ready meals	0.6 % 3.9 %	–1.0 % 2.1 %	–1.2 % –2.0 %	1.7 % 6.9 %	5.1 % 6.4 %	–0.5 % –1.0 %
Fish	3.7 %	–1.6 %	–0.5 %	11.7 %	1.5 %	6.2 %
Vegetables	0.3 %	–1.0 %	–0.3 %	5.6 %	1.8 %	0.3 %
Fruit	4.2 %	1.6 %	3.6 %	7.2 %	12.1 %	10.5 %
Frozen food (total in food retail)	1.0 %	0.3 %	0.7 %	5.8 %	4.3 %	1.2 %

In other European countries, sales of frozen food continued to grow in 2009, although at a rather moderate rate. Exact figures for these countries are not yet available.

II. Company situation

1. Situation concerning assets, financing and earnings

Even in this difficult economic year, the FRoSTA group was able to grow. Sales rose by 4.8 % from 392 million EUR to 411 million EUR.

In 2009, the highest turnover was again recorded in sales of our customers' own brands with a growth rate of 6 %. A significant increase was also achieved in the catering, home delivery and industry sector, which saw sales rise by just under 8 % to 69 million EUR. The development in brand sales was less satisfactory. In this field, we experienced a slight drop in our main markets, Germany and Poland.

Sales at home (+4.4 %) and abroad (+5.4 %) contributed in almost equal share to our overall sales growth. As in the previous year, sales abroad make up 37 % of the total.

With a group profit before tax of 17.4 million EUR, we were almost able to match the figure of 2008, but unfortunately, the profit result did not reflect the positive trend in sales. The main reasons for this development in the result are as follows:

- Compared to the previous year, the unadjusted profit dropped again from 38.1 % to 37.7 %. In the first half-year particularly, we were affected by the continuous increase in the raw material price for white fish. This was compounded by the growth in strength of the US Dollar, the trading currency in the fish sector. It was only after a considerable delay that these increases could be passed on to our customers. This effect could be cushioned to a certain extent by long-term delivery contracts with our strategic suppliers and by currency securities.

- Unadjusted earnings in Eastern Europe suffered as a result of the devaluation of the local currencies.

- All other items of expenditure developed as in previous years.

Earnings before interest, tax, depreciation and amortisation (EBITDA) rose slightly from 32.0 million EUR to 32.5 million EUR. As a result of increased depreciation compared to the previous year, earnings before interest and tax (EBIT) remain the same as in 2008 at 20.9 million EUR.

Due to a slight increase in financing costs, the group result dropped slightly from 12.1 million EUR to 12.0 million EUR. In view of the extremely difficult overall situation, we consider this a satisfactory result.

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 thousand EUR	31.12.2008	31.12.2009
Subscribed capital	16,418	16,514
+ Capital reserves	8,699	9,049
+ Revenue reserves	51,561	57,422
+ Loss and balancing items	–575	–348
+ Net result	10,851	12,192
Equity capital	86,954	94,829
Balance sheet total	237,267	223,120
Equity ratio	36.6 %	42.5 %

in million EUR	2005	2006	2007	2008	2009
Turnover	268.6	307.3	348.7	391.8	411.3
EBITDA (earnings before interest, tax and depreciation) in % of turnover	26.1 9.7 %	27.4 8.9 %	30.2 8.7 %	32.0 8.2 %	32.5 7.9 %
- Depreciation	–10.9	–10.8	–10.9	–11.2	–11.6
EBIT (earnings before tax and interest) in % of turnover	15.2 5.7 %	16.6 5.4%	19.3 5.5 %	20.8 5.3 %	20.9 5.1 %
+ Financial result	–1.7	–2.0	–2.7	–3.1	–3.5
Result from business activities in % of turnover	**13.5** 5.0 %	**14.6** 4.8 %	**16.6** 4.8 %	**17.7** 4.5 %	**17.4** 4.2 %
- Taxes	–5.1	–4.2	–4.4	–5.6	–5.4
Consolidated result for year in % of turnover	**8.4** 3.1 %	**10.4** 3.4 %	**12.2** 3.5%	**12.1** 3.1%	**12.0** 2,9 %

At 12.1 million EUR, investments were considerably lower than in 2008 and above depreciation. They were completely financed from the cash flow before change in working capital amounting to 25.1 million EUR (previous year 25.7 million EUR).

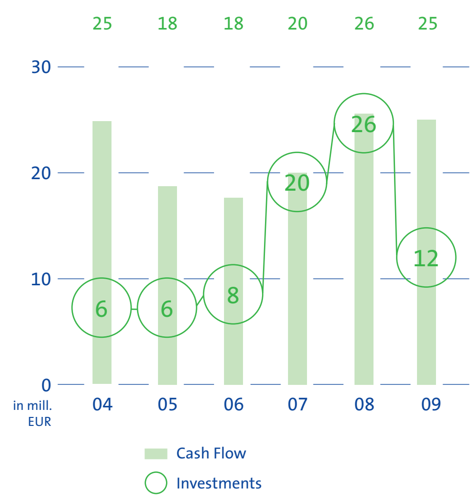
At 223 million EUR, our balance sheet total is 6 % below the previous year's figure of 237 million EUR. This change is accounted for especially by the fact that despite a 5 % rise in turnover, the value of our working capital and in particular our stocks, decreased by a total of 14 %. Significant here is that stock value decreased not only through a reduction in quantities held, but also as a result of lower raw material prices at the end of the year and in particular as a result of currency fluctuations against the US Dollar. Capital assets also dropped from 87 million EUR in 2008 to 82 million EUR in 2009. This is accounted for by depreciations as well as an investment grant from Poland, which has been deducted directly from the capital assets. Receivables were reduced by 4 % from 76 million EUR to 73 million EUR.

Some of the receivables will be refinanced as part of an ABS programme.

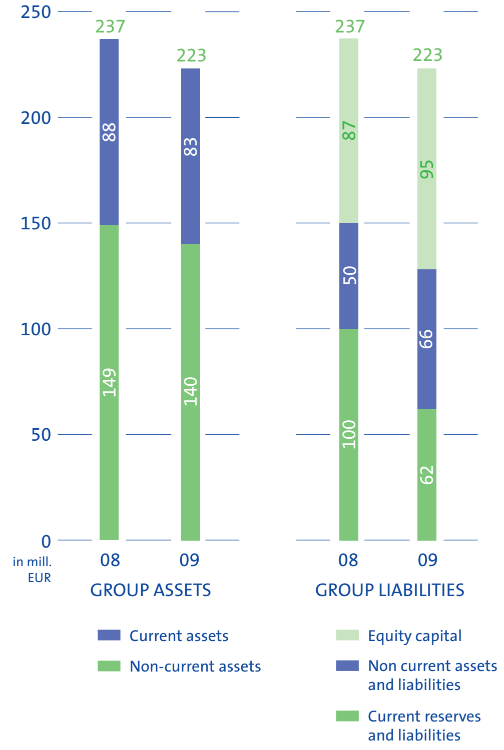
In addition to the 9 % increase in equity from 87 million EUR to 95 million EUR, the balance sheet total was financed by liabilities, with bank loans climbing from 47 million EUR in 2008 to 66 million EUR in 2009. However, current account liabilities including the ABS programme were reduced from 39 million EUR to 11 million EUR. We have thus been able to lower our bank liability by 11 % or 10 million EUR. The proportion of long-term liabilities increased from 47 % to 76 %.

Due to the reduction in the balance sheet total and the increase in equity, the equity ratio grew from 36.6 % to 42.5 %. This equity ratio allows us to retain our financial independence.

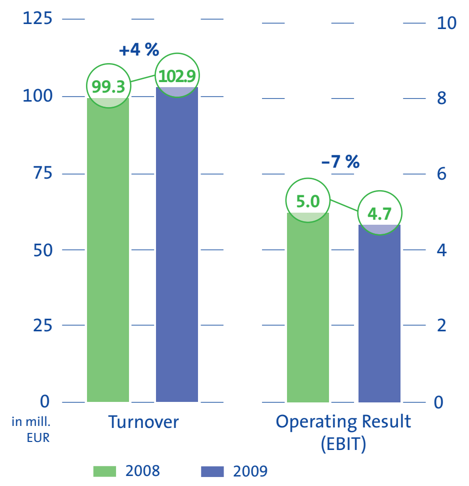
CASH FLOW BEFORE CHANGE IN WORKING CAPITAL



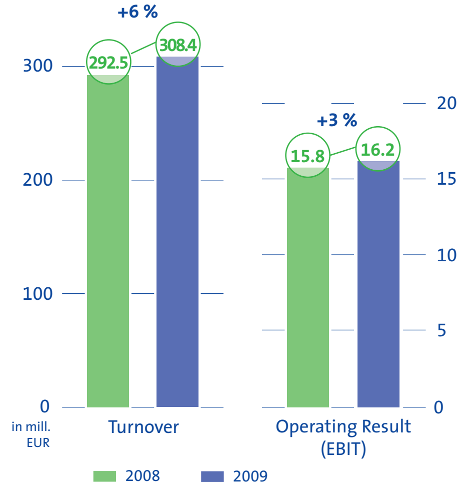
GROUP BALANCE SHEET STRUCTURE



BUSINESS SEGMENT FRoSTA



BUSINESS SEGMENT COPACK



2. Segment reporting

2.1 Development in business segment FRoSTA

The FRoSTA business segment (brand business in Germany, trade brands and brand business in Austria, Poland and Eastern Europe) performed relatively well considering the unfavourable market conditions described above. Sales revenue increased by 4 %. Brand business in Germany developed well in the core sectors. In the market for frozen complete meals, we strengthened our market leadership considerably. However, the result has been affected by the weaker development in the Gourmet Meal range.

Business in Italy and Austria was very successful, and remarkable increases in sales and results were achieved in both countries. In Poland, our business did not run quite as we had expected it, while at the same time there was a negative impact caused by the weak Polish currency. This applies also for the other countries of Eastern Europe. Business in Russia and Romania was particularly affected by the overall economic situation.

Marketing investment in development of the FRoSTA brand in Germany, Poland Romania and Hungary was at the same level as in the previous year and resulted in a good development in the market share of the core product ranges of the brands.

2.2 Development in business segment COPACK

The business segment COPACK comprises all activities connected with the private label business in the food retail, home delivery, catering and industrial sectors, i.e. "Business to Business". These activities cover Germany and Western Europe. The COPACK business was marked by a very fierce competitive environment. Discount supermarkets in particular exerted great pressure on prices through waves of price-cuts. This put great pressure on COPACK profit margins. It was not until the second half of 2009 that the necessary price increases in the fish range could be effected. This meant that at the end of the year there was an overall increase in turnover of 6 % compared to the previous year.

In 2009 there was a very good vegetable crop in Europe. Combined with stagnating demand, this put pressure on prices and we were forced to accept price reductions.

3. 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, the individual financial statements of FRoSTA AG are created according to the rules of the German Commercial Code (HGB).

The individual financial statement for 2009 shows a marked increase in turnover compared to the previous year, as in the Group as a whole.

The individual development corresponds with the development of the group as a whole. In the individual financial statement, we report a profit after tax according to the accounting principles of the German Commercial Code. This amounted to 15.4 million EUR compared with 10.7 million EUR in 2008.

This increase in the after-tax result is due to the fact that the LIFO evaluation process was applied to our fish raw material for the last time in the previous year. The cancellation of the resultant devaluation has led to a pre-tax plus of 5.1 million EUR. In the Group financial statement, which is drawn up according to IFRS guidelines, a LIFO evaluation of stocks was never permitted. Without this effect, the after-tax result according to the German Commercial Code would have been 3.6 million EUR lower (23 %).

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 2009 (HGB)	**15,391**
Changes IFRS:	
Deferred Taxes	1,296
Evaluation of stocks	-4,720
Evaluation of foreign currency items	-751
Miscellaneous	276
FRoSTA AG ANNUAL NET PROFIT FOR 2009 (IFRS)	**11,492**
Total result for the year for subsidiaries consolidated in the Group financial statements	649
Consolidating entries: Effects of the consolidating entries affecting the operating result	-129
Consolidated annual net profit FRoSTA AG 2009	**12,012**

The deferred taxes chiefly result from the different depreciation methods of the two accounting standards. The difference in the evaluation of stocks is mostly a consequence of the cancellation of the LIFO process which was applied in previous years. Revenue stemming from the evaluation of foreign currency items is to be considered only according to IFRS standards.

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

At the Annual General Meeting, the Board will propose a dividend of 0.75 EUR per share as in the previous year. This corresponds to a total dividend payment of 4.8 million EUR (40 % of the result). We will recommend depositing the remaining profits amounting to 7.2 million EUR (60 % of the result) in the other revenue reserves.

The FRoSTA Group profit before tax amounting to 17.4 million EUR can be broken up as follows:

	TEUR	Proportion
Current corporation tax	5,423	31 %
Capital gains tax withheld on dividend payments	1,276	7 %
Total current corporation tax and capital gains tax	**6,699**	**38 %**
Net dividend payments	3,562	21 %
Retained by company	7,174	41 %
Total	**17,435**	**100 %**

As regards all other aspects of the management report, the individual and the consolidated financial statements match each other – with the exception of some Group-specific features.

4. The FRoSTA share, according to § 315 Abs. 4 HGB (German Commercial Code) and explanatory report

The FRoSTA share saw a positive development in 2009. In January 2009, the share price was 15.60 EUR, and in December 2009 17.20 EUR. The dividend yield is more than 4 %, which makes the FRoSTA share an interesting proposition for investors.

KEY FIGURES FOR THE FRoSTA-SHARE	2008	2009
Number of shares	6,413,386	6,450,833
Equity capital on consolidated balance sheet (TEUR) Equity capital per share (EUR)	86,954 13.56	94,829 14.70
Share price at year end (EUR) Year high (EUR) Year low (EUR) Number of shares sold	16.40 20.85 13.25 528,238	17.20 18.35 13.15 310,282
Price-earnings ratio (Price at year end/annual net profit)	8.72	9.25
Dividend payout per share (EUR) Dividend yield (Dividend/price at year end)	0.75 4.6 %	0,75 4.4 %
Group annual result (TEUR) Annual result per share (EUR)	12,067 1.89	12,012 1.87
Cash flow before change in working capital for Group (TEUR) Cash flow before change in working capital per share (EUR)	25,659 4.00	25,100 3.89

On December 31, 2009, the total subscribed capital of FRoSTA AG amounted to 16,514,132.48 EUR, which is the equivalent of 6,450,833 shares at 2.56 EUR. Of these, according to their own statements, Dirk Ahlers, Friederike Ahlers and Felix Ahlers each hold more than 10 %.

According to a resolution passed by the Annual General Meeting on June 17, 2009, the Board is entitled to acquire up to 10 % of all shares. This resolution is valid for a period of 18 months until December 16, 2010. This right was not exercised in 2009.

Shares with limited voting rights do not exist since all shares are issued with the same rights and obligations. Only those shares apportioned by FRoSTA AG to its employees and board members as part of an employment contract, bonus payment or employee participation programme are subject to a two or five year lock-up restriction.

5. Employees

The number of workers on our payroll rose on annual average at 4.9 % to 1,614.

Total expenditure on personnel (not including severance payments) rose due to an increase in the standard wages, the higher number of personnel and profit-sharing payments to 57 million EUR, an increase of 6.9 % as compared with the previous year. The number of apprentices rose from last year's 33 to 35. In 2009, staff fluctuation was again very low at 2.0 %. In Germany, absence through illness could also be kept low at 4.5 %.

As in the years before, in 2009 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 32,427 (35,203 the previous year). A total of 187 buyers took part in the campaign (previous year 145). We are satisfied with our employees' involvement in this scheme and pleased with the trust demonstrated. We hope that even more FRoSTA employees will become 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	2008	2009
FRoSTA HEAD OFFICE	**218**	**230**
- thereof administration	175	182
- thereof sales (also abroad)	43	48
PRODUCTION SITES	**1,321**	**1,384**
- Schottke, Bremerhaven	601	597
- Rheintal, Bobenheim-Roxheim	142	141
- ELBTAL, Lommatzsch	149	161
- Bydgoszcz, Poland	429	485
GROUP TOTAL	**1,539**	**1,614**

6. R & D Report

In the 2009 financial year, Product Development was engaged in improving the existing range as well as in the creation of new innovative articles for FRoSTA AG's brand business. Several new FRoSTA brand products were completed in time for market launch in autumn of 2009. In 2009 we also continued the project started in 2008 to reduce CO_2 emissions in the manufacture of frozen food products. This included an action plan for the FRoSTA AG brand business which envisages a 70 % reduction in CO_2 emissions by 2013. This reduction of greenhouse gases in the production, storage and distribution of FRoSTA products will be a central focus in the next few years.

7. Procurement

At the beginning of 2009, the prices of many raw materials were at a peak and we were faced with the question of whether purchasing price reductions would be possible in the course of the year. In the first half of the year we did manage to reach this target. We were faced with a special challenge in securing the availability of the right quantities of raw material. In times of falling prices, the tendency is to buy "short" to take advantage of the lower prices. On the other hand, a permanent supply of sufficient raw material must be guaranteed to ensure that production is not affected. This was a great challenge since the prices of raw materials depend to a great extent on strong currency fluctuations (US Dollar/Euro). In 2009, we once again succeeded in offering our customers our customary high level of reliability.

8. Production

Thanks to the investments made in previous years, FRoSTA AG's production units were well equipped in 2009 to handle the production volumes required. Overall, FRoSTA AG's facilities all achieved a very high utilisation rate. Further improvements in efficiency were realised by transferring production from one plant to another.

9. Investments

In previous years, tens of millions of Euros had been invested in the product groups Ready Meals and Fish Products, and so it was not considered necessary to make major investments in 2009. The investments we did carry out in 2009 were mostly for equipment replacements as well as improvements in quality and efficiency.

10. 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 Distribution, Finance and Administration and Operations. At the same time, the business is subdivided operationally into the sections FRoSTA and COPACK.

With effect from September 28, 2009, Jürgen Marggraf, Executive Responsible for Operations, was appointed to the position of Vice Chairman of the Executive Board of FRoSTA AG. On December 31, 2009, the FRoSTA AG Executive Board Chairman Dirk Ahlers withdrew from the Executive Board. On January 1, 2010, his son, Felix Ahlers, took over the position as Chairman. With effect from January 1, 2010, Hinnerk Ehlers was appointed to the position of Executive Board Member responsible for Marketing and Distribution of FRoSTA AG. Dr Stephan Hinrichs remains Executive Board Member responsible for 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 appoints the members of the Executive Board and determines their number. The Supervisory Board may delegate the completion, alteration or termination of employment contracts to a Supervisory Board committee. For further information, please refer to our Declaration on Corporate Governance on our Website www.frosta-ag.com and to page 52 of this report.

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. Dr Herbert Müffelmann and Ulf Weisner 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 special yearly payment to be used exclusively for the purchase of shares on the stock exchange at the share price of the day (for some Board members only)
- an annual bonus related to the Group profit before tax. This bonus is paid in three instalments.
- a long-term bonus based on the three-year average ROI of FRoSTA AG (applies only for some Board members).

Executive Board remuneration in 2008 and 2009 was as follows:

Year	Basic Salary TEUR	Payment for share purchase TEUR	Variable Payment TEUR	Insurances TEUR	Total TEUR
2008	937	158	1,286	8	2,389
2009	996	170	1,271	8	2,445

Total payments to former members of the Executive Board of FRoSTA AG and the Group amounted in the financial year to TEUR 70 as opposed to TEUR 68 the previous year.

In compliance with resolutions passed at the Annual General Meeting on June 15, 2006 the company does not publish the remuneration of every board member. This arrangement is legally based on § 286 Abs. 5 AktG (German corporation law) and applies for the financial years until 2010.

Supervisory Board members receive remuneration made up of the following components:

- a fixed basic payment paid yearly
- a bonus related to the proposed dividend payment. This bonus is paid out once a year.

Supervisory Board remuneration in 2008 and 2009 was as follows:

Year	Basic Salary TEUR	Bonus TEUR	Total TEUR
2008	14	39	53
2009	14	46	60

III. Risk report

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 FRoSTA AG risk management system undergoes a continual improvement process. During 2009, a management workshop was held to review and assess all major Company risks. The risk management system is part of the audit of the annual financial statements for 2009.

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. Price agreements made with our customers for a period of more than four to six months increase our risk particularly as we are not normally able to secure a long-term supply of raw material. As far as possible, we therefore try to avoid contractual and delivery agreements 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.

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

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 bear 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.

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.

There are no significant risks from pending legal disputes. An external audit for the years 2000 to 2004 was carried out by the tax authorities between 2006 and 2009. The DPR (Deutsche Prüfstelle für Rechnungslegung / German Financial Reporting Enforcement Panel) completed a justified examination of the omitted segment reporting in our financial report. This audit stated that the missing segment reporting was non-compliant with regulations. We have published this finding in the Bundesanzeiger (German Federal Gazette).

The growing market in Germany, Western Europe and especially Eastern Europe presents FRoSTA AG with great opportunities. Low per capita consumption in these countries combined with FRoSTA's strong position means that there is an extraordinary potential for growth here. However, growth will drop significantly, at least temporarily, as the financial crisis has now also reached Eastern Europe.

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 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.

Our process-independent monitoring programme includes the internal audits of our quality management officers and internal review projects as well as the work of the annual accounts auditor, the tax auditor and indeed the Supervisory Board.

The compliance and reliability of our corporate accounting is guaranteed by adherence to the work instructions and internal accounting handbook 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, especially if they are performed hurriedly near the end of the financial year.

IV. Events after the end of the financial year

Sales up to the end of February 2010 are 7 % below the previous year's figure. This is lower than in the previous year but the figure corresponds roughly with our expectations. As regards earnings, the situation is better than in the previous year. This is also what we expected as the profit scenario was difficult at the beginning of last year. And so the improvement in earnings is temporary since the profit situation returned to normal in the middle of last year – a trend which continues.

Outlook

In the next years we expect the market for frozen food to continue to grow at lower single-digit figures. Our target for the next two years is to participate in this growth and perform slightly better than the market in general. At the same time, we intend to maintain our profitability.

The general economic and financial crisis now affects our markets. In January and February 2010, we recorded a drop in sales of 7 %. This is partly due to the deliberate cessation of unprofitable contracts. It is difficult to foresee how the year will develop, in particular as regards consumer reaction to recent price increases in retail fish products. Nor do we know how consumer spending power will evolve. These uncertainties are especially true for the markets in Eastern Europe.

Unfortunately, we are having difficulties in securing our accustomed insurance cover for receivables from individual customers in Eastern, Western and Southern Europe. Missing or inadequate insurance cover would have a considerable negative effect on our business.

We are critical of recent predictions concerning the development of the US Dollar to the Euro, which see exchange rates of between 1.00 USD and 1.60 USD by the end of 2010. We consider these forecasts to be of practically no value for operative decision-making as long as the underlying reasons for the volatility still exist.

Due to the many uncertainties, it is impossible at this point of time to make a projection concerning FRoSTA's development in 2010. It goes without saying that we will continue to pursue our demanding targets both in the current year and in years to come. Besides the risks, we also see good opportunities for a positive development in sales and profit.

For we believe we have the right administrative, financial and human resources at our disposal to overcome these extraordinary difficulties. 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 2010

The Executive Board

CONSOLIDATED FINANCIAL STATEMENTS FRoSTA AG

CONSOLIDATED PROFIT AND LOSS ACCOUNT FRoSTA AG 19
CONSOLIDATED BALANCE SHEET FRoSTA AG 20
MOVEMENT ON CONSOLIDATED FIXED ASSETS FRoSTA AG 22
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CAPITAL FRoSTA AG 24
CONSOLIDATED CASH FLOW STATEMENT FRoSTA AG 25
NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FRoSTA AG 26
AUDITORS' REPORT 39

	Note item	2008 TEUR	2009 TEUR
1. Turnover	(40)	391,816	411,320
2. Increase of stocks of finished and unfinished products (2008: Reduction)		–1,799	5,486
3. Own work capitalised		138	93
4. Other operating income	(41)	8,665	7,865
5. OPERATING INCOME		**398,820**	**424,764**
6. Cost of materials			
a) Raw materials, consumables and goods purchased for resale		–239,415	–259,056
b) Purchased services		–10,241	–10,524
		–249,656	**–269,580**
7. GROSS PROFIT		**149,164**	**155,184**
8. Personnel expenses	(42)		
a) Wages and salaries		–45,849	–49,095
b) Social security and other pension costs and for support thereof for pensions TEUR 36 (2008: TEUR 54)		–7,990	–8,436
		–53,839	**–57,531**
9. Depreciation/amortisation of intangible and tangible fixed assets	(43)	–11,194	–11,642
10. Other operating expenses	(44)	–63,349	–65,105
11. OPERATING RESULT		**20,782**	**20,906**
12. Income from participations, thereof from participations with associated companies TEUR 107 (2008: TEUR 54)		153	247
13. Other interest and similar income		518	320
14. Interest and similar expenses		–3,729	–4,038
15. Financial result	(45)	**–3,058**	**–3,471**
16. RESULT FROM BUSINESS ACTIVITIES		**17,724**	**17,435**
17. Current taxes on income and earnings	(46)	–5,068	–6,843
18. Deferred taxes	(46)	–589	1,420
19. CONSOLIDATED PROFIT FOR THE YEAR		**12,067**	**12,012**
Earnings per share			
– undiluted (EUR)		1.89	1.87
– diluted (EUR)		1.89	1.87

ASSETS

	Notes item	31.12.2008 TEUR	31.12.2009 TEUR
NON-CURRENT ASSETS			
A. FIXED ASSETS			
1. Intangible assets	(24)	1,041	1,252
2. Tangible assets	(25)	84,545	78,929
3. Financial assets	(26)	1,750	1,857
		87,336	**82,038**
B. DEFERRED TAXES	(47)	**1,018**	**882**
		88,354	**82,920**
CURRENT ASSETS			
1. Inventories	(27)	70,931	61,000
2. Trade receivables	(28)	68,884	67,066
3. Receivables from associated companies		1	2
4. Receivables from current taxes on earnings and income		1,423	2,156
5. Other current assets	(29)		
Financial assets		4,738	2,523
Other assets		771	1,096
6. Financial capital		2,165	6,357
		148,913	**140,200**
BALANCE SHEET TOTAL		**237,267**	**223,120**

LIABILITIES

	Notes item	31.12.2008 TEUR	31.12.2009 TEUR
A. EQUITY CAPITAL	(30)		
1. Subscribed capital	(31)	16,418	16,514
2. Capital reserves	(32)	8,699	9,049
3. Revenue reserves	(33)	51,561	57,422
4. Adjustment resulting from currency conversion	(34)	–575	–348
5. Group equity capital generated (without revenue reserves)		10,851	12,192
		86,954	**94,829**
B. NON-CURRENT PROVISIONS AND LIABILITIES			
1. Pension provisions	(36)	1,041	1,071
2. Other provisions	(37)	1,806	1,466
3. Bank loans and overdrafts	(38)	40,777	58,649
4. Deferred taxes	(47)	6,770	5,209
		50,394	**66,395**
C. CURRENT PROVISIONS AND LIABILITIES			
1. Other current provisions	(37)	108	44
2. Bank loans and overdrafts	(38)	45,528	18,030
3. Trade payables	(38)	44,036	27,734
4. Liabilities to associated companies		32	32
5. Amounts owed to companies in which a shareholding is held		164	76
6. Liabilities from current taxes on earnings and income		767	3,851
7. Other liabilities	(39)		
Financial liabilities		3,009	3,816
Other liabilities		6,275	8,313
		99,919	**61,896**
BALANCE SHEET TOTAL		**237,267**	**223,120**

CONSOLIDATED FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2008	PURCHASE AND MANUFACTURING COSTS						ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS					NET BOOK VALUE	
	As per 1.1.2008 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As per 31.12.2008 TEUR	As per 1.1.2008 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	As per 31.12.2008 TEUR	As per 31.12.2008 TEUR	As per 31.12.2007 TEUR
1. INTANGIBLE ASSETS													
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	11,080	–12	435	161	0	11,664	8,827	–10	1,806	0	10,623	1,041	2,253
2. TANGIBLE ASSETS													
a. Land, land rights and buildings including buildings on land owned by third-parties	64,545	–280	2,579	3,998	59	70,783	33,816	–72	2,320	22	36,042	34,741	30,729
b. Plant and machinery	108,004	–718	9,092	5,755	3,805	118,328	89,583	–359	4,461	3,754	89,931	28,397	18,421
c. Other plant, operating and office equipment	40,526	–52	2,496	51	459	42,562	30,459	–32	2,607	446	32,588	9,974	10,067
d. Prepayments and assets under construction	11,889	–1,557	11,066	–9,965	0	11,433	0	0	0	0	0	11,433	11,889
	224,964	–2,607	25,233	–161	4,323	243,106	153,858	–463	9,388	4,222	158,561	84,545	71,106
3. FINANCIAL ASSETS	1,771	0	67	0	0	1,838	88	0	0	0	88	1,750	1,683
	237,815	–2,619	25,735	0	4,323	256,608	162,773	–473	11,194	4,222	169,272	87,336	75,042

CONSOLIDATED FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2009	PURCHASE AND MANUFACTURING COSTS						ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS					NET BOOK VALUE	
	As per 1.1.2009 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As per 31.12.2009 TEUR	As per 1.1.2009 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	As per 31.12.2009 TEUR	As per 31.12.2009 TEUR	As per 31.12.2008 TEUR
1. INTANGIBLE ASSETS													
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	11,664	1	640	95	4	12,396	10,623	1	523	3	11,144	1,252	1,041
2. TANGIBLE ASSETS													
a. Land, land rights and buildings including buildings on land owned by third-parties	70,783	114	2,366	1,079	0	74,342	36,042	9	2,549	0	38,600	35,742	34,741
b. Plant and machinery	118,328	235	5,409	10,023	7,054	126,941	89,931	45	5,915	878	95,013	31,928	28,397
c. Other plant, operating and office equipment	42,562	6	2,819	234	1,040	44,581	32,588	4	2,655	1,019	34,228	10,353	9,974
d. Prepayments and assets under construction	11,433	20	884	–11,431	0	906	0	0	0	0	0	906	11,433
	243,106	375	11,478	–95	8,094	246,770	158,561	58	11,119	1,897	167,841	78,929	84,545
3. FINANCIAL ASSETS	1,838	0	107	0	0	1,945	88	0	0	0	88	1,857	1,750
	256,608	376	12,225	0	8,098	261,111	169,272	59	11,642	1,900	179,073	82,038	87,336

	Subscribed capital TEUR	Capital reserve TEUR	Revenue reserves TEUR	Other accumulated equity capital		Equity capital TEUR
				Balancing items from currency conversion TEUR	Group equity capital earned (excluding revenue reserves) TEUR	
As per January 1, 2008	**16,317**	**8,344**	**44,457**	**1,024**	**10,095**	**80,237**
Dividends paid					–4,207	–4,207
Share issue	101	312				413
Additional expenditure due to issue of employee shares		43				43
Transfer to revenue reserves			7,104		–7,104	0
Currency change				–1,599		–1,599
Consolidated profit for the year					12,067	12,067
As per December 31, 2008	**16,418**	**8,699**	**51,561**	**–575**	**10,851**	**86,954**
Dividends paid					–4,810	–4,810
Share issue	96	304				400
Additional expenditure due to issue of employee shares		46				46
Transfer to revenue reserves			5,861		–5,861	0
Currency change				227		227
Consolidated profit for the year					12,012	12,012
As per December 31, 2009	**16,514**	**9,049**	**57,422**	**–348**	**12,192**	**94,829**

	31.12.2008 TEUR	31.12.2009 TEUR
Consolidated profit for the year before taxes on income	17,724	17,435
Depreciation of fixed assets	+11,194	+11,642
Income from interest	–518	–320
Interest expenses	+3,729	+4,038
Increase/decrease in non-current provisions	+291	–310
Result of the disposal of non-current fixed assets	–90	+37
Non-cash income and expense	+604	+1,025
Interest paid	–3,327	–3,584
Interest received	+361	+82
Taxes on income paid	–5,782	–5,412
Taxes on income received	+1,473	+467
CASH FLOW BEFORE CHANGE IN WORKING CAPITAL	**+25,659**	**+25,100**
Increase/decrease in current provisions	–81	–64
Increase/decrease in inventories, trade receivables and other assets that cannot be classified as investing or financial activities	–19,302	+13,876
Increase/decrease in inventories, trade payables and other liabilities that cannot be classified as investing or financing activities	+7,521	–14,732
CASH FLOW FROM OPERATING ACTIVITIES	**+13,797**	**+24,180**
Proceeds from disposals of fixed assets	+23	+20
Proceeds from grants	–	+6,141
Payments for investments in fixed assets	–25,233	–11,478
Payments for investments in intangible assets	–435	–639
Payments for investments in the financial assets	–13	–
CASH FLOW FROM INVESTING ACTIVITIES	**– 25,658**	**–5,956**
Proceeds from increases in equity capital	+413	+400
Dividends to shareholders	–4,207	–4,810
Proceeds from new bank loans	+26,033	+25,530
Repayment of bank loans	–7,353	–6,847
Increase/decrease of current liabilities to banks	–1,804	–28,308
Proceeds from finance leases	–	–
Finance lease payments	–	–
CASH FLOW FROM FINANCING ACTIVITIES	**+13,082**	**–14,035**
Effect of changes in exchange rates on cash and cash equivalents	–23	+3
Net change in cash and cash equivalents	+1,221	+4,189
Cash and cash equivalents at the beginning of the period	+967	+2,165
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**+2,165**	**+6,357**

FRoSTA Aktiengesellschaft, Bremerhaven

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2009

FRoSTA AG, a public limited company according to German law and quoted on the stock exchange, and their subsidiaries, develop, produce and sell frozen products in Germany and other European countries. The products are sold under their "FRoSTA", "Elbtal" and "TIKO" own brand labels and as private labels. The Group's headquarters are in Bremerhaven. FRoSTA AG's Executive Board approved the consolidated financial statements on March 10, 2009 for submission to the Supervisory Board. The Supervisory Board has to review the consolidated financial statements and to state whether it has their approval.

1 1. Accounting principles

FRoSTA AG's consolidated financial statements as at December 31, 2009 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 addition, IFRS 8.23 was applied in the IASB version of April 2009. In doing so all IAS or IFRSs (with the above exception) to be applied as at December 31, 2009 and the appropriate interpretations provided by the Standing Interpretations Committee (SIC) or the International Financial Reporting Interpretations Committee (IFRIC) were complied with. The requirements of the above mentioned regulations were fulfilled, so that FRoSTA AG's consolidated financial statements convey an appropriate picture of the assets, finances and earnings as well as the cash flows within the financial year.

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

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

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

2. Consolidation

2 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.

3 b) Consolidated Group

FRoSTA AG and the following fully consolidated subsidiaries with a 100 % capital share have been included in the consolidated financial statements:

Name and headquarters of company	Subscribed capital TEUR	Equity TEUR	Result for the year 2008 TEUR	Result for the year 2009 TEUR
1. COPACK Tiefkühlkost-Produktionsgesellschaft mbH, Bremerhaven	256	247	–5	–1
2. ELBTAL Tiefkühlkost Vertriebs GmbH, Lommatzsch	26	26	0	0
3. Feldgemüse GmbH, Lommatzsch	26	12	–2	0
4. FRoSTA France S.a.r.l., Boulogne-Billancourt/France	153	294	11	12
5. FRoSTA Tiefkühlkost GmbH, Bremerhaven	255	255	–1	1
6. FRoSTA Foodservice GmbH, Bremerhaven	256	259	1	1
7. FRoSTA Italia s.r.l., Rome/Italy	10	188	13	18
8. FRoSTA Tiefkühlkost GmbH, Baden/Austria	36	267	22	17
9. FRoSTA ČR s.r.o., Prague/Czech Republic	38	163	4	–3
10. FRoSTA Sp. z o.o., Bydgoszcz/Poland	8,502	9,084	–633	601
11. BioFreeze GmbH, Bremerhaven	256	254	0	0
12. TIKO Vertriebsgesellschaft mbH, Bremerhaven	256	260	1	2

An associated company with a 45 % shareholding has been included in the consolidated financial statements.

Name and headquarters of company	Subscribed capital Kapital TEUR	Subscribed capital TEUR	Result for the year 2008 TEUR	Result for the year 2009 TEUR
Bio-Frost Westhof GmbH, Wöhrden	617	974	120	237

In the financial year 5 subsidiaries and 1 associated company were not included in the consolidated financial statements because as a whole they are of minor importance as regards the consolidated assets, finances and earnings. The unconsolidated subsidiaries are mostly companies with no operational business.

4 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	2008	2009
Polish Zloty	4.1823	4.1168
Czech Crown	26.585	26.405

3. Illustration of accounting and valuation methods

5 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.

6 b) Intangible assets

Self-produced intangible assets are valued at the cost they incur in the developmental phase once technological and economical feasibility has been established till their completion. The capitalised costs include the costs incurred directly and indirectly as part of the development phase.

Purchased intangible assets are valued at cost.

Self-produced and purchased 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
Lizences	4

7 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 received reduce the cost. In the financial year this reduction amounts to TEUR 11,689 (2008: TEUR 6,834). Financing costs are capitalised as a part of cost. Costs for repairing tangible assets are always recognised as expenses. 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

8 **d) Unscheduled depreciation of intangible assets and tangible 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. On December 31, 2009 this amounted to TEUR 1,547 (2008: TEUR 2,613).

9 **e) Participating interests**

Shares in subsidiaries and associated companies that have not been consolidated because they are insignificant or not included in the consolidated financial statements according to the equity method, are classified according to IAS 39 for valuation purposes in the "financial instruments available for disposal" category.

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 direct 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 miscellaneous 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. 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.

Service periods and actuarial profits and losses are recorded in personnel expenses. The "corridor" method is therefore not used. The interest included in the pension payments is recognised in the interest expenses.

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 or other long-service benefits and partial retirement 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.

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.

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 are 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 the case of an interest-cap contract, the company agrees with the bank a maximum interest rate for a fixed amount over a fixed period. For this service, a charge is payable to the bank on completion of the contract. During the contract period, the market interest rate is monitored to check whether it is above or below the agreed maximum. Should it rise above this maximum, the company receives a compensatory payment. If it falls below, no extra payments are due. The maximum interest rate agreed in this type of contract limits the risk to the company deriving from rising interest rates.

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:

Financial instruments	Art	31.12.2008		31.12.2009	
		Nominal amount TEUR	Fair value TEUR	Nominal amount TEUR	Fair value TEUR
Call options	Option purchase TUSD	0	0	0	0
Forward-exchange contracts	Purchase TUSD Sale TGBP	15,414 0	426 0	15,082 628	346 –7
Currency swaps	Sale TUSD	0	0	1,746	–3
Interest-rate swaps	Loan TEUR	22,328	–1,286	18,723	–1,403
Interest-cap contract	Loan TEUR	5,000	1	5,000	0

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.

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, 2008 and 2009 are as follows:

TEUR	31.12.2008	31.12.2009
Within a year	3,668	8,190
Between one and five years	16,078	10,100
Over five years	7,582	5,433
Total	**27,328**	**23,723**

19 **n) Employee share program**

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 depending on the retention periods of two or five years, after which the securities may be sold.

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

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

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

The fair values of the financial instruments are determined based on appropriate market values or valuation methods. 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, long service 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 IFRS standards**

In 2009, the EU adopted further standards, but these were not yet mandatory on December 31, 2009. These included altered or revised versions of IAS 27 "Consolidated and Separate Financial Statements", IAS 32 "Financial Instruments: Presentation", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 1R "First Application of IFRS" and IFRS 3R "Business Combinations". All standards mentioned are to be applied for the first time in financial years beginning on January 01, 2010 or after July 01, 2009. The Board does not expect this to have any great effect on the consolidated financial statements of FRoSTA AG in the period of its initial application. However, data included in the Appendix will be more detailed. Its structure will also be adapted accordingly if necessary.

24 **5) Notes on the consolidated balance sheet**

a) Intangible assets

The development of the individual items in the intangible assets is shown in the consolidated assets (p. 22).

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 2009 amounted to TEUR 1,414 (2008: TEUR 1,396).

25 **b) Tangible assets**

As regards the development of the tangible assets please see the consolidated fixed assets.

26 **c) Financial assets**

As regards the development of the financial assets please see the consolidated fixed assets. As regards the unconsolidated shares in subsidiaries the valuation on the balance sheet date is accounted for at cumulative cost.

27 **d) Inventories**

The inventories are comprised as follows:

TEUR	31.12.2008	31.12.2009
Raw materials and consumables	37,770	23,626
Unfinished goods	13,223	16,814
Finished products and goods	17,351	19,600
Down payments	2,587	960
Inventories	**70,931**	**61,000**

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 impairments of inventories shown in expenses amount to TEUR 348 (2008: TEUR 3,261).

28 **e) Trade receivables**

Trade receivables are comprised as follows:

TEUR	31.12.2008	31.12.2009
Trade receivables, gross	69,330	67,390
Value adjustments on trade receivables	–446	–324
Trade receivables	**68,884**	**67,066**

Value adjustments on trade receivables have developed as follows:

TEUR	2008	2009
Value adjustments January 1	932	446
Spread	–34	0
Allocations	208	20
Utilisation	–590	–100
Dissolutions	–70	–42
Value adjustments December 31	**446**	**324**

Expenditure on total write-offs amount to TEUR 44 (2008: TEUR 50). Income from written-off receivables amount to TEUR 42 (2008: TEUR 70).

Risks included in the trade receivables:

TEUR	31.12.2008	31.12.2009
Neither overdue nor adjusted receivables	**64,777**	**64,631**
Overdue receivables not individually adjusted		
Less than thirty days	3,843	2,193
Thirty to sixty days	94	235
More than sixty days	170	7
Total receivables overdue	**4,107**	**2,435**
Net accounting value	**68,884**	**67,066**

Receivables sold in ABS transactions amounted to TEUR 13,354. 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	31.12.2008	31.12.2009
Creditors with debit balances	182	210
Employees	55	82
VAT and Consumer Tax	3,683	1,823
Other	818	408
Financial assets	**4,738**	**2,523**
Delimitations	711	972
Partial retirement/ bankruptcy insurance	60	124
Other assets	**771**	**1,096**
Sundry assets	**5,509**	**3,619**

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

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**

The share capital of TEUR 16,514 has been fully paid in. Considering 6,450,833 shares, the calculatory value is EUR 2.56 per share. Compared to the previous year there was a change in that 32,427 employee shares were issued at a special price of 326 TEUR. In addition, 5,020 individual shares made out to bearer were issued to employees within a bonus scheme. The shares were issued at the share price of the transfer day. The total purchase price was TEUR 75. The nominal value of the shares was TEUR 96.

Apart from this there are authorised capital funds, as yet unused, for a fixed period until June 16, 2014 amounting to EUR 404,135.68 for the issuing of shares to employees of FRoSTA AG and its affiliated companies, as well as authorised capital funds of EUR 5,000,000 for a fixed period until June 30, 2012 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 **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, 2009, these came to TEUR 15,391 (2008: TEUR 10,671).

The Shareholders' Meeting on June 17, 2009 decided to pay out a dividend of EUR 0.75 per share (TEUR 4,810) and to transfer TEUR 5,861 into revenue reserves based on FRoSTA AG's net profit as at December 31, 2008.

FRoSTA AG's Executive Board proposes a dividend of EUR 0.75 per share for 2009 subject to the approval of the Shareholders' Meeting.

34 **Balancing items from currency conversion**

The balancing items 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.

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

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

The following share purchases were effected:

TEUR	2008	2009
Proposal 1 – number of shares	15,981	19,739
Issue price (EUR)	7.40	8.40
Market rate (EUR)	14.80	16.80
Estimated market price (EUR)	8.63	9.80
Balance (EUR)	1.23	1.40
Value (TEUR)	**20**	**28**
Proposal 2 – number of shares	19,222	12,688
Issue price (EUR)	11.10	12.60
Estimated market price (EUR)	12.33	14.00
Balance (EUR)	1.23	1.40
Value (TEUR)	**23**	**18**
Total (TEUR)	**43**	**46**

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

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 2008 and 2009 the following parameters were used:

	2008	2009
Interest rate	5.00 %	5.25 %
Salary trend	3.00 %	3.00 %
Pension trend	2.00 %	2.00 %

The actuarial forecasts for the life expectancy are based on Dr Klaus Heubeck's 2005 charts for the financial year 2009.

In 2008 and 2009 the following expenses were incurred:

TEUR	2008	2009
Actuarial profits/losses	51	79
Personnel revenue/costs	**51**	**79**
Interest paid	35	35
Pensions revenue/costs	**86**	**114**

The provision recorded in the balance sheet developed as follows:

TEUR	2008	2009
Provisions as per January 1	1,038	1,041
Pensions costs/revenue	86	114
Payments to pensioners	–83	–84
Transfer of pension to pension fund	0	0
Provisions as at December 31	**1,041**	**1,071**

37 **i) Other provisions**

The other provisions are made up as follows:

TEUR	As at 01.01.2009	Utilisation	Write-back	Transfer	As at 31.12.2009
Partial retirement	411	92	183	133	269
Jubilee payments	1,395	93	105	0	1,197
Sundry non-current provisions	**1,806**	**185**	**288**	**133**	**1,466**
Severance payments	86	35	10	3	44
Anticipated losses	22	22	0	0	0
Sundry current provisions	**108**	**57**	**10**	**3**	**44**
Sundry provisions	**1,914**	**242**	**298**	**136**	**1,510**

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	thereof secured by mortgages
Liabilities to banks (previous year)	76,679 (86,305)	18,030 (45,528)	42,363 (21,994)	16,286 (18,783)	37,205 (38,433)
Trade payables (previous year)	27,734 (44,036)	27,734 (44,036)	0 (0)	0 (0)	0 (0)
Liabilities to affiliated companies (previous year)	32 (32)	32 (32)	0 (0)	0 (0)	0 (0)
Amounts owed to companies in which a shareholding is held (previous year)	76 (164)	76 (164)	0 (0)	0 (0)	0 (0)
Other liabilities (previous year)	12,129 (9,284)	12,129 (9,284)	0 (0)	0 (0)	0 (0)

Bank loans and overdrafts are secured by mortgages (TEUR 23,665; 2008: TEUR 22,254) and secured by similar rights (TEUR 13,540; 2008: TEUR 16,179).

Bank loans and overdrafts are listed as follows:

TEUR	31.12.2008	31.12.2009
Non-current loans	**40,777**	**58,649**
Current loans	6,169	6,979
Current account liabilities	39,359	11,051
Current liabilities to banks	**45,528**	**18,030**
Bank loans and overdrafts	**86,305**	**76,679**

Receivables sold in asset-backed securities transactions (ABS) amounted to TEUR 13,354 as per December 31, 2009. After deducting a discount of TEUR 2,303, they are included in other current liabilities at a value of TEUR 11,051.

Bank liabilities as per December 31, 2009 and other liabilities which are long-term and of an exclusively financial nature have the following interest rates and maturity dates:

31.12.2008 TEUR	31.12.2009 TEUR	Interest rate in %	Maturity
701	0	5.95	30.08.2009
1,435	478	4.45	02.01.2010
583	250	4.73	30.09.2010
311	174	Euribor 1M + 1.20	20.07.2011
2,873	1,915	5.525	30.08.2011
0	1,828	Wibor 3M + 1.75	31.01.2012
0	2,433	Wibor 3M + 1.95	31.01.2012
0	16,000	4.65	31.12.2014
0	489	Wibor 3M + 2.25	27.02.2015
3,000	2,625	3.50	30.12.2016
11,671	10,215	Euribor 3M + 1.00	31.12.2016
4,250	3,750	4.98	31.05.2017
4,750	4,250	3.70	31.03.2018
2,372	2,115	5.62	31.03.2018
5,000	5,000	4.60	31.03.2018
2,500	2,500	4.60	31.03.2018
7,500	7,500	5.31	31.03.2018
0	4,106	3.85	30.09.2019
46,946	**65,628**		

39 The other current liabilities are structured as follows:

TEUR	31.12.2008	31.12.2009
Collection commissions	2,053	2,519
Customers with a credit balance	82	167
Other sundry financial liabilities	874	1,130
Financial liabilities	**3,009**	**3,816**
Liabilities to employees	1,934	3,133
Social security contributions	68	155
Taxes	514	602
Accruals	3,759	4,423
Other sundry liabilities	**6,275**	**8,313**
Other liabilities	**9,284**	**12,129**

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**

FRoSTA AG's turnover is made up as follows:

TEUR	2008	2009
Germany	246,060	257,025
Abroad	145,756	154,295
Sales revenues	**391,816**	**411,320**

41 **e) Other operating income**

Other operating income is structured as follows:

TEUR	2008	2009
Exchange rate profits	5,757	4,321
Income from charged-off accruals	1,008	1,318
Income from credits from previous years and charged-off liabilities	260	334
Income from mineral oil tax refund	530	545
Sundry operating income	1,110	1,347
Other operating income	**8,665**	**7,865**

42 **c) Personnel costs**

Personnel costs are split up as follows

TEUR	2008	2009
Wages and salaries	45,806	49,050
Social security contributions	7,936	8,400
Pension costs	54	36
Costs of share-related remunerations	43	45
Personnel costs	**53,839**	**57,531**

The personnel costs include severance payments of TEUR 55 (2008: TEUR 53). The interest paid included in the pension payments is accounted for in the financial result.

The following figures state the average numbers of personnel employed in 2008/2009:

	2008	2009
Wage-earners	948	1,035
Salaried staff	398	420
Temporary employees	158	126
Number of employees according to article 314 (1) No. 4 HGB	**1,504**	**1,581**
Apprentices	35	33
Number of employees	**1,539**	**1,614**

43 **d) Depreciation and amortisation**

A breakdown of depreciation and amortisation is as follows:

TEUR	2008	2009
Scheduled amortisation of intangible assets	1,806	523
Scheduled depreciation of property, plant and equipment	9,388	11,119
Depreciation and amortisation	**11,194**	**11,642**

44 **e) Other operating expenses**

Other operating expenses are grouped as follows:

TEUR	2008	2009
Storage and transport costs	17,304	17,467
External personnel costs	10,737	10,468
Marketing costs	8,820	8,655
Rent and cold-storage expenses	6,930	7,635
Maintenance	3,716	3,826
Foreign currency exchange losses	6,260	6,622
Fees, contributions and insurance	2,297	2,911
Other expenses	7,285	7,521
Other operating expenses	**63,349**	**65,105**

45 **f) Interest result**

The interest result is divided up as follows:

TEUR	2008	2009
Income from interest on bank balances	109	55
Income from interest on loans	0	0
Income from interest swaps	71	6
Income from interest cap contracts	27	0
Income from interest on tax credits	247	198
Other income from interest	64	61
Income from interest	**518**	**320**
Interest paid for bank loans and overdrafts	–1,975	–3,023
Interest expenses from interest swaps	0	–23
Interest paid for pension reserves	–35	–35
Interest paid for accrued taxes	–1	–231
Anticipated losses from interest rate swaps	–516	–107
Anticipated losses from interest rate caps	–45	–1
ABS	–1,152	–496
Other interest paid	–5	–122
Interest and similar expenses	**–3,729**	**–4,038**
Income from interest	**–3,211**	**–3,718**

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	2008	2009
Current German taxes	4,830	4,887
Current foreign taxes	396	332
Current taxes for financial year	**5,226**	**5,219**
Taxes for previous years	–158	1,624
Taxes on income and earnings	**5,068**	**6,843**
Deferred taxes Germany	819	–1,311
Deferred foreign taxes	–230	–109
Deferred taxes	**589**	**–1,420**
Tax expenditure according to income statement	**5,657**	**5,423**

For corporations based in Germany, 15 % is paid for corporation tax and 5.5 % for solidarity surcharge due on corporation tax. In addition, these corporations are liable to trade tax with the level depending on a community-based taxation scale. Trade tax reduces the assessment base for the calculation of corporate income tax. Until 2007, trade tax reduced the sum on which corporation tax is calculated.

The transition from imputation method to half income system has resulted in a cooperation tax credit of TEUR 1,794. This tax credit will be paid out in ten equal instalments as from 2008. 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 and tax-related loss carry-forwards are divided up as follows:

TEUR	31.12.2008 Active deferred taxes	31.12.2008 Passive deferred taxes	31.12.2009 Active deferred taxes	31.12.2009 Passive deferred taxes
Intangible assets	237	0	0	72
Tangible assets	0	5,022	0	4,983
Inventories	34	1,610	26	128
Trade receivables	6	98	0	17
Other assets	206	0	197	0
Pension reserves	53	0	51	0
Sundry provisions	374	0	441	1
Trade payables	0	40	0	2
Other liabilities	108	0	167	6
Temporary differences	**1,018**	**6,770**	**882**	**5,209**
Loss carry forwards	**0**	**0**	**0**	**0**
Total	**1,018**	**6,770**	**882**	**5,209**

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

TEUR	2008	2009
Result before taxes on income and earnings	**17,724**	**17,435**
FRoSTA AG's tax rate	29.62 %	29.62 %
Expected tax expenditure	**5,250**	**5,164**
Different tax rates (especially for deferred taxes)	248	–1,657
Taxes on income and earnings for previous years	–158	1,624
Tax expenditure for non-deductible operating expenses	350	366
Tax savings from tax-free earnings	–33	–74
Tax expenditure according to income statement	**5,657**	**5,423**

The change in the deferred tax receivables and liabilities results from current deferred tax expenditures and tax proceeds.

48 **h) Earnings per share**

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

		2008	2009
Consolidated profit for the year	TEUR	**12,067**	**12,012**
Weighted average of issued shares	1,000 shares	6,380	6,421
Consolidated profit for the year per share	EUR	**1.89**	**1.87**

A figure of EUR 1.87 (2008: EUR 1.89) 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 6,357 (2008: TEUR 2,165).

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 as well as private labels in Italy, Austria and Eastern Europe, and secondly, the COPACK business segment, which is responsible for the private label, industrial and catering businesses as well as for sales to home delivery services in Germany and private labels in the rest of Western Europe. Management only considers the profit development of the segments. A segmented consideration of assets or debts does not take place.

million EUR	Germany 2008	Germany 2009	+/-	Abroad 2008	Abroad 2009	+/-	Total 2008	Total 2009	+/-
Turnover	244.9	257.4	5.1 %	146.9	153.9	4.7 %	391.8	411.3	5.0 %
Operating income	**249.3**	**265.9**	**6.7 %**	**149.6**	**158.9**	**6.3 %**	**398.9**	**424.8**	**6.5 %**
Gross profit	**93.0**	**97.0**	**4.4 %**	**56.2**	**58.2**	**3.5 %**	**149.2**	**155.2**	**4.0 %**
in % of turnover	38.0 %	37.7 %		38.3 %	37.8 %		38.1 %	37.7 %	
Operating result	**14.1**	**15.3**	**8.7 %**	**6.7**	**5.6**	**–16.4 %**	**20.8**	**20.9**	**0.6 %**
in % of turnover	5.8 %	5.9 %		4.6 %	3.6 %		5.3 %	5.1 %	
Financial result							–3.1	–3.5	–13.5 %
Result from business activities							**17.7**	**17.4**	**–1.6 %**
in % of turnover							4.5 %	4.2 %	
Current taxes							–5.0	–6.8	–35.0 %
Deferred taxes							–0.6	1.4	341.1 %
Consolidated profit							**12.1**	**12.0**	**–0.5 %**

million EUR	Segment FRoSTA 2008	Segment FRoSTA 2009	+/-	Segment Copack 2008	Segment Copack 2009	+/-	Total 2008	Total 2009	+/-
Turnover	99.3	102.9	3.6 %	292.5	308.4	5.5 %	391.8	411.3	5.0 %
Operating income	**101.1**	**106.2**	**5.1 %**	**297.7**	**318.5**	**7.0 %**	**398.9**	**424.8**	**6.5 %**
Gross profit	**44.2**	**45.8**	**3.6 %**	**104,9**	**109.3**	**4.2 %**	**149.2**	**155.2**	**4.0 %**
in % of turnover	44.5 %	44.5 %		35.9 %	35.4 %		38.1 %	37.7 %	
Operating result	**5.0**	**4.7**	**–6.9 %**	**15,8**	**16.2**	**3.0 %**	**20.8**	**20.9**	**0.6 %**
in % of turnover	5.0 %	4.6 %		5.4 %	5.3 %		5.3 %	5.1 %	
Financial result							–3.1	–3.5	–13.5 %
Result from business activities							**17.7**	**17.4**	**–1.6 %**
in % of turnover							4.5 %	4.2 %	
Current taxes							–5.0	–6.8	–35.0 %
Deferred taxes							–0.6	1.4	341.1 %
Consolidated profit							**12.1**	**12.0**	**–0.5 %**

51 **9) Other information**

Primary financial instruments

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

TEUR	31.12.2008		31.12.2009	
	Book value	Fair value	Book value	Fair value
Banks loans and overdrafts	86,305	85,157	76,679	75,839
Other financial liabilities	3,009	3,009	3,816	3,816

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

52 **a) Contingencies**

The FRoSTA Group believes there are no significant contingencies.

53 **b) Other financial liabilities**

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

TEUR	2008	2009
Liabilities from current leasing contracts	2,182	1,811
Liabilities from current leases and maintenance agreements	3,630	3,491
Commitments from expansion investments	3,018	681
Other financial liabilities	**8,830**	**5,983**

Future payments from lease, maintenance and hire contracts as at December 31, 2009 have the following remaining maturities:

TEUR	< 1 year	1–5 years	> 5 years
Future payments from current leasing contracts	1,043	735	33
Future payments from current lease and maintenance contracts	2,121	1,295	75
Total	**3,164**	**2,030**	**108**

Total expenditure from sale and lease back contracts amounted to TEUR 3,762 and TEUR 3,908 respectively for the financial years 2008 and 2009.

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

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

	TEUR
Final audit	51
Other certification or valuation services	4
Total	**55**

55 **d) Affiliated individuals**

Executive Board

Members of the FRoSTA AG's Executive Board in the financial year 2009 were:

- Dirk Ahlers, businessman, Hamburg (Chairman)
  – As at December 31, 2009: 2,240,076 FRoSTA shares = 34.7 %.
- Felix Ahlers, Hamburg (Vice President Marketing and Sales)
  – As at December 31, 2009: 1,453,610 FRoSTA shares = 22.5 %.
- Dr Stephan Hinrichs, Bendestorf (Vice President Finance and Administration)
- Jürgen Marggraf, Bremen (Vice President Operations)

The total number of Executive Board FRoSTA shares as at December 31, 2009 amounts to: 3,780,536 = 58.6 %.

On February 19, 2004 the following was published according to article 25 (1) WpHG:

– Ms Friederike Ahlers, Hamburg, and Mr Felix Ahlers, Hamburg, notified us on February 18, 2004 that since February 4, 2004 they have been entitled to more than 5 % of the voting rights in FRoSTA AG, namely each holds exactly 77.2 % of the voting rights, whereby 54.8 percentage points of the voting rights are allocated to each in accordance with art. 22 (2) sentence 1 WpHG (German Securities Trading Act).

– Mr Dirk Ahlers, Hamburg, notified us on February 18, 2004 that since February 4, 2004 he has been entitled to more than 75 % of the voting rights in FRoSTA AG, namely exactly 77.2 % of the voting rights, whereby 44.8 percentage points of the voting rights are allocated to him in accordance with Art. 22 (2) sentence 1 WpHG (German Securities Trading Act).

On September 28, 2009 Jürgen Marggraf, Member of the Board responsible for Production and Technology, was appointed as Vice Chairman. On December 31, 2009, the FRoSTA AG Executive Board Chairman Dirk Ahlers withdrew from the Executive Board. With effect from January 01, 2010, Felix Ahlers took over as Chairman of the Board. On January 01, 2010, Hinnerk Ehlers was appointed as new Member of the Board responsible for Marketing and Sales.

Supervisory board

Members of FRoSTA AG's Supervisory Board in the financial year 2009 were:

- Dr Herbert Müffelmann, solicitor, Bremen (Chairman of the Supervisory Board)
  – Other appointments held by Dr Müffelmann: Supervisory Board Member of Nabertherm GmbH, Lilienthal, and OAS AG, Bremen
- Ulf Weisner, businessman, Ratingen-Lintorf (Deputy Chairman of the Supervisory Board)
- Jürgen Schimmelpfennig, employee at FRoSTA AG, Bremerhaven (employee representative)

The total number of FRoSTA AG shares owned by the Supervisory Board at the balance sheet date is 2,500 = 0.03 %.

In the financial year 2009, the Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co., Hamburg, whose partners include Dirk Ahlers, invoiced FRoSTA AG for travel expenses, rentals and commission on commodities sold totalling TEUR 303 (2008: TEUR 239). The balance at December 31, 2009 amounts to TEUR 5 (incl. VAT).

In the financial year 2009, FRoSTA AG invoiced the Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co. for commodities sold and consulting services to a total value of TEUR 3. The balance at December 31, 2009 is TEUR 0.

Lenox Frozen Fruits Ltd, a 100 % subsidiary of the Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co., invoiced FRoSTA AG for goods delivered to a value of TEUR 248. The balance at December 31, 2009 amounts to TEUR 0.

The consulting services for FRoSTA AG provided by Sozietät Büsing, Müffelmann & Theye, Bremen, amounted to TEUR 72 (2008: TEUR 118). As at December 31, 2009 this results in a balance of TEUR 12 (incl. VAT).

Ulf Weisner invoiced for consulting services and travelling expenses to FRoSTA AG worth TEUR 1 (2008: TEUR 17). This amounts to a balance of TEUR 0 on December 31, 2009.

56 **e) Remuneration according to article 314 (1) No. 6 HGB**

The total remuneration of the Executive Board for the financial year 2009 amounted to TEUR 2,445 (previous year TEUR 2,389). Of this the fixed remuneration came to TEUR 1,004 (previous year TEUR 945) and variable remuneration TEUR 1,441 (previous year TEUR 1,444).

The total remuneration of former members of the Executive Board was TEUR 70 in the financial year (2008: TEUR 68). Pension reserves for former Executive Board members amounted to TEUR 581 on the balance sheet date (TEUR 605 in the previous year).

The remuneration of the Supervisory Board amounted to TEUR 60. Of that, TEUR 46 were variable and TEUR 14 fixed payments. The remuneration of the previous year at TEUR 53 comprised variable payments of TEUR 39 and fixed payments of TEUR 14.

57 **f) Declaration of compliance in accordance with Art. 161 AktG (German Stock Corporations Law)**

The Executive and Supervisory Boards submitted their declaration of compliance and made it available to the shareholders at all times.

58 **g) Appropriation of profits**

We will be proposing to the General Meeting of Shareholders that FRoSTA AG's net profit for the year amounting to EUR 15,391,223.92 as per December 31, 2009 be appropriated as follows: a dividend of EUR 0.75 per share equalling a total dividend of EUR 4.838,124.75 be paid to shareholders and that the remaining amount of EUR 10,553.099.17 be allocated to the other revenue reserves.

59 **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, 2010

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, 2010

The Executive Board

(F. Ahlers) (H. Ehlers)

(Dr S. Hinrichs) (J. Marggraf)

Auditors' report

We have audited the consolidated financial statements of FRoSTA Aktiengesellschaft, Bremerhaven, comprising balance sheet, profit and loss account, statement of changes in equity capital, cash flow statement and notes to the consolidated financial statements, as well as its Company and Group management report for the financial year from January 1, 2009 to December 31, 2009. 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, 2010

Gräwe & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr Meyer
Auditor

Heuer
Auditor

FINANCIAL STATEMENTS FRoSTA AG

PROFIT AND LOSS ACCOUNT FRoSTA AG 41

BALANCE SHEET FRoSTA AG 42

MOVEMENT ON FIXED ASSETS FRoSTA AG 44

NOTES TO THE ANNUAL FINANCIAL STATEMENT FRoSTA AG 46

AUDITORS' REPORT 51

	Notes item	2008 TEUR	2009 TEUR
1. Turnover	(8)	379,687	391,331
2. Increase of stocks of finished and unfinished products (2008: Reduction)		–1,433	6,064
3. Own work capitalised		138	93
4. Other operating income	(9)	7,260	7,436
5. OPERATING INCOME		**385,652**	**404,924**
6. Cost of materials			
a) Raw materials, consumables and goods purchased for resale		–246,915	–252,864
b) Purchased services		–9,325	–9,420
		–256,240	**–262,284**
7. GROSS PROFIT		**129,412**	**142,640**
8. Personnel expenses			
a) Wages and salaries		–41,466	–43,999
b) Social security and other pension costs and for support – thereof for pensions TEUR 68 (2008: TEUR 70)		–7,171	–7,538
		–48,637	**–51,537**
9. Depreciation/amortisation of intangible and tangible fixed assets	(3)	–7,276	–9,883
		–7,276	**–9,883**
10. Other operating expenses	(10)	–55,453	–56,765
11. OPERATING RESULT		**18,046**	**24,455**
12. Income from participating interests		99	141
13. Other interest and similar income – thereof from associated companies TEUR 199 (2008: TEUR 286)		839	505
14. Interest and similar expenses – thereof to associated companies TEUR 17 (2008: TEUR 22)		–3,418	–2,895
15. Financial result		**–2,480**	**–2,249**
16. RESULT FROM ORDINARY BUSINESS ACTIVITIES		**15,566**	**22,206**
17. Taxes on income and earnings	(11)	–4,748	–6,582
18. Other taxes		–147	–233
		–4,895	**–6,815**
19. PROFIT FOR THE YEAR		**10,671**	**15,391**

ASSETS

	Notes item	31.12.2008 TEUR	31.12.2009 TEUR
A. FIXED ASSETS			
I. Intangible assets	(3)		
1. Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets		1,508	981
		1,508	**981**
II. Tangible assets	(3)		
1. Land, land rights and buildings including buildings on land owned by third-parties		22,372	23,739
2. Plant and machinery		10,014	18,225
3. Other plant, operating and office equipment		5,213	5,782
4. Prepayments and assets under construction		10,160	373
		47,759	**48,119**
III. Financial assets	(3)		
1. Shares in associated companies		7,815	7,815
2. Participating interests		1,593	1,593
3. Long-term securities		6	6
4. Employer's pension liability insurances		26	0
		9,440	**9,414**
		58,707	**58,514**
B. CURRENT ASSETS			
I. Inventories	(2)		
1. Raw materials and consumables		28,628	19,682
2. Work and services in progress		12,327	16,522
3. Finished products and goods purchased for resale		15,358	17,566
4. Down payments		1,566	448
		57,879	**54,218**
II. Accounts receivable and miscellaneous other fixed assets	(4)		
1. Trade receivables		63,747	62,895
2. Amounts owed by associated companies		6,673	754
3. Other assets		5,171	3,907
		75,591	**67,556**
III. Cash, bank balances and cheques		**1,795**	**5,240**
		135,265	**127,014**
C. DEFERRED INCOME			
1. Other accruals and deferrals		**698**	**937**
BALANCE SHEET TOTAL		**194,670**	**186,465**

LIABILITIES

	Notes item	31.12.2008 TEUR	31.12.2009 TEUR
A. EQUITY CAPITAL	(5)		
I. Subscribed capital		**16,418**	**16,514**
II. Capital reserves		**8,392**	**8,697**
III. Revenue reserves			
1. Statutory reserve		200	200
2. Other revenue reserves		31,476	37,336
		31,676	**37,536**
IV. Annual profits		**10,671**	**15,391**
		67,157	**78,138**
B. PROVISIONS	(6)		
1. Pension provisions and similar obligations		608	592
2. Provisions for taxes		766	3,851
3. Other provisions		14,034	15,811
		15,408	**20,254**
C. CREDITORS	(7)		
1. Bank loans and overdrafts		73,603	61,541
2. Trade payables		28,348	15,299
3. Amounts owed to associated companies		3,345	5,414
4. Amounts owed to companies in which a shareholding is held		164	76
5. Other creditors – thereof taxes TEUR 562 (2008: TEUR 493)		6,645	5,743
		112,105	**88,073**
BALANCE SHEET TOTAL		**194,670**	**186,465**

MOVEMENT ON FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2009	PURCHASE AND MANUFACTURING COST					ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS				NET BOOK VALUE	
	As at 1.1.2009 TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As at 31.12.2009 TEUR	As at 1.1.2009 TEUR	Additions TEUR	Disposals TEUR	As at 31.12.2009 TEUR	As at 31.12.2009 TEUR	As at 31.12.2008 TEUR
I. INTANGIBLE ASSETS											
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	**10,098**	**625**	**86**	**4**	**10,805**	**8,590**	**1,238**	**4**	**9,824**	**981**	**1,508**
II. TANGIBLE ASSETS											
1. Land, land rights and buildings including buildings on land owned by third-parties	63,610	2,275	865	0	66,750	41,238	1,773	0	43,011	23,739	22,372
2. Plant and machinery	102,184	4,368	9,000	897	114,655	92,170	5,141	881	96,430	18,225	10,014
3. Other plant, operating and office equipment	40,105	2,129	185	244	42,175	34,892	1,731	230	36,393	5,782	5,213
4. Prepayments and assets under construction	10,160	349	–10,136	0	373	0	0	0	0	373	10,160
	216,059	**9,121**	**–86**	**1,141**	**223,953**	**168,300**	**8,645**	**1,111**	**175,834**	**48,119**	**47,759**
III. FINANCIAL ASSETS											
1. Shares in associated companies	11,542	0	0	0	11,542	3,727	0	0	3,727	7,815	7,815
2. Participating interests	1,769	0	0	0	1,769	176	0	0	176	1,593	1,593
3. Long-term securities	6	0	0	0	6	0	0	0	0	6	6
4. Employer's pension liability insurances	26	0	0	26	0	0	0	0	0	0	26
	13,343	**0**	**0**	**26**	**13,317**	**3,903**	**0**	**0**	**3,903**	**9,414**	**9,440**
	239,500	**9,746**	**0**	**1,171**	**248,075**	**180,793**	**9,883**	**1,115**	**189,561**	**58,514**	**58,707**

FRoSTA Aktiengesellschaft, Bremerhaven

NOTES FOR THE FINANCIAL YEAR 2009 OF FROSTA AG

A. GENERAL REMARKS

1 The financial statements at December 31, 2009 have been prepared in accordance with the regulations for corporations included in the German Commercial Code (HGB), taking into account the additional provisions in the German Corporation Law (AktG).

We have decided to continue to use the nature of expense format for the income statement.

2 B. ACCOUNTING AND VALUATION METHODS

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.

Tangible assets are valued at purchase and manufacturing costs, less scheduled depreciation in the case of assets with a limited useful life. Unscheduled depreciation is carried out for extraordinary impairment. Unscheduled write-offs in the financial year totalled TEUR 0 (2008: TEUR 0). A fixed value of TEUR 158 has been assigned to transport pallets (2008: TEUR 158).

Depreciation is calculated on the basis of the normal useful lives of the assets concerned. A switch is made from the declining-balance method to the straight-line method as soon as this causes a higher depreciation charge. Low value assets with purchase costs of up to EUR 150 are recorded as expenditure. Assets with purchase costs of between EUR 150 and EUR 1.000 are collated as one single item per year and are written off using the straight-line method over a period of five years.

Investment grants and subsidies received or requested lower the procurement and manufacturing costs of the subsidised assets. The reduction as per December 31, 2009 amounts to TEUR 3,059 (2008: TEUR 3,646). The release of investment grants and subsidies amounting to TEUR 587 (2008: TEUR 652) directly reduces the "gross amortisation".

Financial assets are valued at cost, less write-downs to the fair value.

Inventories are valued at purchase and manufacturing costs, unless a lower valuation is required in accordance with the lower-of-cost-or-market principle.

Purchase costs of raw materials, consumables and goods are based on the purchase prices plus incidental acquisition expenses. The lowest value principal was applied. The Lifo evaluation method was used for the raw material fish for the last time in the previous year. The cancellation of the resultant devaluation has let to a plus to TEUR 5,140 in the 2009 reporting year.

Finished and unfinished goods are valued at cost including – apart from individual costs – also overheads that have to be capitalised according to German tax regulations. Write-downs are recorded to arrive at a loss-free valuation and for inventory risks which have been held too long in stock or which result from diminished saleability.

Receivables and other assets are shown at nominal value. The asset value of the insolvency insurance for partial retirement benefit obligations is appropriated to the guarantee funds included in the general operational plan including existing profit shares. Credit risks are taken into account by means of individual and global valuation allowances. As in the previous year, the percentage used to calculate the global valuation allowance is 1.0 %.

The provisions take into account all recognisable risks and uncertain obligations.

The calculation of pension reserves is based on the guideline charts drawn up by Dr Klaus Heubeck in 2005. An interest rate of 6 % has been applied. Provisions for jubilee benefits are calculated using an interest rate of 5.5 %.

The provisions for liabilities regarding partial retirement agreements encompass the expenses for wage and salary payments to employees in the release period as well as benefit increases. Performance arrears for labour income created in connection with the block model are accrued rateably starting with the initial phase of partial retirement working models and valued at the cash value. Benefit increases are reserved to their full extent. The benefit increases are calculated at cash value. An interest rate of 5.5 % has been applied.

The provision for anticipated losses related to uncertain sales transactions is created at full cost.

Liabilities are shown at the redemption amounts or the settlement amounts.

Foreign currency items are converted in accordance with the realisation principle and the recognition-of-loss principle.

C. NOTES ON ITEMS IN THE FINANCIAL STATEMENT FOR THE YEAR

I. BALANCE SHEET

3 1. Fixed assets

An illustration of the fixed assets based on the total costs has been enclosed with these notes.

Participating interests

FRoSTA AG has participating interests in the following companies:

Name and headquarters of the company	Share of capital %	Share of subscribed capital TEUR	Equity TEUR	Result for the year 2008 TEUR	Result for the year 2009 TEUR
1. COPACK Tiefkühlkost-Produktionsgesellschaft mbH, Bremerhaven	100.00	256	247	–5	–1
2. ELBTAL Tiefkühlkost Vertriebs GmbH, Lommatzsch	100.00	26	26	0	0
3. Feldgemüse GmbH, Lommatzsch	100.00	26	12	–2	0
4. FRoSTA France S.a.r.l., Boulogne-Billancourt/France	100.00	153	294	11	12
5. FRoSTA Tiefkühlkost GmbH, Bremerhaven	100.00	255	255	–1	1
6. FRoSTA Foodservice GmbH, Bremerhaven	100.00	256	259	1	1
7. FRoSTA Italia s.r.l., Rome/Italy	100.00	10	188	13	18
8. FRoSTA Tiefkühlkost GmbH, Baden/Austria	100.00	36	267	22	17
9. FRoSTA ČR s.r.o., Prague/Czech Republic	100.00	38	163	4	–3
10. FRoSTA Sp. z o.o., Bydgoszcz/Poland	100.00	8,502	9,084	–633	601
11. BioFreeze GmbH, Bremerhaven	100.00	256	254	0	0
12. TIKO Vertriebsgesellschaft mbH, Bremerhaven	100.00	256	260	1	2
13. Columbus Spedition GmbH, Bremerhaven	33.33	135	464 [1]	244 [3]	329 [1]
14. FRoSTA Hungary Kft., Budapest/Hungary	100.00	24	10	–2	–31
15. FRoSTA Romania S.R.L., Bukarest/Romania	100.00	21	17	–4	–3
16. FRoSTA Benelux B.V., Berkel-Enschot/Netherlands	100.00	45	[2]	[2]	[2]
17. NORDSTERN America Inc., Seattle/USA	100.00	4	[2]	[2]	[2]
18. MIRELITE Außenhandels AG, Budapest/Hungary	6.60	65	[2]	[2]	[2]
19. Bio-Frost Westhof GmbH, Wöhrden	45.00	617	974	120	237
20. Copack Sp. z o.o., Bydgoszcz/Poland	100.00	12	10	–1	–1

[1] Applies to 2008
[2] In the case of subsidiaries with the serial Numbers 16 - 18 simplified regulations according to Art. 286 (3) 1 no. 1 HGB were employed.
[3] Applies to 2007

4 2. Accounts receivable and miscellaneous other fixed assets

The amounts owed by associated companies are a result of inter-company supply, service and clearing transactions and from taxes in conjunction with the consolidated tax filing arrangements.

An amount of TEUR 0 (2008: TEUR 6,417) owed by associated companies are financing costs. TEUR 0 (2008: TEUR 266) of this have a remaining period of more than one year.

As per December 31, 2009 trade receivables of TEUR 13,345 (2008: TEUR 28,235) were sold as part of asset-backed security transactions.

Of the other assets, TEUR 1,193 (2008: TEUR 1,295) have a remaining term of more than one year.

The active accruals item includes accruals for disagios amounting to TEUR 661 (2008: TEUR 564).

5 3. Equity capital

The equity capital on December 31, 2009 was EUR 16,514,132.48 and is divided into 6,450,833 no-par value shares. The individual share certificates are made out to the bearer.

In compliance with the Shareholders' Resolution of June 17, 2009 a decision was taken to appropriate a sum of EUR 10,670,716.45 from the net profit of TEUR 5,860,676.95 to other revenue reserves.

As passed in an Executive Board resolution on September 28, 2009, the Company's equity capital was increased by EUR 95,864.32 to EUR 16,514,132.48 by issuing 37,447 bearer shares to Company employees. This increase was made on the basis of the authorisation given to the Executive Board according to Art. 4 (3) of the articles of incorporation. A resolution passed by the Supervisory Board on September 28, 2009 approved this resolution by the Executive Board on the increase of equity capital. Premiums of EUR 304,961.48 from shares issued were transferred to the capital reserves. There are also authorised capital funds as yet unused for a fixed period till June 16, 2014 in the amount of EUR 404,135.68 to issue shares to employees in the company or affiliated companies and authorised capital funds in the amount of EUR 5,000,000.00 for a fixed period till June 30, 2012 for a capital increase against cash contributions.

6 **4. Other provisions**

The other provisions in the financial statements mainly concern provisions for outstanding invoices (TEUR 4,148), personnel (TEUR 7,318), collection commissions (TEUR 2,519) and licence fees (TEUR 49) for the "Grüner Punkt" (German system of separating refuse).

7 **5. Liabilities and contingencies**

The liabilities of FRoSTA AG are as follows:

TEUR	Total amount	thereof with a remaining maturity of up to one year	1 – 5 years	more than five years	thereof secured by mortgages
Bank loans and overdrafts to financial institutions (previous year)	61,541 (73,603)	15,541 (43,220)	32,651 (15,965)	13,349 (14,418)	26,989 (26,762)
Trade payables (previous year)	15,299 (28,348)	15,299 (28,348)	0 (0)	0 (0)	0 (0)
Liabilities to associated companies (previous year)	5,414 (3,345)	5,414 (3,345)	0 (0)	0 (0)	0 (0)
Amounts owed to companies in which a shareholding is held (previous year)	76 (164)	76 (164)	0 (0)	0 (0)	0 (0)
Other liabilities (previous year)	5,743 (6,645)	5,743 (6,645)	0 (0)	0 (0)	0 (0)
(previous year)	**88,073 (112,105)**	**42,073 (81.722)**	**32,651 (15,965)**	**13,349 (14,418)**	**26,989 (26,762)**

Obligations with credit institutes are guaranteed by mortgages (TEUR 17,834; 2008: TEUR 16,516) and similar securities (TEUR 9,155; 2008: TEUR 10,246).

The amounts owed to associated companies are a result of intercompany deliveries, services and clearance transactions and taxes in conjunction with consolidated tax filing arrangements. Of a financial nature are TEUR 1,107 (2008: TEUR 0). Of these, TEUR 0 have a remaining term of more than one year (2008: TEUR 0).

FRoSTA AG issued loan-securing guarantees to banks for the liabilities of FRoSTA Sp. z o.o. On December 31, 2009, the sum of TEUR 15,139 had been claimed on these guarantees.

II. PROFIT AND LOSS ACCOUNT

8 **1. Turnover**

FRoSTA AG's turnover is as follows:

	2008 mill. EUR	2009 mill. EUR	Deviation %
Product sales - Germany - Abroad	278 135	287 138	+3.2 +2.2
	413	**425**	**+2.9**
Sales deductions	33	34	+3.0
	380	**391**	**+2.9**

Classified into product groups, turnover is as follows:

	2008 mill. EUR	2009 mill. EUR	Deviation %
Fish	177	187	+5.6
Vegetables and fruit	98	102	+4.1
Ready meals and other products	105	102	–2.9
	380	**391**	**+2.9**

9 **2. Other operating income**

Income to a total of TEUR 2,995 (2008: TEUR 1,900) from other periods is shown in other operating income. Amounts from the financial year 2009 are mainly due to the charge-off of advertising expenses and the write-back of personnel and other reserves.

10 **3. Other operating expenses**

Expenses of TEUR 471 (2008: TEUR 327) from other periods are included in other operating expenses.

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

This item includes, among other things, tax expenditure from other periods amounting to TEUR 1,696 (2008: TEUR 80 tax income from other periods).

12 **D. OTHER FINANCIAL LIABILITIES (ART. 285 (3) HGB))**

FRoSTA AG's other financial liabilities are as follows:

TEUR	31.12.2008	31.12.2009
a) Liabilities under current leasing contracts	1,848	1,352
b) Liabilities under current tenancy and maintenance contracts	3,395	3,234
c) Purchase commitment from expansion investments	2,189	608
	7,432	**5,194**

As per December 31, 2009, future commitments on rental, leasing and maintenance contracts remain payable for the following periods:

TEUR	< 1 year	1–5 years	> 5 years
a) Future payments from current leasing contracts	822	496	33
b) Future payments from current rental and leasing contracts	2,024	1,163	48
c) Purchase commitment from expansion investments	608	0	0
	3,454	**1,659**	**81**

13 **E. HEDGING TRANSACTIONS/DERIVATIVES**

Currency hedging is used to secure incoming payments in Sterling and outgoing payments in US Dollars. The respective accounts receivable and payable are booked at the current rate and also continued at that rate on the balance sheet date, taking the imparity principle into account, as they are open items. Provisions for unrealised losses from forward contracts and options are booked as anticipated losses. As interest security, use was made of interest swaps and interest caps.

The individual financial instruments are shown in the following chart. The respective closing rate on the reporting date was taken as the basis for calculating the fair value:

Financial tool	Type	Level	Fair value TEUR
Call options	Purchase TUSD Sale TGBP	18,900 564	–18 –8
Foreign exchange swaps	Sale TUSD	2,505	–3
Interest-rate swaps	Loan TEUR	8,158	–537
Interest-rate cap	Loan TEUR	5,000	0

14 **F. AUDITOR'S REMUNERATION**

The remuneration for the auditor in the financial year recorded as an expense, is made up as follows:

	TEUR
Final audit/Other confirmation and assessment services	55

15 **G. OTHER INFORMATION**

1. Number of employees

The average number of employees at FRoSTA AG during the financial year was as follows:

	2008	2009
Wage-earners	604	641
Salaried staff	306	320
Temporary staff	158	126
No. of employees according to Art. 285 no 7 HGB	**1,068**	**1,087**
Trainees	35	33
	1,103	**1,120**

16 **2. Executive board**

The following were members of FRoSTA AG's Executive Board in the financial year 2009

> Dirk Ahlers, businessman, Hamburg (Chairman)
– As at December 31, 2009: 2,240,076 FRoSTA shares = 34.7 %

> Felix Ahlers, Hamburg (Vice President Marketing and Sales)
– As per December 31, 2009: 1,453,610 FRoSTA shares = 22.5 %

> Dr Stephan Hinrichs, Bendestorf (Vice President Finance and Administration)

> Jürgen Marggraf, Bremen (Vice President Operations)

The total number of Executive Board FRoSTA shares on the balance sheet date amounted to 3,780,536 = 58.6 %.

On September 28, 2009 Jürgen Marggraf, Member of the Board responsible for Production and Technology, was appointed as Vice Chairman. On December 31, 2009, the FRoSTA AG Executive Board Chairman Dirk Ahlers withdrew from the Executive Board. With effect from January 01, 2010, Felix Ahlers took over as Chairman of the Board. On January 01, 2010, Hinnerk Ehlers was appointed as new Member of the Board responsible for Marketing and Sales.

17 **3. Supervisory Board**

Members of FRoSTA AG's Supervisory Board in the financial year 2009 were:

> Dr Herbert Müffelmann, solicitor, Bremen (Chairman of the Supervisory Board)
– Further appointments held by Dr Müffelmann: Supervisory Board member at Nabertherm GmbH, Lilienthal and OAS AG, Bremen

> Ulf H. Weisner, businessman, Ratingen-Lintorf (Deputy Chairman of the Supervisory Board)

> Jürgen Schimmelpfennig, employee at FRoSTA AG, Bremerhaven (employee representative)

The total FRoSTA AG shares owned by members of the Supervisory Board on the balance sheet date amounted to 2,500 shares = 0.03 %.

18 **4. Remuneration according Art. 285 no. 9 HGB**

The total remuneration of the Executive Board of FRoSTA AG for the financial year was TEUR 2,445 (2008: TEUR 2,389). Of this the fixed remuneration came to TEUR 1,004 (2008: TEUR 945) and variable remuneration TEUR 1,441 (2008: TEUR 1,444).

The total remuneration of former members of the Executive Board at FRoSTA AG was TEUR 70 in the financial year (2008: TEUR 68). Pension reserves for former Executive Board members amounted to TEUR 491 on the balance sheet date.

The remuneration of the Supervisory Board members amounted to TEUR 60 (2008: TEUR 53). Of that, TEUR 46 (2008: TEUR 39) were variable and TEUR 14 fixed payments (2008: TEUR 14).

19 **5. Declaration of compliance in accordance with Art. 161 AktG**

The Executive and Supervisory Boards have submitted their declaration of compliance and made it available to the shareholders at all times on the corporate website at www.frosta-ag.com.

20 **6. Appropriation of profits**

We will be proposing to the General Meeting of Shareholders that the net profit for the year totalling EUR 15,391,223.92 as at December 31, 2009 be appropriated as follows: that a dividend of EUR 0.75 per share equalling a total dividend of EUR 4,838,124.75 be paid to shareholders and that the remaining amount of EUR 10,553,099.17 be appropriated to the other revenue reserves.

Bremerhaven, March 18, 2010

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 of the German Commercial Code

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, 2010

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, 2009 to December 31, 2009. 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 assess 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 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 sufficiently reliable basis for our assessment.

Our audit did not reveal any grounds for objections.

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 development in the future.

Bremen, March 18, 2010

Gräwe & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr Meyer
Auditor

Heuer
Auditor

CORPORATE GOVERNANCE REPORT FRoSTA AG

FRoSTA AG views corporate governance as a complete system for managing and controlling a company. It includes the commercial principles and guidelines and the system of internal and external control and monitoring mechanisms. Good, transparent corporate governance fosters the trust of investors, employees, business partners and the public in the management and control of FRoSTA AG.

Corporate governance declaration

Corporate management structure and control functions at FRoSTA AG are as follows:

– Shareholders and Shareholders' Meeting
  Our shareholders exercise their rights in the Company's shareholders' meeting. The annual shareholders' meeting takes place in the first six months of the financial year. The Chairman of the Supervisory Board chairs the shareholders' meeting. The shareholders' meeting decides on all the tasks given to it by law.

  Our aim is to make it as easy as possible for shareholders to take part in the shareholders' meeting. With this in mind all documents required to take part are published beforehand on the Internet. The shareholders are nominated a proxy for the shareholders' meeting whom they can instruct to exercise voting rights on their behalf.

– Supervisory Board
  FRoSTA AG's Supervisory Board consists of three members, two of whom are elected at the shareholders' meeting. Company employees elect one member. The Chairman of the Supervisory Board is elected from the Supervisory Board itself. The Supervisory Board was elected in the shareholders' meeting in 2009 for two years.

  The Supervisory Board appoints the members of the Executive Board. It controls and advises the Executive Board in managing the Company. Significant decisions taken by the Executive Board require the Supervisory Board's approval. The Supervisory Board meets four times a year and if necessary will meet without the Executive Board. The Supervisory Board has a financial and personnel committee. The Supervisory Board has an independent financial expert in the person of Dr Müffelmann. The Supervisory Board approves and passes the Group financial statements.

– Executive Board
  The Executive Board manages the Company at its own responsibility. Currently it consists of four members. The Executive Board reports regularly, promptly and comprehensively to the Supervisory Board on all relevant issues regarding business development, planning, financing and the business outlook. D&O insurance policies have been taken out for the Executive Board and the Supervisory Board. A deductible has been agreed.

– Financial accounting and auditing
  Consolidated financial statements for the financial year have been prepared since 2005 according to IFRS. The consolidated financial statements are prepared by the Executive Board and checked by the auditor. Consolidated financial statements are made public within 90 days.

  It has been agreed with the auditor, Gräwe & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Bremen, that the chairman of the Supervisory Board will be informed immediately about any reasons for exclusion or exemption that occur during the audit. The auditor reports to the chairman of the Supervisory Board on all the issues and circumstances that occur during the audit that are important for the Supervisory Board to carry out its responsibilities. The chairman is also informed if the auditor establishes facts proving that the declaration of compliance given by the Executive Board and the Supervisory Board according to article 161 AktG (German Corporation Law) is not correct.

– Transparency
  Standardised, comprehensive and prompt reporting is a top priority at FRoSTA AG. FRoSTA AG's business outlook and results will be outlined in the financial statements, at the financial press conference, in the quarterly and first-half reports.

  Press releases or ad hoc reports will also provide information if this is legally required. All reports and press releases can be found on the Internet at www.frosta-ag.com/InvestorRelations.

  FRoSTA AG has set up the required directory of persons with insider information. The persons affected were informed about out legal obligations and penalties.

Declaration of compliance in accordance with Art. 161 AktG (German corporation law)
The Executive Board and Supervisory Board declare that the recommendations of the "Government Commission on German Corporate Governance Codes" edition published in the electronic Bundesanzeiger have been followed in the financial year 2009 with the following exception:

The remuneration received by the members of the Executive and Supervisory Boards is not shown individually in the notes to the consolidated financial statements as we consider the summarised publication of payments made to the boards to be sufficient. There is no age-limit for Executive and Supervisory Board members as we do not consider the competence and commitment of board members to be dependent on age.

The Executive Board and Supervisory Board hereby declare that a D&O insurance policy has been taken out. The deductible is EUR 5,000 and not as recommended in the Code. With effect from June 30, 2010, the deductible will comply with the legal requirements.

We only follow to a limited extent the recommendation that attention should be paid when making contracts with Executive Board members to ensure that any payments including supplements made on premature resignation for no urgent reason should not exceed the value of two years' remuneration (severance payment cap) or the normal payment for the remaining period of the contract. Specifically, we do not follow the recommendation that severance payments should not exceed two years' remuneration for the remaining period of the contract. A severance payment cap of two years makes a three or five-year contract absurd, and results in a desirable contract for the company becoming unattractive to the Board member in question. Our contracts include a clause which stipulates a ceiling on variable payments.

Remuneration of the Supervisory Board and the Executive Board
The financial and personnel committee at FRoSTA AG establishes the level and structure of remuneration for the Executive Board. Dr Herbert Müffelmann and Ulf Weisner sit on the committee.

The members of the Executive Board receive remuneration that comprises:

- fixed annual basic remuneration, paid out monthly.
- remuneration that must be used to purchase shares via the stock exchange at the current rate (only for some members of the Executive Board). This remuneration is paid out once a year.
- a percentage of annual profits, the level of which is contractually linked to the level of consolidated annual profit before taxes. The bonuses are paid in three instalments.
- a long-term bonus payment based on the three-year average ROI of FRoSTA AG (for some members of the Board only).

Year	Basic remuneration TEUR	Remuneration for share purchase TEUR	Variable remuneration TEUR	Insurances TEUR	Total TEUR
2008	937	158	1,286	8	2,389
2009	996	170	1,271	8	2,445

The total remuneration of former members of the Executive Board at FRoSTA AG and in the Group amounted to TEUR 70 in the business year (2008: TEUR 68).

The members of the Supervisory Board receive remuneration that comprises:

- fixed annual basic remuneration, paid out once a year.
- a success-related bonus depending on the level of the dividend proposed to be paid out. The bonus is paid out once a year.

Year	Basic remuneration TEUR	Success-related bonus TEUR	Total TEUR
2008	14	39	53
2009	14	46	60

Transactions in securities requiring notification according to Art. 15 a WpHG (German securities trading act)
The following transactions in securities requiring notification were carried out in 2008 with Company shares and published accordingly:

Date	Name	Type of transaction	Price per share	Number of shares	Total value
22.12.2009	Jürgen Marggraf	Share purchase	16.00 EUR	500	8,000.00 EUR
22.12.2009	Jürgen Marggraf	Share purchase	16.20 EUR	500	8,100.00 EUR
29.12.2009	Jürgen Marggraf	Share purchase	16.50 EUR	500	8,250.00 EUR

Shares owned by the Executive Board and Supervisory Board
Members of the Executive Board and the Supervisory Board hold shares in FRoSTA AG amounting to a total of 58.6 %.

No member of the Supervisory Board holds more than a 1 % share in FRoSTA AG.

The following members of the Executive Board and the Supervisory Board have shares of more than 1 % in FRoSTA AG:

	%
Dirk Ahlers	34.7
Felix Ahlers	22.5

Bremerhaven, March 18, 2010

The Executive Board

SUPERVISORY BOARD

Dr Herbert Müffelmann
Bremen
Solicitor, Chairman

Jürgen Schimmelpfennig
Bremerhaven
Fitter

Ulf Weisner
Ratingen-Lintorf
Buisinessman, Deputy chairman

EXECUTIVE BOARD

Dirk Ahlers (till 31.12.2009)
Hamburg
Chairman

Felix Ahlers
Hamburg
(since 1.1.2010 Chairman)

Hinnerk Ehlers (since 1.1.2010)
Hamburg

Dr Stephan Hinrichs
Bremerhaven

Jürgen Marggraf
Bremerhaven

							← IFRS	HGB →			
FINANCIAL YEAR		**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**
Employees (average)	number	1,614	1,539	1,372	1,248	1,167	1,138	1,118	1,162	1,214	1,160
Turnover	(mill. EUR)	411	392	349	307	269	264	262	284	299	275
EBITDA	(mill. EUR)	32.5	32.0	30.2	27.4	26.1	25.8	6.0	19.2	23.4	16.3
Depreciation	(mill. EUR)	11.6	11.2	10.9	10.8	10.9	10.4	10.7	10.9	14.5	12.9
EBIT	(mill. EUR)	20.9	20.8	19.3	16.6	15.2	15.4	–4.7	8.3	8.9	3.4
Return on sales (related to operating result) [1]		5.1 %	5.3 %	5.5 %	5.4 %	5.7 %	5.8 %	–1.8 %	2.9 %	3.0 %	1.2 %
Result from ordinary business activities	(mill. EUR)	17.4	17.7	16.6	14.6	13.5	12.9	–7.4	5.2	4.6	0.6
Taxes on income	(mill. EUR)	5.4	5.6	4.4	4.2	5.1	5.1	0.0	2.5	1.6	0.4
Group result for the year	(mill. EUR)	12.0	12.1	12.2	10.4	8.4	7.8	–7.7	2.3	2.8	–0.1
Cash flow	(mill. EUR)	25.1	25.7	20.0	17.6	17.8	24.8	3.9	13.2	17.6	13.6
Investments	(mill. EUR)	12.1	25.7	20.0	7.7	5.8	6.6	6.4	8.4	8.6	30.6
Shares	number	6,450,833	6,413,386	6,373,673	6,338,389	6,303,316	6,277,965	6,265,203	6,254,233	6,244,241	6,227,900
Total dividend	(TEUR)	4,838	4,810	4,207	3,803	3,152	1,256	0	2,502	2,498	1,709
Dividend per share	(EUR)	0.75	0.75	0.66	0.60	0.50	0.20	0.00	0.40	0.40	0.77
Income per share	(EUR)	1.87	1.89	1.93	1.64	1.33	1.24	–1.23	0.36	0.44	–0.01
Fixed assets	(mill. EUR)	82.9	88.4	75.9	66.7	68.8	73.7	57.3	63.8	66.3	76.1
Current assets	(mill. EUR)	140.2	148.9	129.1	107.3	95.0	61.4	59.8	68.4	63.7	70.1
Equity capital [2]	(mill. EUR)	94.8	87.0	80.2	70.4	62.7	55.1	31.5	39.8	41.0	41.8
Equity ratio [3]		42.5 %	36.6 %	39.1 %	40.5 %	38.1 %	34.3 %	22.1 %	25.5 %	25.2 %	24.4 %
Amounts owed to credit institutions	(mill. EUR)	76.7	86.3	69.6	49.5	44.5	28.8	42.7	42.5	46.8	46.9
Credit capital ratio [4]		34.4 %	36.4 %	34.0 %	28.4 %	27.0 %	17.9 %	30.0 %	27.3 %	28.8 %	27.4 %
Return on investment [5]		10.8 %	11.4 %	12.2 %	11.7 %	10.9 %	12.3 % (HGB)	–3.6 %	5.9 %	6.0 %	2.5 %
Return on equity [6]		18.4 %	20.4 %	20.7 %	20.7 %	21.5 %	23.4 %	–24.4 %	12.1 %	10.7 %	0.7 %

1) Operating result / (turnover / 100)
2) incl. 60 % special item (only for the years with HGB accounting)
3) [(Equity capital + 60 % special item - dividends)/(balance sheet total + ABS)] x 100 (only for the years with HGB accounting)
4) Amount owed to credit institutions / (balance sheet result / 100)
5) [EBIT/(average balance sheet total incl. ABS - average trade liabilities)] x 100
6) (Profit for the year + taxes on income) / (equity capital per balance sheet / 100)

Dear Shareholders,

Despite the economic crisis which had a considerable effect on the sales and profits of many German companies, FRoSTA AG can once again look back on 2009 as a successful financial year. Group sales were up by 5 % and profits were only a little short of the previous year's figure. The Executive Board and the Supervisory Board are very satisfied with this development.

The Supervisory Board met on five occasions during the financial year 2009. The Committee for Personnel and Finances, consisting of the Supervisory Board members Dr Müffelmann and Weisner, had three meetings. The Supervisory Board and the Committee discussed the financial statement of the previous year during a joint session on March 26, 2009.

Once again, the Supervisory Board has monitored and consulted with the Executive Board in its work throughout the year. This was done on the basis of the Executive Board's detailed reporting and accounting, both verbally and in written form. In addition, the Chairman of the Supervisory Board was in regular communication with the Executive Board to exchange information and ideas. In this way, the Supervisory Board was always well-informed as regards company policy, the profit situation including risks and risk management, as well as business processes and the position of the company and the group as a whole.

The main topics discussed by the Supervisory Board were once more the development in raw material prices and the US Dollar/Euro exchange rate. These supply factors continue to have a major impact on company profits. In the course of these monitoring activities, the Supervisory Board came to the conclusion that the Executive Board and the staff members it appointed dealt with the procurement and handling of raw material in a professional manner and that the currency backups set up by the Executive Board were used efficiently and successfully. The Supervisory Board also consulted with the Executive Board in their efforts to pass on to customers the price increases resulting from rising raw material prices, for the FRoSTA brand as well as for private labels. The Supervisory Board supported the Executive Board in its negotiations with lending banks. These talks resulted in the successful conversion of shortterm loans into longterm commitments. As a result of this, shortterm liabilities with banks dropped last year from about 45 million EUR to about 18 million EUR, while at the same time long-term loans only increased from about 40 million EUR to 58 million EUR. Total liabilities with banks fell from about 86 million EUR to about 76 million EUR.

In the December session (December 17, 2009), the Supervisory Board examined the annual plan presented by the Executive Board for 2010. This was then discussed with the Executive Board in great detail and approved. The Supervisory Board also approved the Executive Board's proposed investment for the current year of about 12 million EUR. Current borrowing is sufficient to cover the planned investment and the ongoing business.

The autumn meetings of the Supervisory Board and the Committee for Personnel and Finances (September 28, 2009) took place at the premises of our Polish subsidiary FRoSTA Sp.z o.o. in Bydgoszcz. The FRoSTA AG Executive Board and the subsidiary management team presented to the Supervisory Board the successful conclusion of the planned and approved investment in the factory in Bydgoszcz. During the course of a comprehensive factory tour, the Supervisory Board was able to see at first hand that the plant is now fully operational.

The Supervisory Board approved its committee's decisions concerning changes on the Executive Board of FRoSTA AG. It appointed Hinnerk Ehlers as additional board member and named Felix Ahlers as Chairman of the Board to succeed Dirk Ahlers, who has now retired from the Executive Board. The Supervisory Board had previously appointed Jürgen Marggraf as Vice Chairman. As in previous years, the Supervisory Board dealt with Executive Board remuneration during its December session (December 17, 2009). In its new work contracts, the law of July 31, 2009 concerning reasonable executive payments is taken into consideration.

The Supervisory Board has adapted its Supervisory Board and Executive Board rules of procedure to comply with changes in corporate and financial law which came into effect in 2009. Beyond that, it has discussed the changes to the legislation (BilMoG and ARUG) resulting from this which will be proposed at the upcoming Annual Shareholders' Meeting.

The Supervisory Board entrusted Gräwe & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Bremen, elected during the General Meeting of Shareholders, with the task of auditing FRoSTA AG's individual and Group financial statements. The auditors have checked the annual financial statement and the consolidated statement and issued unqualified audit certificates. Unlike in previous years, the combined management and Group management report presented by the Executive Board now includes the legally required segment reporting. This means that, again unlike previous years, an unqualified audit certificate could be issued.

The auditor's report was submitted to the members of the Supervisory Board in good time. It was discussed initially by the Committee for Personnel and Finances and then thoroughly by the whole Supervisory Board in the presence of the auditors on March 18, 2010. At the request of the Supervisory Board, the auditors explained in detail some items on the balance sheet – inventories, capital assets, receivables, supplier liabilities and accruals. 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, 2009, nor to the management report of 2009. On March 19, 2010 the Supervisory Board has thus unanimously approved and passed the individual and Group financial statements prepared by the Executive Board.

The Supervisory Board approves the Executive Board's proposal on the appropriation of profits.

The Supervisory Board would like to express its thanks to the Executive Board and to all employees for their successful performance during the business year 2009.

Bremen, March 2010

For the Supervisory Board
Dr Herbert Müffelmann

FRoSTA Aktiengesellschaft
Am Lunedeich 116
D-27572 Bremerhaven
phone: +49 471 9736–0
fax: +49 471 75163
info@frosta.de

P PRODUCTION SITES

F. Schottke Zweigniederlassung der FRoSTA AG
Am Lunedeich 116
D-27572 Bremerhaven
phone: +49 471 9736–0
fax: +49 471 74349
schottke@frosta.de

ELBTAL Tiefkühlkost Zweigniederlassung der FRoSTA AG
Messaer Straße 3–5
D-01623 Lommatzsch
phone: +49 35241 59–0
fax: +49 35241 59–193
elbtal@frosta.de

Rheintal Tiefkühlkost Zweigniederlassung der FRoSTA AG
Industriestraße 4
D-67240 Bobenheim-Roxheim
phone: +49 6239 807–0
fax: +49 6239 807–163
rheintal@frosta.de

FRoSTA Sp. z o.o.
ul. Witebska 63
PL-85–778 Bydgoszcz
phone: +48 52 3606 700
fax: +48 52 3434 746
info@frosta.pl

S SALES COMPANIES FRoSTA BRAND

FRoSTA Tiefkühlkost GmbH
Albert-Einstein-Ring 4
D-22761 Hamburg
phone: +49 40 85 41 40–60
fax: +49 40 85 41 40–88
info@frosta.de

FRoSTA Büro BiSTRO
Albert-Einstein-Ring 4
D-22761 Hamburg
phone: +49 40 85 41 40–20
fax: +49 40 85 41 40–29
buerobistro@frosta.de

FRoSTA Tiefkühlkost GmbH
Wiener Str. 89 – 91
A-2500 Baden
phone: +43 2252 82923
fax: +43 2252 82923–15
frostaaustria@frosta.de

FRoSTA Italia s.r.l.
Via Ennio Quirino Visconti, 103, Int. 8
I-00193 Rome
phone: +39 06 6871 749
fax: +39 06 6873 197
info@frostaitalia.it

FRoSTA Hungary
c/o Mr Imre Sárközi
Deák Ferenc u. 11
H-2500 Esztergom
phone: +36 33 500 350
fax: +36 33 500 351
imre.sarkozi@frosta.hu

FRoSTA ČR s.r.o.
U Nikolajky 833/5
CZ-158 00 Prague 5
phone: +42 02 51 56 07 35
fax: +42 02 51 56 07 39
frosta_cr@frosta.cz

SALES COMPANIES FRoSTA COPACK

COPACK Tiefkühlkost-Produktions GmbH
Am Lunedeich 116
D-27572 Bremerhaven
phone: +49 471 9736–190
fax: +49 471 72076
info@copack.de

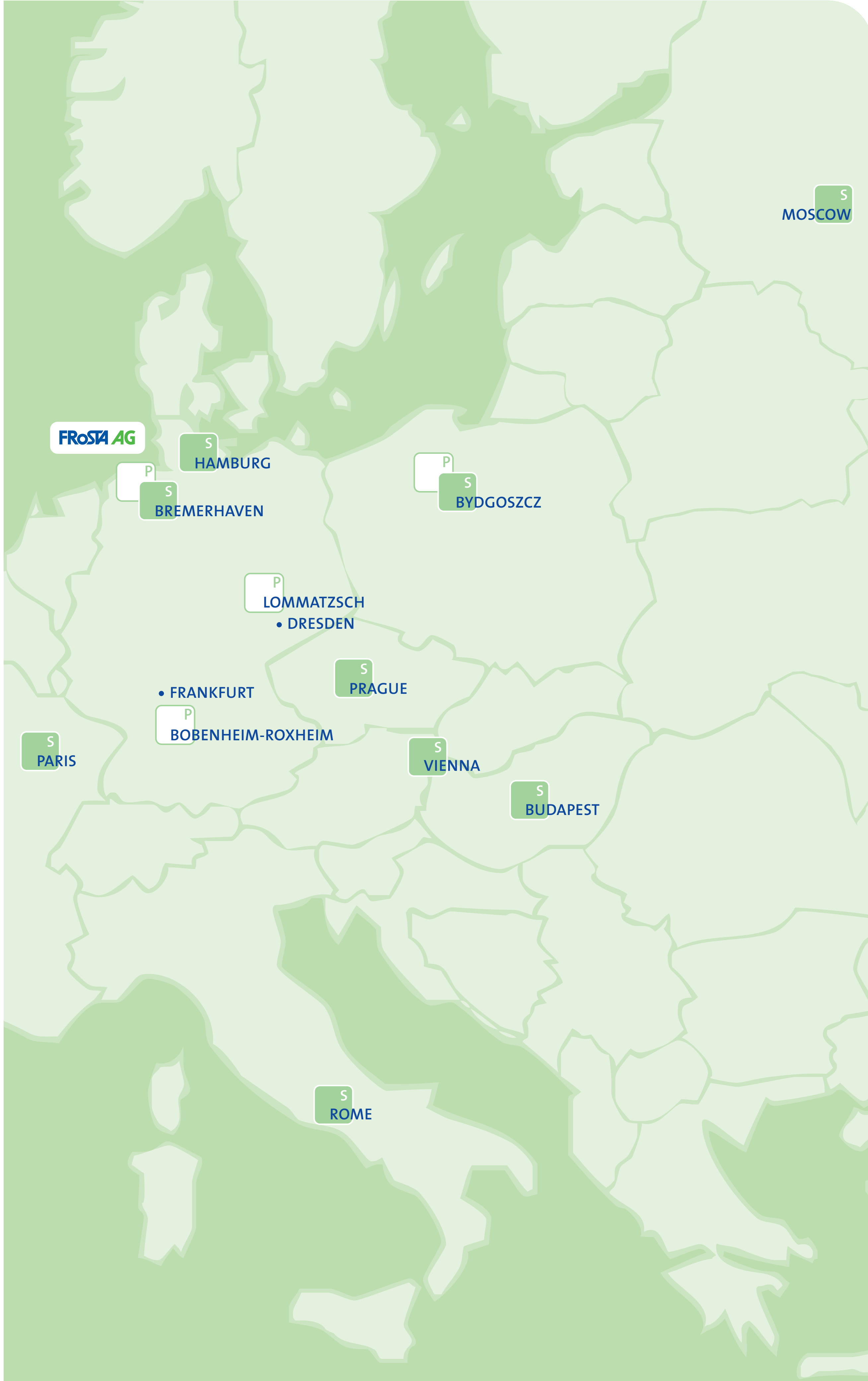
TIKO Vertriebsgesellschaft mbH
Am Lunedeich 116
D-27572 Bremerhaven
phone: +49 471 9736–198
fax: +49 471 72076

ELBTAL Tiefkühlkost Vertriebs GmbH
Messaer Straße 3–5
D-01623 Lommatzsch
phone: +49 471 9736–117
fax: +49 471 72076

FRoSTA Foodservice GmbH
Am Lunedeich 116
D-27572 Bremerhaven
phone: +49 471 9736–0
fax: +49 471 9736–445
foodservice@frosta.de

BioFreeze GmbH
Am Lunedeich 116
D-27572 Bremerhaven
phone: +49 471 9736–304
fax: +49 471 9736–125
info@biofreeze.de

FRoSTA France S.a.r.l.
140, rue Gallieni
F-92100 Boulogne-Billancourt
phone: +33 1 46 948 460
fax: +33 1 46 948 469
jp.granier@frosta.fr



Printed using eco-friendly ink on 100 % recycled paper · design and production: www.gitschel-hpa.de

FRoSTA Aktiengesellschaft
Am Lunedeich 116
D-27572 Bremerhaven
phone: +49 4 71–97 36–0
fax: +49 4 71–7 51 63
www.frosta-ag.com