FRoSTA AG

ANNUAL REPORT 2011

FINANCIAL YEAR		2010	2011
Employees (average)	number	1,520	1,528
Turnover	mill. EUR	393	385
EBITDA[1] in % of turnover	mill. EUR	29.8 7.6 %	26.0 6.8 %
Depreciation	mill. EUR	12.1	11.1
EBIT[2] in % of turnover	mill. EUR	17.7 4.5 %	14.9 3.9 %
Result from ordinary business activities	mill. EUR	14.2	12.3
Group result for the year	mill. EUR	9.8	8.7
Cash flow	mill. EUR	21.8	21.1
Investments	mill. EUR	10.7	8.6
Dividend per share	EUR	0.75	0.75

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

FINANCIAL CALENDAR 2012	
Thursday, March 22, 2012	Financial Press Conference Restaurant Nil Neuer Pferdemarkt 5 20359 Hamburg
Friday, May 4, 2012	Publication of interim report per 30. April 2012
Thursday, June 21, 2012	Annual General Meeting Stadthalle Bremerhaven Wilhelm-Kaisen-Platz 27576 Bremerhaven
Friday, August 3, 2012	Publication of half-year report 2012
Friday, October 5, 2012	Publication of interim report per 30. September 2012

CONTENT

LETTER TO OUR SHAREHOLDERS

Dear shareholders,

After a difficult year in 2010, it is with regret that we have to report a further drop in the result for the year 2011. Turnover also saw a slight decrease (-2 %). Although we were able to cut our overheads significantly, it was not enough to maintain stable earnings.

The emergence of a new producer in the field of breaded fish products will lead to increased competition. It will be our challenge to defend our market position by all means available to us and at the same time make our organisation even more cost effective.

We have also initiated several growth projects targeted at achieving extra sales in the less fiercely fought markets.

Last year once again saw a slight decline in the overall German frozen food market (-1.7 % in volume). It is essential that we present the many benefits of frozen food more effectively:

- higher vitamin content than fresh food because we flash freeze produce immediately after harvest and thus eliminate storage at room temperature.
- positive carbon footprint: Cold storage removes completely the necessity for energy-intensive greenhouses. The carbon footprint is the same as for other food products. For many of our ready meals it is even much better. The CO_2 values of all FRoSTA products are posted on our website at www.frosta.de.
- less food waste: A recent survey shows that fresh food is three times more likely to be thrown away than frozen food.

It is now all the more gratifying that our FRoSTA brand could buck the general trend and record growth. This development was helped by our new vegetable pans, exotic soups and completely new vegetarian dishes. We launched an intensive advertising campaign for these products in the first months of 2012.

At the end of 2011, we introduced our Purity Command in Eastern Europe. Consumers in these countries are also keen on food products which are free of additives. The FRoSTA brand is now an international symbol of our Purity Command.

And there is another piece of news for 2012: Since March we have been offering a home delivery service for all our FRoSTA products. This is of particular benefit to consumers who have access to only a limited range in their local supermarkets and it is made possible by a sophisticated logistics system which we tested over a period of six months. At only 5.90 EUR per delivery, the service charge is also very affordable. Why not try it out at www.frostashop.de?

I wish to take this opportunity to thank sincerely our staff for their commitment and our customers and shareholders for their loyalty.

Yours faithfully,

Felix Ahlers

Felix Ahlers

MANAGEMENT REPORT

I. GENERAL CONDITIONS AND DEVELOPMENTS IN THE INDUSTRY

1. General economic climate

In 2011, the German economy grew by 3 % while in Euroland as a whole the figure was 1.5 %.

Compared to the previous year, inflation rose slightly to 2.4 % in Germany and 2.7 % in the Eurozone (Source: Statistisches Bundesamt).

On the whole, 2011 was a difficult year for the food industry. Consumer spending in the most important European markets was practically at a standstill.

Our business was greatly affected by the constantly high price of raw materials as well as the expensive US Dollar, with which we purchase most of our materials.

This relentlessly fierce price competition has continued, and we expect no relief in the next few years. For this reason, we have to reexamine and, where necessary, adapt our structures.

2. Development of the frozen food market

In Germany, the frozen food market grew in value by only 0.7 %, which is lower than the inflation rate, while market volume even dropped by 1.7 %.

Our FRoSTA brand once again saw higher growth in 2011 than the market as a whole. We are still convinced of the high quality of our frozen food products. However, we have to convince more consumers of the benefits they offer, especially in Eastern Europe, where per-capita consumption is only 30 % of the figure for Western Europe.

	Volume			Value		
	2009	2010	2011	2009	2010	2011
Ready meals – of these complete ready meals	–1.2 % –2.0 %	–3.4 % –2.0 %	–0.3 % 2.1 %	–0.5 % –1.0 %	–3.3 % –1.4 %	–1.3 % 0.4 %
Fish	–0.5 %	–0.5 %	–3.3 %	6.2 %	0.0 %	–1.6 %
Vegetables	–0.3 %	1.3 %	–4.7 %	0.3 %	1.6 %	–2.8 %
Fruit	3.6 %	18.1 %	5.1 %	10.5 %	6.6 %	2.9 %
Frozen food (total in food retail)	0.9 %	0.5 %	–1.7 %	1.3 %	–0.7 %	0.7 %

(source: ACNielsen)

II. Company situation

1. Situation concerning assets, financing and earnings

In 2011, we were not able to increase FRoSTA AG turnover as compared to the previous year. On the contrary, sales decreased by 2 %. The drop in volume was also 2 % and this affected mainly domestic private labels. FRoSTA brands and business outside Germany enjoyed a positive development. The drop in turnover in domestic private labels was due to fierce competition resulting from the supply and demand situation. This pressure led to lower unadjusted profit since we were not always able to pass the necessary price increases on to our customers, which meant that we were also forced to discontinue some existing contracts.

At 12.3 million EUR, the Group profit before tax was not as high as the 2010 figure of 14.2 million EUR. This drop of 1.9 million EUR or 13 % exceeds the drop in sales.

This development is mainly a result of lower turnover and the drop in unadjusted profit, which means that raw earnings fell by 6 million EUR as compared to the previous year. Although we were able to cut other operating costs by more than 2.3 million EUR, as well as reducing depreciation by 0.9 million EUR and spending 0.5 million EUR less on interest payments than in the previous year, it was still not enough to compensate fully for the drop in unadjusted profit.

At 14.9 million EUR, EBIT is down from the previous year's figure of 17.7 million EUR. EBITDA is at 26 million EUR, which is 3.8 million EUR or 13% down on the previous year's figure of 29.8 million EUR.

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

in TEUR	31.12.2010	31.12.2011
Subscribed capital	**16,721**	**16,920**
+ Capital reserves	9,813	10,822
+ Revenue reserves	67,975	75,780
+ Loss and balancing items	71	–1,190
+ Net result	6,649	2,631
Equity capital	**101,229**	**104,963**
Balance sheet total	225,499	221,576
Equity ratio	**44.9 %**	**47.4 %**

in million EUR	2007	2008	2009	2010	2011
Turnover	348.7	391.8	411.3	392.6	385.0
EBITDA (earnings before interest, tax and depreciation)	30.2	32.0	32.5	29.8	26.0
in % of turnover	8.7 %	8.2 %	7.9 %	7.6 %	6.8 %
– Depreciation	–10.9	–11.2	–11,6	–12.1	–11.1
EBIT (earnings before tax and interest)	19.3	20.8	20.9	17.7	14.9
in % of turnover	5.5 %	5.3 %	5.1 %	4.5 %	3.9%
+ Financial result	–2.7	–3.1	–3.5	–3.5	–2.6
Result from ordinary business activities	**16.6**	**17.7**	**17.4**	**14.2**	**12.3**
in % of turnover	4.8 %	4.5 %	4.2 %	3.6 %	3.2 %
– Taxes	–4.4	–5.6	–5.4	–4.4	–3.6
Consolidated result for year	**12.2**	**12.1**	**12.0**	**9.8**	**8.7**
in % of turnover	3.5%	3.1%	2.9 %	2.5 %	2.3 %

Investment amounting to 8.6 million EUR was slightly lower than in the previous year (10.7 million EUR) and also below depreciation. It was completely financed from the cash flow before change in working capital amounting to 21.1 million EUR (previous year 21.8 million EUR).

Our balance sheet total of 222 million EUR is down from the previous year's figure of 225 million EUR. Stocks rose by 14 % to 65 million EUR due to the fact that we sourced enough cheaper fish raw material to cover our needs for longer than usual in view of increasing prices. Capital assets and receivables at 6 % and 4 % respectively were down on the previous year's values. As in previous years, some of the receivables will be refinanced as part of an ABS programme. At the end of 2011, liquid funds amounted to 10 million EUR (previous year 15 million EUR).

In addition to the 4 % increase in equity from 101 million EUR to 105 million EUR, the balance sheet total was financed by long and short-term deferrals and liabilities, with bank liabilities falling by 14 % from 64 million EUR in 2010 to 55 million EUR in 2011.

Due to the increase in equity, the equity ratio grew from 44.9 % to 47.4 %. This equity ratio allows us to retain our financial independence even in difficult economic times.

2. Segment reporting

2.1 Development in business segment FRoSTA

In spite of the difficult market conditions described above, the FRoSTA business segment (brand business in Germany, private label and brand business in Austria, Italy, Poland and Eastern Europe) achieved a better result than in the previous year.

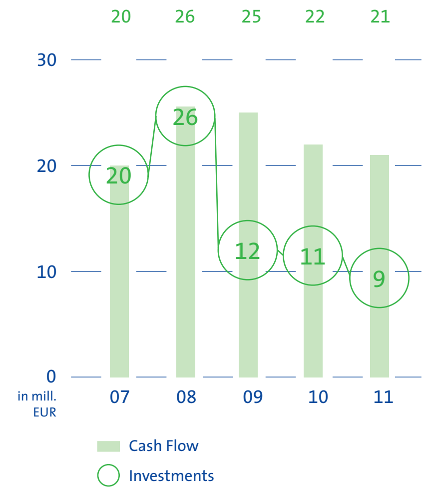
Turnover rose by 3.1 % (based on Profit and Loss Statement). It was also possible to improve the operative result after the sharp decline recorded in 2010.

In the battle for consumers in Germany, the FRoSTA brand continued to perform well and grew by 2.1 %, which is better than the market as a whole (Source: Nielsen 2011). In the market segment complete frozen meals, FRoSTA maintained its leading position by achieving a market share of 29.2 % (Source: Nielsen 2011, LEH+DM o. Aldi , Lidl, Norma). Within our "Koch-kreativ" concept, the newly developed vegetable range saw a very satisfactory growth rate of 37.5 % (Source: Nielsen 2011, LEH+DM o. Aldi, Lidl, Norma). This concept uses choice quality vegetable products according to the well-known FRoSTA Purity Command. The response from traders and consumers has been very positive.

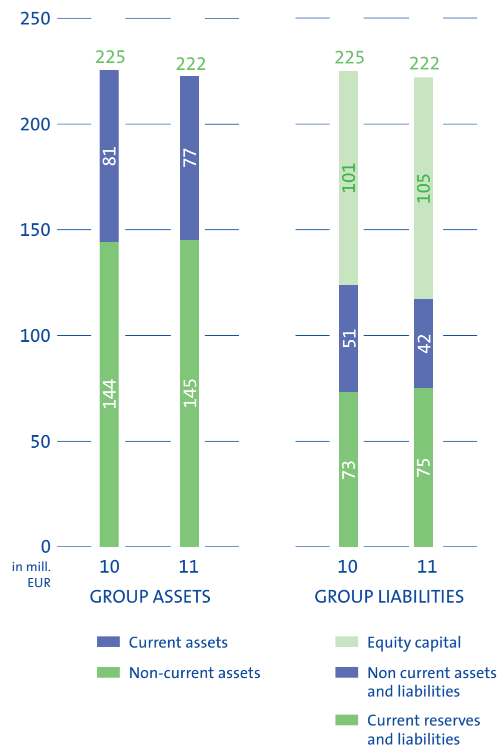
The result in Austria is strongly influenced by private labels. Fierce competition here has had a very negative effect on profit.

In the middle of the year we launched the FRoSTA Purity Command in Poland and thereby increased quality standards for all ready meals and vegetable products. In addition, we carried out a complete overhaul of our vegetable range concept supported by the first TV advertising campaign in Poland. FRoSTA was once again able to strengthen its dominant market position in the fish segment.

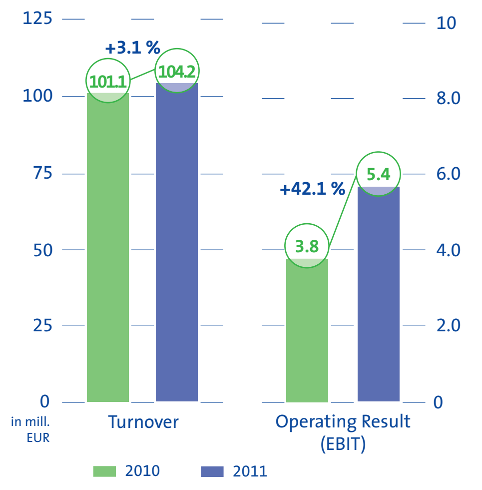
CASH FLOW BEFORE CHANGE IN WORKING CAPITAL



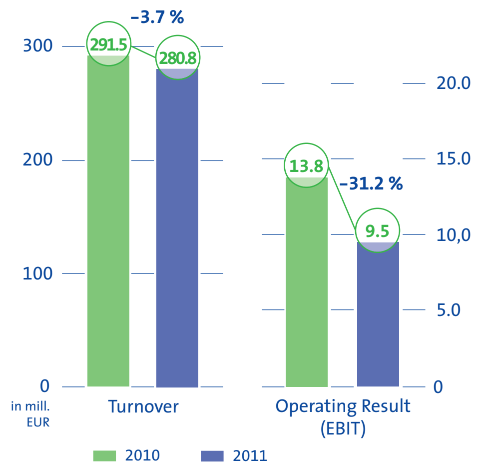
GROUP BALANCE SHEET STRUCTURE



BUSINESS SEGMENT FRoSTA



BUSINESS SEGMENT COPACK



In Hungary, our activities focus on the brand business and we were able to record a satisfactory result. Last year we once again saw a good response to our TV advertising in the fish segment.

Performance in the Balkan countries was mixed. We did manage to create new contracts for own brand fish in Serbia, Croatia and Slovenia, but consumer spending as a whole was affected by the poor overall economic situation.

In Romania, we again fell far short of the previous year's turnover. The overall economic situation and market conditions in our segment were both extremely challenging.

Business in Russia is also in decline once more, and is marked by constant difficulties in sourcing raw material as well as in the distribution of our products.

In Italy, we managed once again to improve on the previous year's very good result in turnover. This result, however, was also affected by sharp increases in raw material prices.

In all businesses and in all countries we have been forced to raise prices to keep unadjusted profit at an acceptable level. We have already completed the difficult negotiations necessary to achieve this.

2.2 Development in business segment COPACK

The business segment COPACK comprises all activities connected with the private label business in the food retail, home delivery, catering and industrial sectors, i.e. "Business to Business". These activities cover Germany and Western Europe. The COPACK business was marked by a very fierce competitive environment. Private label customers in Germany exerted particularly great pressure on prices through waves of price-cuts. This put great pressure on COPACK profit margins. And so, in 2011, we were not always able to extend the contracts with our customers at cost-covering prices, which forced us to terminate some contracts in Germany. This in turn resulted in a drop in volume, turnover and margins in this segment. This decline in turnover and the resulting absolute and relative decrease in unadjusted profit were the reasons for the corresponding drop in profit in this segment. The other businesses in this segment enjoyed a positive development.

3. Individual financial statement of FRoSTA AG

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

In contrast to the Group financial statements, for which the international rules of IFRS apply, the individual financial statements of FRoSTA AG are created according to the rules of the German Commercial Code (HGB), taking into account the BilMoG (German legislation on accounting practices).

As in the Group, FRoSTA AG turnover in 2011 was down on the previous year's result.

The individual financial statement shows a profit after tax based on the accounting principles of the German Commercial Code of 7.1 million EUR. The previous year's figure was 12.7 million EUR. This significant decline was due to the fact that in the previous year we had a one-off positive effect equivalent to 3.3 million EUR resulting from the inclusion of a stakeholding in our Polish subsidiary.

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

	TEUR
FRoSTA AG ANNUAL NET PROFIT FOR 2011 (HGB)	**7,096**
Changes IFRS	
Depreciation	-1,673
Stocks	629
Deferred Taxes	73
Miscellaneous	111
FRoSTA AG ANNUAL NET PROFIT FOR 2011 (IFRS)	**6,236**
Total result for the year for subsidiaries consolidated in the Group financial statements	2,321
Consolidating entries: Effects of the consolidating entries affecting the operating result	129
Consolidated annual net profit FRoSTA AG 2011	**8,686**

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

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

At the Annual General Meeting, the Board will propose a dividend of 0.75 EUR per share as in the previous year. This corresponds to a total dividend payment of 5 million EUR. We will recommend depositing the remaining profits amounting to 2 million EUR in the other revenue reserves.

The FRoSTA Group profit before tax amounting to 12.3 million EUR is thus being paid out as dividend (30 %), retained in the company (30 %) and paid as tax (40 %):

	TEUR	Proportion
Current corporation tax	3,599	30 %
Capital gains tax withheld on dividend payments	1,239	10 %
Total current corporation tax and capital gains tax	**4.838**	**40 %**
Net dividend payments	3,718	30 %
Retained by company	3,729	30 %
Total	**12,285**	**100 %**

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

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

The FRoSTA share saw the following development in 2011: In January 2011, the share price was 20.40 EUR, and in December 2011 17.50 EUR. The dividend yield is higher than 4 %, which makes the FRoSTA share an interesting proposition for investors. Since February 2011, the FRoSTA share has been traded in the Entry Standard of the Frankfurt Stock Exchange and no longer in the Regulated Market of the Berlin Stock Exchange. Two shareholders filed suit against this so-called downgrading but their action was rejected by the State Court of Bremen. The same two shareholders have appealed this decision and the case is now pending at the Bremen Supreme Court.

KEY FIGURES FOR THE FRoSTA-SHARE	2010	2011
Number of shares	6,531,457	6,609,188
Equity capital on consolidated balance sheet (TEUR) Equity capital per share (EUR)	101,229 15.50	104,963 15.88
Share price at year end (EUR) Year high (EUR) Year low (EUR) Number of shares sold	20.50 21.00 16.40 597,021	17.50 20.50 16.30 248,211
Price-earnings ratio (Price at year end/annual net profit)	13.60	13.32
Dividend payout per share (EUR) Dividend yield (Dividend/price at year end)	0.75 3.7 %	0.75 4.3 %
Group annual result (TEUR) Annual result per share (EUR)	9,848 1.52	8,686 1.33
Cash flow before change in working capital for Group (TEUR) Cash flow before change in working capital per share (EUR)	21,769 3.33	21,118 3.20

On December 31, 2011, the total subscribed capital of FRoSTA AG amounted to 16,919,521.28 EUR, which is the equivalent of 6,609,188 shares at 2.56 EUR. The shares are made out to the bearer. Of these, according to their own statements, Dirk Ahlers, Friederike Ahlers and Felix Ahlers each hold more than 10 %.

According to a resolution passed by the Annual General Meeting on June 24, 2010, the Board is entitled to acquire up to 10 % of all shares. This resolution is valid for a period of 5 years until June 23, 2015. This right was not exercised in 2011.

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

5. Employees

The average number of workers on our payroll throughout the year rose by only 0.5 %.

Due to the constant number of employees total expenditure on personnel also remained stable at 56 million EUR. The number of apprentices rose from last year's 34 to 37. In 2011, staff fluctuation was again very low at 2.9 %. In Germany, absence through illness could also be kept low at 4.9 %.

As in the years before, in 2011 we again offered our employees the opportunity to share in the ownership of FRoSTA AG by purchasing employee shares at a reduced price. The number of shares purchased amounted to 67,969 (2010: 69,254). A total of 330 buyers took part in the campaign (2010: 192). We are satisfied with our employees' involvement in this scheme and pleased with the trust demonstrated. We hope that even more employees will become FRoSTA shareholders in future.

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

EMPLOYEES	2010	2011
FRoSTA HEAD OFFICE	**235**	**240**
- thereof administration	160	162
- thereof sales (also abroad)	75	78
PRODUCTION SITES	**1,285**	**1,288**
- Schottke, Bremerhaven	541	526
- Rheintal, Bobenheim-Roxheim	143	144
- ELBTAL, Lommatzsch	159	165
- Bydgoszcz, Polen	442	453
GROUP TOTAL	1,520	1,528

6. R & D Report

In 2011, our product development department created many new products for distribution in various European countries. These products are marketed under the FRoSTA brand as well as in the private label business. In addition, we completed projects in 2011 aimed at optimising and streamlining our raw material and finished goods processes. This has led to us achieving a gradual reduction in the complexity of our range.

7. Procurement

In 2011, we once again saw great fluctuations in the raw material markets. However, European and overseas harvests as a whole were sufficient to allow us to source the volumes required without any major price increases, although some increases were inevitable as a result of currency fluctuations against the Dollar and the Zloty. The purchasing of fish raw material in 2011 was also trouble-free, and there were no bottlenecks in the supply of this commodity. However, for some product types at least we were forced to accept price increases. The overall situation as regards raw material supply was much less critical than in the previous year.

8. Production

All four facilities recorded good utilisation rates in the 2011 financial year. Cost management was exemplary, although production in our own vegetable factories was sometimes sluggish due to weather conditions. Improvements in efficiency were approximately equal to the level of increases in labour costs. Production costs rose, however, as a result of a sharp increase in electricity costs triggered by new legislation governing renewable energy.

9. Investments

Investments by FRoSTA AG were focused mainly on ongoing improvements in efficiency and quality. Investments were also made in the optimisation of energy consumption (electricity, hot water, steam, new energy sources).

10. Organisation, administration and company structure

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

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

The Supervisory Board of FRoSTA AG comprises Dirk Ahlers, Ulf H. Weisner and Jürgen Schimmelpfennig as elected workers' representative. At the Annual General Meeting for 2011, Ulf Weisner withdrew from the Supervisory Board at the end of his period of office. At the same meeting, Oswald Barckhahn was appointed to the Supervisory Board of FRoSTA AG.

The Supervisory Board appoints the members of the Executive Board and determines their number. The Supervisory Board transferred the completion, alteration or termination of employment contracts to a Supervisory Board committee for Finances and Personnel. For further information, please refer to our Declaration on Corporate Governance on our website www.frosta-ag.com.

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

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

Executive Board remuneration in 2010 and 2011 was as follows:

Year	Basic salary TEUR	Remuneration in the form of company shares TEUR	Variable payment TEUR	Insurances TEUR	Total TEUR
2010	1,067	195	900	10	2,172
2011	1,166	201	792	10	2,169

Total payments to former members of the Executive Board of FRoSTA AG and the Group amounted in the financial year to TEUR 73 as opposed to TEUR 71 the previous year.

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

Supervisory Board remuneration in 2010 and 2011 was as follows:

Year	Basic salary TEUR	Bonus TEUR	Total TEUR
2010	14	48	62
2011	14	48	62

III. Risk report

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

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

The FRoSTA AG risk management system undergoes a continual improvement process. During 2011, 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 2011.

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 co-operating with strategic suppliers, we smoothen these fluctuations and avoid dependencies. Being located in various different places our own vegetable production is also largely secured against the effects of inclement local weather conditions, which can lead to poor harvests. Despite all this, considerable changes in the prices of raw materials are still possible and, if we are to remain competitive, we cannot always pass these on directly to the customers. Price agreements made with our customers for a period of more than six months increase our risk particularly as we are not normally able to secure a long-term supply of raw material. As far as possible, we therefore try to avoid contractual and delivery agreements which go beyond this period. However, competition sometimes makes this impossible.

The quality of the raw materials is monitored by audits at our suppliers' facilities and by checking goods as they arrive at our factories. Quality checks, however, cannot guarantee the absolute safety of raw materials since the thresholds for contamination are becoming ever lower and the checks are only carried out on a random basis.

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

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

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

The frozen food market is subject to constant change. Our competitors might respond to product trends more quickly or gain technological leads. In close cooperation with our product development department, we conduct intensive research to identify market trends. This enables us to produce innovative product concepts to respond to changes, or even to initiate changes ourselves within the market.

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

There are no significant risks from pending legal disputes. An external tax audit is pending for the years after 2004. It is due to commence in 2012.

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

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

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

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

IV. Events after the end of the financial year

Sales achieved up until the end of February 2012 are slightly higher than in the previous year, which was to be expected. Earnings are down on the previous year's figure.

Outlook

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

In January und February of 2012 we saw an increase in sales of 1.3 % against last year's figure. At present, it is still difficult to predict how the market will develop in the year to come.

One of our most important aims is to improve margins by increasing our sales prices and lowering our costs. As competition is intense as a result of concentration on the customer side and because competition among suppliers has also intensified once more due to new competitors and ownerships, it will be a great challenge for us to actually enforce these price increases. We are re-examining our structures with a view to increasing efficiency and lowering costs.

Due to the many uncertainties in the market, it is impossible at this point of time to make a projection concerning FRoSTA's development in 2012. It goes without saying that we will continue to pursue our demanding targets both in the current year and in years to come. Besides the risks, we also see good opportunities for a positive development in sales and profit.

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

Bremerhaven, March 2012

The Executive Board

CONSOLIDATED FINANCIAL STATEMENTS FRoSTA AG

	Note item	2010 TEUR	2011 TEUR
1. Turnover	(40)	392,616	385,005
2. Increase of stocks of finished and unfinished products (2010: Reduction)		–3,436	3,094
3. Own work capitalised		64	88
4. Other operating income	(41)	9,169	8,611
5. OPERATING INCOME		**398,413**	**396,798**
6. Cost of materials			
a) Raw materials, consumables and goods purchased for resale		–241,326	–244,211
b) Purchased services		–10,533	–12,046
		–251,859	**–256,257**
7. GROSS PROFIT		**146,554**	**140,541**
8. Personnel expenses	(42)		
a) Wages and salaries		–47,169	–47,283
b) Social security and other pension costs and for support thereof for pensions TEUR 47 (2010: 81)		–8,642	–8,551
		–55,811	**–55,834**
9. Depreciation/amortisation of intangible and tangible fixed assets	(43)	–12,066	–11,147
10. Other operating expenses	(44)	–61,026	–58,698
11. OPERATING RESULT		**17,651**	**14,862**
12. Income from participations, thereof from participations with associated companies TEUR 68 (2010: TEUR 80)		188	149
13. Other interest and similar income	(45)	344	222
14. Depreciation of shares in affiliated companies		–550	–70
15. Interest and similar expenses	(45)	–3,426	–2,878
16. Financial result		**–3,444**	**–2,577**
17. RESULT FROM ORDINARY BUSINESS ACTIVITIES		**14,207**	**12,285**
18. Current taxes on income and earnings	(46)	–4,621	–3,559
19. Deferred taxes	(46)	262	–40
20. CONSOLIDATED PROFIT FOR THE YEAR		**9,848**	**8,686**
21. Profit and loss from currency conversion of subsidiaries' results		404	–1,073
22. Total result		**10,252**	**7,613**
Consolidated income attributable			
to owners of parent company		10,252	7,613
to other shareholders		0	0

ASSETS

	Notes item	31.12.2010 TEUR	31.12.2011 TEUR
NON-CURRENT ASSETS			
A. FIXED ASSETS			
1. Intangible assets	(24)	1,130	1,270
2. Tangible assets	(25)	77,922	73,052
3. Financial asset	(26)	1,387	1,762
		80,439	**76,084**
B. DEFERRED TAXES	(47)	**1,032**	**676**
		81,471	**76,760**
CURRENT ASSETS			
1. Inventories	(27)	56,515	64,573
2. Trade receivables	(28)	68,232	65,682
3. Receivables from associated companies		3	4
4. Receivables from current taxes on earnings and income		1,301	1,105
5. Other current assets	(29)		
Financial assets		2,777	2,836
Other assets		213	233
6. Financial capital		14,987	10,383
		144,028	**144,816**
BALANCE SHEET TOTAL		225,499	221,576

LIABILITIES

	Notes item	31.12.2010 TEUR	31.12.2011 TEUR
A. EQUITY CAPITAL	(30)		
1. Subscribed capital	(31)	16,721	16,920
2. Capital reserves	(32)	9,813	10,822
3. Revenue reserves	(33)	67,975	75,780
4. Adjustment resulting from currency conversion	(34)	71	–1,190
5. Group equity capital generated (without revenue reserves)		6,649	2,631
		101,229	**104,963**
B. NON-CURRENT PROVISIONS AND LIABILITIES			
1. Pension provisions	(36)	1,122	1,132
2. Other provisions	(37)	1,479	1,490
3. Bank loans and overdrafts	(38)	43,388	34,061
4. Passive deferred taxes	(47)	5,077	4,829
		51,066	**41,512**
C. CURRENT PROVISIONS AND LIABILITIES			
1. Other current provision	(37)	52	157
2. Bank loans and overdrafts	(38)	20,207	21,269
3. Trade payables	(38)	40,568	41,003
4. Liabilities to associated companies		32	32
5. Amounts owed to companies in which a shareholding is held		193	87
6. Liabilities from current taxes on earnings and income		1,882	999
7. Other liabilities	(39)		
Financial liabilities		4,372	5,005
Other liabilities		5,898	6,549
		73,204	**75,101**
BALANCE SHEET TOTAL		225,499	221,576

	PURCHASE AND MANUFACTURING COSTS						ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS					NET BOOK VALUE	
CONSOLIDATED FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2010	As per 1.1.2010 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As per 31.12.2010 TEUR	As per 1.1.2010 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	As per 31.12.2010 TEUR	As per 31.12.2010 TEUR	As per 31.12.2009 TEUR
1. INTANGIBLE ASSETS													
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	12,396	3	435	2	0	12,836	11,144	3	559	0	11,706	1,130	1,252
2. TANGIBLE ASSETS													
a. Land, land rights and buildings including buildings on land owned by third-parties	74,342	289	1,291	207	254	75,875	38,600	35	2,684	163	41,156	34,719	35,742
b. Plant and machinery	126,941	414	5,051	681	1,048	132,039	95,013	154	6,015	923	100,259	31,780	31,928
c. Other plant, operating and office equipment	44,581	19	2,598	27	976	46,249	34,228	13	2,808	947	36,102	10,147	10,353
d. Prepayments and assets under construction	906	21	1,266	–917	0	1,276	0	0	0	0	0	1,276	906
	246,770	743	10,206	–2	2,278	255,439	167,841	202	11,507	2,033	177,517	77,922	78,929
3. FINANCIAL ASSETS	1,945	0	80	0	0	2,025	88	0	550	0	638	1,387	1,857
	261,111	746	10,721	0	2,278	270,300	179,073	205	12,616	2,033	189,861	80,439	82,038

	PURCHASE AND MANUFACTURING COSTS						ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS					NET BOOK VALUE	
CONSOLIDATED FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2011	As per 1.1.2011 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As per 31.12.2011 TEUR	As per 1.1.2011 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	As per 31.12.2011 TEUR	As per 31.12.2011 TEUR	As per 31.12.2010 TEUR
1. INTANGIBLE ASSETS													
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	12,836	–12	685	47	420	13,136	11,706	–10	590	420	11,866	1,270	1,130
2. TANGIBLE ASSETS													
a. Land, land rights and buildings including buildings on land owned by third-parties	75,875	–888	936	310	114	76,119	41,156	–144	2,678	103	43,587	32,532	34,719
b. Plant and machinery	132,039	–1,346	2,848	715	3,409	130,847	100,259	–604	5,031	3,351	101,335	29,512	31,780
c. Other plant, operating and office equipment	46,249	–69	2,303	54	6,316	42,221	36,102	–43	2,848	6,273	32,634	9,587	10,147
d. Prepayments and assets under construction	1,276	–73	1,344	–1,126	0	1,421	0	0	0	0	0	1,421	1,276
	255,439	–2,376	7,431	–47	9,839	250,608	177,517	–791	10,557	9,727	177,556	73,052	77,922
3. FINANCIAL ASSETS	2,025	0	452	0	7	2,470	638	0	70	0	708	1,762	1,387
	270,300	–2,388	8,568	0	10,266	266,214	189,861	–801	11,217	10,147	190,130	76,084	80,439

	Subscribed capital TEUR	Capital reserve TEUR	Revenue reserves TEUR	Other accumulated equity capital: Balancing items from currency conversion TEUR	Other accumulated equity capital: Group equity capital earned (excluding revenue reserves) TEUR	Equity capital TEUR
As per January 1, 2010	**16,514**	**9,049**	**57,422**	**–348**	**12,192**	**94,829**
Dividends paid					–4,838	–4,838
Share issue	207	666				873
Additional expenditure due to issue of employee shares		98				98
Transfer to revenue reserves			10,553		–10,553	0
Currency change				419		419
Consolidated profit for the year					9,848	9,848
As per December 31, 2010	**16,721**	**9,813**	**67,975**	**71**	**6,649**	**101,229**
Dividends paid					–4,899	–4,899
Share issue	199	648				847
Additional expenditure due to issue of employee shares		264				264
Appendix to employee participation program 2010		97				97
Transfer to revenue reserves			7,805		–7,805	0
Currency change				–1,261		–1,261
Consolidated profit for the yea					8,686	8,686
As per December 31, 2011	**16,920**	**10,822**	**75,780**	**–1,190**	**2,631**	**104,963**

	31.12.2010 TEUR	31.12.2011 TEUR
Consolidated profit for the year before taxes on income	14,207	12,285
Depreciation of fixed assets	+12,616	+11,147
Income from interest	–344	–222
Interest expenses	+3,426	+2,878
Increase in non-current provisions	+64	+21
Result of the disposal of non-current fixed assets	–6	–11
Non-cash income and expense	+459	+1,626
Interest paid	–3,385	–2,657
Interest receive	+136	+222
Taxes on income paid	–6,434	–4,713
Taxes on income received	+1,030	+542
CASH FLOW BEFORE CHANGE IN WORKING CAPITAL	**+21,769**	**+21,118**
Increase in current provisions	+8	+105
Increase/decrease in inventories, trade receivables and other assets that cannot be classified as investing or financial activities	+4,155	–5,587
Increase in trade payables and other liabilities that cannot be classified as investing or financing activities	+10,494	+760
CASH FLOW FROM OPERATING ACTIVITIES	**+36,426**	**+16,396**
Proceeds from disposals of fixed assets	+50	+89
Proceeds from grants	–	+39
Payments for investments in fixed assets	–10,206	–7,431
Payments for investments in intangible assets	–435	–685
Payments for investments in financial assets	–	–378
CASH FLOW FROM INVESTING ACTIVITIES	**–10,591**	**–8,366**
Proceeds from increases in equity capital	+873	+847
Dividends to shareholders	–4,838	–4,899
Proceeds from new bank loans	+17,325	+2,000
Repayment of bank loans	–29,531	–10,121
Increase/decrease of current liabilities to banks	–1.068	+4
CASH FLOW FROM FINANCING ACTIVITIES	**–17,239**	**–12,169**
Effect of changes in exchange rates on cash and cash equivalents	+34	–465
Net change in cash and cash equivalents	+8,596	–4,139
Cash and cash equivalents at the beginning of the period	+6,357	+14,987
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**+14,987**	**+10,383**

FRoSTA Aktiengesellschaft, Bremerhaven

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2011

FRoSTA Akteingesellschaft (hereafter referred to as FRoSTA AG), a public limited company according to German law and quoted on the stock exchange, and their subsidiaries develop, produce and sell frozen products in Germany and other European countries. The products are sold under their "FRoSTA", "Elbtal" and "TIKO" own brand labels and as private labels. The Group's headquarters are in 27572 Bremerhaven, Am Lunedeich 116. FRoSTA AG's Executive Board approved the consolidated financial statements on March 16, 2012 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, 2011 have been prepared in compliance with the International Accounting Standards Board's (IASB) financial accounting standards – the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRSs) – which are binding within the European Union.

In doing so all IAS or IFRSs to be applied as at December 31, 2011 and the appropriate interpretations provided by the Standing Interpretations Committee (SIC) or the International Financial Reporting Interpretations Committee (IFRIC) were complied with. The requirements of the above mentioned regulations were fulfilled, so that FRoSTA AG's consolidated financial statements convey an appropriate picture of the assets, finances and earnings as well as the cash flows within the financial year.

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

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

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

2. Consolidation

2 a) Consolidation principles

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

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

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

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

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

3 b) Consolidated Group

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

Name and headquarter of company	Capital share 2010 in %	Capital share 2011 in %
1. COPACK Tiefkühlkost-Produktionsgesellschaft mbH, Bremerhaven	100.00	100.00
2. ELBTAL Tiefkühlkost Vertriebs GmbH, Lommatzsch	100.00	100.00
3. Feldgemüse GmbH, Lommatzsch	100.00	100.00
4. FRoSTA France S.a.r.l., Boulogne-Billancourt/France	100.00	100.00
5. FRoSTA Tiefkühlkost GmbH, Bremerhaven	100.00	100.00
6. FRoSTA Foodservice GmbH, Bremerhaven	100.00	100.00
7. FRoSTA Italia s.r.l., Rome/Italy	100.00	100.00
8. FRoSTA Tiefkühlkost GmbH, Baden/Austria	100,00	100.00
9. FRoSTA ČR s.r.o., Prague/Czech Republic	100.00	100.00
10. FRoSTA Sp. z o.o., Bydgoszcz/Poland	100.00	100.00
11. BioFreeze GmbH, Bremerhaven	100.00	100.00
12. TIKO Vertriebsgesellschaft mbH, Bremerhaven	100.00	100.00

The Group Statement includes the following affiliated companies:

Name and headquarter of company	Capital share 2010 in %	Capital share 2011 in %	Book value 2010 TEUR	Book value 2011 TEUR
Bio-Frost Westhof GmbH, Wöhrden	45.00	45.00	1,266	1,334
FTI Food Trading International GmbH, Otterndorf	-	25.00	-	13

The financial standings of the Bio-Frost Westhof GmbH can be summarised as follows:

	31.12.2010 TEUR	31.12.2011 TEUR
Total financial assets	4,711	4,342
Total debts	3,558	3,037
Net assets	1,153	1,305
Group share of net assets	519	587
Yearly result	178	152
Group share	80	68

Financial data for 2011 concerning FTI Food Trading International GmbH are as yet not availble.

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

Name and headquarter of company	Capital share 2010 in %	Capital share 2011 in %
FRoSTA Romania S.R.L., Bucharest/Romania	100.00	100.00
FRoSTA Benelux B.V., Berkel-Enschot/The Netherlands	100.00	100.00
NORDSTERN America Inc., Seattle/USA	100.00	100.00
FRoSTA Hungary Kft., Esztergom/Hungary	100.00	100.00
COPACK Sp. z o.o., Bydgoszcz/Poland	100.00	100.00
Columbus Spedition GmbH, Bremerhaven	33.33	33.33

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	2010	2011
Polish Zloty	3.9659	4.4632
Czech Crown	25.115	25.825

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

Purchased intangible assets are valued at cost.

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

	Useful life in years
Software	4
Licences	4

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

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

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

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

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

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

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

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

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

9 **e) Participating interests**

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

10 **f) Inventories**

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

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

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

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

Trade receivables and other assets are, for the initial valuation, accounted at fair value plus transaction costs and in the next valuation at cumulative cost. If not covered by insurances, credit risks are taken into account by sufficient value adjustments.

12 **h) Financial resources**

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

13 **i) Pension provisions**

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

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

14 **j) Other provisions**

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

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

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

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

15 **k) Liabilities**

For the initial evaluation liabilities are carried at the fair value plus transaction costs and in the following valuation at cumulative cost.

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

16 **l) Deferred taxes**

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

17 **m) Derivative financial instruments**

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

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

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

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

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

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

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

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

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

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

Financial instruments	Art	31.12.2010 Nominal amount TEUR	31.12.2010 Fair value TEUR	31.12.2011 Nominal amount TEUR	31.12.2011 Fair value TEUR
Forward-exchange contracts	Purchase TUSD Sale TGBP	17,180 1,307	15 0	19,345 1,799	892 –45
Currency swaps	Purchase TUSD Sale TGBP Purchase TGBP	541 437 42	2 5 0	2,280 44 0	–3 0 0
Interest-rate swaps	Loan TEUR	27,408	–1,254	24,350	–795

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

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

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

The due dates for the interest-rate swaps as at December 31, 2010 and 2011 are as follows:

TEUR	31.12.2010	31.12.2011
Within a year	3,212	3,298
Between one and five years	19,600	19,293
Over five years	4,596	1,759
Total	**27,408**	**24,350**

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

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

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

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

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

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

21 **p) Foreign currency transactions**

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

22 **q) Use of accounting estimates**

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

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

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

In 2011, the EU adopted a further standard which was not yet obligatory as per December 31, 2011. This standard includes changes to IFRS 7 "Financial Instruments: Disclosures". The standard is to be applied for the first time to financial years commencing after June 30, 2011. The Board does not expect any significant repercussions for the FRoSTA AG Group Balance Sheet in the period of its first application. It is likely, however, that disclosures will be more detailed and an amended breakdown may be necessary.

5) Notes on the consolidated balance sheet

24 **a) Intangible assets**

The development of the individual items in the intangible assets is shown in the consolidated assets (p. 22). The share of foreign subsidiaries in the net book value as per December 31, 2011 amounted to TEUR 40 (2010: TEUR 35).

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 2011 amounted to TEUR 1,573 (2010: TEUR 1,391).

25 **b) Tangible assets**

As regards the development of the tangible assets please see the consolidated fixed assets. The share of tangible assets located abroad, primarily in Poland, in the net book value as per December 31, 2011 amounted to TEUR 12,528 (2010: TEUR 14,255). Investment grants and subsidies received in the financial year reduce procurement costs by TEUR 8,405 (2010: TEUR 10,352). Based on current earnings forecasts no unscheduled depreciation was taken into consideration for this financial year. In past years further non-scheduled depreciation was included. In the event of the reasons for the non-scheduled depreciation not applying, the maximum revaluation possible is the amount of the cumulative procurement or production costs. This amounted to TEUR 2,130 on December 31, 2011 (2010: TEUR 2,261).

26 **c) Financial assets**

As regards the development of the financial assets please see the consolidated fixed assets. As regards the unconsolidated shares in subsidiaries the valuation on the balance sheet date is accounted for at cumulative cost. In the previous year, a depreciation amounting to TEUR 550 was effected for the shareholding in Bio-Frost Westhof GmbH. Depreciation amounting to TEUR 70 was carried out in the financial year for other loans.

27 **d) Inventories**

The inventories are comprised as follows:

TEUR	31.12.2010	31.12.2011
Raw materials and consumables	23,491	28,671
Unfinished goods	14,202	14,369
Finished products and goods	18,534	21,392
Down payments	288	141
Inventories	**56,515**	**64,573**

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 752 (2010: TEUR 1,645).

28 **e) Trade receivables**

Trade receivables are comprised as follows:

TEUR	31.12.2010	31.12.2011
Trade receivables, gross	68,635	66,027
Value adjustments on trade receivables	–403	–345
Trade receivables	**68,232**	**65,682**

Value adjustments on trade receivables have developed as follows:

TEUR	2010	2011
Value adjustments January 1	**324**	**403**
Spread	1	–4
Allocations	117	22
Utilisation	–22	–37
Dissolutions	–17	–39
Value adjustments December 31	**403**	**345**

Expenditure on total write-offs amount to TEUR 34 (2010: TEUR 49). Income from written-off receivables amount to TEUR 39 (2010: TEUR 17).

Risks included in the trade receivables:

TEUR	31.12.2010	31.12.2011
Neither overdue nor adjusted receivables	**65,741**	**62,938**
Overdue receivables not individually adjusted		
Less than thirty days	2,268	2,467
Thirty to sixty days	64	162
More than sixty days	159	115
Total receivables overdue	**2,491**	**2,744**
Net accounting value	**68,232**	**65,682**

Receivables sold in ABS transactions amounted to TEUR 12,099. According to the structure of the contract, ownership of the receivables is retained by FRoSTA. Liabilities resulting from the advance financing of the receivables collection are recorded under liabilities from bank loans.

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

29 **f) Other assets**

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

TEUR	31.12.2010	31.12.2011
Creditors with debit balances	212	277
Employees	51	64
VAT and consumer tax	1,760	1,933
Other	754	562
Financial assets	**2,777**	**2,836**
Delimitations	213	233
Other assets	**213**	**233**
Sundry assets	**2,990**	**3,069**

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

30 **g) Equity capital**

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

Minimum capital requirements have been met.

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

31 **Subscribed capital**

Subscribed capital amounts to TEUR 16,920. Taking into consideration 6,609,188 shares, the calculatory value is EUR 2.56 per share. On September 26, 2011 the Board decided to raise the company subscribed capital by TEUR 199 to a total of TEUR 16,920 by issuing 67,969 transferable shares from the employee participation program and 9,762 transferable shares as part of the bonus scheme. The bonus scheme shares were issued at the share price valid on the day of transfer. The purchase price was TEUR 197 (see item 35).

Apart from this there are authorised capital funds, as yet unused, for a fixed period until June 30, 2016 amounting to TEUR 301 for the issuing of shares to employees of FRoSTA AG and its affiliated companies, as well as authorised capital funds of TEUR 5,000 for a fixed period until June 30, 2012 for a capital increase from cash contributions.

32 **Capital reserves**

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

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

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

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

According to the German Stock Corporation Law, the dividend to be paid out to the shareholders is measured according to the net profit stated in FRoSTA AG's annual financial statements. As per December 31, 2011, these came to TEUR 7,096 (2010: TEUR 12,703).

The Shareholders' Meeting on July 1, 2011 decided to pay out a dividend of EUR 0.75 per share (TEUR 4,899) and to transfer TEUR 7,805 into revenue reserves based on FRoSTA AG's net profit as at December 31, 2010.

FRoSTA AG's Executive Board proposes a dividend of EUR 0.75 per share for 2011 subject to the approval of the Shareholders' Meeting.

34 **Balancing items from currency conversion**

The balancing items record the differences resulting from currency conversion at subsidiaries who balance in another currency than the parent company. The valuation difference is mainly the result of the participating interest in FRoSTA Sp. z o.o., Bydgoszcz/Poland, whose annual financial statements are prepared in Polish Zloty.

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

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

The following share purchases were effected:

TEUR	2010	2011
Proposal 1 – number of shares	46,044	33,800
Issue price (EUR)	8.50	9.00
Market rate (EUR)	17.00	18.00
Estimated market price (EUR)	11.33	12.00
Balance (EUR)	1.42	3.00
Value (TEUR)	**65**	**102**
Proposal 2 – number of shares	23,210	19,245
Issue price (EUR)	12.75	13.50
Estimated market price (EUR)	15.58	16.50
Balance (EUR)	1.42	3.00
Value (TEUR)	**33**	**58**
Proposal 3 – number of shares	–	14,924
Issue price (EUR)	–	5.00
Estimated market price (EUR)	–	12.00
Balance (EUR)	–	7.00
Value (TEUR)	**–**	**104**
Total (TEUR)	**98**	**264**
Rectification for 2010 (TEUR)	**–**	**97**

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

Share-based remuneration

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

TEUR	2010	2011
Shares issued for the current financial year	5,240	0
Shares issued for the previous financial year	6,130	9,762
	11,370	**9,762**

In 2010 and 2011 the following expenses were incurred:

TEUR	2010	2011
Actuarial losses	103	67
Personnel costs	**103**	**67**
Interest paid	32	31
Pensions costs	**135**	**98**

The provision recorded in the balance sheet developed as follows:

TEUR	2010	2011
Provisions as per January 1	**1,071**	**1,122**
Pensions costs	135	98
Payments to pensioners	–84	–88
Provisions as at December 31	**1,122**	**1,132**

36 **h) Pension obligations**

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

37 **i) Other provisions**

The other provisions are made up as follows:

TEUR	As at 01.01.2011	Utilisation	Write-back	Transfer	As at 31.12.2011
Partial retirement	87	58	15	84	98
Jubilee payments	1,392	218	0	218	1,392
Sundry non-current provisions	**1,479**	**276**	**15**	**302**	**1,490**
Severance payments	50	0	0	100	150
Anticipated losses	2	2	0	7	7
Sundry current provisions	**52**	**2**	**0**	**107**	**157**
Sundry provisions	**1,531**	**278**	**15**	**409**	**1,647**

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.

Partial retirement provisions were made taking into consideration distributable assets with a fair value of TEUR 138.

38 **j) Liabilities**

TEUR	Total amount	thereof with a remaining maturity of: up to one year	between one and five years	more than five years
Liabilities to banks (previous year)	55,330 (63,595)	21,269 (20,207)	27,898 (33,924)	6,163 (9,464)
Trade payables (previous year)	41,003 (40,568)	41,003 (40,568)	0 (0)	0 (0)
Liabilities to affiliated companies (previous year)	32 (32)	32 (32)	0 (0)	0 (0)
Amounts owed to companies in which a shareholding is held (previous year)	87 (193)	87 (193)	0 (0)	0 (0)
Other liabilities (previous year)	11,554 (10,270)	11,554 (10,270)	0 (0)	0 (0)

In the financial years 2010 and 2011 the following parameters were used:

	2010	2011
Interest rate	4.70 %	5.00 %
Salary trend	2.00 %	2.50 %
Pension trend	2.00 %	2.00 %

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

Bank loans and overdrafts are secured by mortgages totalling TEUR 16,190 (2010: TEUR 18,311) and secured by similar rights totalling TEUR 8,579 (2010: TEUR 8,515). Trade payables are subject to standard reservations of title.

Bank loans and overdrafts are listed as follows:

TEUR	31.12.2010	31.12.2011
Non-current loans	**43,388**	**34,061**
Current loans	10,224	11,281
Current account liabilities	9,983	9,988
Current liabilities to banks	**20,207**	**21,269**
Bank loans and overdrafts	**63,595**	**55,330**

Receivables sold in asset-backed securities transactions (ABS) amounted to TEUR 12.099 as per December 31, 2011. After deducting a discount of TEUR 2,111, they are included in other current liabilities at a value of TEUR 9,988.

Two of the financing agreements made with credit institutes include so-called "financial covenants". These are prescribed balance sheet minimum values which must be adhered to. Failing this, the promise of the loan can be withdrawn. In 2011, all such requirements were fulfilled.

Bank loans as per December 31, 2011 have the following interest rates and maturity dates:

31.12.2010 TEUR	31.12.2011 TEUR	Interest rate in %	Maturity
958	0	5.525	30.08.2011
1,057	195	Wibor 3M + 1.75	31.01.2012
2,521	2,241	Wibor 3M + 1.95	31.01.2012
7,000	5,250	4.65	31.12.2014
3,000	2,250	4.65	31.12.2014
3,000	2,250	4.65	31.12.2014
3,000	2,250	4.65	31.12.2014
410	279	Wibor 3M + 2.25	27.02.2015
2,250	1,875	3.00	30.12.2016
8,731	7,572	Euribor 3M + 1.00	31.12.2016
3,750	3,250	3.29	29.03.2018
6,797	5,859	5.31	31.03.2018
2,344	2,031	3.20	31.03.2018
4,688	4,063	3.20	31.03.2018
4,106	3,978	3.40	30.09.2019
0	2,000	3.00	30.09.2021
53,612	**45,343**		

39 The other current liabilities are structured as follows:

TEUR	31.12.2010	31.12.2011
Collection commissions	3,047	4,314
Customers with a credit balance	62	174
Other sundry financial liabilities	1,263	517
Financial liabilities	**4,372**	**5,005**
Liabilities to employees	2,127	2,603
Social security contributions	171	153
Taxes	486	480
Accruals	3,114	3,313
Other sundry liabilities	**5,898**	**6,549**
Other liabilities	**10,270**	**11,554**

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

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

6) Explanatory notes to the consolidated income statement

40 a) Turnover

FRoSTA AG's turnover is made up as follows:

TEUR	2010	2011
Germany	243,537	233,768
Abroad	149,079	151,237
Turnover	**392,616**	**385,005**

Turnover can be categorised according to product groups as follows:

TEUR	2010	2011
Fish	187,877	177,154
Fruit and vegetables	100,683	102,280
Ready meals and other products	104,056	105,571
Turnover	**392,616**	**385,005**

41 b) Other operating income

Other operating income is structured as follows:

TEUR	2010	2011
Exchange rate profits	4,929	3,846
Income from charged-off accruals	1,329	663
Income from credits from previous years and charged-off liabilities	211	498
Income from mineral oil tax refund	514	913
Sundry operating income	2,186	2,691
Other operating income	**9,169**	**8,611**

42 c) Personnel costs

Personnel costs are split up as follows:

TEUR	2010	2011
Wages and salaries	47,054	47,019
Social security contributions	8,561	8,504
Pension costs	81	47
Costs of share-related remunerations	115	264
Personnel costs	**55,811**	**55,834**

The personnel costs include severance payments of TEUR 104 (2010: TEUR 64). 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 2010/2011:

	2010	2011
Wage-earners	972	983
Salaried staff	432	433
Temporary employees	82	75
Number of employees according to article 314 (1) No. 4 HGB	**1,486**	**1,491**
Apprentices	34	37
Number of employees	**1,520**	**1,528**

43 d) Depreciation and amortisation

A breakdown of depreciation and amortisation is as follows:

TEUR	2010	2011
Amortisation of intangible assets	559	590
Depreciation of tangible assets	11,507	10,557
Depreciation and amortisation	**12,066**	**11,147**

44 e) Other operating expenses

Other operating expenses are grouped as follows:

TEUR	2010	2011
Storage and transport costs	17,422	17,410
External personnel costs	9,205	9,308
Marketing costs	8,052	7,255
Rent and cold-storage expenses	6,327	6,303
Maintenance	4,076	4,115
Foreign currency exchange losses	3,913	4,768
Fees, contributions and insurance	3,815	2,978
Other expenses	8,216	6,561
Other operating expenses	**61,026**	**58,698**

45 f) Interest result

The interest result is divided up as follows:

TEUR	2010	2011
Income from interest on bank balances	110	95
Income from interest swaps	182	0
Income from interest on tax credits	22	60
Other income from interest	30	67
Income from interest	**344**	**222**
Interest paid for bank loans and overdrafts	–3,071	–2,444
Interest expenses from interest swaps	–51	–24
Interest paid for pension reserves	–32	–31
Interest paid for accrued taxes	–81	–3
Anticipated losses from interest rate swaps	0	–183
ABS	–188	–185
Other interest paid	–3	–8
Interest and similar expenses	**–3,426**	**–2,878**
Income from interest	**–3,082**	**–2,656**

46 g) Taxes on income and earnings and deferred taxes

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

Tax expenditure is divided up as follows according to origin:

TEUR	2010	2011
Current german taxes	4,084	3,026
Current foreign taxes	628	529
Current taxes for financial year	**4,712**	**3,555**
Taxes for previous years	–91	4
Taxes on income and earnings	**4,621**	**3,559**
Deferred taxes Germany	–187	–74
Deferred foreign taxes	–75	114
Deferred taxes	**–262**	**40**
Tax expenditure according to income statement	**4,359**	**3,599**

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

TEUR	2010	2011
Result before taxes on income and earnings	**14,207**	**12,286**
FRoSTA AG's tax rate	29.62 %	29.62 %
Expected tax expenditure	**4,208**	**3,639**
Different tax rates (especially for deferred taxes)	–161	–330
Taxes on income and earnings for previous years	–91	4
Tax expenditure for non-deductible operating expenses	403	298
Tax savings from tax-free earnings	0	–12
Tax expenditure according to income statement	**4,359**	**3,599**

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

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

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

TEUR	31.12.2010		31.12.2011	
	Active deferred taxes	Passive deferred taxes	Active deferred taxes	Passive deferred taxes
Intangible assets	0	84	0	77
Tangible assets	0	4,880	20	4,668
Inventories	0	76	11	59
Trade receivables	15	17	11	14
Other assets	200	0	184	0
Pension reserves	61	0	57	0
Sundry provisions	531	0	168	10
Trade payables	0	20	0	1
Other liabilities	225	0	225	0
Temporary differences	**1,032**	**5,077**	**676**	**4,829**
Loss carry forwards	**0**	**0**	**0**	**0**
Total	**1,032**	**5,077**	**676**	**4,829**

48 **h) Earnings per share**

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

		2010	2011
Consolidated profit for the year	**TEUR**	**9,848**	**8,686**
Weighted average of issued shares	1,000 shares	6,468	6,547
Consolidated profit for the year per share	**EUR**	**1.52**	**1.33**

A figure of EUR 1,33 (2010: EUR 1.52) ist reported for the undiluted as well as for the diluted result.

7) Explanatory notes on the Group cash flow statement

49 **Structure of the financial funds**

The financial funds are made up of cash and credit at banks of TEUR 10,383 (2010: TEUR 14,987).

50 **8) Segment reporting**

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

million EUR	Germany 2010	Germany 2011	+/-	Abroad 2010	Abroad 2011	+/-	Total 2010	Total 2011	+/-
Turnover	243.5	234.0	–3.9 %	149.1	151.0	+1.3 %	392.6	385.0	–1.9 %
Operating income	**247.1**	**241.1**	**–2.4 %**	**151.3**	**155.7**	**+2.9 %**	**398.4**	**396.8**	**–0.4 %**
Gross profit in % of turnover	**89.3** 36.7 %	**84.0** 35.9 %	**–5.9 %**	**57.3** 38.4 %	**56.5** 37.4 %	**–1.4 %**	**146.6** 37,3 %	**140.5** 36.5 %	**–4.2 %**
Depreciation	–7.9	–7.2	+8.9 %	– 4.1	–3.9	+4.9%	–12.1	–11.1	+8.3 %
Operating result in % of turnover	**10.9** 4.5 %	**8.5** 3.6 %	**–22.0 %**	**6.7** 4.5 %	**6.4** 4.2 %	**–4.5%**	**17.7** 4.5 %	**14.9** 3.9 %	**–15.8 %**
Financial result							–3.5	–2.6	+25.7 %
Result from ordinary business activities in % of turnover							**14.2** 3.6 %	**12.3** 3.2 %	**–13.4 %**
Current taxes							–4.6	–3.6	+21.7 %
Deferred taxes							0.2	0.0	–100.0 %
Consolidated profit							**9.8**	**8.7**	**–11.2 %**

Due to the changes made to IFRS 8.23 in the version of April 2009, we are now required to adapt our segment reporting to correspond with the FRoSTA AG structure (Management Approach). We present FRoSTA AG in two separate distribution sectors. Firstly, the business segment FRoSTA, which includes brand sales in Germany, Austria, Eastern Europe and Italy as well as private labels in Italy, Austria and Eastern Europe, and secondly, the COPACK business segment, which is responsible for the private label, industrial and catering businesses as well as for sales to home delivery services in Germany and private labels in the rest of Western Europe. Management only considers the profit development of the segments. A segmented consideration of assets or debts does not take place.

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

The proportion in the result of revenue from shareholdings in affiliated companies is 3 % (2010: 2 %).

In 2011, no single customer was responsible for 10 % or more of Group turnover. In the previous year, sales to one customer amounted to 46.7 million EUR, which is equivalent to more than 10!% of Group turnover.

million EUR	Segment FRoSTA 2010	Segment FRoSTA 2011	+/-	Segment Copack 2010	Segment Copack 2011	+/-	Total 2010	Total 2011	+/-
Turnover	101.1	104.2	+3.1 %	291.5	280.8	–3.7 %	392.6	385.0	–1.9 %
Operating income	**102.6**	**107.4**	**+4.7 %**	**295.8**	**289.4**	**–2.2 %**	**398.4**	**396.8**	**–0.4 %**
Gross profit in % of turnover	**44.1** 43.6%	**45.0** 43.2 %	**+2.0 %**	**102.4** 35.1 %	**95.5** 34.0 %	**–6.7 %**	**146.6** 37.3 %	**140.5** 36.5 %	**–4.2 %**
Depreciation	–3.1	–2.9 %	+6.5 %	–9.0	–8.2	+8.9 %	–12.1	–11.1	+8.3 %
Operating result in % of turnover	**3.8** 3.8 %	**5.4** 5.2 %	**+42.1 %**	**13.8** 4.7 %	**9.5** 3.4 %	**–31,2 %**	**17.7** 4.5 %	**14.9** 3.9 %	**–15.8 %**
Financial result							–3.5	–2.6	+25.7 %
Result from ordinary business activities in % of turnover							**14.2** 3.6 %	**12.3** 3.2 %	**–13.4 %**
Current taxes							–4.6	–3.6	+21.7 %
Deferred taxes							0.2	0.0	–100.0 %
Consolidated profit							**9.8**	**8.7**	**–11.2 %**

9) Other information

51 **a) Primary financial instruments**

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

TEUR	31.12.2010		31.12.2011	
	Book value	Fair value	Book value	Fair value
Bank loans and overdrafts	63,596	63,469	55,330	56,117
Other financial liabilities	4,372	4,372	5,005	5,005

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

52 **b) Contingencies**

The FRoSTA Group believes there are no significant contingencies.

53 **c) Other financial liabilities**

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

TEUR	2010	2011
Liabilities from current leasing contracts	2,678	3,056
Liabilities from current leases and maintenance agreements	3,277	3,524
Commitments from expansion investments	1,570	2,141
Consignment agreements	2,203	2,595
Other financial liabilities	**9,728**	**11,316**

Future payments from lease, maintenance and hire contracts as at December 31, 2011 have the following remaining maturities:

TEUR	< 1 year	1–5 years	> 5 years
Future payments from current leasing contract	1,235	1,808	13
Future payments from current lease and maintenance contracts	2,204	1,320	0
Total	**3,439**	**3,128**	**13**

Total expenditure from leasing contracts amounted to TEUR 3,821 (2010: TEUR 3,754).

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

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

	TEUR
Final audit	51
Other valuation service	3
Total	**54**

55 **e) Affiliated individuals**

Executive Board

Members of the FRoSTA AG's Executive Board in the financial year 2011 were:

- Felix Ahlers, businessman, Hamburg (Chairman)
- – As at December 31, 2011: 1,479,070 FRoSTA shares = 22.4 %.
- Hinnerk Ehlers, businessman, Hamburg (Vice President Marketing and Sales)
- Dr Stephan Hinrichs, businessman, Bendestorf (Vice President Finance and Administration)
- Jürgen Marggraf, businessman, Bremen (Vice President Operations)

The total number of Executive Board FRoSTA shares as at December 31, 2011 amounts to: 1,517,482 Stück = 23.0 %.

Supervisory board

Members of FRoSTA AG's Supervisory Board in the financial year 2011 were:

- Dirk Ahlers, businessman, Hamburg (Chairman of the Supervisory Board)
  As at December 31, 2011: 2,242,271 FRoSTA shares = 33.9 %.
- Ulf H. Weisner, businessman, Ratingen-Lintorf (Deputy Chairman of the Supervisory Board), member until July 1, 2011
- Oswald Barckhahn, businessman, Warsaw/Poland (Vice-Chairman of the Supervisory Board), member since July 1, 2011.
- Jürgen Schimmelpfennig, Chairman of the Works Council of FRoSTA AG, Bremerhaven

The total number of FRoSTA AG shares owned by the Supervisory Board at the balance sheet date is 2,242,271 shares = 33.9 %.

In the financial year 2011, the Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co., Hamburg, whose partners include Dirk Ahlers, invoiced FRoSTA AG for travel expenses, rentals, goods delivered, commission on commodities sold and other services totalling TEUR 193 (2010: TEUR 229). In 2011, FRoSTA AG calculated telephone charges amounting to TEUR 0 (2010: TEUR 2) and goods amounting to TEUR 5 (2010: TEUR 0). The balance as per December 31, 2011 amounts to TEUR 14 (2010: TEUR 22).

Lenox Frozen Fruits Ltd., a 100 % subsidiary of the Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co., invoiced FRoSTA AG for goods delivered and commission on commodities sold to a value of TEUR 409 (2010: TEUR 123). In the financial year FRoSTA AG charged TEUR 40 (2010: TEUR 0) for goods (foil). As at December 31, 2011 this results in a balance of TEUR 0 (2010: TEUR 1).

In the financial year 2011, Bio-Frost Westhof GmbH invoiced FRoSTA AG for goods delivered to a value of TEUR 1,844 (2010: TEUR 1,683). The balance at December 31, 2011 amounts to TEUR 87 (2010: TEUR 193).

In the financial year 2011, Columbus Spedition GmbH invoiced FRoSTA AG for freight costs to a value of TEUR 2,077 (2010: TEUR 2,091). The balance at December 31, 2011 amounts to TEUR 147 (2010: TEUR 122).

FTI Food Trading International GmbH was granted a loan amounting to TEUR 250 (2010: TEUR 0). The balance as per December 31, 2011 is TEUR 250 (2010: TEUR 0).

Ulf Weisner invoiced for consulting services and travelling expenses to FRoSTA AG worth TEUR 1 (2010: TEUR 4). This amounts to a balance of TEUR 0 (2010: TEUR 3) on December 31, 2011.

Dirk Ahlers invoiced for consulting services and travelling expenses to FRoSTA AG worth TEUR 0 (2010: TEUR 16). This amounts to a balance of TEUR 0 (2010: 0) on December 31, 2011.

In the financial year, marketing costs amounting to TEUR 293 (2010: TEUR 264) were invoiced by non-consolidated subsidiaries.

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

The total remuneration of the Executive Board for the financial year 2011 amounted to TEUR 2,169 (2010: TEUR 2,172). Of this the fixed remuneration came to TEUR 1,176 (2010: TEUR 1,077) and variable remuneration TEUR 993 (2010: TEUR 1,095).

The total remuneration of former members of the Executive Board was TEUR 73 in the financial year (2010: TEUR 71). Pension reserves for former Executive Board members amounted to TEUR 560 on the balance sheet date (2010: TEUR 586).

The remuneration of the Supervisory Board amounted to TEUR 62. Of that, TEUR 48 were variable and TEUR 14 fixed payments. The remuneration of the previous year at TEUR 62 comprised variable payments of TEUR 48 and fixed payments of TEUR 14.

57 **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.

58 **h) Appropriation of profits**

We will be proposing to the General Meeting of Shareholders that FRoSTA AG's net profit for the year amounting to EUR 7,096,378.04 as per December 31, 2011 be appropriated as follows: a dividend of EUR 0.75 per share equalling a total dividend of EUR 4,956,891.00 be paid to shareholders and that the remaining amount of EUR 2,139,487.04 be allocated to the other revenue reserves.

59 **i) Risk management report**

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

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

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

Bremerhaven, March 16, 2012

The Executive Board

(F. Ahlers) (H. Ehlers)

(Dr S. Hinrichs) (J. Marggraf)

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

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

Bremerhaven, March 16, 2012

The Executive Board

(F. Ahlers) (H. Ehlers)

(Dr S. Hinrichs) (J. Marggraf)

Auditors' report

We have audited the consolidated financial statements of FRoSTA Aktiengesellschaft, Bremerhaven, comprising balance sheet, profit and loss account, statement of changes in equity capital, cash flow statement and notes to the consolidated financial statements, as well as its Company and Group management report for the financial year from January 1, 2011 to December 31, 2011. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs, as applicable in the EU, and the additionally applicable commercial provisions in accordance with Art. 315a (1) German Commercial Code (HGB) are the responsibility of the Company's management. Our responsibility is to provide an assessment of the consolidated financial statements and the Group management report based on our audit.

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

Our audit did not reveal any grounds for objection.

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

Bremen, March 21, 2012

Gräwe & Partner GmbH
Wirtschaftsprüfungsgesellschaft · Steuerberatungsgesellschaft

Dr Meyer · Auditor Reinke · Auditor

FINANCIAL STATEMENTS FRoSTA AG

	Notes item	2010 TEUR	2011 TEUR
1. Turnover	(10)	376,097	368,806
2. Increase of stocks of finished and unfinished products (2010: Reduction)		–3,208	2,245
3. Own work capitalised		64	88
4. Other operating income	(11)	7,190	5,928
5. OPERATING INCOME		**380,143**	**377,067**
6. Cost of materials			
a) Raw materials, consumables and goods purchased for resale		–241,571	–242,404
b) Purchased services		–9,355	–10,847
		–250,926	**–253,251**
7. GROSS PROFIT		**129,217**	**123,816**
8. Personnel expenses			
a) Wages and salaries		–41,158	–41,861
b) Social security and other pension costs and for support – thereof for pensions TEUR 36 (2010: TEUR 35)		–7,548	–7,576
		–48,706	**–49,437**
9. Depreciation/amortisation of intangible and tangible fixed assets	(3)	–9,104	–8,082
10. Other operating expenses	(11)	–54,710	–53,892
11. OPERATING RESULT		**16,697**	**12,405**
12. Income from participating interests		108	81
13. Other interest and similar income – thereof from associated companies TEUR 10 (2010: TEUR 3)		240	169
14. Earnings from write-ups in financial assets		3,276	0
15. Depreciation in financial assets		–550	–70
16. Interest and similar expenses – thereof to associated companies TEUR 25 (2010: TEUR 41)	(13)	–2,661	–2,248
17. Financial result		**413**	**–2,068**
18. RESULT FROM ORDINARY BUSINESS ACTIVITIES		**17,110**	**10,337**
19. Extraordinary expenses	(12)	–111	0
20. Extraordinary result		**–111**	**0**
21. Taxes on income and earnings	(14)	–4,072	–3,026
22. Other taxes		–224	–215
23. PROFIT FOR THE YEAR		**12,703**	**7,096**

ASSETS

	Notes item	31.12.2010 TEUR	31.12.2011 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		824	1,028
		824	**1,028**
II. Tangible assets	(3)		
1. Land, land rights and buildings including buildings on land owned by third-parties		23,197	22,407
2. Plant and machinery		18,020	16,179
3. Other plant, operating and office equipment		6,067	5,796
4. Prepayments and assets under construction		622	1,343
		47,906	**45,725**
III. Financial assets	(3)		
1. Shares in associated companies		11,092	11,092
2. Participating interests		1,042	1,055
3. Liabilities to companies in which a shareholding is held		0	250
4. Long-term securities		6	6
5. Other liabilities		0	45
		60,870	**59,201**
B. CURRENT ASSETS			
I. Inventories	(2)		
1. Raw materials and consumables		18,909	21,357
2. Work and services in progress		13,971	14,077
3. Finished products and goods purchased for resale		16,651	18,700
4. Down payments		281	38
		49,812	**54,172**
II. Accounts receivable and miscellaneous other fixed assets	(4)		
1. Trade receivables		63,754	61,901
2. Receivables from associated companies		1,484	3,274
3. Amounts owed by associated companies – other assets of these outstanding claims: TEUR 0 (2010: TEUR 3)		3,315	3,082
		68,553	**68,257**
III. Cash, bank balances and cheques		**9,737**	**7,442**
		128,102	**129,871**
C. DEFERRED INCOME			
Other accruals and deferrals		**187**	**197**
D. ACTIVE DIFFERENCE FROM THE ASSETS CALCULATION	(5)	**47**	**5**
BALANCE SHEET TOTAL		**189,206**	**189,274**

LIABILITIES

	Notes item	31.12.2010 TEUR	31.12.2011 TEUR
A. EQUITY CAPITAL	(6)		
I. Subscribed capital		**16,721**	**16,920**
II. Capital reserves		**9,363**	**10,011**
III. Revenue reserves			
1. Statutory reserve		200	200
2. Other revenue reserves		47,916	55,721
		48,116	**55,921**
IV. Annual profits		**12,703**	**7,096**
		86,903	**89,948**
B. PROVISIONS			
1. Pension provisions and similar obligations	(7)	685	667
2. Provisions for taxes		1,876	994
3. Other provisions	(8)	13,715	14,636
		16,276	**16,297**
C. CREDITORS	(9)		
1. Bank loans and overdrafts		50,875	45,044
2. Trade payables		25,205	26,420
3. Amounts owed to associated companies		3,581	5,206
4. Amounts owed to companies in which a shareholding is held		193	87
5. Other creditors – thereof taxes: TEUR 429 (2010: TEUR 440)		6,173	6,172
		86,027	**82,929**
D. ITEMS OF ACCURAL AND DEFERRAL			
Other items		**0**	**100**
BALANCE SHEET TOTAL		**189,206**	**189,274**

MOVEMENT ON FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2011	PURCHASE AND MANUFACTURING COST					ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS					NET BOOK VALUE	
	As at 1.1.2011 TEUR	Additions TEUR	Disposals TEUR	Transfers TEUR	As at 31.12.2011 TEUR	As at 1.1.2011 TEUR	Additions TEUR	Appreciation in value EUR	Disposals TEUR	As at 31.12.2011 TEUR	As at 31.12.2011 TEUR	As at 31.12.2010 TEUR
I. INTANGIBLE ASSETS												
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	**11,224**	**664**	**420**	**46**	**11,514**	**10,400**	**506**	**0**	**420**	**10,486**	**1,028**	**824**
II. TANGIBLE ASSETS												
1. Land, land rights and buildings including buildings on land owned by third-parties	67,909	807	114	246	68,848	44,712	1,832	0	103	46,441	22,407	23,197
2. Plant and machinery	118,570	1,898	3,354	248	117,362	100,550	3,981	0	3,348	101,183	16,179	18,020
3. Other plant, operating and office equipment	43,716	1,504	5,879	22	39,363	37,649	1,765	2	5,845	33,567	5,796	6,067
4. Prepayments and assets under construction	622	1,283	0	–562	1,343	0	0	0	0	0	1,343	622
	230,817	**5,492**	**9,347**	**–46**	**226,916**	**182,911**	**7,578**	**2**	**9,296**	**181,191**	**45,725**	**47,906**
III. FINANCIAL ASSETS												
1. Shares in associated companies	11,543	0	0	0	11,543	451	0	0	0	451	11,092	11,092
2. Participating interests	1,768	13	0	0	1,781	726	0	0	0	726	1,055	1,042
3. Loans to affiliated			0	0								
companies	0	250	0	0	250	0	0	0	0	0	250	0
4. Long-term securities	6	0	0	0	6	0	0	0	0	0	6	6
5. Other liabilities	0	122	7	0	115	0	70	0	0	70	45	0
	13,317	**385**	**7**	**0**	**13,695**	**1,117**	**70**	**0**	**0**	**1,247**	**12,448**	**12,140**
	255,358	**6,541**	**9,774**	**0**	**252,125**	**194,488**	**8,154**	**2**	**9,716**	**192,924**	**59,201**	**60,870**

FRoSTA Aktiengesellschaft, Bremerhaven

NOTES FOR THE FINANCIAL YEAR 2011 OF FRoSTA AG

1 A. BASIC PRINCIPLES FOR THE FINANCIAL STATEMENTS

The financial statements of FRoSTA Aktiengesellschaft (hereafter referred to as FRoSTA AG) are prepared in accordance with the regulations for corporations included in the German Commercial Code (HGB), taking into account the additional provisions of the German Stock Corporation Act (AktG), the values are specified in thousand euros (TEUR).

2 B. ACCOUNTING AND CALCULATION PRINCIPLES

Profit and loss account

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

Fixed assets

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

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

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

A fixed value is assigned to recognized transport pallets.

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

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

Current assets

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

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

Receivables and other assets are shown at nominal value.

Non-payment and credit risks are accounted for by individual or global valuation allowances. The percentage used to calculate the global valuation allowance is 1.0.

Deferred taxes

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

Offsetting assets, income and expenses

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

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

Pensions and similar obligations

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

Other reserves

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

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

Liabilities

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

In this financial year, unscheduled depreciation of TEUR 0 (2010: TEUR 191) was carried out with respect to the tangible fixed assets.

In this financial year, unscheduled depreciation of TEUR 0 (2010: TEUR 191) was carried out with respect to the tangible fixed assets and TEUR 70 (2010: TEUR 550) with respect to financial assets.

For recognized transport pallets, the value has been fixed to TEUR 158 (2010: TEUR 158).

The impairment loss of the purchase and manufacturing costs of fixed assets subsidised due to investment grants and subsidies as per 31.12.2011 amounted to TEUR 2,234 (2010: TEUR 2,604). The release of investment grants and subsidies of TEUR 407 (2010: TEUR 455) directly reduces the gross depreciations.

Participations

FRoSTA AG holds participating interests in the following companies:

Name and headquarters of the company	Share of capital %	Share of subscribed capital TEUR	Equity TEUR	Result for the year 2010 TEUR	Result for the year 2011 TEUR
1. COPACK Tiefkühlkost-Produktionsgesellschaft mbH, Bremerhaven	100.00	256	247	–1	1
2. ELBTAL Tiefkühlkost Vertriebs GmbH, Lommatzsch	100.00	26	27	0	0
3. FRoSTA Tiefkühlkost GmbH, Bremerhaven	100.00	255	259	2	2
4. FRoSTA Foodservice GmbH, Bremerhaven	100.00	256	263	2	2
5. TIKO Vertriebsgesellschaft mbH, Bremerhaven	100.00	256	266	3	3
6. BioFreeze GmbH, Bremerhaven	100.00	256	254	1	0
7. Feldgemüse GmbH, Lommatzsch	100.00	26	12	0	1
8. FRoSTA Sp. z o.o., Bydgoszcz/Poland	100.00	7,842	11,933	1,464	2,254
9. FRoSTA France S.a.r.l., Boulogne-Billancourt/France	100.00	153	315	11	10
10. FRoSTA Italia s.r.l., Rome/Italy	100.00	10	229	19	22
11. FRoSTA Tiefkühlkost GmbH, Baden/Austria	100.00	36	298	15	17
12. FRoSTA ČR s.r.o., Prague/Czech Republic	100.00	39	172	–5	9
13. FRoSTA Hungary Kft., Esztergom/Hungary	100.00	20	26	6	11
14. FRoSTA Romania S.R.L., Bucharest/Romania	100.00	20	10	–3	–3
15. COPACK Sp. z o.o., Bydgoszcz/Poland	100.00	11	6	–1	–1
16. Bio-Frost Westhof GmbH, Wöhrden	45.00	617	1,305	178	152
17. Columbus Spedition GmbH, Bremerhaven	33.33	135	307 [1]	172	[2]
18. FTI Food Trading International GmbH, Otterndorf	25.00	50	[2]	–	[2]

[1] applies to 2010
[2] no dates available

Foreign currency conversion

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

C. COMMENTS ON THE BALANCE SHEET

3 1. Fixed assets

A presentation of fixed assets based on total procurement and production costs is shown on pages 44 and 45.

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

4 2. Accounts receivable and miscellaneous other fixed assets

The amounts owed by associated companies result from inter-company supplies and services (TEUR 390) and clearing transactions TEUR 2,884). Of these, TEUR 2,000 are financially relevant (2010: TEUR 0).

As per December 31, 2011, trade receivables of TEUR 12,099 (2010: TEUR 12,081) were sold in the frame of asset backed security transactions.

Of the other assets, TEUR 827 (2010: TEUR 997) have a residual term of more than one year.

5 **3. Excess of plan assets over pension liability**

Amounts of TEUR 102 (2010: TEUR 149) to be paid for partial retirement obligations were offset by assets with a fair value of TEUR 107 (2010: TEUR 196). This resulted in a surplus, the assets exceeding the obligations for outstanding payments for partial retirement benefits by TEUR 5 (2010: TEUR 47). The purchase costs of the assets to be offset amounted to TEUR 107 (2010: TEUR 198).

The assets in question were liability insurances.

6 **4. Equity capital**

On December 31, 2011, the equity capital amounted to EUR 16,919,521.28 and was divided into 6,609,188 no-par value shares. The shares are made out to the bearer.

In accordance with the Shareholders' Resolution of July 1, 2011, a decision was taken to appropriate a sum of EUR 7,804,590.98 from the net profit of EUR 12,703,183.73 to other revenue reserves.

In January 2011, capital reserves were increased by EUR 10,784.00 following the payment of 1,100 shares from the employee share program of 2010.

On September 26, 2011, the Executive Board took the decision to increase the Company's equity capital by EUR 198,991.36 to EUR 16,919,521.28 by issuing 77,731 bearer shares to employees. The increase was made due to the authorization granted to the Executive Board in Art. 4 (3) of the Articles of Incorporation. A resolution passed by the Supervisory Board on September 26, 2011 approved this resolution taken by the Executive Board on the increase of the equity capital. Due to premiums from the issuing of shares, the amount of EUR 637,121.40 was transferred to the capital reserves.

7 **5. Reserves for pensions and similar obligations**

The amounts to be paid for pension reserves apply only to pensioners already receiving a pension and amounted to TEUR 667 in this financial year (2010: TEUR 685). The actuarial valuation of the amounts to be paid is based on a discount rate of 5.14 % and a rate of pension progression of 2.0 %. The calculation of mortality rates is based on the "Richttafeln 2005 G" by Dr Klaus Heubeck.

8 **6. Other reserves**

The other reserves include reserves for personnel costs amounting to TEUR 5,407. This includes anniversary reserves with a settlement value of TEUR 1,379. The discount rate on which this is based is 5.14%.

Partial retirement reserves are valued with a settlement value of TEUR 134.

It was calculated using an appropriate discount rate. The low amount of the reserves of TEUR 98 is due to the fact that an offset is made with the plan assets amounting to TEUR 36. Since the principle of item-by-item measurement was used for the individual obligations and the corresponding assets, this resulted in a surplus of assets (see Section 3. Excess of plan assets over pension liability) and the creation of provisions for partial retirement obligations.

There are further reserves for collection commissions (TEUR 4,314) and outstanding invoices (TEUR 3,569).

9 **7. Liabilities**

The liabilities towards financial institutions are guaranteed by mortgages amounting to TEUR 10,813 (2010: TEUR 12,274) and similar securities amounting to TEUR 6,384 (2010: TEUR 5,821). The usual reservations of title are applicable to the trade payables.

TEUR	Total amount	thereof with a remaining maturity of up to one year	1–5 years	more than five years
Bank loans and overdrafts to financial institutions (previous year)	45,044 (50,875)	17,307 (17,819)	21,942 (25,053)	5,795 (8,003)
Trade payables (previous year)	26,420 (25,205)	26,420 (25,205)	0 (0)	0 (0)
Liabilities to associated companies (previous year)	5,206 (3,581)	5,206 (3,581)	0 (0)	0 (0)
Liabilities to companies in which a shareholding is held (previous year)	87 (193)	87 (193)	0 (0)	0 (0)
Other liabilities (previous year)	6,172 (6,173)	6,172 (6,173)	0 (0)	0 (0)
	82,929 (86,027)	**55,192 (52,971)**	**21,942 (25,053)**	**5,795 (8,003)**

In addition to this, there are authorised capital funds as yet unused for a fixed period until June 30, 2016 in the amount of EUR 301,008.64 for issuing shares to the employees of the Company and its associated companies as well as capital funds in the amount of EUR 5,000,000.00 for a fixed period until June 30, 2012 for a capital increase against cash contributions.

The liabilities towards associated companies result from intercompany supplies and services (TEUR 2,556) and clearing transactions (TEUR 2,650).

8. Contingencies

FRoSTA AG gave collateral securities towards banks for liabilities of FRoSTA Sp. z o.o. At 31.12.2011, these liabilities had a value of TEUR 10,287 (2010: TEUR 12,719). The company does not expect that these securities will be made use of.

D. COMMENTS CONCERNING THE PROFIT AND LOSS ACCOUNT

10 **1. Turnover**

The turnovers of FRoSTA AG are as follows:

	2010 mill. EUR	2011 mill. EUR	Deviation %
Product sales - Germany - Abroad	 278 136	 271 137	 –2.5 +0.7
	414	**408**	**–1.4**
Sales deductions	38	39	+2.6
	376	**369**	**–1.9**

According to product groups, the turnover is as follows:

	2010 mill. EUR	2011 mill. EUR	Deviation %
Fish	170	160	–5.9
Vegetables and fruit	100	102	+2.0
Ready meals and other products	106	107	+0.9
	376	**369**	**–1,9**

11 **2. Income and expenses for other accounting periods**

The profit and loss account of FRoSTA AG includes income for other accounting periods of TEUR 1,965 (2010: TEUR 2,442) and expenses for other accounting periods in the amount of TEUR 249 (2010: TEUR 480). The income for other accounting periods is mainly due to charge-off of advertising subsidies and bonus payments, the write-back of personnel reserves and other reserves.

12 **3. Extraordinary expenses**

In the financial year, there were to transactions to be presented in the extraordinary result. Application of the BilMoG provisions led to expenses amounting to TEUR 111 in the previous year.

13 **4. Earnings and Expenditure**

Earnings from a plan asset amounting to TEUR 4 were set off against interest expenditure for partial retirement benefit obligations amounting to TEUR 13.

14 **5. Taxes on earnings and income**

This item includes, among other things, tax expenses of TEUR 4 for other accounting periods (2010: TEUR 8 of tax yields for other accounting periods).

According to the accounting rules laid down in the deferred taxes are to be created on the temporary differences between the commercial and fiscal valuation rates of assets, debts and accruals and deferrals.

TEUR	31.12.2010		31.12.2011	
	Active deferred taxes	Passive deferred taxes	Active deferred taxes	Passive deferred taxes
Intangible assets	0	4	0	17
Tangible assets	0	111	0	183
Other financial assets	0	12	0	10
Other assets	60	0	41	0
Accruals and deferrals	169	0	141	0
Pension reserves	31	0	30	0
Other reserves	207	0	224	0
Trade payables	0	23	0	4
Total	**467**	**150**	**436**	**214**
Balancing	–150	–150	–214	–214
Balance	**317**	**0**	**222**	**0**

The temporary differences were valued with the combined tax rate of corporation tax and trade tax of 29.62 % (2010: 29.62 %).

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

E. OTHER INFORMATION

15 **1. Other financial liabilities**

FRoSTA AG has the following other financial liabilities:

TEUR	< 1 year	1–5 years	> 5 years
Future payments from current leasing contracts	1,040	1,655	13
Future payments from current rental and leasing contracts	2,108	1,219	0
Purchase commitment from expansion investments	2,073	0	0
Consignment agreements	2,595	0	0
	7,816	**2,874**	**13**

As at December 31, 2011 the following remaining maturities apply to future payment liabilities from hire, maintenance and leasing contracts:

TEUR	31.12.2010	31.12.2011
Liabilities under current leasing contracts	2,345	2,708
Liabilities under current tenancy and maintenance contracts	2,985	3,327
Purchase commitment from expansion investments	814	2,073
Consignment agreements	2,203	2,595
	8,347	**10,703**

16 **2. Hedging transactions/derivatives**

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

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

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

Financial instrument	Type	Volume	Fair value TEUR
Call options	Purchase TUSD Sale TGBP	23,280 1,545	0 –45
Foreign exchange swaps	Purchase TUSD Sale TGBP	1,415 37	0 0
Interest-rate swaps	Loan TEUR	16,417	–621

17 **3. Related party disclosures**

A loan amounting to TEUR 250 was granted to FTI Food Trading International GmbH. The interest rate on the loan is 2 %.

18 **4. Auditor's remuneration and services**

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

19 **5. Number of Employees**

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

	2010	2011
Wage-earners	628	628
Salaried staff	328	326
Temporary staff	82	75
No. of employees according to Art. 285 no 7 HGB	**1,038**	**1,029**
Apprentices	34	37
	1,072	**1,066**

20 **6. Executive Board**

Members of the Executive Board of FRoSTA AG in financial year 2011 were:

- Felix Ahlers, businessman, Hamburg (Chairman)
  As at December 31, 2011: 1,479,070 FRoSTA shares = 22.4 %.
- Hinnerk Ehlers, businessman, Hamburg (Vice President Marketing and Sales)
- Dr Stephan Hinrichs, businessman, Bendestorf (Vice President Finance and Administration)
- Jürgen Marggraf, businessman, Bremen (Vice President Operations)

The total number of FRoSTA shares held by the Executive Board on December 31, 2011 amounts to 1,517,482 shares = 23.0 %.

21 **7. Supervisory Board**

Members of the Supervisory Board of FRoSTA AG in financial year 2011 were:

- Dirk Ahlers, businessman, Hamburg (Chairman of the Supervisory Board)
  As at December 31, 2011: 2,242,271 FRoSTA shares = 33.9 %.
- Ulf H. Weisner, businessman, Ratingen-Lintorf (Deputy Chairman of the Supervisory Board), member until July 1, 2011
- Oswald Barckhahn, businessman, Warsaw/Poland (Deputy Chairman of the Supervisory Board), member since July 1, 2011
- Jürgen Schimmelpfennig, Chairman of the Works Council of FRoSTA AG, Bremerhaven

The total number of shares of FRoSTA AG held by the Supervisory Board at the balance sheet date amounts to 2,242,271 shares = 33.9 %.

22 **8. Remuneration according to Art. 285 No. 9 HGB**

The total remuneration of the Executive Board of FRoSTA AG in the financial year amounted to TEUR 2,169 (2010: TEUR 2,172). The fixed remuneration amounted to TEUR 1,176 (2010: TEUR 1,077) and the variable remuneration amounted to TEUR 993 (2010: TEUR 1,095).

The total remuneration of the former members of the Executive Board of FRoSTA AG in the financial year amounted to TEUR 73 (2010: TEUR 71). The pension reserves for former members of the Executive Board amounted to TEUR 555 (2010: TEUR 570) at the balance sheet date.

The remuneration of the Supervisory Board amounted to TEUR 62 (2010: TEUR 62), the variable remuneration amounting to TEUR 48 (2010: TEUR 48) and the fixed remuneration amounting to TEUR 14 (2010: TEUR 14).

23 **9. Declaration of Compliance according to Art. 161 of the German Stock Corporation Act (AktG)**

The Executive Board and the Supervisory Board issued a declaration of compliance as required in Art. 161 AktG, which has been made permanently available to the shareholders on the company's website www.frosta-ag.com.

24 **10. Appropriation of profits**

We will be proposing to the General Meeting of Shareholders that the net profit for the year amounting to 7,096,378.04 as per December 31, 2011 be appropriated as follows: a dividend of EUR 0.75 per share equalling a total dividend of EUR 4,956,891.00 be paid to shareholders and that the remaining amount of EUR 2,139,487.04 be allocated to the other revenue reserves.

Bremerhaven, March 16, 2012
The Executive Board

(F. Ahlers) (H. Ehlers)

(Dr S. Hinrichs) (J. Marggraf)

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

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

Bremerhaven, March 16, 2012
The Executive Board

(F. Ahlers) (H. Ehlers)

(Dr S. Hinrichs) (J. Marggraf)

Auditors' report

We have audited the financial statements of FRoSTA Aktiengesellschaft, Bremerhaven, comprising the balance sheet, the profit and loss account, the notes to the financial statements as well as its Company and Group management report for the financial year from January 1, 2011 to December 31, 2011. Accountancy and presentation of financial statements and management report according to German commercial regulations are the responsibility of the Company's Executive Board. Our responsibility is to provide an assessment of the financial statements, including accountancy and management reports, based on our audit.

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

Our audit did not reveal any grounds for objection.

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

Bremen, March 21, 2012

Gräwe & Partner GmbH
Wirtschaftsprüfungsgesellschaft · Steuerberatungsgesellschaft

Dr Meyer · Auditor

Reinke · Auditor

SUPERVISORY BOARD

Dirk Ahlers
Hamburg
Businessman, Chairman

Oswald Barckhahn (since 1.7.2011)
Warsaw/Poland
Businessman, Deputy Chairman

Jürgen Schimmelpfennig
Bremerhaven
Fitter

Ulf H. Weisner (until 1.7.2011)
Ratingen-Lintorf
Businessman, Deputy Chairman

EXECUTIVE BOARD

Felix Ahlers
Hamburg
Chairman

Hinnerk Ehlers
Hamburg

Dr Stephan Hinrichs
Bremerhaven

Jürgen Marggraf
Bremerhaven

FINANCIAL YEAR		2011	2010	2009	2008	2007	2006	2005	2004 (IFRS)	2003 (HGB)	2002
Employees (average)	number	1,528	1,520	1,614	1,539	1,372	1,248	1,167	1,138	1,118	1,162
Turnover	(mill. EUR)	385	393	411	392	349	307	269	264	262	284
EBITDA	(mill. EUR)	26.0	29.8	32.5	32.0	30.2	27.4	26.1	25.8	6.0	19.2
Depreciation	(mill. EUR)	11.1	12.1	11.6	11.2	10.9	10.8	10.9	10.4	10.7	10.9
EBIT	(mill. EUR)	14.9	17.7	20.9	20.8	19.3	16.6	15.2	15.4	–4.7	8.3
Return on sales (related to operating result) [1]		3.9 %	4.5 %	5.1 %	5.3 %	5.5 %	5.4 %	5.7 %	5.8 %	–1.8 %	2.9 %
Result from ordinary business activities	(mill. EUR)	12.3	14.2	17.4	17.7	16.6	14.6	13.5	12.9	–7.4	5.2
Taxes on income	(mill. EUR)	3.6	4.4	5.4	5.6	4.4	4.2	5.1	5.1	0.0	2.5
Group result for the year	(mill. EUR)	8.7	9.8	12.0	12.1	12.2	10.4	8.4	7.8	–7.7	2.3
Cash flow	(mill. EUR)	21.1	21.8	25.1	25.7	20.0	17.6	17.8	24.8	3.9	13.2
Investments	(mill. EUR)	8.6	10.7	12.1	25.7	20.0	7.7	5.8	6.6	6.4	8.4
Shares	number	6,609,188	6,531,457	6,450,833	6,413,386	6,373,673	6,338,389	6,303,316	6,277,965	6,265,203	6,254,233
Total dividend	(TEUR)	4,957	4,899	4,838	4,810	4,207	3,803	3,152	1,256	0	2,502
Dividend per share	(EUR)	0.75	0.75	0.75	0.75	0.66	0.60	0.50	0.20	0.00	0.40
Income per share	(EUR)	1.33	1.52	1.87	1.89	1.93	1.64	1.33	1.24	–1.23	0.36
Fixed assets	(mill. EUR)	76.8	81.5	82.9	88.4	75.9	66.7	68.8	73.7	57.3	63.8
Current assets	(mill. EUR)	144.8	144.0	140.2	148.9	129.1	107.3	95.0	61.4	59.8	68.4
Equity capital [2]	(mill. EUR)	105.0	101.2	94.8	87.0	80.2	70.4	62.7	55.1	31.5	39.8
Equity ratio [3]		47.4 %	44.9 %	42.5 %	36.6 %	39.1 %	40.5 %	38.1 %	34.3 %	22.1 %	25.5 %
Amounts owed to credit institutions	(mill. EUR)	55.3	63.6	76.7	86.3	69.6	49.5	44.5	28.8	42.7	42.5
Credit capital ratio [4]		25.0 %	28.2 %	34.4 %	36.4 %	34.0 %	28.4 %	27.0 %	17.9 %	30.0 %	27.3 %
Return on investment [5]		8.2 %	9.3 %	10.8 %	11.4 %	12.2 %	11.7 %	10.9 %	12.3 % (HGB)	–3.6 %	5.9 %
Return on equity [6]		11.7%	14.0 %	18.4 %	20.4 %	20.7%	20.7%	21.5 %	23.4 %	–24.4 %	12.1 %

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

Dear Shareholders,

In 2011 the Supervisory Board carried out intensive consultations on financial and economic developments at FRoSTA AG. The four meetings held in the course of the year were dominated by discussions on the difficult competitive market as well as the development of the FRoSTA brand.

Although last year's company result fell short of both target and the previous year's figure, the long-term opportunities of the brand were seen in a more positive light. The Supervisory Board supported the Executive Board's strategy of not always submitting to the competitive pressure on prices and margins in the private label business. This led to a 5 % drop in sales in this sector. On the whole, the brand business was satisfactory. As a result of structural changes and shortcomings in Poland, brand sales stagnated whereas earnings improved. In this respect, the Supervisory Board again supports the Executive Board in its strategy of consolidating the brand and investing in its future.

The Supervisory Board welcomes the fact that liabilities with credit institutes could be further reduced from about 64 million EUR to approximately 55 million EUR. Discretionary funds, however, have fallen from 15 million EUR in the previous year to 10 million EUR today. This is mostly as a result of increased stocks of raw material. This point was the subject of intense debate by the Supervisory Board with a view to achieving a moderate reduction.

The Committee for Personnel and Finances comprising the Supervisory Board members Dirk Ahlers, Ulf H. Weisner (until July 1, 2011) and Oswald Barckhahn (as from July 1, 2011), held three meetings. The Supervisory Board and the Committee discussed the financial statement for the year 2010 during a joint session on March 24, 2011 in Hamburg.

The Supervisory Board approved the Personnel Committee's proposal and agreed in January 2012 to extend the appointment and contract of Board Member Hinnerk Ehlers until December 31, 2017.

The Supervisory Board also monitored and consulted with the Executive Board in its work throughout the financial year 2011. This was done on the basis of the Executive Board's written and verbal reports. In addition, the Executive Board was in regular contact with the Chairman of the Supervisory Board, Dirk Ahlers. In this way, the Supervisory Board was always well-informed as regards company policy, the current profit and sales situation including risks and risk management, as well as business developments and the position of the company and the group as a whole.

In its December meeting on December 13, 2011, the Supervisory Board examined the planning proposal presented by the Executive Board for 2012. It was approved after consultations with the Executive Board. The Supervisory Board also approved the Executive Board's investment proposals for the current year. Once again these investments do not require the taking out of long-term loans. The discretionary cash is sufficient to finance the investment proposals as well as the ongoing business.

There were no changes in personnel made to the Executive Board in 2011. As in previous years, the Supervisory Board reviewed and in some cases adjusted Executive Board remuneration during its December session on December 13, 2011.

The Supervisory Board entrusted Gräwe & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Bremen, elected during the General Meeting of Shareholders, with the task of auditing FRoSTA AG's individual and Group financial statements. The auditors have checked the annual financial statement and the consolidated statement and issued unqualified audit certificates. The management report received the unqualified audit ceritificate.

The auditor's report was submitted to the members of the Supervisory Board in good time. It was discussed initially by the Committee for Personnel and Finances and then thoroughly by the whole Supervisory Board in the presence of the auditors on March 22, 2012. The auditors fulfilled the Supervisory Board's request for detailed explanations of some balance sheet items. The Supervisory Board declares that, having completed its assessment, it has no objections either to the consolidated and individual financial statements as per December 31, 2011, nor to the management report of 2011. For this reason, the Supervisory Board has unanimously approved and passed the individual and Group financial statements prepared by the Executive Board.

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

The Supervisory Board would like to express its thanks to the Executive Board and to all employees for their great commitment in the business year 2011.

Hamburg, March 22, 2012

For the Supervisory Board
Dirk Ahlers

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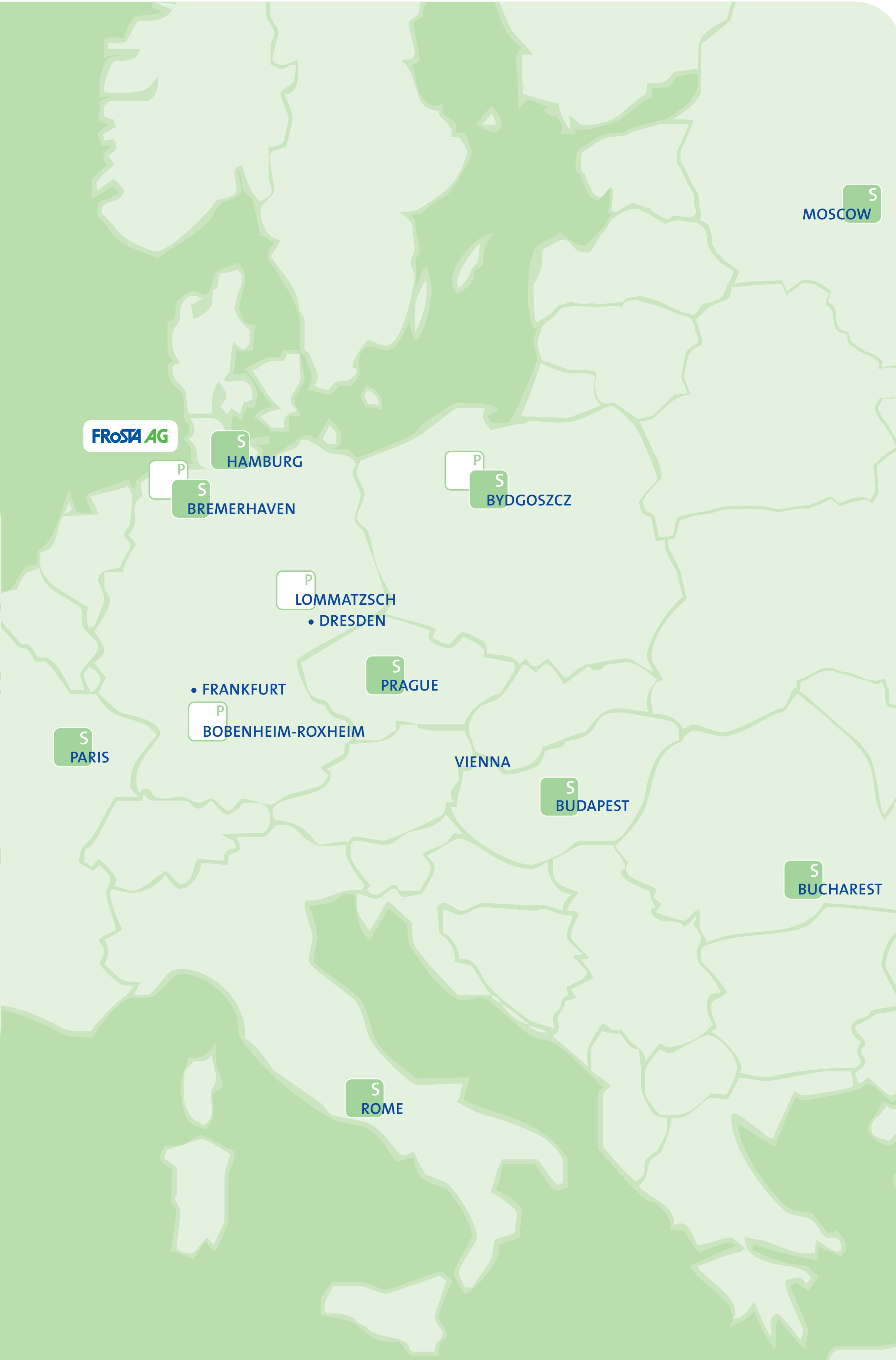

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