ANNUAL REPORT 2005

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FINANCIAL YEAR		2004	2005
Employees (average)	number	1,138	1,167
Turnover	mill. €	264	269
EBITDA in % of turnover	mill. €	25.8 9.8 %	26.1 9.7 %
EBIT in % of turnover	mill. €	15.4 5.8 %	15.2 5.7 %
Result from business activities	mill. €	12.9	13.5
Group result for the year	mill. €	7.8	8.4
Cash flow	mill. €	24.8	17.8
Investments	mill. €	6.6	5.8
Dividend per share	€	0.20	0.50

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

Once again we produced a pleasing result overall last year. The key messages in our detailed management report are as follows:

- The "FRoSTA Purity Command" has established itself
- FRoSTA AG's turnover has risen by 2 %
- After-tax profit is up by 7.7 %
- We propose raising the dividend by € 0.30 to € 0.50 per share.

All good news for you our shareholders, but our customers, or rather consumers are more interested in whether our products taste good. So our principal task is not to produce attractive figures but

- to develop and market good and interesting products
- to manufacture products that taste good at reasonable prices that practically anyone can afford.

Our German slogan "FRoSTA ist für alle da" (FRoSTA's there for everybody) continues to convey this message and in a wider sense it also applies to the products produced under our trade partners' brands.

We can only produce satisfactory results for our shareholders in the future if we continue to be successful in convincing our trade partners and consumers of the quality of our products.

So first and foremost we would like to thank all the consumers who placed trust in our products once again last year.

Regards,

Dirk Ahlers

MANAGEMENT REPORT

I.GENERAL CONDITIONS AND DEVELOPMENTS IN THE INDUSTRY

1. General economic climate

It is pleasing to note that private consumer spending in Germany in 2005 has slightly increased by 1.4 % as compared with the previous year. Since autumn of last year consumer confidence has also significantly risen.

The turnover of the German food-processing industry has increased by 3.3 % in 2005 and export has shown the most positive development with an increase of 7.2 %. Sales in Germany only increased by 2.2 %.

The proportion of discount outlets in Germany meanwhile amounts to 40%. In consequence, discount outlets have a significant influence on the development of the food industry. However the producers of branded goods were also able to hold their ground in 2005 which gave a boost to the traditional food retail trade.

Other European countries, especially the eastern European economies important to us, show significant growth rates and this trend will continue during the next few years. Whereas the growth rate of the gross domestic product in Poland has slowed down as compared to 2004, at 3.2 % it is still way above that of Western European countries. The growth rate in the Western European Euro zone has halved. Here the economy only grew by 1.3 %.

2. Development of the frozen food market

Frozen food has also proved to be a growth market during the past year. However, growth in Germany slowed down significantly as regards our product groups. The frozen fish products reached the highest sales growth rates for the whole of the food retail trade (without home delivery service) at 5.2 %. Ready meals grew by 0.6 % while frozen vegetables stagnated. Frozen fruit, as a relatively small market segment, obtained growth in sales of 19 %. In total the market volume of our product groups rose by 2.6 % (previous year 5.3 %).

The anticipated sales of the German food industry for frozen food remain at a high level. According to a survey by the German food magazine "Lebensmittel Praxis" frozen food moved to third place from last year's fourth place among 36 product groups.

According to this magazine's survey at the end of 2004, the product group "Chilled Food" competing in selected areas with frozen food ranked 1st place, however dropped to 8th place by the end of 2005. However, "Chilled Food" remains a serious challenge for the producers of frozen food who as a result will have to increasingly underline the advantages of frozen products as regards quality and logistics.

II. Company situation

We are pleased to have been able to surpass the good Group result for 2004 once more despite difficulties in some areas. Earnings before taxes rose by 4.4 % from € 12.9 million to € 13.5 million. Earnings after tax at € 8.4 million are also slightly above the previous year's figure of € 7.8 million.

Group turnover rose by 2 % from € 264 million in the previous year to € 269 million.

Details of the progress of business are as follows:

1. Turnover and volume

We were only able to increase FRoSTA brand turnover slightly by 5 %, from € 38 million in the previous year to € 40 million. The largest increases were obtained with FRoSTA ready meals in Germany (+11.2 %) as well as with FRoSTA fish in Poland (+46 %).

Turnover with our secondary brands TIKO and ELBTAL remained stable at € 21 million.

The business with customer brands for the food retail market stabilised at the high level of 2004 and at € 151 million came close to the previous year's figure.

The largest increases were reached in the catering/home delivery service/industry sectors which rose by 8 % to € 57 million (previous year € 53 million).

Within the product groups, ready meals developed best with an increase of 7 %, followed by fish at 5 %. In the vegetables and fruit sector we lost 6 % of our previous year's turnover, which is due to lower prices and to the extremely fierce competition in this sector.

The turnover pattern shows that "on balance" we have only had growth in foreign markets of 9 %. In Germany increases in some sectors (e.g. ready meals of the FRoSTA brand and in the catering sector) were coupled with corresponding sales losses (e.g. with vegetables and some private labels). The increase abroad mainly resulted from an increase in product sales of the FRoSTA brand in Poland (increase +27 %) and a good turnover development with discount outlets abroad.

2. Marketing and sales

2.1 FRoSTA brand

The turnover of the FRoSTA brand has risen by 5 % in 2005 (for all countries).

In Germany the FRoSTA Purity Command has continued to gain strong acceptance and the popularity of our unique concept, i.e. absolutely no additives, is still increasing. The turnover of FRoSTA ready meals has sharply risen (+11.2%) and we continued to expand our market leadership. In the fish and vegetables segment we expect a lot more potential for the FRoSTA brand. However, in particular in the fish sector we are forced to pass the steep increase in fish prices on to the market.

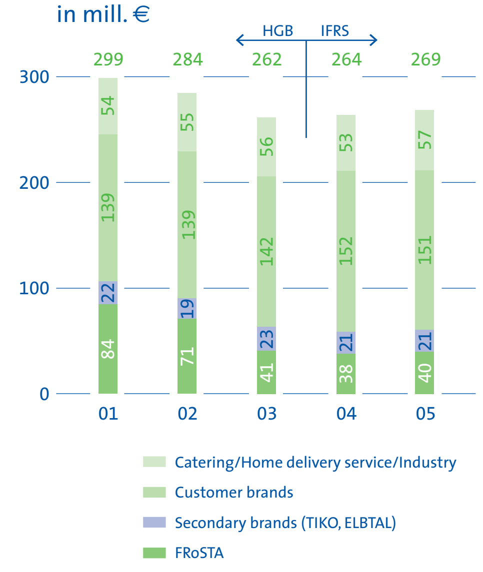
During the last year we increasingly placed the FRoSTA brand on the Austrian market. In our opinion there are good long-term perspectives in this country because in Austria consumer awareness for good food is just as high as in Germany.

We have initiated successful promotions with influential partners. BRIGITTE, the largest German women's magazine, is our partner for 12 different FRoSTA slimming products. The FRoSTA Purity Command was explained to the readers in detail. In partnership with TUI we have offered holidays overseas and with the "WOK-World Cup" featured by the German TV show "TV Total" we have recruited a strong partner for our younger target customers.

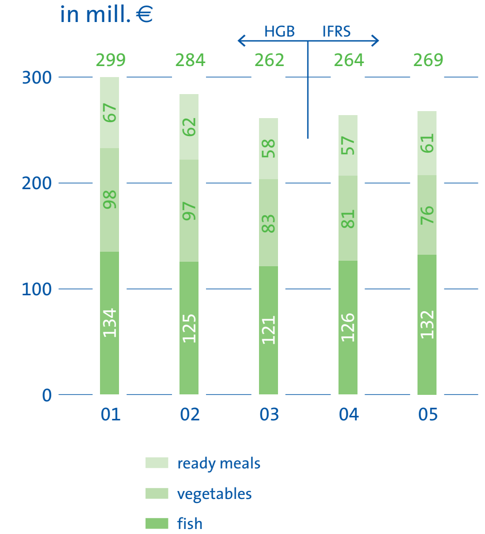
In spring 2006 using the slogan "Nature doesn't need any help" we started an advertising campaign in all major German women's magazines in order to market the FRoSTA Purity Command even better. A new TV spot with "Peter from FRoSTA" will be launched on German TV shortly.

At the end of 2005 we opened up the FRoSTA BiSTRO located just opposite the Hamburg town hall. Here you can experience the FRoSTA brand "live": All meals are prepared directly in front of the customer and direct contact with the consumer is helpful for our marketing decisions.

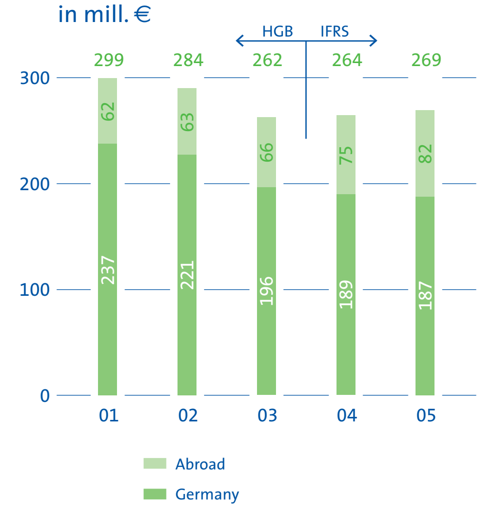
TURNOVER BY SALES AREAS
in mill. €



TURNOVER BY PRODUCT GROUPS
in mill. €



TURNOVER GERMANY / ABROAD
in mill. €



Since February 2006 all FRoSTA products can be delivered directly to the customer's home. A cooperation with www.heine-delikatessen.de has been launched successfully.

Many TV programmes featured positive reports about the FRoSTA Purity Command, in particular the German television channels PRO 7, ZDF and RTL.

In Poland, Hungary, the Czech Republic and Russia the FRoSTA brand has grown even stronger than in Germany. In Poland we have continued to expand our market leadership for fish products. The sales volume rose by 35 %. We would also like to gain this position in Hungary, the Czech Republic and Romania. Since February 2006 an intensive advertising campaign for FRoSTA fish fingers has been launched on Hungarian television.

2.2 "FRoSTA-Copack"

In the business unit "COPACK by FRoSTA" the private label business as well as the secondary brand business with ELBTAL and TIKO remained at the previous year's level. Focus of the sales activities was placed on qualitative growth, so that our customers were also prepared to launch new and innovative products in the trade brand segment. Due to the considerable price increase of raw materials in the fish segment, we were also forced to pass on part of this cost increase to our customers. In 2005 we noticed that German industry was more prepared to be innovative, e.g. they were more inclined to include new products from the private label segment into the listings or for promotions that were not yet established in other sales channels. We believe that this trend will also continue in 2006 and will offer new opportunities to place new and interesting products onto the market.

The overall market for frozen food showed no growth in 2005 in the hotel, restaurant and catering sector. Counter to this trend, business developed very positively for "FRoSTA GV-Partner", with a growth of over 20 % compared to the previous year. Both wholesale trade and the quick-service restaurant sector contributed to the good result.

3. Situation concerning assets, finance and earnings

For 2005 the consolidated balance sheet and the consolidated profit and loss account were prepared for the first time in accordance with the International Financial Reporting Standards IFRSs – as required by law. In order to be able to compare, we prepared the consolidated balance sheet and profit and loss account for 2004 in accordance with IFRSs, too, so that the annual figures are completely comparable. Data relating to figures before 2004 has been prepared in accordance with the HGB (German Commercial Code) and therefore cannot always be compared with figures relating to the years after 2004.

The good result for 2004 with a Group profit before interest of € 12.9 million slightly increased in 2005. A Group net annual profit before interest of € 13.5 million was achieved. This result is mainly based on the good market development and the results from the factories. In detail the better operating result is due to the following factors:

- In 2005 the FRoSTA brand continued to increase its sales as compared to the previous year. In Poland sales of the brand even increased by two digits so that the global profit situation of the FRoSTA brand improved even more.
- We achieved a good level of turnover growth combined with encouraging earnings on the international market.
- We managed to lower our fixed costs in our factories again and were able to achieve positive cost differences from our standard calculations by consistent improvement of work processes and with demand-driven production.
- Our subsidiary FRoSTA Sp. z o.o. in Bydgoszcz, Poland, again reported a rise in turnover for 2005 and once more closed the year with a considerable increase in results of 635 TEUR (224 TEUR in the previous year).
- Interest paid was significantly reduced by a consistent reduction of the borrowed capital tied up on average.
- The weak US dollar rate at the beginning of the year had positive influences on our gross profits. The increased prices for raw materials, in particular for white fish, and the increased value of the US dollar against the Euro in the course of the year overcompensated for the effect of this positive result by the end of the second half of the year. This had an overall negative impact on our raw margin.

The earnings before interest, tax and depreciation (EBITDA) amount to € 26.1 million which come close to the previous year's figure of € 25.8 million. Earnings before tax and interest (EBIT) slightly decreased to € 15.2 million due to higher depreciation in 2005 as compared to the previous year of € 15.4 million.

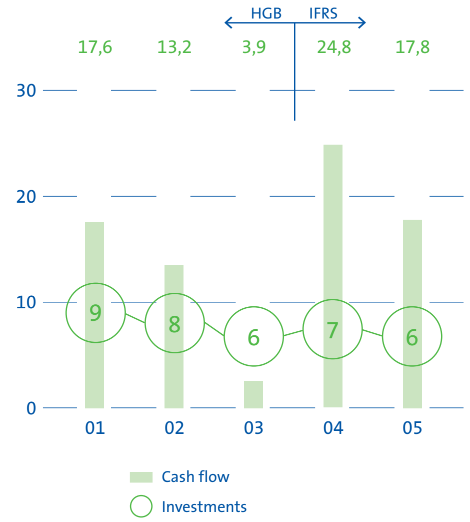
The Group result after tax at € 8.4 million is 7.7 % above the previous year's figure of € 7.8 million.

The equity capital shown under FRoSTA AG reported in the Group balance sheet is comprised as follows, in each case as at December 31:

in thousand € (TEUR)	**31.12.2004**	**31.12.2005**
Equity capital	16,049	16,137
+ Capital reserves	7,403	7,606
+ Revenue reserves	24,010	31,825
+ Loss and balancing items	–97	94
+ Net result	7,760	7,076
Equity capital	55,125	62,738
Balance sheet total	135,923	164,619
+ ABS	24,999	0
= Total capital tied up	160,922	164,619
Equity ratio	34.3 %	38.1 %

			HGB	IFRSs	
in mill. €	**2001**	**2002**	**2003**	**2004**	**2005**
Turnover	298.8	284.0	262.4	264.1	268.6
EBITDA (earnings before interest, tax and depreciation)	23.1	18.7	5.7	25.8	26.1
in % of turnover	7.7 %	6.6 %	2.2 %	9.8 %	9.7 %
- Depreciation	14.5	10.8	10.7	10.4	10.9
= EBIT (earnings before tax and interest)	8.6	7.9	–5.0	15.4	15.2
in % of turnover	2.9 %	2.8 %	-1.9 %	5.8 %	5.7 %
+ Financial result	–4.3	–3.1	–2.7	–2.5	–1.7
Result from business activities	4.3	4.8	–7.7	12.9	13.5
in % of turnover	1.4 %	1.7 %	–2.9 %	4.9 %	5.0 %
- Taxes	–1.5	–2.5	–0.0	–5.1	–5.1
Consolidated result for the year	2.8	2.3	–7.7	7.8	8.4

CASH FLOW BEFORE CHANGE IN WORKING CAPITAL in mill. €



GROUP BALANCE SHEET STRUCTURE in mill. €

At € 5.8 million, investments were on the same level as the previous year. They were financed entirely from the cash flow before change in the working capital at € 17.8 million (previous year € 24.8 million).

The remaining part of the cash flow before change in the working capital was used to reduce liabilities. So we were able to bring down our bank liabilities from € 58.8 million on December 31, 2004 (including ABS and Siemens sale and hire purchase transaction) to € 49.1 million (incl. Siemens sale and hire purchase transaction) by the end of 2005. By consistently reducing credit capital, the equity ratio was raised to 38.1 % (34.3 % in the previous year). The long-term objective is to achieve an equity ratio of 40 % in order to maintain our economic independence.

The balance sheet total at € 165 million is above the previous year's figure of € 136 million. The reason for this increase is that at the end of 2004 some of our receivables were sold to an Asset-Backed Security Program (ABS). For this reason this part of the receivables (€ 25 million) is not listed in the 2004 balance sheet. As at December 31, 2005 the ABS program was not used any more, therefore the amount of receivables at the end of 2005 increases correspondingly by the reduced amount of € 25 million from the ABS program. At the same time our current bank liabilities also increased by € 25 million by this reduction. As a consequence, the balance sheet total was increased by the returned ABS amount.

On the other hand our current assets in the inventories and receivables sectors have increased. As regards inventories we were able to reduce the tonnage in our coldstores, however, due to the increase of prices for raw materials the absolute value of inventories also increased. Due to very good sales in December and a change in our customer structure our receivables at year end increased above and beyond the effects produced by the ABS program.

4. The 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.

The individual financial statements of FRoSTA AG are balanced differently from the group financial statements in accordance with the German Commercial Code (HGB).

The development in turnover, together with the Group, shows a slight increase in the individual financial statements in 2005 compared to the previous year. Here international sales were also the main reason for the increase. In Germany on the other hand, the catering sector developed above average.

The individual financial statement shows a profit after taxes of € 8.6 million balanced in accordance with HGB. The previous year's figure amounted to € 9.1 million. Apart from the consolidation of the Polish subsidiary the reasons for this development correspond to those listed in the Group financial statements.

The detailed difference between the net profit for the year according to HGB and the consolidated net profit for the year according to IFRSs is as follows:

	TEUR
FRoSTA AG ANNUAL NET PROFIT FOR 2005 (HGB)	8,551
Changes IFRSs:	
Depreciation	–2,645
Deferred taxes	–15
Group receivables	182
Inventories	1,479
Miscellaneous	185
FRoSTA AG annual net profit for 2005 (IFRSs)	**7,737**
Total result for the year for subsidiaries consolidated in the Group financial statements	715
Consolidating entries: Effects of the consolidating entries affecting the operating result	–42
Consolidated annual net profit FRoSTA 2005	**8,410**

The increased depreciation figures result from the fixed assets re-measured in accordance with the IFRSs and the different depreciation methods and useful lives. The deferred taxes chiefly result from the different depreciation methods of the two accounting standards.

The effect of the result on the inventories comes mainly from the Lifo valuation in the financial statements according to German commercial law. This valuation has to be applied according to the authoritative principle of the commercial balance sheet as regards the tax balance sheet. The Lifo reserve as at December 31, 2005 amounted to TEUR 1,333 (2004 TEUR 226)

The equity ratio amounts to 33 % (33 % in the previous year). Here it should be noted that in the previous year the balance sheet total was significantly reduced by the sale of receivables. Without this "ABS effect" the equity ratio for the previous year amounts to 27 %.

The difference to the group balance sheet, showing an equity ratio of 38 % as at December 31, 2005 mainly results from the revaluation of the fixed assets required in accordance with IFRSs and the related increase in equity capital.

The development of the balance sheet total is also similar as regards the individual and consolidated financial statements, and the increased current assets are the reasons for the increase in the balance sheet total. The individual financial statement according to HGB continues to remain the basis of valuation for issuing dividends. We will propose the payment of a dividend of € 0.50 per share to the General Meeting of Shareholders. This amounts to a total dividend of € 3,151,658.00 corresponding roughly to about a third of FRoSTA AG's annual profit. We will recommend placing the remaining profits into the other revenue reserves.

As regards the other interpretations of the management report, the individual and the consolidated financial statements correspond to each other – except special Group-related features.

5. The FRoSTA share

During the course of the year, the FRoSTA share developed encouragingly, recovering from its € 8.50 low and since January 2005 increasing by 53 % up to € 13.00 as at December 31, 2005.

KEY FIGURES FOR THE FRoSTA SHARE	2004	2005
Number of shares	6,277,965	6,303,316
Equity capital on consolidated balance sheet (TEUR) Equity capital per share (€)	55,125 8.78	62,738 9.95
Market price at year end (€) Year high (€) Year low (€) sales per share	8.50 8.80 4.50 1,940,595	13.00 14.55 8.50 1,206,326
Price at year end / cash flow (before change of working capital)	2.15	4.61
Dividend payout per share (€) Dividend yield	0.20 2.4 %	0.50 3.8 %
Group annual result (TEUR) Annual result per share (€)	7,760 1.24	8,410 1.33
Group cash flow before change of working capital (TEUR) Cash flow before change of working capital / share (€)	24,847 3.96	17,793 2.82

6. R&D report

The beginning of 2005 was marked by the introduction of SAP which was of course very labour-intensive in the first few months. In general the introduction of SAP proved very successful. During the last financial year we were able to successfully implement various new product developments ranging from product ideas themselves to launching the product on the market. The implementation of the new declaration according to the new EU legislation was also carried out punctually, even though this involved extremely high labour costs in the sector of food legislation.

7. Procurement

The year 2005 showed particularly significant price increases in the raw fish segment as well as in the poultry and pork segments. Even though the raw materials in stock and the packaged quantities in pallets were clearly below the previous year's level, the inventory values were above the previous year's level. This was especially due to the higher value of the raw materials as well as the product mix. Just-in-time delivery procedures were successfully continued in 2005, too.

In order to guarantee an optimal supply situation as regards quality and price, during procurement international contacts and audits were intensified in the appropriate suppliers' businesses.

8. Production

Our subsidiaries Elbtal Tiefkühlkost in Lommatzsch, Rheintal Tiefkühlkost in Bobenheim-Roxheim and F. Schottke in Bremerhaven developed well in 2005 and went on to increase efficiency at each location so that this segment is very competitive. Outsourcing between the production sites resulted in an optimisation of capacity output and significantly contributed to the Company's success in 2005.

9. Investments

As we have invested heavily over the last few years in large-scale and long-term streamlining projects, in the financial year 2005 we made investments in maintenance as scheduled and specific investments to increase efficiency. Total investment amounted to € 5.8 million.

10. Organisation, administration and Company structure

The organisation developed in the previous years was maintained and was expanded in specific areas. There were no major changes however.

As per January 2005 the standard ERP software SAP R/3 was introduced in the Company. Introduction was completed smoothly so that our customers were supplied without problems at all times. The implementation of the software was performed by all employees and the project team in charge with a great amount of commitment, professionalism and enthusiasm for the task. We would like to express our thanks to all persons involved for their exceptional commitment.

11. Employees

The year's average number of employees rose by 29 to a current 1,167. This increase is largely due to a rise in the number of wage-earners in Poland. Due to encouraging sales, we were able to provide more jobs in this segment. In Germany the number of employees basically remained stable.

Total expenditure on personnel (not including severance payments) rose due to an increase in the standard wages, the higher number of personnel and the profit-sharing payments by 3.3 % to € 43.9 million, as compared with the previous year. The number of trainee posts changed from last year's 33 to 30.

As in the years before, in 2005 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 rose to 25,351 (12,762 the previous year). A total of 124 buyers took part in the campaign (previous year 72). We are satisfied with our employees' involvement in this scheme and pleased with the trust placed in us. We hope that even more FRoSTA employees will become shareholders in the 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	2004	2005
FRoSTA head office	**184**	**188**
- thereof administration	158	158
- thereof sales (incl. foreign countries)	26	30
PRODUCTION SITES	**954**	**979**
- Schottke, Bremerhaven	532	510
- Rheintal, Bobenheim-Roxheim	133	133
- ELBTAL, Lommatzsch	129	130
- Bydgoszcz, Polen	160	206
GROUP TOTAL	**1,138**	**1,167**

III. Risk report

All of our managerial staff are involved in our risk management system. The system ensures that warning signals are given early enough even when crises occur.

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 belonging to 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 2005 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 2005.

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 level out these fluctuations and avoid becoming dependent. 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 because of the competitive environment, these cannot always be passed on immediately to the customers.

The quality of the raw materials is monitored by auditing our suppliers on location and by checking goods that 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 dollar. A long-term deterioration in EUR-USD parity would lead to a rise in the cost of commodity purchases.

The increasing concentration of trade is leading to risks caused by 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. The risk of losing outstanding receivables is limited by credit risk insurances with the usual deductibles, a systematic system of reminders 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, as well as with 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. The next tax audit for the years 2000 – 2004 is scheduled for 2006.

IV. Events after the end of the business year

The quantities sold during the first two months of 2006 have met our expectations. However, the prices for raw materials, in particular for fish, have risen significantly. These changes have not been fully included in our selling prices. Therefore current margins are noticeably lower than the previous year's.

Outlook

For the current financial year we expect that our sales volume will continue to increase.

The difficult conditions on the buying and selling markets have however resulted in lower margins. As a consequence the results during the first three months of 2006 have decreased compared with the previous year.

Our major objective will therefore continue to be to improve our margin to the level achieved in 2005 by implementing the vital price increases. This also includes increasing productivity in the factories, being more aware of costs as well as closely co-operating with our suppliers to avoid a further increase in raw materials prices as much as possible.

We cannot forecast results at this stage because there are too many unpredictable factors involved. Of course we aim to reach a result similar to the previous year's level, but given the present circumstances this will be difficult.

Bremerhaven, April 7, 2006

The Executive Board

CONSOLIDATED FINANCIAL STATEMENTS FRoSTA AG

	Note item	2005 TEUR	2004 TEUR
1. Turnover	(41)	268,635	264,058
2. Increase (2004 decrease) in inventories of finished and unfinished goods		+1,604	–1,549
3. Own work capitalised		34	989
4. Other operating income	(42)	4,923	5,445
5. OPERATING INCOME		**+275,196**	**+268,943**
6. Cost of materials			
a) Raw materials, consumables and goods purchased for resale		156,187	149,390
b) Purchased services		6,522	6,147
		162,709	**155,537**
7. GROSS PROFIT		**+112,487**	**+113,406**
8. Personnel expenses	(43)		
a) Wages and salaries		37,287	35,540
b) Social security and other pension costs			
– thereof for pensions: TEUR 154 (2004 TEUR 164)		6.985	6,977
		44,272	**42,517**
9. Depreciation/amortisation of intangible and tangible fixed assets	(44)	10,857	10,398
10. Other operating expenses	(45)	42,119	44,831
11. OPERATING RESULT		**+15,239**	**+15,660**
12. Income from participating interests		10	0
13. Depreciation of financial assets		0	201
14. Result from participating interests		**10**	**–201**
15. Other interest and similar income		61	36
16. Interest and similar expenses		1,819	2,571
17. Interest result		**–1,758**	**–2,535**
18. RESULT FROM BUSINESS ACTIVITIES	(46)	**13,491**	**12,924**
19. Current taxes	(47)	–5,123	–3,344
20. Deferred taxes	(47)	+42	–1,820
21. Taxes on income and earnings		**–5,081**	**–5,164**
22. CONSOLIDATED PROFIT FOR THE YEAR		**8,410**	**7.760**
Earnings per share			
– undiluted (in EUR)		1.33	1.24
– diluted (in EUR)		1.33	1.24

ASSETS

	Note item	31.12.2005 TEUR	31.12.2004 TEUR
NON-CURRENT ASSETS			
A. FIXED ASSETS	(62)		
1. Intangible assets	(25)	4,954	5,384
2. Tangible assets	(26)	63,709	68,183
3. Financial assets	(27)	108	145
		68,771	**73,712**
B. DEFERRED TAXES	(48)	**878**	**827**
		69,649	**74,539**
CURRENT ASSETS			
1. Inventories	(28)	43,260	38,331
2. Trade receivables	(29)	45,704	16,517
3. Receivables from associated companies		2	2
4. Receivables from current taxes on earnings and income		3,536	2,193
5. Other current assets	(30)		
Financial assets		1,632	3,299
Other assets		359	487
6. Financial capital		477	555
		94,970	**61,384**
BALANCE SHEET TOTAL		**164,619**	**135,923**

LIABILITIES

	Note item	31.12.2005 TEUR	31.12.2004 TEUR
A. EQUITY CAPITAL	(31)		
1. Subscribed capital	(32)	16,137	16,049
2. Capital reserves	(33)	7,606	7,403
3. Revenue reserves	(34)	31,825	24,010
4. Adjustment resulting from currency conversion	(35)	94	–97
5. Group equity capital generated (without revenue reserves)		7,076	7.760
		62,738	**55,125**
B. NON-CURRENT PROVISIONS AND LIABILITIES			
1. Pension provisions	(37)	2,640	2,510
2. Other provisions	(38)	1,248	1,207
3. Bank loans and overdrafts	(39)	10,961	20,006
4. Other liabilities	(39), (55)		
Financial liabilities		2,249	3,299
5. Deferred taxes	(48)	9,709	9,706
		26,807	**36,728**
C. CURRENT PROVISIONS AND LIABILITIES			
1. Other current provisions	(38)	324	982
2. Bank loans and overdrafts	(39)	33,487	8,768
3. Trade payables	(39)	26,949	18,998
4. Liabilities to associated companies		32	32
5. Liabilities from current taxes on earnings and income		3,227	4,114
6. Other liabilities	(40)		
Financial liabilities		4,078	3,345
Other liabilities		6,977	7,831
		75,074	**44,070**
BALANCE SHEET TOTAL		**164,619**	**135,923**

CONSOLIDATED FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2004	PURCHASE AND MANUFACTURING COSTS						ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS					NET BOOK VALUE	
	Amount carried forward 1.1.2004 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As per 31.12.2004 TEUR	Amount carried forward 1.1.2004 TEUR	Effects of exchange rate TEUR	Depreciations of the financial year TEUR	Disposals TEUR	As per 31.12.2004 TEUR	31.12.2004 TEUR	01.01.2004 TEUR
1. INTANGIBLE ASSETS													
a. Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	5,471	5	259	105	55	5,785	4,379	2	541	58	4,864	921	1,092
b. Prepayments	1,859	0	2,822	–105	113	4,463	0	0	0	0	0	4,463	1,859
	7,330	5	3,081	0	168	10,248	4,379	2	541	58	4,864	5,384	2,951
2. TANGIBLE ASSETS													
a. Land, land rights and buildings including buildings on land owned by third-parties	61,562	258	159	10	206	61,783	25,439	49	2,190	191	27,487	34,296	36,123
b. Plant and machinery	100,345	336	1,296	23	3,364	98,636	75,113	125	5,122	3,361	76,999	21,637	25,232
c. Other plant, operating and office equipment	36,437	28	1,782	6	1,097	37,156	23,631	17	2,545	950	25,243	11,913	12,806
d. Prepayments and assets under construction	29	2	345	–39	0	337	0	0	0	0	0	337	29
	198,373	624	3,582	0	4,667	197,912	124,183	191	9,857	4,502	129,729	68,183	74,190
3. FINANCIAL ASSETS	351	0	0	0	0	351	5	0	201	0	206	145	346
	206,054	629	6,663	0	4,835	208,511	128,567	193	10,599	4,560	134,799	73,712	77,487

CONSOLIDATED FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2005	PURCHASE AND MANUFACTURING COSTS						ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS					NET BOOK VALUE	
	Amount carried forward 1.1.2005 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As per 31.12.2005 TEUR	Amount carried forward 1.1.2005 TEUR	Effects of exchange rate TEUR	Depreciations of the financial year TEUR	Disposals TEUR	As per 31.12.2005 TEUR	31.12.2005 TEUR	31.12.2004 TEUR
1. INTANGIBLE ASSETS													
a. Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	5,785	3	1,384	4,446	1	11,617	4,864	0	1,800	1	6,663	4,954	921
b. Prepayments	4,463	0	0	–4,463	0	0	0	0	0	0	0	0	4,463
	10,248	3	1,384	–17	1	11,617	4,864	0	1,800	1	6,663	4,954	5,384
2. TANGIBLE ASSETS													
a. Land, land rights and buildings including buildings on land owned by third-parties	61,783	82	252	7	2	62,122	27,487	16	2,061	1	29,563	32,559	34,296
b. Plant and machinery	98,636	183	1,748	196	459	100,304	76,999	82	4,630	434	81,277	19,027	21,637
c. Other plant, operating and office equipment	37,156	12	1,608	96	638	38,234	25,243	8	2,366	623	26,994	11,240	11,913
d. Prepayments and assets under construction	337	8	820	–282	0	883	0	0	0	0	0	883	337
	197,912	285	4,428	17	1,099	201,543	129,729	106	9,057	1,058	137,834	63,709	68,183
3. FINANCIAL ASSETS	351	0	0	0	155	196	206	0	–118	0	88	108	145
	208,511	288	5,812	0	1,255	213,356	134,799	106	10,739	1,059	144,585	68,771	73,712

	Note item	Subscribed capital/ ordinary shares TEUR	Capital reserves TEUR	Revenue reserves TEUR	Balancing items from currency conversion TEUR	Group equity capital generated (without revenue reserves) TEUR	Equity capital according to consolidated balance sheet TEUR
As per December 31, 2003		**16,017**	**7,387**	**24,010**	**–395**	**0**	**47,019**
Share issue	(36)	32	11				43
Additional expenditure due to issue of employee shares	(36)		5				5
Currency change	(35)				298		298
Consolidated profit for the year						7,760	7,760
As per December 31, 2004		**16,049**	**7,403**	**24,010**	**–97**	**7,760**	**55,125**
Dividends paid	(34)					–1,256	–1,256
Share issue	(36)	65	121				186
Aditional expenditure due to issue of employee shares	(36)		82				82
Transfer to revenue reserves	(34)			7,838		–7,838	0
Currency change	(35)				191		191
Increase of capital from company funds	(32)	23		–23			0
Consolidated profit for the year						8,410	8,410
As per December 31, 2005		**16,137**	**7,606**	**31,825**	**94**	**7,076**	**62,738**

	Note item	2005 TEUR	2004 TEUR
Consolidated profit for the year before taxes on income		13,491	12,924
Depreciation and amortisation of fixed assets		+10,739	+10,599
Income from interest		–61	–36
Interest expenses		+1,834	+2,780
Increase in non-current provisions		+171	+55
Result of the disposal of non-current fixed assets		+19	+125
Non-cash income and expenses		+43	–114
Interest paid		–1,706	–1,903
Interest received		+36	+36
Taxes on income paid		–6,793	–32
Taxes on income received		+20	+413
CASH FLOW BEFORE CHANGE IN WORKING CAPITAL		**+17,793**	**+24,847**
Decrease in current provisions		–658	–1,357
Increase/decrease in inventories, trade receivables and other assets that cannot be classified as investing or financial activities		–32,696	–2,175
Increase/decrease in inventories, trade payables and other liabilities that cannot be classified as investing or financing activities		+6,996	–3,403
CASH FLOW FROM OPERATING ACTIVITIES		**–8,565**	**+17,912**
Proceeds from disposals of fixed assets		+215	+187
Payments for investments in fixed assets		–4,428	–3,582
Payments for investments in intangible assets		–1,384	–3,081
CASH FLOW FROM INVESTING ACTIVITIES		**–5,597**	**–6,476**
Proceeds from increases in equity capital		+186	+43
Dividends to shareholders		–1,256	0
Proceeds from new bank loans		+775	+9,272
Repayment of bank loans		–11,693	–14,586
Increase/decrease of current liabilities to banks		+26,381	–8,872
Proceeds from finance leases		+1,765	+3,561
Finance lease payments		–2,078	–672
CASH FLOW FROM FINANCING ACTIVITIES		**+14,080**	**–11,254**
Effect of changes in exchange rates on cash and cash equivalents		+4	+1
Net change in cash and cash equivalents		–82	+182
Cash and cash equivalents at the beginning of the period	(50)	+555	+372
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**+477**	**+555**

FRoSTA Aktiengesellschaft, Bremerhaven

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2005

FRoSTA AG, a public limited company according to German law quoted on the stock exchange, and their subsidiaries develop, produce and sell frozen food in Germany and other European countries. The products are sold under their own brands "FRoSTA", "Elbtal" and "TIKO" and as private labels. The Group's headquarters are in Bremerhaven. FRoSTA AG's Executive Board approved the consolidated financial statements on March 31, 2006 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, 2005 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 with the restriction that we have not extended the notes to the consolidated financial statements to include segment reporting according to IAS 14 (see IAS 14 subpara. 51). In doing so all IAS or IFRSs (with the above exception) to be applied as at December 31, 2005 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 with the exception of the IAS 14, 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 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 (amounts in TEUR):

Name and headquarters of company	Subscribed capital TEUR	Equity TEUR	Result for the year 2005 TEUR	Result for the year 2004 TEUR
1. COPACK Tiefkühlkost-Produktionsgesellschaft mbH, Bremerhaven	256	302	4	6
2. ELBTAL Tiefkühlkost Vertriebs GmbH, Lommatzsch	26	32	1	1
3. Feldgemüse GmbH, Lommatzsch	26	15	–1	2
4. FRoSTA France S.a.r.l., Boulogne-Billancourt/France	153	498	43	44
5. FRoSTA Tiefkühlkost GmbH, Bremerhaven	255	256	5	2
6. FRoSTA GV-Partner GmbH Großverbraucher-Service, Bremerhaven	256	302	7	7
7. FRoSTA Italia s.r.l., Rome/Italy	10	136	10	10
8. FRoSTA Tiefkühlkost GmbH, Baden/Austria	36	189	18	13
9. FRoSTA ČR s.r.o., Prague/Czech Republic	35	122	–15	–20
10. FRoSTA Sp. z o.o., Bydgoszcz/Poland	5,170	3,363	635	225
11. BioFreeze GmbH, Bremerhaven	256	292	3	5
12. TIKO Vertriebsgesellschaft mbH, Bremerhaven	256	298	5	7

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	2005	2004
Polish Zloty	3.8686	4.08831
Czech crowns	28.985	30.3951

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 are subjected to straight-line depreciation when they start being used over their expected useful lives as follows:

	Useful life in years
Software	4
Licenses	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 9,632 (2004 TEUR 10,729). Financing costs are not 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

Low value fixed assets are fully depreciated in the year accrued because by and large they are insubstantial.

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 borrowed capital/equity capital structure and amounts to 7.5% before taxes. The unscheduled depreciation on January 1, 2004 amounted to TEUR 10,338. If there are no reasons for unscheduled depreciation, a revaluation is carried out to a maximum of the cumulative cost.

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 borrowed 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 payments 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 carryforwards. 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 and 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 subjected 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. Interest-rate swaps are used to hedge non-current variable financing transactions.

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.

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

18

Financial instrument	Type	31.12.2005 Nominal amount TEUR	31.12.2005 Fair value TEUR	31.12.2004 Nominal amount TEUR	31.12.2004 Fair value TEUR
Call options	Option buy TUSD	3,378	18	-	-
Forward-exchange contracts	buy TUSD buy TPLN	10,965 351	51 –64	9,237 657	–402 –66
Interest-rate swaps	Loan TEUR Loan PLN	8,622 795	–186 –32	10,646 1,504	–268 –67

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 tradeable 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 only shown under other assets and the negative market value under other liabilities. As the contracts the transactions are based on have only been concluded with financially sound banks, there are no financial risks for these instruments.

The due dates for the interest-rate swaps as at December 31, 2005 and 2004 are as follows:

	31.12.2005 TEUR	31.12.2004 TEUR
Within a year	2,819	2,776
Between one and five years	5,847	8,124
Over five years	750	1,250
Total	9,416	12,150

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, that 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.

4) First-time adoption of IFRS

23 **a) First-time adoption principles**

FRoSTA AG's consolidated financial statements as at December 31, 2005 were prepared under IFRS 1 in compliance with the regulations for first-time adoption of the IFRSs.

In the financial year 2005 the IFRSs were adopted forming what is known as the "stable platform" and which are binding for financial years that start on or after January 1, 2005.

These standards were used in compliance with the appropriate transitional provisions. If not expressly stated in the individual standards and not explained separately afterwards, they were used retrospectively, i.e. the presentation was done as if the new balancing and valuation methods had always been used.

The material simplification provisions under IFRS 1, regarding a retrospective application of the IFRSs applicable as at December 31, 2005 for the opening IFRS balance sheet as at January 1, 2004, were applied as follows:

1. Business combinations before the transition period

   At FRoSTA AG for business combinations before the transition date, the previously selected and applied consolidation methods in line with HGB will be retained. This maintains the way the goodwill, revealed from the consolidating entries, is treated in the balance sheet (e.g. offsetting reserves).

2. Employee benefits

   All actuarial profits and losses of all performance-related plans have been wholly recorded in the opening balance sheet till the transitional period (no "fresh start").

All changes made as a result of altering the financial accounting are reported in the revenue reserves. The IASB has published more standards and interpretations that are not binding as at December 31, 2005. The Executive Board does not expect any substantial effects on FRoSTA AG's financial statements for the first time adoption period. However for first time adoption of IFRS 7 "Financial instruments – disclosures" and the changes in IAS 1 "Presentation of financial statements: disclosures on equity capital" will lead to further information having to be supplied in the notes. IFRS 7 and the amendments to IAS 1 will have to be applied for the first time in financial years commencing on or after January 1, 2007.

24 **b) Reconciliation of the consolidated equity capital and the consolidated annual profit from HGB to IFRSs**

Using the IFRSs has resulted in the following effects on consolidated equity capital as per January 1, 2004 or December 31, 2004:

TEUR	Notes	31.12.2004	01.01.2004
HGB consolidated equity capital		**37,271**	**27,789**
Change in the consolidated group	I	0	–206
Adjustment of deferred taxes	II	–8,832	–7,012
Capitalisation of self-produced intangible assets	III	1,475	522
Pallets	IV	639	314
Adjustment of depreciable lives and depreciation methods, impairment	V	24,702	25,443
Valuation of inventories	VI	142	437
Adjustments of provisions for doubtful debts	VII	50	39
Adjustment of pension liabilities	VIII	–527	–416
Adjustment in accounting of other provisions	IX	50	49
Other effects		155	60
IFRS consolidated equity capital		**55,125**	**47,,019**

The effects produced by changing from HGB to IFRSs on consolidated annual profit for the financial year 2004 are as follows:

TEUR	Notes	2004
HGB consolidated net profit for the year		**9,417**
Adjustment of deferred taxes	II	–1,820
Capitalisation of self-produced intangible assets	III	953
Pallets	IV	325
Adjustment of depreciable lives and depreciation methods	V	–741
Valuation of inventories	VI	–295
Adjustments of provisions for doubtful debts	VII	11
Adjustment of pension liabilities	VIII	–111
Adjustment in accounting of other provisions	IX	1
Adjustment of the currency conversion by foreign subsidiaries	X	-68
Other effects		88
IFRS consolidated net profit for the year		**7,760**

The main differences between the accounting and valuation methods according to HGB and IFRS concern the following in particular:

I. The two subsidiaries FRoSTA Hungary Kft., Budapest/Hungary and FRoSTA Romania S.R.L., Bucharest/Romania were removed from the consolidated group as a whole since they are of limited importance to the assets, finances and earnings of the Group. These are companies with no operational business.

II. Under IAS 12 deferred taxes are to be recognised for all temporary differences between the valuations of assets and liabilities in the balance sheet under IFRSs and their tax bases and for tax loss carryforwards. Deferred taxes are established based on tax rates applicable in the future. According to HGB regulations there is only a recognition obligation for deferred tax liabilities and for deferred tax assets on consolidation items. No deferred tax assets were accounted for tax loss carryforwards. There is a right to choose whether the other deferred tax assets are recognised.

III. Self-produced fixed assets are capitalised when the intangible assets are produced and then depreciated according to schedule. According to HGB self-produced fixed intangible assets may not be capitalised.

IV. Pallets are a significant asset to FRoSTA AG. Therefore they are capitalised and depreciated accordingly as scheduled. Under HGB a fixed value is given for pallets.

V. A change of the useful lives results from the adjustment of the economic useful life. Under IFRSs only straight-line depreciation is carried out. These adjustments led to an increase of TEUR 35,781 in the residual book values as at January 1, 2004. Unscheduled impairment of TEUR 10,338 was carried out as at January 1, 2004. We refer to item 8 as regards the procedure.

VI. The main effect on the inventories is that the Lifo valuation procedure under IAS 2 was not used. Under HGB a Lifo reserve as at December 31, 2004 of TEUR 226 was shown.

VII. Value adjustments based on flat rates were shown in the consolidated financial statement under HGB. These have not been taken into account in the IFRS consolidated financial statements.

VIII. Provisions for pensions were valued in the HGB consolidated financial statements mainly on the basis of the entry age normal method under article 6a EStG (German income tax law) by using a constant interest rate of 6%. In the IFRS consolidated financial statements the reserves for pensions are calculated under IAS 19 using the projected unit credit method. With this method, apart from the current long-term market interest rate, actuarial assumptions on future wage and pension increases are taken into account that are not included under HGB.
For the calculations as at December 31, 2004 an accounting interest rate of 4.5% and future wage increases of 2.0% were taken into account using the "1998 tables" drawn up by Prof. Dr. Klaus Heubeck.

IX. The adjustment in accounting of other provisions concerns provisions for part-time work for pensioners and jubilee benefits. According to IAS 19 the projected unit credit method is used to assess jubilee benefits. Each year the actual value of the rights obtained on the reporting date must be allocated to reserves.

X. The income and expenses from foreign subsidiaries whose functional currency is not the Euro, are converted in the consolidated financial statements using the weighted average rate. Differences occur because in the HGB consolidated financial statements, conversion was carried out using the closing rate.

5) Notes on the consolidated balance sheet

25 **a) Intangible assets**

The development of the individual items in the intangible assets is shown in the consolidated assets (enclosure to the notes).

The intangible assets chiefly concern the ERP software SAP/R3 purchased under the sale-and-hire purchase procedure. The software and the hardware required to use it were sold under contracts of December 9, 2003, November 29, 2004 and May 1, 2005 for a total of 7.4 million Euros to Siemens Finance & Leasing GmbH, Salzkotten and re-purchased with the same contract as sale and lease back objects. The sale and lease back object is to be assigned to FRoSTA AG as commercial owner as of the commencement of the contracts. The contracts will run for 48, 36 and 32 months. The interest rates are between 5.48 and 4.44 %. The corresponding liabilities are shown under other liabilities.

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 2005 amounted to TEUR 1,095 (2004 TEUR 1,035).

26 **b) Tangible assets**

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

27 **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.

28 **d) Inventories**

The inventories are comprised as follows:

TEUR	31.12.2005	31.12.2004
Raw materials and consumables	16,827	13,980
Unfinished goods	10,640	9,038
Finished products and goods	15,793	15,313
Inventories	**43,260**	**38,331**

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 1,345 (2004 TEUR 1,375).

29 **e) Trade receivables**

Trade receivables are comprised as follows:

TEUR	31.12.2005	31.12.2004
Trade receivables, gross	46,678	17,052
Value adjustments on trade receivables	–974	–535
Trade receivables	**45,704**	**16,517**

The receivables sold as part of asset backed security transactions (ABS) came to 24,999 TEUR as at December 31, 2004. Notice has been given on the contract on sales of receivables to the end of 2005 and is therefore terminated.

30 **f) Other assets**

FRoSTA AG's assets are made up as follows:

TEUR	31.12.2005	31.12.2004
Factoring/ABS	0	1,937
Receivables from investment grants	481	692
Creditors with debit balances	141	217
Additional expenditure due to issue of employee shares	88	58
Other	922	395
financial assets	**1,632**	**3,299**
Delimitations	203	290
Partial retirement/ bankruptcy insurance	156	197
Other assets	**359**	**487**
Sundry assets	**1,991**	**3,786**

31 **g) Equity capital**

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

32 **Subscribed capital**

The share capital of TEUR 16,137 has been fully paid in. Considering 6,303,316 shares the calculatory value is EUR 2.56 per share. Compared to the previous year there was a change in that 25,351 employee shares were issued at a special price of 186 TEUR. The shares' nominal value was TEUR 65. A further increase of TEUR 23 was brought about by an increase of equity capital from Company funds.

Apart from this there are authorised capital funds, as yet unused, for a fixed period until June 30, 2007 amounting to EUR 435,101.44 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, 2007 for a capital increase from cash contributions.

33 **Capital reserves**

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

34 **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, 2005, these came to TEUR 8,551 (2004 TEUR 9,095).

Based on FRoSTA AG's net profit as at December 31, 2004 the Shareholders' Meeting on July 7, 2005 decided to pay out a dividend of EUR 0.20 per share (TEUR 1,256) and to transfer TEUR 7,838 into revenue reserves .

FRoSTA AG's Executive Board proposes a dividend of EUR 0.50 per share for 2005 depending on the approval of the Shareholders' Meeting.

35 **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.

36 **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:

	2005	2004
Proposal I – number of shares	14,147	8,312
Issue price (EUR)	6.00	2.90
Market rate (EUR)	14.25	5.75
Estimated market price (EUR)	9.25	3.32
Balance (EUR)	3.25	0.42
Value (TEUR)	**46**	**3**
Proposal II – number of shares	11,204	4,450
Issue price (EUR)	9.00	4.35
Estimated market rate (EUR)	12.25	4.77
Balance (EUR)	3.25	0.42
Value (TEUR)	**36**	**2**
Total (TEUR)	**82**	**5**

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.

37 **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 2004 and 2005 the following parameters were used:

	2005	2004
Interest rate	4.00 %	4.50 %
Salary trend	2.00 %	2.00 %
Pension trend	1.25 - 2.00 %	1.25 - 2.00 %

The actuarial forecasts for the life expectancy are based on Dr. Klaus Heubeck's 1998 charts for the previous year and on the 2005 charts for the financial year 2005.

(Continue reading: Position h) *column 2)*

In 2005 and 2004 the following expenses occurred:

TEUR	2005	2004
Current service costs	2	10
Actuarial profits	144	157
Expected income from plan assets	–3	–3
Personnel costs	**143**	**164**
Interest paid	102	111
Pensions paid	**245**	**275**

The provision recorded in the balance sheet developed as follows:

TEUR	2005	2004
Provisions as per January 1	2,510	2,399
Pensions paid	245	275
Payments to pensioners	–115	–164
Provisions as at December 31	**2,640**	**2,510**

38 **i) Other provisions**

The other provisions are made up as follows:

TEUR	As at 01.01.2005	Utilisation	Write-back	Transfer	per 31.12.2005
Partial retirement	391	122	3	97	363
Jubilee payments	816	96	0	165	885
Sundry non-current provisions	1,207	218	3	262	1,248
Severance payments	845	805	40	101	101
Anticipated losses	137	137	0	223	223
Sundry current provisions	982	942	40	324	324
Sundry provisions	**2,189**	**1,160**	**43**	**586**	**1,572**

Provisions for anticipated losses related to pending sales contracts were created for orders already filled whose earnings do not cover their own costs.

39 **j) Liabilities**

	Total amount TEUR	thereof with a remaining maturity of			thereof secured by mortgages TEUR
		up to one year TEUR	between one and five years TEUR	more than five years TEUR	
Liabilities to banks (previous year)	44,448 (28,774)	33,487 (8,768)	10,003 (17,363)	958 (2,643)	11,402 (20,699)
Trade payables (previous year)	26,949 (18,998)	26,949 (18,998)	0 (0)	0 (0)	0 (0)
Liabilities to affiliated companies (previous year)	32 (32)	32 (32)	0 (0)	0 (0)	0 (0)
Other liabilities (previous year)	13,304 (14,475)	11,055 (11,176)	2,249 (3,299)	0 (0)	0 (0)

Bank loans and overdrafts are secured by mortgages (TEUR 9,819; previous year TEUR 18,782) and secured by similar rights (TEUR 1,583; previous year TEUR 1,917).

Bank loans and overdrafts are listed as follows:

	31.12.2005 TEUR	31.12.2004 TEUR
Non-current loans	**10,961**	**20,006**
Current loans	5,904	7,768
Current account liabilities	27,619	1,042
Debt discount	–36	–42
Current liabilities to banks	**33,487**	**8,768**
Bank loans and overdrafts	**44,448**	**28,774**

The long and short term bank loans and overdrafts as at December 31, 2005 and the other non-current liabilities which are exclusively finance liabilities have the following interest and maturity rates:

31.12.2005 TEUR	31.12.2004 TEUR	Interest rate in %	Maturity
Loans from financial institutions			
0	767	4.7500	30.12.2005
77	128	4.8500	30.06.2007
153	256	4.8500	30.06.2007
224	671	4.8500	31.03.2006
304	5,260	4.4500	02.01.2010
319	959	4.1500	31.03.2006
441	586	4.3500	30.09.2008
639	895	5.6500	30.06.2008
775	734	6.15–8.60	14.02.2007
795	1,505	10.970	21.12.2006
1,583	1,917	4.7300	30.09.2010
1,917	2,556	3.2500	30.12.2008
3,893	4,837	5.9500	30.08.2009
5,745	6,703	5.5250	30.08.2011
16,865	**27,774**		

The other non-current liabilities result from the sale and hire purchase transaction with Siemens Finance & Leasing GmbH, Salzkotten.

31.12.2005 TEUR	31.12.2004 TEUR	Interest rate in %	Maturity
Other non-current financial liabilities			
1,067	1,581	5.4782	30.11.2007
2,232	3,376	4.4371	31.10.2007
1,345	0	4.7822	31.12.2007
4,644	**4,957**		
–2,395 *	–1,658 *		
2,249	3,299		

* current portion

40 The other current liabilities are structured as follows:

TEUR	31.12.2005	31.12.2004
Financial liabilities from hire purchase of SAP/R3	2,395	1,658
Collection commissions	1,198	1,148
Customers with a credit balance	112	39
Other sundry financial liabilities	373	500
Financial liabilities	**4,078**	**3,345**
Liabilities to employees	2,275	2,177
Social security contributions	1,038	1,046
Taxes	532	454
Accruals	3,132	4,154
Other sundry liabilities	6,977	7,831
Other liabilities	**11,055**	**11,176**

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

41 **a) Turnover**

FRoSTA AG's turnover is made up as follows:

TEUR	2005	2004
Germany	186,535	190,439
Abroad	82,100	73,619
Sales revenues	**268,635**	**264,058**

42 **b) Other operating income**

Other operating income is structured as follows:

TEUR	2005	2004
Exchange rate profits	1,971	1,155
Income from charged-off accruals	861	599
Income from credits from previous years and charged-off liabilities	831	1.527
Income from mineral oil tax refund	353	514
Sundry operating income	907	1.650
Other operating income	**4,923**	**5,445**

The other operating income includes a refund for settlement of the ABS contract of TEUR 183. A profit of TEUR 118 is included from the allocation to the participation in the subsidiary in Romania.

43 **c) Personnel costs**

Personnel costs are split up as follows:

TEUR	2005	2004
Wages and salaries	37,205	35,535
Social security contributions	6,831	6,813
Pension costs	154	164
Costs of share-related remunerations	82	5
Personnel costs	**44,272**	**42,517**

The personnel costs include severance payments of TEUR 328 (TEUR 60 previous year). 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 2005/2004:

	2005	2004
Wage-earners	730	695
Salaried staff	328	330
Temporary employees	79	80
Number of employees according to article 314 (1) No. 4 HGB	**1,137**	**1,105**
Apprentices	30	33
Number of employees	**1,167**	**1,138**

44 **d) Depreciation and amortisation**

A breakdown of depreciation and amortisation is as follows:

TEUR	2005	2004
Scheduled amortisation of intangible assets	1,800	541
Scheduled depreciation of property, plant and equipment	9,057	9,857
Deprecitation and amortisation	**10,857**	**10,398**

45 **e) Other operating expenses**

Other operating expenses are grouped as follows:

TEUR	2005	2004
Storage and transport costs	10,863	9,352
Advertising costs	7,076	9,501
External personnel costs	5,142	4,120
Rent and cold-storage expenses	4,018	4,812
Maintenance	2,965	3,890
Costs for the German "Gruener Punkt" recycling program and transport packaging	1,399	1,807
Fees and contributions	1,392	1,500
Foreign currency exchange losses	1,060	1,640
Insurance costs	992	999
Travel costs	689	667
Legal and professional fees	618	757
Leased car costs	548	578
Postal and telephone charges	497	505
Other taxes	280	170
Other expenses	4,580	4,533
Other operating expenses	**42,119**	**44,831**

46 **f) Interest result**

The interest result is divided up as follows:

TEUR	2005	2004
Income from interest on bank balances	11	0
Income from interest on loans	5	1
Income from interest on tax credits	16	12
Other income from interest	29	23
Income from interest	**61**	**36**
Interest paid for bank loans and overdrafts	–1,428	–1,956
Interest paid for sales and lease back transaction	–232	–120
Interest paid for pension reserves	–102	–111
Interest paid for accrued taxes	+16	–57
Anticipated losses from interest rate swaps	–36	–93
Amortisation of debt discount	–15	–209
Other interest paid	–22	–25
Interest and similar expenses	**–1,819**	**–2,571**
Income from interest	**–1,758**	**–2,535**

47 **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	2005	2004
Current German taxes	4,987	3,161
Current foreign taxes	115	92
Current taxes for financial year	**5,102**	**3,253**
Taxes for previous years	21	34
Taxes on income and earnings	5,123	3,287
Deferred taxes Germany	–61	1,840
Deferred foreign taxes	19	37
Deferred taxes	**–42**	**1.877**
Tax expenditure according to income statement	**5,081**	**5,164**

The current tax expenditure was reduced by the loss carryforwards by TEUR 145 at the subsidiary in Poland (previous year TEUR 40). The deferred taxes accrued corresponding from using the loss carry-forward of TEUR 127 (previous year TEUR 35).

The expected expense for taxes on earnings and income, which would have resulted if the parent company FRoSTA AG's tax rate of 38.5 % 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	2005	2004
Result before taxes on income and earnings	**13,491**	**12,924**
FRoSTA AG's tax rate	38.5 %	38.5 %
Expected tax expenditure	**5,194**	**4,976**
Different tax rates	–243	–38
Taxes on income and earnings for previous years	21	34
Non-deductible operating expenses	109	242
Tax-exempt income	0	–50
Tax expenditure according to income statement	**5,081**	**5,164**

For corporations based in Germany, 25% 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. As of 2004 a limited use of the income tax and trade tax loss carryforwards has to be considered. The loss carried forward will reduce the first EUR 1 million fully, exceeding profits will be reduced by a maximum of 60%.

The effects of different tax rates for foreign taxes are separately reported in the reconciliation statement.

48 The active and passive deferred taxes resulting from the temporary differences and tax-related loss carry-forwards are divided up as follows:

TEUR	31.12.2005 Active deferred taxes	31.12.2005 Passive deferred taxes	31.12.2004 Active deferred taxes	31.12.2004 Passive deferred taxes
Intangible assets	53	2	0	21
Tangible assets	0	8,925	0	9,568
Inventories	3	624	0	55
Trade receivables	61	108	0	62
Pension reserves	243	0	203	0
Sundry provisions	423	0	75	0
Trade payables	4	7	32	0
Other liabilities	38	43	337	0
Temporary differences	**825**	**9,709**	**647**	**9,706**
Loss carryforwards	**53**	**0**	**180**	**0**
Total	**878**	**9,709**	**827**	**9,706**

For the Polish subsidiary's tax loss carryforwards losses that can to be brought forward amount to TEUR 276 within the next 2 years.

The change of the deferred tax receivables and liabilities balances at TEUR 48 and is due to the current deferred tax expenditures and tax proceeds of TEUR 42 and effects from exchange rate fluctuations of TEUR 6.

49 **h) Earnings per share**

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

		2005	2004
Consolidated profit for the year	TEUR	8,410	7,760
Weighted average of issued shares	1,000 shares	6,291	6,267
Consolidated profit for the year per share	EUR	1.33	1.24

A figure of EUR 1.33 (previous year EUR 1.24) is reported for the undiluted as well as for the diluted result.

50 **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 477 (previous year TEUR 555).

The main feature of cash flow from current business activities is the termination of the ABS transaction by the end of the financial year (previous year TEUR 24,999) and the resulting increase of trade receivables while refinancing increased the cash flow from financing.

51 **8) Explanatory notes on segment reporting**

According to IAS 14, the notes to the consolidated financial statements have to be amended by segment reporting. We will not carry out any segment reporting, as we feel it is a disadvantage to publish this sensitive information about the Company. These disadvantages would particularly arise from competitors that do not have to publish their financial statements and large international groups, which only provide segment reporting at a superficial level.

9) Other information

52 **Primary financial instruments**

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

TEUR	31.12.2005 Book value	31.12.2005 Fair value	31.12.2004 Book value	31.12.2004 Fair value
Bank loans and overdrafts	44,448	44,798	28,774	29,360
Liabilities from SAP sale and lease back transaction	4,644	4,681	4,957	4,980
Other financial liabilities	1,683	1,683	1,687	1,687

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

53 **a) Contingencies**

The FRoSTA Group believes there are no significant contingencies.

54 **b) Other financial liabilities**

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

TEUR	2005	2004
Liabilities from current leasing contracts	1,087	1,113
Liabilities from current leases and maintenance agreements	3,753	3,243
Commitments from increase in capital investments	714	1,418
Other financial liabilities	**5,554**	**5,774**

Future payments from lease, maintenance and hire contracts as at December 31, 2005 have the following remaining maturities:

TEUR	< 1 year	1–5 years	> 5 years
Future payments from current leasing contracts	532	547	8
Future payments from current lease and maintenance contracts	2,103	1,511	139
Total	**2,635**	**2,058**	**147**

Total expenditure from sale and hire purchase contracts amounted to TEUR 3,160 and TEUR 3,261 for the financial years 2005 and 2004.

55 **c) Finance leases**

Sale and hire purchase contracts were concluded for the purchase of new IT equipment and SAP software. The leasing assets were balanced at cost. The book values result as follows:

TEUR	31.12.2005	31.12.2004
Intangible assets	3.828	4.208
Tangible assets	759	979
Total	**4.587**	**5.187**

The respective liabilities are recognised under the other liabilities. Minimum lease payments for the remaining maturities of these contracts expiring in 2007, as well as their cash values are grouped as follows:

TEUR	31.12.2005	31.12.2004
Leasing payments due:		
Within one year	2,544	1,843
Between one and five years	2,285	3,427
Total leasing payments	**4,829**	**5,270**
less: expected future interest payments	185	313
Liabilities under finance lease	**4,644**	**4,957**
thereof:		
Current	2,395	1,658
Non-current	2,249	3,299

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

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

	TEUR
Final audit	145
Other certification or valuation services	4
Tax consultancy services	46
Other services	21
Total	**216**

57 **e) Affiliated individuals**

Executive Board

Members of the FRoSTA AG's Executive Board in the financial year 2005 were:

- Dirk Ahlers, businessman, Hamburg (Chairman)
  - Further appointments held by Mr Ahlers: Supervisory Board member at HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsverwaltung mbH, Hamburg
  - As at December 31, 2005: 2,245,076 FRoSTA shares = 35,26 %.

- Felix Ahlers, Hamburg (Vice President Marketing and Sales)
  - As at December 31, 2005: 1,446,760 FRoSTA shares = 22.95%.

- Dr. Stephan Hinrichs, Bendestorf (Vice President Finance and Administration)
  - Other appointments held by Dr Hinrichs: Supervisory board member at Sievert AG, Hamburg

- Jürgen Marggraf, Bremen (Vice President Operations)

The total number of Executive Board FRoSTA shares as at December 31, 2005 amounts to: 3,763,136 = 59.7%.

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 1WpHG (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 1WpHG.

Supervisory board

Members of FRoSTA AG's Supervisory Board in the financial year 2005 were:

- Dr. Herbert Müffelmann, solicitor, Bremen (Chairman)
  - Other appointments held by Dr Müffelmann: Supervisory Board Member of Nabertherm GmbH, Lilienthal, and of F. Weyhausen Beteiligungs AG, Wildeshausen, and Chairman of the Supervisory Board at Hansaflex Hydraulik GmbH, Bremen.

- Ulf Weisner, businessman, Ratingen-Lintorf (Deputy Chairman)

- 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 = 0.04%.

In the financial year the Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co., Hamburg, whose partners are Messrs Felix and Dirk Ahlers and Ms Friederike Ahlers, invoiced FRoSTA AG for travel expenses, rentals and commission on commodities sold totalling TEUR 87 (in the previous year TEUR 197). The balance at December 31, 2005 amounts to TEUR 2.

The consulting services for FRoSTA AG provided by Sozietät Büsing, Müffelmann & Theye, Bremen amounted to TEUR 75 (2004: TEUR 102). As at December 31, 2005 this produces a balance of TEUR 4.

Mr Ulf Weisner provided consulting services to FRoSTA AG worth TEUR 15 (2004 TEUR 0).This amounts to a balance of TEUR 0 on December 31, 2005 as in the previous year.

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

The total remuneration of the Executive Board for the financial year 2005 amounted to TEUR 1,853 (previous year TEUR 1,560). Of this the fixed remuneration came to TEUR 760 (previous year TEUR 669) and variable remuneration TEUR 1,093 (previous year TEUR 891).

The total remuneration of former members of the Executive Board was TEUR 64 in the financial year (2004 TEUR 267). Pension reserves for former Executive Board members amounted to TEUR 518 on the balance sheet date (TEUR 538 in the previous year).

The remuneration of the Supervisory Board amounted to TEUR 20. Of that, TEUR 5 were variable and TEUR 15 fixed payments. The remuneration of the previous year at TEUR 18 concerned exclusively fixed payments.

59 **g) 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.

60 **h) Appropriation of profits**

We will be proposing to the General Meeting of Shareholders that FRoSTA AG's net profit for the year totalling EUR 8,550,858.00 as per December 31, 2005 be appropriated as follows: a dividend of EUR 0.50 per share equalling a total dividend of EUR 3,151,658.00 be paid to shareholders and that the remaining amount of EUR 5,399,200.00 be allocated to the other revenue reserves.

61 **i) Risk management report**

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

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

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

Bremerhaven, April 7, 2006

The Executive Board

(D. Ahlers) (Dr. S. Hinrichs)

(J. Marggraf) (F. Ahlers)

Auditors' report

We have audited the consolidated financial statements prepared by FRoSTA Aktiengesellschaft, Bremerhaven, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with its report on the position of the Company and the Group for the business year from January 1, to December 31, 2005. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Art. 315a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Art. 317 HGB [Handelsgesetzbuch „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

With the exception of the following qualification our audit has not led to any reservations: In contravention of IAS 14 the segment reporting is not disclosed in the notes to the financial statements.

In our opinion, based on the findings of our audit, the consolidated financial statements with the above-mentioned qualification, comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to Art. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. With the above-mentioned qualification the Group management report concurs with consolidated financial statements in accordance with IFRSs, as adopted by the EU, provides a suitable view of the Group's position as a whole and suitably presents the opportunities and risks of future development.

Bremen, April 7, 2006

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Original German Version signed by)

Heuermann Moritz
Wirtschaftsprüfer Wirtschaftsprüferin

FINANCIAL STATEMENTS FRoSTA AG

	Notes Item	2005 TEUR	2004 TEUR
1. Turnover	(8)	263,039	256,005
2. Increase (2004 decrease) in inventories of finished and unfinished goods		+882	–1,186
3. Own work capitalised		34	3
4. Other operating income – thereof for the release of special reserves With reserve funds TEUR 0 (2004: TEUR 42)	(9)	4,842	4,908
5. OPERATING INCOME		**+268,797**	**+259,730**
6. Cost of materials			
a) Raw materials, consumables and goods purchased for resale		154,369	142,646
b) Purchased services		6,163	5,909
		160,532	**148,555**
7. GROSS PROFIT		**+108,265**	**+111,175**
8. Personnel expenses	(10)		
a) Wages and salaries		34,595	33.718
b) Social security and other pension costs – thereof for pensions TEUR 57 (2004: TEUR 116)		6,382	6.486
		40,977	**40.204**
9. Depreciation/amortisation of intangible and tangible fixed assets	(3)		
a) Gross depreciation		7,806	10.168
b) Release of special reserves for fixed assets relating to investment grants and subsidies	(2)	0	–929
		7,806	**9,239**
10. Other operating expenses	(11)	44,480	46,836
11. OPERATING RESULT		**+15,002**	**+14,896**
12. Income from participating interests		10	0
13. Other interest and similar expenses – thereof to associated companies TEUR 155 (2004: TEUR 60)		184	95
14. Depreciation of financial assets		0	201
15. Interest and similar expenses – thereof to associated companies TEUR 25 (2004: TEUR 51)	(12)	1,464	2,378
16. Financial result		**–1,270**	**–2,484**
17. RESULT FROM ORDINARY BUSINESS ACTIVITIES		**+13,732**	**+12,412**
18. Taxes on income and earnings	(13)	4,998	3,179
19. Other taxes		183	138
20. Taxes		**5,181**	**3,317**
21. PROFIT FOR THE YEAR		**8,551**	**9,095**
22. Profit carried forward from previous year			
a) Accumulated profits carried forward from previous year		+9,095	0
b) Dividends to shareholders		–1,256	0
c) Transfer to revenue reserves		–7,839	0
		0	**0**
23. ACCUMULATED PROFITS	(23)	**8,551**	**9,095**

ASSETS

	Notes Item	31.12.2005 TEUR	31.12.2004 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		3,798	713
2. Prepayments		0	3,393
		3,798	**4,106**
II. Tangible assets	(3)		
1. Land, land rights and buildings including buildings on land owned by third-parties		24,728	29,809
2. Plant and machinery		6,826	9,681
3. Other plant, operating and office equipment		5,259	6,061
4. Prepayments and assets under construction		809	169
		37,622	**45,720**
III. Financial assets	(3)		
1. Shares in associated companies		3,828	3,864
2. Participating interests		17	17
3. Long-term securities and shares in cooperative societies		6	6
4. Employer's pension liability insurances		52	49
		3,903	**3,936**
		45,323	**53,762**
B. CURRENT ASSETS			
I. Inventories	(2)		
1. Raw materials and consumables		13,247	12,167
2. Work in progress		10,268	8,973
3. Finished products and goods purchased for resale		14,426	14,537
		37,941	**35,677**
II. Accounts receivable and miscellaneous other fixed assets	(4)		
1. Trade receivables		43,683	14,545
2. Amounts owed by associated companies		3,335	1,592
3. Other assets		4,348	5,277
		51,366	**21,414**
III. Cash and bank balances		**379**	**503**
		89,686	**57,594**
C. DEFERRED INCOME			
1. Debt discount		0	15
2. Others		173	256
		173	**271**
BALANCE SHEET TOTAL		**135,182**	**111,627**

LIABILITIES

	Notes Item	31.12.2005 TEUR	31.12.2004 TEUR
A. EQUITY CAPITAL			
I. Subscribed capital	(5)	**16,137**	**16,049**
II. Capital reserves	(5)	**7,512**	**7,391**
III. Revenue reserves			
1. Statutory reserve		200	200
2. Other revenue reserves		11,739	3,923
	(5)	**11,939**	**4,123**
IV. Unappropriated profits		**8,551**	**9,095**
		44,139	**36,658**
B. SPECIAL RESERVES FOR FIXED ASSETS RELATING TO INVESTMENT GRANTS AND SUBSIDIES	(2,3)	**0**	**5,871**
C. PROVISIONS			
1. Pension provisions and similar obligations	(2)	1,804	1,834
2. Provisions for taxes		3,227	4,114
3. Other provisions	(6)	10,833	10,499
		15,864	**16,447**
D. CREDITORS	(7)		
1. Bank loans and overdrafts		43,767	26,176
2. Trade payables		15,720	11,646
3. Amounts owed to associated companies		2,492	3,232
4. Other creditors – thereof taxes TEUR 492 (2004: TEUR 412) – thereof social security TEUR 950 (2004: TEUR 944)		13,170	11,506
		75,149	**52,560**
E. DEFERRED INCOME		**30**	**91**
BALANCE SHEET TOTAL		**135,182**	**111,627**

MOVEMENT ON FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2005	PURCHASE AND MANUFACTURING COST						ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS					NET BOOK VALUE	
	Amount carried forward 1.1.2005 TEUR	Reclassification TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As at 31.12.2005 TEUR	Amount carried forward 1.1.2005 TEUR	Reclassification TEUR	Additions TEUR	Disposals TEUR	As at 31.12.2005 TEUR	31.12.2005 TEUR	31.12.2004 TEUR
I. INTANGIBLE ASSETS													
1. Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	5,828	–119	1,380	2,970	0	10,059	5,115	–82	1,228	0	6.261	3,798	713
2. Prepayments	3,393	–410	4	–2,987	0	0	0	0	0	0	0	0	3,393
	9,221	**–529**	**1,384**	**–17**	**0**	**10,059**	**5,115**	**–82**	**1,228**	**0**	**6,261**	**3,798**	**4,106**
II. TANGIBLE ASSETS													
1. Land, land rights and buildings including buildings on land owned by third-parties	71,956	–11,627	243	6	2	60,576	42,147	–8,120	1,823	2	35,848	24,728	29,809
2. Plant and machinery	119,031	–25,029	1,703	13	456	95,262	109,350	–23,578	3,117	453	88,436	6,826	9,681
3. Other plant, operating and office equipment	34,868	423	1,196	97	215	36,369	28,807	879	1,638	214	31,110	5,259	6,061
4. Prepayments and assets under construction	169	–10	749	–99	0	809	0	0	0	0	0	809	169
	226,024	**–36,243**	**3,891**	**17**	**673**	**193,016**	**180,304**	**–30,819**	**6,578**	**669**	**155,394**	**37,622**	**45,720**
III. FINANCIAL ASSETS													
1. Shares in associated companies	7,591	0	0	0	36	7,555	3,727	0	0	0	3,727	3,828	3,864
2. Participating interests	193	0	0	0	0	193	176	0	0	0	176	17	17
3. Long-term securities and shares in cooperative societies	6	0	0	0	0	6	0	0	0	0	0	6	6
4. Employer's pension liability insurances	49	0	3	0	0	52	0	0	0	0	0	52	49
	7,839	**0**	**3**	**0**	**36**	**7,806**	**3,903**	**0**	**0**	**0**	**3,903**	**3,903**	**3,936**
	243,084	–36,772	5,278	0	709	210,881	189,322	–30,901	7,806	669	165,558	45,323	53,762

The reclassifications concern, apart from balancing the special item for investment grants and subsidies, also reclassifications between the individual items in the tangible assets.

FRoSTA Aktiengesellschaft, Bremerhaven

NOTES FOR THE FINANCIAL YEAR 2005 OF FRoSTA AG

A. GENERAL REMARKS

1 The financial statements at December 31, 2005 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.

B. ACCOUNTING AND VALUATION METHODS

2 *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 (2004: TEUR 609). A fixed value of TEUR 162 has been assigned to transport pallets.

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 costs of up to EUR 410 are fully written off in the year purchased and shown as disposals in the movements on fixed assets.

Investment grants and subsidies received or requested will for the first time in the financial year 2005 lower the costs of the subsidised assets. The reduction as per December 31, 2005 amounts to TEUR 5,376. In the previous year another special reserve was allocated to fixed assets for investment grants and subsidies. The release of special reserves of TEUR 929 listed in the previous year, directly reduces the "gross amortisation" to TEUR 786 in the financial year 2005.

Financial assets are valued at cost, less write-downs to the fair value. The asset value of pension liability insurance is appropriated to the guarantee funds included in the general operational plan including existing profit shares.

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 Lifo valuation method is applied for raw fish. The difference according to art. 284 (2) no. 4 HGB when using the Lifo valuation for the raw product fish is TEUR 1,333 (2004: TEUR 226).

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. The difference between the 1998 charts was wholly taken into account in the annual financial statements. 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.

The extent to which the profits for each year have been affected by valuations in accordance with the German tax law (Art. 285 (5) HGB) in the financial year 2005 and the previous year is not of great significance to FRoSTA AG's assets, finances and earnings.

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	Anual earnings 2005 TEUR
1. COPACK Tiefkühlkost-Produktionsgesellschaft mbH, Bremerhaven	100.00	256	302	4
2. ELBTAL Tiefkühlkost Vertriebs GmbH, Lommatzsch	100.00	26	32	1
3. Feldgemüse GmbH, Lommatzsch	100.00	26	15	–1
4. FRoSTA France S.a.r.l., Boulogne-Billancourt/France	100.00	153	498	43
5. FRoSTA Tiefkühlkost GmbH, Bremerhaven	100.00	255	256	5
6. FRoSTA GV-Partner GmbH Großverbraucher-Service, Bremerhaven	100.00	256	302	7
7. FRoSTA Italia s.r.l., Rome/Italy	100.00	10	136	10
8. FRoSTA Tiefkühlkost GmbH, Baden/Austria	100.00	36	189	18
9. FRoSTA ČR s.r.o., Prague/Czech Republic	100.00	35	122	–15
10. FRoSTA Sp. z o.o., Bydgoszcz/Poland	100.00	5,170	3,363	635
11. BioFreeze GmbH, Bremerhaven	100.00	256	292	3
12. TIKO Vertriebsgesellschaft mbH, Bremerhaven	100.00	256	298	5
13. Columbus Spedition GmbH, Bremerhaven	33.33	17	52 [1]	10 [1]
14. FRoSTA Hungary Kft., Budapest/Hungary	100.00	25	–16	–7
15. FRoSTA Romania S.R.L., Bucharest/Romania	100.00	26	32	2
16. FRoSTA Benelux B.V., Berkel-Enschot/The Netherlands	100.00	45	[2]	[2]
17. FRoSTA Limited, Hull/Great Britain	100.00	1	[2]	[2]
18. NORDSTERN America Inc., Seattle/USA	100.00	4	[2]	[2]
19. MIRELITE Außenhandels AG, Budapest/Hungary	6.60	68	[2]	[2]
				+720

1 Applies to 2004
2 In the case of subsidiaries with the serial Numbers 16 - 19 simplified regulations according to Art. 286 (3) page 1 no. 1 HGB were employed.

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 2,963 (2004: TEUR 1,497) owed by associated companies are financing costs. TEUR 2,061 (2004: TEUR 1,213) of this have a remaining period of more than one year.

As per December 31, 2004 trade receivables of TEUR 24,999 were sold as part of asset-backed security transactions. As per December 31, 2005 no receivables were sold.

Of the other assets TEUR 436 (2004: TEUR 295) have a remaining term of more than one year.

5 **3. Equity capital**
The equity capital on December 31, 2005 was EUR 16,136,488.96 and is divided into 6,303,316 no-par value shares. The individual share certificates are made out to the bearer.

In compliance with the Shareholders' Resolution of July 7, 2005 the Company's equity capital was initially increased from Company funds by EUR 22,143.70. A decision was also taken to appropriate a sum of EUR 7,838,767.06 from the net profit of EUR 9,094,360.06 to other revenue reserves.

As passed in an Executive Board resolution on 15 August 2005, the Company's equity capital was increased by EUR 64,898.56 to EUR 16,136,488.96 by issuing 25,351 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 29, 2005 approved this resolution by the Executive Board on the increase of equity capital. Premiums of EUR 120,819.44 from shares issued were transferred to the capital reserves. There are also authorised capital funds as yet unused for a fixed period till June 30, 2007 in the amount of EUR 435,101.44 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, 2007 for a capital increase against cash contributions.

6 **4. Other provisions**
The other provisions in the consolidated financial statements mainly concern provisions for outstanding invoices (TEUR 2,516), personnel (TEUR 4,648), collection commissions (TEUR 1,198), anticipated losses due to incomplete transactions (TEUR 499) and licence fees (TEUR 254) for the "Grüner Punkt" (German system of separating refuse).

7 **5. Liabilities and contingencies**

The liabilities of FRoSTA AG are as follows:

	Total amount TEUR	thereof with a remaining maturity of up to one year TEUR	between one and five years TEUR	more than five years TEUR	thereof secured by mortgages TEUR
Bank loans and overdrafts to financial institutions (previous year)	43.767 (26.176)	32.806 (6.881)	10.003 (16.652)	958 (2.643)	11.402 (20.699)
Trade payables (previous year)	15.720 (11.646)	15.720 (11.646)	0 (0)	0 (0)	0 (0)
Amounts owed to associated companies (previous year)	2.492 (3.232)	2.492 (3.232)	0 (0)	0 (0)	0 (0)
Other liabilities (previous year)	13.170 (11.506)	10.921 (8.207)	2.249 (3.299)	0 (0)	0 (0)
(previous year)	**75.149 (52.560)**	**61.939 (29.966)**	**12.252 (19.951)**	**958 (2.643)**	**11.402 (20.699)**

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.

With an approval on December 21, 2001 and on February 15, 2005, FRoSTA AG issued a loan-securing guarantee of PLN 12,300,000 (EUR 3,179,444.76) to Deutsche Bank AG, Hamburg, and of PLN 3,000,000 (EUR 775,474.33) to BRE Bank SA, Bydgoszcz, Poland, for the liabilities of FRoSTA Sp. z o.o. The amount owed to credit institutions was valued at PLN 6,075,000 (EUR 1,570,335.52) as at December 31, 2005.

II. PROFIT AND LOSS ACCOUNT

8 **1. Turnover**

FRoSTA AG's turnover is as follows:

	2005 Mill. EUR	2004 Mill. EUR	Difference %
Product sales - Germany - Abroad	197 85	198 73	–0.5 +16.4
	282	**271**	**+4.1**
Sales deduction	19	15	+26.7
	263	**256**	**+2.7**

Classified into product groups, turnover is as follows:

	2005 Mill. EUR	2004 Mill. EUR	Difference %
Fish	125	120	+4.2
Vegetable and fruit	75	78	–3.8
Ready meals and other products	63	58	+8.6
	263	**256**	**+2.7**

9 **2. Other operating income**

Income to a total of TEUR 2,027 (2004 TEUR 2,530) from other periods is shown in other operating income. Amounts from the financial year 2005 are mainly due to the charge-off of bonuses and the write-back of other reserves.

10 **3. Personnel costs**

Of the personnel costs for the financial year 2005 TEUR 0 (2004 TEUR 75) are from other periods.

11 **4. Other operating expenses**

Expenses of TEUR 505 (2004 TEUR 243) from other periods are included in other operating expenses.

12 **5. Interest and similar expenses**

Interest charges relating to other periods of TEUR 0 (2004 TEUR 57) are included in interest and similar expenses.

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

Net tax expenses of TEUR 24 (2004 TEUR 34) are also included in this item.

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

	31.12.2005 TEUR	31.12.2004 TEUR
a) Liabilities under current leasing contracts	1,063	1,110
b) Liabilities under current tenancy and maintenance contracts	3,517	3,026
c) Purchase commitment from expansion investments	714	1,418
	5,294	**5,554**
thereof payable by December 31, 2006:		
a) Liabilities under current leasing contracts	522	620
b) Liabilities under current tenancy and maintenance contracts	1,924	2,054
c) Purchase commitment from expansion investments	714	1,418
	3,160	**4,092**

The amounts shown are the nominal amounts.

E. HEDGING TRANSACTIONS/DERIVATIVES

15 In order to secure the future USD requirement for supplies received, forward exchange contracts and call options have been taken out. As loans granted by FRoSTA AG to FRoSTA Sp.z o.o. are due to be paid back, a forward-exchange contract has been signed in PLN for securing the currency. 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. Furthermore, interest rate swaps were also transacted. Unrealised losses of TEUR 186 apply to these transactions for which appropriate provisions have been made.

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 TEUR	fair value TEUR
Call options	Option buy TUSD	3,378	18
Forward exchange contracts	Buy TUSD Buy TPLN	10,965 351	51 –64
Interest-rate swaps	Loanff TEUR	8,622	–186

F. Auditor's remuneration

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

	TEUR
Final audit	123
Other confirmation and assessment services	4
Tax advisory services	46
Other services	21
Total	**194**

G. OTHER INFORMATION

17 **1. Number of employees**

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

	2005	2004
Wage-earners	568	580
Salaried staff	275	277
Temporary staff	79	80
No. of employees according to Art. 285 no 7 HGB	**922**	**937**
Trainees	30	33
	952	**970**

18 **2. Executive board**

The following were members of FRoSTA AG's Executive Board in the financial year 2005

- Dirk Ahlers, businessman, Hamburg (Chairman)
- Further appointments held by Mr Ahlers: Supervisory Board member at HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsverwaltung mbH, Hamburg
- As at December 31, 2005: 2,245,076 FRoSTA shares = 35.62%

- Felix Ahlers (Vice President Marketing and Sales)
- As per December 31, 2005: 1,446,760 FRoSTA shares = 22.95%

- Dr. Stephan Hinrichs, Bendestorf (Vice President Finance and Administration)
- Further appointments held by Dr Hinrichs: Supervisory Board member at Sievert AG, Hamburg

- Jürgen Marggraf, Bremen (Vice President Operations)

The total number of Executive Board FRoSTA shares on the balance sheet date amounted to 3,763,136 = 59.7%.

On February 19, 2004 the following information was published in accordance with Art. 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.

19 **3. Supervisory Board**

Members of FRoSTA AG's Supervisory Board in the financial year 2005 were:

- Dr. Herbert Müffelmann, solicitor, Bremen (Chairman)
- Further appointments held by Dr Müffelmann: Supervisory Board member at Nabertherm GmbH, Lilienthal and F. Weyhausen Beteiligungs AG, Wildeshausen as well as Chairman of the Supervisory Board at Hansaflex Hydraulik GmbH, Bremen

- Ulf H. Weisner, businessman; Ratingen-Lintorf (Deputy Chairman)

- 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 = 0.04%.

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4. Affiliated individuals

The Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co., Hamburg, whose partners are Messrs Felix and Dirk Ahlers and Ms Friederike Ahlers, invoiced FRoSTA for travel expenses, rentals and commission on commodities sold totalling EUR 87,000 in the financial year 2005.

The consulting services for FRoSTA AG provided by Sozietät Büsing, Müffelmann & Theye, Bremen amounted to TEUR 75. Mr Ulf Weisner provided consulting services to FRoSTA AG amounting to TEUR 15.

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5. Remuneration according Art. 285 no. 9 HGB

The total remuneration of the Executive Board of FRoSTA AG for the financial year was TEUR 1,853 (2004 TEUR 1,560). Of this the fixed remuneration came to TEUR 760 (2004 TEUR 669) and variable remuneration TEUR 1,093 (2004 TEUR 891).

The total remuneration of former members of the Executive Board at FRoSTA AG was TEUR 64 in the financial year (2004 TEUR 267). Pension reserves for former Executive Board members amounted to TEUR 518 on the balance sheet date.

The remuneration of the Supervisory Board members amounted to TEUR 20 of that, TEUR 5 were variable and TEUR 15 fixed payments. The remuneration of the previous year at TEUR 18 concerned exclusively fixed payments.

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6. Declaration of compliance in accordance with Art. 161 AktG

The Executive and the Supervisory Boards submitted their declaration of compliance in accordance with Art. 161 AktG and made it available to the shareholders at all times.

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7. Appropriation of profits

We will be proposing to the General Meeting of Shareholders that the net profit for the year totalling EUR 8,550,858.00 as at December 31, 2005 be appropriated as follows: that a dividend of EUR 0.50 per share equalling a total dividend of EUR 3,151,658.00 be paid to shareholders and that the remaining amount of EUR 5,399,200.00 be appropriated to the other revenue reserves.

Bremerhaven, April 7, 2006

The Executive Board

(D. Ahlers) (Dr. S. Hinrichs)

(J. Marggraf) F. Ahlers)

Auditors' report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and its report on the position of the Company and the Group prepared by FRoSTA Aktiengesellschaft, Bremerhaven, for the business year from January 1, to December 31, 2005. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Art. 317 HGB [„Handelsgesetzbuch": „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Bremen, April 7, 2006

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Original German Version signed by)

Heuermann — Wirtschaftsprüfer

Moritz — Wirtschaftsprüferin

CORPORATE GOVERNANCE REPORT

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 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 which 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 2004 for five 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 establishes the annual financial statement and approves the consolidated 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 2005 have been prepared according to IFRSs for the first time. 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, KPMG Treuhandgesellschaft Wirtschaftsprüfungsgesellschaft, 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 given by the Executive Board and the Supervisory Board according to article 164 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 or in the interim report which includes the most important key figures about the Company.

Press releases or ad hoc reports will also provide information if this is legally required. In the financial year 2005 an ad hoc report was published on April 6. The report and the press releases can be found on the Internet under www.frosta.de/Investor Relations.

FRoSTA AG has set up the required directory of persons with insider information. The persons affected were informed about 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", in the May 21, 2003 edition published in the electronic Bundesanzeiger have been followed in the previous financial year.

The recommendation to draw up several interim reports complying with internationally recognised accounting principles, will not be followed, as the Company draws up an interim report according to internationally-recognised accounting principles during the financial year which includes the most important key figures and comments about the Company.

The remuneration received by members of the Executive and Supervisory Boards is not shown individually in the notes to the consolidated financial statements. There is no age restriction for members of the Supervisory Board.

The Executive Board and Supervisory Board hereby declare that a D&O insurance policy has been taken out. The deductible is EUR 5,000.

In the June 2, 2005 version the recommendation has been complied with since publication and will continue to be complied with in the future.

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 Mr 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.

Year	Basic remuneration (TEUR)	Remuneration for share purchase (TEUR)	Variable remuneration (TEUR)	Total
2004	669	89	802	1,560
2005	760	87	1,006	1,853

The total remuneration of former members of the Executive Board at FRoSTA AG and in the Group amounted to TEUR 64 in the business year (2004 TEUR 267).

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 be paid out. The bonus is paid out once a year.

Jahr	Basic remuneration (TEUR)	Success-related bonus (TEUR)	Total
2004	18	--	18
2005	15	5	20

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 2005 with Company shares and published accordingly:

Date	Name	Type of business	Price per share	Number	Total volume
14.10.2005	Dr. Stephan Hinrichs	Share purchase	11.60 €	500	5,800.00 €
14.10.2005	Jürgen Marggraf	Share purchase	11.75 €	800	9,400.00 €
14.10.2005	Jürgen Marggraf	Share purchase	11.80 €	1,000	11,800.00 €
17.10.2005	Jürgen Marggraf	Share purchase	12.90 €	100	1,290.00 €
25.11.2005	Dr. Stephan Hinrichs	Share purchase	12.90 €	1,250	16,125.00 €
25.12.2005	Dirk Ahlers	Share purchase	13.40 €	25,000	335,000.00 €
15.12.2005	Felix Ahlers	Share purchase	13.40 €	25,000	335,000.00 €

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

	%
Dirk Ahlers	35.62
Felix Ahlers	22.95

Bremerhaven, April 7, 2006

The Executive Board

		IFRS		HGB							
FINANCIAL YEAR		**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**	**1997**	**1996**
Employees (average)	number	1,167	1,138	1,118	1,162	1,214	1,160	1,140	1,171	1,236	1,188
Turnover	(mill. EUR)	269	264	262	284	299	275	287	293	280	262
EBITDA	(mill. EUR)	26.1	25.8	6.0	19.2	23.4	16.3	25.1	18.9	19.9	27.3
Depreciation	(mill. EUR)	10.9	10.4	10.7	10.9	14.5	12.9	11.2	10.5	11.4	19.3
EBIT	(mill. EUR)	15.2	15.4	–4.7	8.3	8.9	3.4	13.8	8.4	8.5	8.0
Return on sales (related to operating result)[1]		5.7 %	5.8 %	–1.8 %	2.9 %	3.0 %	1.2 %	4.8 %	2.9 %	3.0 %	3.1 %
Result from ordinary business activities	(mill. EUR)	13.5	12.9	–7.4	5.2	4.6	0.6	11.0	5.0	5.5	8.7
Taxes on income	(mill. EUR)	5.1	5.1	0.0	2.5	1.6	0.4	3.8	0.2	2.2	3.5
Group result for the year	(mill. EUR)	8.4	7.8	–7.7	2.3	2.8	–0.1	6.9	4.6	3.6	4.7
Cash flow	(mill. EUR)	17.8	24.8	3.9	13.2	17.6	13.6	18.6	15.5	14.6	19.6
Investments	(mill. EUR)	5.8	6.6	6.4	8.4	8.6	30.6	19.5	10.0	11.6	36.0
Shares	number	6,303,316	6,277,965	6,265,203	6,254,233	6,244,241	6,227,900	6,199,503	6,169,717	6,150,909	613,464
Total dividend	(TEUR)	3,152	1,256	0	2,502	2,498	1,709	4.755	4,119	3,774	3,764
Dividend per share	(EUR)	0.50	0.20	0.00	0.40	0.40	0.77	0.77	0.77	0.61	6.14
Fixed assets	(mill. EUR)	68.8	73.7	57.3	63.8	66.3	76.1	60.6	54.8	57.7	61.0
Current assets	(mill. EUR)	95.0	61.4	59.8	68.4	63.7	70.1	83.0	101.5	88.3	92.7
Equity capital[2]	(mill. EUR)	62.7	55.1	31.5	39.8	41.0	41.8	41.7	38.5	39.8	40.3
Equity ratio[3]		38.1 %	34.3 %	22.1 %	25.5 %	25.2 %	24.4 %	28.9 %	24.5 %	27.1 %	26.1 %
Amounts owed to credit institutions	(mill. EUR)	44.5	28.8	42.7	42.5	46.8	46.9	55.6	70.9	58.4	60.0
Credit capital ratio[4]		27.0 %	17.9 %	30.0 %	27.3 %	28.8 %	27.4 %	38.5 %	45.2 %	39.8 %	38.9 %
Return on investment[5]		8.2 %	8.0 %	–5.4 %	3.1 %	2.7 %	0.2 %	7.4 %	3.1 %	4.0 %	5.3 %
Return on equity[6]		21.5 %	23.4 %	24.4 %	12.1 %	10.7 %	0.7 %	25.7 %	12.5 %	14.6 %	20.3 %

[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] (Profit for the year + taxes on income) / [(balance sheet result + ABS) / 100]
[6] (Profit for the year + taxes on income) / (equity capital per balance sheet / 100)

Dear Shareholders,

The business year 2005 was another very successful one for FRoSTA AG. The consistent separation of the "FRoSTA brand" and "FRoSTA Copack" organisational units has proved a successful business decision over the last two years. The FRoSTA brand operating result has continued to improve with a slight increase in turnover, and the FRoSTA Copack business unit in particular increased its sales volume abroad and in the hotel, restaurant and canteen business.

The Supervisory Board was closely involved with sales issues in the various markets, the development of the factories and the foreign subsidiaries. The Executive Board provided it with regular and comprehensive written and verbal reports on the situation of the Company, fundamental issues of Company policy, business transactions of particular importance and the risk management system. Apart from performing the functions it is responsible for by law and under the articles of incorporation, the Supervisory Board acted in a consultative capacity on major individual issues. The Supervisory Board dealt intensively with FRoSTA AG corporate governance issues.

The above-mentioned issues were dealt with in four Supervisory Board meetings. Detailed consultation was given on corporate planning for the principal business areas.

The Supervisory Board entrusted KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, 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 granted an unqualified audit certificate. As in previous years, the Group financial statements were given a correspondingly qualified audit certificate because segment reporting was not carried out, since this would have exposed the Company to competitive disadvantages. The auditor's report was submitted to the members of the Supervisory Board's Financial Committee in good time and was discussed and advisory assistance was provided during the Supervisory Board's balance sheet meeting, as well as at the preceding Financial Committee meeting in the presence of the auditors. The Supervisory Board has 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 of the employees for their successful performance during the 2005 business year.

Bremen, April 2006.

For the Supervisory Board
Dr. Herbert Müffelmann

SUPERVISORY BOARD

Dr. Herbert Müffelmann
Bremen
Solicitor
Chairman

Jürgen Schimmelpfennig
Bremerhaven
Fitter

Ulf Weisner
Ratingen-Lintorf
Businessman
Deputy chairman

EXECUTIVE BOARD

Dirk Ahlers
Hamburg
Chairman

Felix Ahlers
Hamburg

Dr. Stephan Hinrichs
Bremerhaven

Jürgen Marggraf
Bremerhaven

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