FRoSTA AG

ANNUAL REPORT 2007

FINANCIAL YEAR		2006	2007
Employees (average)	number	1,248	1,372
Turnover	mill. €	307	349
EBITDA[1] in % of turnover	mill. €	27.4 8.9 %	30.2 8.7%
Depreciation	mill. €	10.8	10.9
EBIT[2] in % of turnover	mill. €	16.6 5.4 %	19.3 5.5%
Result from business activities	mill. €	14.6	16.6
Group result for the year	mill. €	10.4	12.2
Cashflow	mill. €	17.6	20.0
Investments	mill. €	7.7	20.0
Dividend per share	€	0.60	0.66

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

FROSTA AG

Dear Shareholders,

Last year also saw a considerable increase in production and sales compared with the previous year. This is convincing evidence of the appeal not only of our existing range, but also of our many new products. About 20 % of our turnover are stemming from articles launched in the last three years. We are especially pleased by the positive response and increased sales of our FRoSTA range. These items are produced in Germany according to the "Purity Command" which we developed in 2003. The experience gained here has also benefitted us in the development and manufacture of products in our other market sectors, and also created new sales channels like "FRoSTA Büro Bistro", our recently introduced office delivery service.

As a result of increased demand for our products, we were able to create 124 new jobs. We manufacture most of our products ourselves in four facilities in Europe. Many of the materials we require are sourced worldwide, and so we thereby also contribute to increased employment in the numerous countries of origin.

And with a net result of € 12.2 million (compared with € 10.4 million in the previous year) and a turnover of € 348.7 million (as opposed to € 307,3 million) the results really were more than satisfactory, as documented in more detail in this financial report.

Together with you, our shareholders, and our staff, we are very happy about the good results, from which many of our staff benefit in the form of bonus payments as well as in the development of the share price.

Positive results are especially important in times of uncertainty on the stock markets, and so we are pleased that we managed without difficulties to secure long-term financing of the € 20 million investment necessary for capacity expansion. In this respect, our equity ratio of almost 40 % is necessary and helpful, taking into consideration that we have liabilities with the banks amounting to a total of almost € 70 million.

The borrowing necessary to finance our expected growth in future is the reason for our rather cautious dividend policy, according to which we usually retain 60 - 70% of our net profit in order to increase our equity. This year we will increase our revenue reserves by € 7.1 million.

We accept social responsibility for our staff, both at home and abroad. We see ourselves as a European enterprise, and are proud of every new job created, whether it be in Poland, for example, or in Germany. And so we are pleased that we were able to promote economic development in the Polish city of Bydgoszcz through the creation of 56 new jobs.

Cause for concern is the stricter legislation on the publication of corporate data. We consider the following regulations pointless for a company of our size:

- quarterly and half-yearly reporting
- publication of individual board member salaries
- segment reporting
- requirements for the publication of details in the notes to the financial statements

Reporting this information involves a considerable amount of extra administrative work, but at the same time it hardly provides you as a shareholder with a better understanding of our current financial situation or our future prospects and risks. On the contrary, it is much more likely to be used by our competitors in a damaging way as a source of information. These regulations will certainly discourage more middle-sized businesses from becoming Plcs, a development which would otherwise be desirable for society as a whole.

Many of our staff are dedicated to reaching our goals and I thank them all for the commitment shown last year, which led to the satisfying result in the business year 2007.

Yours

Dirk Ahlers

MANAGEMENT REPORT

I. GENERAL CONDITIONS AND DEVELOPMENTS IN THE INDUSTRY

1. General economic climate

In 2007, the global economy grew by more than 5 %, thus maintaining the high level of the previous year. The German economy also continued to grow at the rate of 2.5 % compared to 2006. There was, however, a decline in consumer spending, which was down 0.3 % on the previous year. This can be explained by the raising of VAT, increases in energy and food prices as well as the fact that the net incomes of most consumers are practically stagnating (Sources: FAZ of 24.12.07 and 16.1.08, Statistisches Bundesamt).

Weak consumer demand has had a particularly strong effect on the retail sector, which saw a drop in nominal turnover of 1.1 % (as much as 2.2 % after price adjustment). In contrast, food retail was up by 1.8 % on 2006, although this growth was mostly due to pricing (Source: GfK).

The German food industry has continued its positive development in 2007 with a real growth of 2.3 %. As a result of hefty price increases, turnover rose by a considerable 6.7 %. Sales abroad in the food industry were particularly strong, with exports up by about 13%. These positive production and sales figures are offset, however, by the threatening development in the prices of raw materials. The upward trend in agricultural commodities began in the middle of 2007 and will continue as a result of world population growth and the increased use of agricultural produce in the generation of energy. This in turn will lead to higher prices for the consumer (Source: Bundesverband der Ernährungsindustrie).

One of the most successful sectors in Germany in 2007 was the fish industry. In spite of substantial price increases, it was able to increase its production by 2.2 % to 1.3 million tons of caught fish. Per capita consumption equalled the previous record of 16 kgs. Fish is fashionable, and we expect continued growth here, too (Source: Bundesverband der Fischindustrie/Fischinformationszentrum).

Another field of growth is the organic sector, where sales were up by about 15 %. A large proportion of organic products are still imported from abroad, and so we see potential for growth in German agriculture (Source: Lebensmittelzeitung of 8.1.08).

Economic development in the other countries of Western Europe was more or less comparable with that of Germany. In contrast, with the exception of Hungary, all the (for us extremely important) Eastern and Central European countries once again recorded growth rates significantly higher than that of Germany (Source: Deutsche Bank):

	GDP Growth	
	2006	2007*
Poland	6.2 %	6.5 %
Hungary	3.9 %	1.5 %
Czech Republic	6.1 %	6.5 %
Slovakia	8.5 %	9.5 %
Romania	7.7 %	5.8 %

* provisional estimate

We also expect continued steady growth in these countries for the next few years.

2. Development of the frozen food market

Once again, more frozen food was sold in Germany in 2007 than in the previous year. The growth rate did slow down a little, but frozen food is still one of the strongest sectors on the food market. The product groups which are important for FRoSTA AG achieved the following growth rates (based on A. C. Nielsen):

	Volume		Value	
	2006	2007	2006	2007
Ready meals – of these complete ready meals	4.7 % 6.3 %	0.6 % 3.9 %	1.7 % 5.2 %	1.7 % 6.9 %
Fish	5.7 %	3.7%	7.8 %	11.7 %
Vegetables	6.6 %	0.3%	2.8 %	5.6 %
Fruit	13.4 %	4.2 %	9.4 %	7.2 %

These sectors make up about 43 % of the total frozen food market, which grew by an average of 5.7 % (nominal) or 1.1 % (real).

The figures show that the moderate growth in volume is largely a result of price increases, especially in fish and fruit. Fortunately, all our product groups belong to the sectors which show above-average growth, especially complete ready meals and fish.

The European frozen food market also continues its positive development. According to figures released just recently, average growth in 2006 was 2.2 %. With a per capita consumption of 48.5 kg, Sweden remained at the top of table, followed by other Scandinavian countries and the United Kingdom with 43.9 kg. The average German only consumes 31.3 kg per year. This shows that there is a considerable potential for growth in Germany (Source: Quick Frozen Foods International).

Above-average growth rates were also recorded in the Central and Eastern European countries (CEE countries). The 2006 growth rates for some of these countries have been published as follows (Source: Quick Frozen Foods International):

Romania	19.1 %
Bulgaria	13.1 %
Poland	5.6 %
Slovakia	4.6 %

Based on our own observations, we expect similar results in 2007 and beyond.

For 2008, we estimate growth rates of between 10 % and 15 % in the CEE Zone as a whole.

II. Company situation

With an increase in turnover of 13.5 %, we are on the right course for growth. Group sales climbed to € 348.7 million (previous year € 307.3 million). The unadjusted profit result faced continued pressure from increased raw material prices and dropped from 39.2 % to 39.0 %. Thanks to a slightly lower than average development in costs, the operational profit margin increased from 5.4 % to 5.5 % and with it the EBIT to € 19.3 million (previous year € 16.6 million). The yearly profit after tax increased from the previous year's € 10.4 million to € 12.2 million.

In view of the difficult overall situation, we are generally satisfied with the annual result for 2007.

1. Turnover and volume

We were able to achieve continued growth in sales of the FRoSTA brand in the year of this report, mainly in Germany, Poland and Hungary. Above-average growth, almost 15 %, was realised in FRoSTA ready meals in Germany as well as the complete FRoSTA range in Poland, where the growth rate was 27 %. Total brand sales now amount to € 49 million.

Sales of products under our secondary brands "Elbtal" and "Tiko" could not be maintained as we now produce and supply numerous products under the brand names of our customers. Sales in this "private label" segment increased from € 179 million in the previous year to the current figure of € 219 million, the equivalent of a 22 % rise compared to +18.5 % the year before. This made it the sector with the strongest growth in 2007.

In the catering, home delivery and industry sector, we achieved a 12 % increase to € 64 million from € 58 million in 2006.

Of the various product groups, ready meals enjoyed the best development across the board (30 %), considerably more dynamic than the market as a whole, followed by fish at 12 %. In fruit and vegetables, we could only realise an increase of 3 %.

Turnover by markets shows once again that growth was strongest abroad (24 %). But in Germany we did achieve a growth rate of 9 %, which is higher than the national average.

2. Marketing and sales

2.1 FRoSTA brand

FRoSTA brand sales in 2007 increased by 5.7 % in all countries taken as a whole.

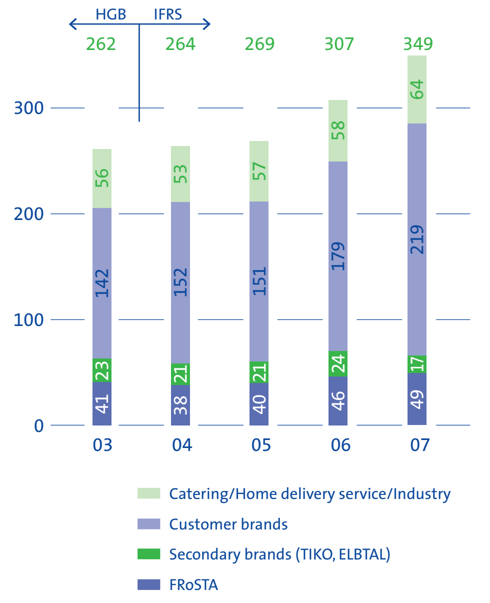
In Germany, the market share of our FRoSTA meals continued to grow. In this sector it was over 20 % (Source: Nielsen Market Track Deutschland, excluding Aldi). Sales of our vegetable meals are also thriving. At the beginning of 2008, they were advertised on TV for the first time.

According to the top-ten acceptance list compiled by Nielsen, the four best-selling frozen ready meals are the FRoSTA products “Bami Goreng”, “Nasi Goreng”, “Paella” and “Tagliatelle Wildlachs”. For five years now, FRoSTA's Purity Command has ensured that all products are free of additives such as flavour enhancers, aromas, artificial colouring, stabilisers and emulsifiers. We also rigorously exclude so-called “natural aromas”, which are normally produced in laboratories and are anything but “natural”. The appealing taste we achieve in this way and our high quality ensure that more and more consumers are being won over.

The FRoSTA Purity Command has been covered extensively in numerous TV programmes and newspaper articles.

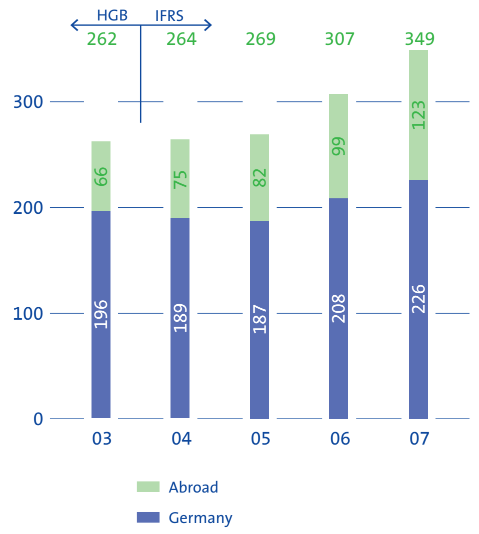
The recently launched FRoSTA Gourmet range is also coming along very well. Steaming the products in the microwave is particularly easy for the user and it preserves vitamins. The vacuum-sealed bags ensure the best possible protection while the transparent window allows the user to have a look at the contents. At the end of 2007, we were granted a European patent for this packaging concept. Early in 2008, we introduced two more recipes: “Hähnchen-Filet Asia-Teriyaki” and “Wildlachs Tomate-Crème Fraîche”.

TURNOVER BY SALES AREAS
in mill. €



TURNOVER BY PRODUCT GROUPS
in mill. €

TURNOVER GERMANY / ABROAD
in mill. €



At the end of 2007, we also introduced an office-delivery service – FRoSTA Büro Bistro (www.buerobistro.de) – which supplies offices with prepared meals in specially developed coolboxes on a 24 hour delivery basis. If the offices subscribe for a period of more than 24 months, they receive a Bistro Station free of charge, which includes a microwave and freezer unit. Smaller offices which have no canteen or are located on the outskirts of town have been particularly keen to take advantage of this service.

The FRoSTA brand has also seen a very positive development in Poland, Hungary, the Czech Republic, Romania and Russia. In Poland we were able to further reinforce our position as market leaders in fish products. In 2007 and the first months of 2008, we conducted an intensive advertising campaign for FRoSTA products in Hungary and are now market leaders in frozen fish products there. We see great further potential for FRoSTA brand products in all Eastern European countries.

2.2 "FRoSTA-Copack"

In 2007 the private label sector, including the secondary brands Elbtal and TIKO, was again able to achieve double-digit growth in sales and turnover. Volume growth was especially strong in fish due to the increasing demand for natural products as well as our focus on certified raw material, for example from MSC[1] approved fisheries. As a result of steep price increases for raw material in the second half of 2007, the already very narrow margins were subjected to even more pressure.

In the catering sector – hotels, restaurants and canteens – the whole frozen food market saw slight growth in 2007. The "FRoSTA-GV Partner" business development outperformed this trend and reached double figures, with positive impulses coming from the restaurant chains as well as wholesalers.

3. Situation concerning assets, financing and earnings

Since 2005, the consolidated balance sheet and the consolidated profit and loss account have been compiled (as legally required) in accordance with the International Financial Reporting Standards IFRSs. To improve comparability, we also drew up the consolidated balance sheet and profit and loss account for 2004 according to IFRS standards. Data relating to figures before 2004 was prepared in accordance with the HGB (German Commercial Code) and therefore cannot always be compared with figures relating to the years after 2004.

The group profit before tax amounting to € 14.6 million realised in 2006 was again improved in 2007, with pre-tax group profits rising to € 16.6 million. This 14 % increase in the result corresponds with the 14 % improvement in turnover. This positive development can be accounted for by the following factors:

- Almost all distribution sectors saw a marked increase in sales and turnover above the market average. Growth rates were particularly pleasing in Europe as well as in the harddicount and wholesale segment.
- The FRoSTA brand was able to reinforce its position as market leader in ready meals in Germany. Spending on consumer advertising for the FRoSTA brand in Germany, Poland and Hungary was raised by 15 %.
- Our unadjusted result remained more or less unchanged at 39 %. However, there was a below-average increase in other costs (labour, depreciation and other operative costs).
- Investments for the expansion of our facility in Poland amount to € 15 million. The execution of this project also involved non-budgeted expenses amounting to € 1.4 million.

[1] Marine Stewardship Council

The result before interest, tax, depreciation and amortisation (EBITDA) was € 30.2 million, an increase of 10.2 % on the previous year's result of € 27.4 million. Earnings before interest and tax (EBIT) climbed from € 16.6 million in 2006 to € 19.3 million (+ 16.3 %).

The group result after tax was € 12.2 million, up from € 10.4 million a year earlier. The amount of tax payable is positively affected by the reduction of passive deferred taxes brought about by the imminent tax cut on profits.

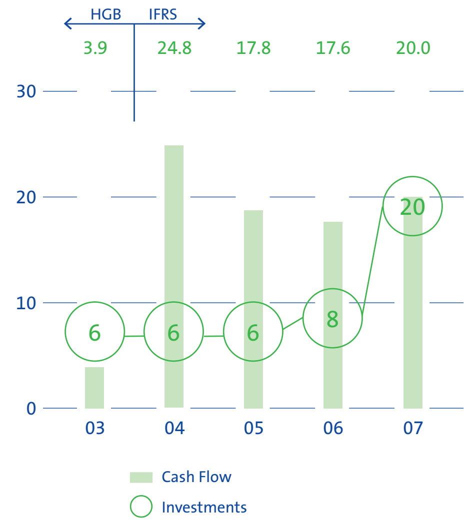
The equity capital reported in the FRoSTA AG group balance sheet can be broken down as follows, in each case as per December 31:

in thousand €	**31.12.2006**	**31.12.2007**
Subscribed capital	16,226	16,317
+ Capital reserves	7,909	8,344
+ Revenue reserves	37,224	44,457
+ Loss and balancing items	146	1,024
+ Net result	8,894	10,095
Equity capital	70,399	80,237
Balance sheet total	173,989	205,065
Equity ratio	40.5 %	39.1 %

	HGB	IFRS			
in million €	**2003**	**2004**	**2005**	**2006**	**2007**
Turnover	262.4	264.1	268.6	307.3	348.7
EBITDA (earnings before interest, tax and depreciation)	5.7	25.8	26.1	27.4	30.2
in % of turnover	2.2 %	9.8 %	9.7 %	8.9 %	8.7 %
./. Depreciation	10.7	10.4	10.9	10.8	10.9
= **EBIT** (earnings before tax and interest)	–5.0	15.4	15.2	16.6	19.3
in % of turnover	–1.9 %	5.8 %	5.7 %	5.4%	5.5 %
+ Financial result	–2.7	–2.5	–1.7	–2.0	–2.7
= Result from business activities	**–7.7**	**12.9**	**13.5**	**14.6**	**16.6**
in % of turnover		4.9 %	5.0 %	4.8 %	4.8 %
./. Taxes	–0.0	–5.1	–5.1	–4.2	–4.4
= Consolidated result for year	**–7.7**	**7.8**	**8.4**	**10.4**	**12.2**
in % of turnover		2.9 %	3.1 %	3.4 %	3.5%

At € 20 million, investments were considerably higher than in 2006 and far above depreciation and amortisation. They were financed from the cash flow before change in the working capital amounting to € 20 million (previous year € 17.6 million).

CASH FLOW BEFORE CHANGE WORKING CAPITAL in mill. €



GROUP BALANCE SHEET STRUCTURE in mill. €

At € 205 million, our balance sheet total is 18 % above the previous year's figure of € 174 million. This change is accounted for by the fact that parallel with a 14 % rise in turnover, the value of our stocks and receivables had to be increased by a total of 19 %. Significant here is that stock value increased proportionately much more due to price increases in raw material. At € 63 million, receivables are also up 21 % on the previous year. This can be explained by increased turnover towards the end of the year, changes in the receivables structure and also by changed customer payment preferences in December 2007. Some of the receivables will be re-financed as part of an ABS programme. As a result of increased investment, capital assets also rose from € 66 million in 2006 to € 75 million in 2007.

In addition to the 14 % increase in equity from € 70 million to € 80 million, the balance sheet total was financed by higher liabilities, with bank liabilities climbing from € 52 million as per December 31, 2006 to € 70 million at the end of 2007.

Due to the strong increase in the balance sheet total, which grew more than the equity capital, the equity ratio dropped from 40.5 % to 39.1 %. Our long-term goal is an equity ratio of 40 %.

4. Individual financial statement of FRoSTA AG

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

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

The individual financial statement for 2007 shows a marked increase in turnover compared to the previous year, as in the group as a whole. Here sales in all sectors played a role in this growth.

In the individual financial statement we report a profit after tax according to the accounting principles of the German Commercial Code. This amounted to € 11.3 million compared with € 11.0 million in 2006.

This lower than average increase in the after-tax result can be explained by the fact that, in 2006, German law allowed us this one occasion to activate a corporate tax credit. This was not the case in 2007. Adjusted to this one-off effect, the after-tax result increased by € 2.1 million (22 %).

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

	TEUR
FROSTA AG ANNUAL NET PROFIT FOR 2007 (HGB)	**11,311**
Changes IFRS:	
Depreciation	–2,815
Deferred taxes	2,385
Inventory changes and material stocks	78
Jubilee provisions	236
Miscellaneous	130
FRoSTA AG ANNUAL NET PROFIT FOR 2007 (IFRS)	**11,325**
Total result for the year for subsidiaries consolidated in the Group financial statements	1,380
Consolidating entries: Effects of the consolidating entries affecting the operating result	–468
Consolidated annual net profit FRoSTA 2007	**12,237**

The increased depreciation figures result from the fixed assets re-assessed in accordance with the IFRSs and the different depreciation methods and useful lives. The deferred taxes chiefly result from the different depreciation methods of the two accounting standards for current taxation as well as from the income tax which reduced the valuation of the deferred taxes.

The development of the individual balance sheet total deviates from the group statement due to the non-consolidation of our Polish subsidiary. The increase in group assets is for the most part based on the investment in Poland. This investment is not taken into account in the individual statement. For this reason, the individual balance sheet total has risen by only 14.5 %, with the individual equity ratio, in contrast to the group figure, slightly higher at 37 % as compared to 36 % in 2006.

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

At the Annual General Meeting the Board will propose a dividend of € 0.66 per share. This corresponds to a total dividend payment of € 4,206,624.18. We will recommend depositing the remaining profits in the other revenue reserves.

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.

5. The FRoSTA share

In the course of 2007, the FRoSTA share price enjoyed a very positive development and climbed by 25 % from € 15.60 in January 2007 to € 19.55 on December 31, 2007.

KEY FIGURES FOR THE FRoSTA-SHARE	2006	2007
Number of Shares	6,338,389	6,373,673
Equity capital on consolidated balance sheet (TEUR)	70,399	80,237
Equity capital per share (€)	11.11	12.59
Share price at year end (€)	15.81	19.55
Year high (€)	16.90	24.95
Year low (€)	12.10	15.60
Number of shares sold	818,397	631,693
Price-earnings ratio (Price at year end/annual net profit)	9.67	10.18
Dividend payout per share (€)	0.60	0.66
Dividend yield	3.8 %	3.4 %
Group annual result (TEUR)	10,367	12,237
Annual result per share (€)	1.64	1.93
Cash Flow before change of working capital for Group (TEUR)	17,592	19,998
Cash Flow before change of working capital per share (€)	2.78	3.14

On December 31, 2007, the total subscribed capital of FRoSTA AG amounted to € 16,316,602.88, which is the equivalent of 6,373,673 shares at € 2.56. 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 21, 2007, the Board is entitled to acquire up to 10 % of all shares. This resolution is valid for a period of 18 months until December 20, 2008.

6. Employees

The number of employees rose on annual average by 124 to 1,372.

Total expenditure on personnel (not including severance payments) rose due to an increase in the standard wages, the higher number of personnel and profit-sharing payments to € 49.7 million, an increase of 6.2 % as compared with the previous year. The number of apprentices rose from last year's 32 to 33. In 2007, staff fluctuation was again very low at 1.6 %. In Germany, absence through illness could also be kept low at 3.8 %.

As in the years before, in 2007 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 30,124 (35,073 the previous year). A total of 146 buyers took part in the campaign (previous year 135). We are satisfied with our employees' involvement in this scheme and pleased with the trust demonstrated. We hope that even more FRoSTA employees will become shareholders in future.

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

EMPLOYEES	2006	2007
FRoSTA HEAD OFFICE	**194**	**210**
- thereof administration	158	167
- thereof sales (also abroad)	36	43
PRODUCTION SITES	**1,054**	**1,162**
- Schottke, Bremerhaven	518	558
- Rheintal, Bobenheim-Roxheim	137	142
- ELBTAL, Lommatzsch	133	140
- Bydgoszcz, Polen	266	322
GROUP TOTAL	**1,248**	**1,372**

7. R & D report

The trend towards new and innovative products has if anything increased in 2007. This has resulted in the development and launching of ever more new articles. The popularity of promotion articles in the brand and private label sectors has presented our research and development management with new challenges in meeting our customers' requirements satisfactorily and on time. Another trend was the growing demand for the labelling of nutritional values such as salt, fat and sugar. 28 staff members are employed in our R & D department.

8. Procurement

As early as the middle of the year, dramatic double-digit price increases were announced. Particularly affected were dairy products as well as grain and some meat products. In spite of tough negotiations, it was not possible to avert double-digit price increases in many areas in the second half of the year. Anything else would have jeopardised our supply of raw material. Vegetable harvests were below average in 2007 whereas demand was very high, which inevitably meant that prices here also tended to rise. High demand for organic raw materials has presented our buyers with a considerable challenge. To strengthen our position in this sector we have acquired a 45 % holding of Bio-Frost Westhof GmbH, a reputable distributor of organic produce in Germany. A key factor in this decision was our desire to secure a long-term supply of this type of raw material.

9. Production

In 2007, all production facilities of FRoSTA AG were more or less fully utilised, which meant that we could achieve good results in efficiency and product availability.

10. Investments

On account of the high demand in the Eastern European market, we have expanded and modernised our factory in Poland as well as adding a new storage facility at a total investment of € 15 million. In the course of this project, we were faced with delays due to the financial difficulties of a machinery supplier. In the other production plants, we invested mainly in rationalisation and maintenance measures. Total investment amounted to € 20 million.

11. Organisation, administration and company structure

The organisation structure developed in the previous years was maintained.

The Supervisory Board appoints the members of the Executive Board and determines their number. The Supervisory Board may delegate the completion, alteration or termination of employment contracts to a Supervisory Board committee. In 2007, there were no personnel changes made on the Executive Board.

On the recommendation of its Committee for Finances and Personnel, FRoSTA AG's Supervisory Board determines the value and structure of Executive Board members' remuneration. Dr Herbert Müffelmann and Mr Ulf Weisner are members of this committee.

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

- a fixed basic annual salary paid over twelve months
- a special yearly payment to be used exclusively for the purchase of shares on the stock exchange at the shareprice of the day (for some Board members only)
- an annual bonus related to the Group profit before tax. This bonus is paid in three instalments.

Year	Basic Salary (TEUR)	Payment for share purchase (TEUR)	Variable Payment (TEUR)	Insurances (TEUR)	Total (TEUR)
2006	809	129	1,084	7	2,029
2007	846	166	1,326	9	2,347

Total payments to former members of the Executive Board of FRoSTA AG and the Group amounted in the financial year to T€ 67 as opposed to T€ 65 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 payed out once a year.

Year	Basic Salary (TEUR)	Bonus (TEUR)	Total (TEUR)
2006	14	27	41
2007	14	34	48

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 2007 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 2007.

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 level out 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.

The quality of the raw materials is monitored by audits at our suppliers' facilities and by checking goods as they arrive at our factories.

FRoSTA AG purchases most of its raw materials from international markets. Some of these goods are invoiced in US dollars. We make use of the usual options and futures trading instruments available on the market to hedge exchange rate fluctuations. The way these currency hedging instruments are dealt with is precisely stipulated by a set of procedural regulations, and controlling instruments are employed to ensure that these are adhered to. The hedging of exchange rate risks can only compensate to a limited extent for the continually rising dollar. A long-term deterioration in 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. The risk of losing outstanding receivables is limited by credit risk insurances 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. A commercial audit for the years 2000 – 2004 was started in 2006.

The growing market in Germany, Western Europe and especially Eastern Europe presents FRoSTA AG with great opportunities. Low per capita consumption in these countries combined with FRoSTA's strong position means that there is an extraordinary potential for growth here.

IV. Events after the end of the financial year

The volumes sold in the first two months of 2008 were up 4 % on the previous year and well within our expectations. Fish prices on the world market have increased considerably and so we will probably be forced to raise our prices once again.

Good progress is being made on the expansion of our plant in Bydgoszcz in Poland. However the inauguration will probably be delayed due to difficulties of a supplier. We expect completion of the project in June.

Outlook

In 2008 we again expect moderate growth in frozen food markets throughout Europe and we will certainly share in this development.

Difficult circumstances in sourcing will continue to make further price increases inevitable, thus maintaining pressure on our margins.

As in previous years, we cannot forecast results at this stage. But we do expect to at least equal the result of the previous year. This target, however, is at considerable risk due to price increases in raw materials.

Bremerhaven, March 2008

The Executive Board

CONSOLIDATED FINANCIAL STATEMENTS FRoSTA AG

	Note item	2007 TEUR	2006 TEUR
1. Turnover	(40)	348,697	307,331
2. Increase in inventories of finished and unfinished goods		3,877	1,917
3. Own work capitalised		21	43
4. Other operating income	(41)	4,785	4,428
5. OPERATING INCOME		**357,380**	**313.719**
6. Cost of materials			
a) Raw materials, consumables and goods purchased for resale		–212,566	–185,493
b) Purchased services		–8,886	–7,798
		–221,452	**–193,291**
7. GROSS PROFIT		**135,928**	**120,428**
8. Personnel expenses	(42)		
a) Wages and salaries		–42,299	–39,055
b) Social security and other pension costs and for support thereof for pensions TEUR 1 (2006: TEUR 610)		–7,365	–7,695
		–49,664	**–46,750**
9. Depreciation/amortisation of intangible and tangible fixed assets	(43)	–10,940	–10,790
10. Other operating expenses	(44)	–56,067	–46,244
11. OPERATING RESULT		**19,257**	**16,644**
12. Income from participating interests		71	35
13. Other interest and similar income	(45)	244	89
14. Interest and similar expenses	(45)	–2,933	–2,193
15. Financial result		**–2,618**	**–2,069**
16. RESULT FROM BUSINESS ACTIVITIES		**16,639**	**14,575**
17. Current taxes on income and earnings	(46)	–6,861	–5,437
18. Deferred taxes	(46)	2,459	1,229
19. CONSOLIDATED PROFIT FOR THE YEAR		**12,237**	**10,367**
Earnings per share			
– undiluted (EUR)		1.93	1.64
– diluted (EUR)		1.93	1.64

ASSETS

	Notes item	31.12.2007 TEUR	31.12.2006 TEUR
NON-CURRENT ASSETS			
A. FIXED ASSETS			
1. Intangible assets	(24)	2,253	3,691
2. Tangible assets	(25)	71,106	61,933
3. Financial assets	(26)	1,683	108
		75,042	65,732
B. DEFERRED TAXES	(47)	877	1,002
		75,919	66,734
CURRENT ASSETS			
1. Inventories	(27)	57,534	49,026
2. Trade receivables	(28)	62,892	51,913
3. Receivables from associated companies		2,313	2,023
4. Other current assets	(29)		
Financial assets		5,097	3,062
Other assets		343	258
5. Financial capital		967	973
		129,146	107,255
BALANCE SHEET TOTAL		205,065	173,989

LIABILITIES

	Notes item	31.12.2007 TEUR	31.12.2006 TEUR
A. EQUITY CAPITAL	(30)		
1. Subscribed capital	(31)	16,317	16,226
2. Capital reserves	(32)	8,344	7,909
3. Revenue reserves	(33)	44,457	37,224
4. Adjustment resulting from currency conversion	(34)	1,024	146
5. Group equity capital generated (without revenue reserves)		10,095	8,894
		80,237	70,399
B. NON-CURRENT PROVISIONS AND LIABILITIES			
1. Pension provisions	(36)	1,038	1,149
2. Other provisions	(37)	1,518	1,357
3. Bank loans and overdrafts	(38)	21,685	8,844
4. Deferred taxes	(47)	6,013	8,604
		30,254	19,954
C. CURRENT PROVISIONS AND LIABILITIES			
1. Other current provisions	(37)	189	265
2. Bank loans and overdrafts	(38)	47,928	40,672
3. Trade payables	(38)	34,328	28,217
4. Liabilities to associated companies	(38)	32	32
5. Amounts owed to companies in which a shareholding is held	(38)	27	0
6. Liabilities from current taxes on earnings and income		1,569	2,922
7. Other liabilities	(39)		
Financial liabilities		2,228	4,183
Other liabilities		8,273	7,345
		94,574	83,636
BALANCE SHEET TOTAL		205,065	173,989

CONSOLIDATED FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2006	PURCHASE AND MANUFACTURING COSTS						ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS					NET BOOK VALUE	
	As per 1.1.2006 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As per 31.12.2006 TEUR	As per 1.1.2006 TEUR	Effects of exchange rate TEUR	Additions TEUR	Disposals TEUR	As per 31.12.2006 TEUR	As per 31.12.2006 TEUR	As per 31.12.2005 TEUR
1. INTANGIBLE ASSETS													
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	11,617	0	544	44	1,564	10,641	6,663	0	1,850	1,563	6,950	3,691	4,954
2. TANGIBLE ASSETS													
a. Land, land rights and buildings including buildings on land owned by third-parties	62,122	11	678	14	0	62,825	29,563	2	2,075	0	31,640	31,185	32,559
b. Plant and machinery	100,304	25	3,667	454	48	104,402	81,277	12	4,456	48	85,697	18,705	19,027
c. Other plant, operating and office equipment	38,234	2	1,703	196	669	39,466	26,994	2	2,409	658	28,747	10,719	11,240
d. Prepayments and assets under construction	883	0	1,149	–708	0	1,324	0	0	0	0	0	1,324	883
	201,543	38	7,197	–44	717	208,017	137,834	16	8,940	706	146,084	61,933	63,709
3. FINANCIAL ASSETS	196	0	0	0	0	196	88	0	0	0	88	108	108
	213,356	38	7,741	0	2,281	218,854	144,585	16	10,790	2,269	153,122	65,732	68,771

CONSOLIDATED FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2007	PURCHASE AND MANUFACTURING COSTS						ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS					NET BOOK VALUE	
	As per 1.1.2006 TEUR	Effects of exchange rate TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As per 31.12.2006 TEUR	As per 1.1.2007 TEUR	Effects of exchange rate TEUR	Additions TEUR	Disposals TEUR	As per 31.12.2007 TEUR	As per 31.12.2007 TEUR	As per 31.12.2006 TEUR
1. INTANGIBLE ASSETS													
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	10,641	5	392	43	1	11,080	6,950	5	1,873	1	8,827	2,253	3,691
2. TANGIBLE ASSETS													
a. Land, land rights and buildings including buildings on land owned by third-parties	62,825	113	1,435	172	0	64,545	31,640	29	2,147	0	33,816	30,729	31,185
b. Plant and machinery	104,402	275	2,921	1,067	661	108,004	85,697	138	4,409	661	89,583	18,421	18,705
c. Other plant, operating and office equipment	39,466	19	1,841	21	821	40,526	28,747	12	2,511	811	30,459	10,067	10,719
d. Prepayments and assets under construction	1,324	56	11,812	–1,303	0	11,889	0	0	0	0	0	11,889	1,324
	208,017	463	18,009	–43	1,482	224,964	146,084	179	9,067	1,472	153,858	71,106	61,933
3. FINANCIAL ASSETS	196	0	1,575	0	0	1,771	88	0	0	0	88	1,683	108
	218,854	468	19,976	0	1,483	237,815	153,122	184	10,940	1,473	162,773	75,042	65,732

	Subscribed capital TEUR	Capital reserve TEUR	Revenue reserves TEUR	Balancing items from currency conversion TEUR	Group equity capital generated (without revenue reserves) TEUR	Equity capital TEUR
As per January 1, 2006	**16,137**	**7,606**	**31,825**	**94**	**7,076**	**62,738**
Dividends paid					–3,152	–3,152
Share issue	89	184				273
Additional expenditure due to issue of employee shares		119				119
Transfer to revenue reserves			5,399		–5,399	0
Currency change				52		52
Consolidated profit for the year					10,369	10,369
As per December 31, 2006	**16,226**	**7,909**	**37,224**	**146**	**8,894**	**70,399**
Dividends paid					–3,803	–3,803
Share issue	91	386				477
Aditional expenditure due to issue of employee shares		49				49
Transfer to revenue reserves			7,233		–7,233	0
Currency change				878		878
Consolidated profit for the year					12,237	12,237
As per December 31, 2007	**16,317**	**8,344**	**44,457**	**1,024**	**10,095**	**80,237**

	31.12.2007 TEUR	31.12.2006 TEUR
Consolidated profit for the year before taxes on income	16,639	14,577
Depreciation of fixed assets	+10,940	+10,790
Income from interest	–244	–89
Interest expenses	+2,933	+2,193
Increase/decrease in non-current provisions	+50	–1,382
Result of the disposal of non-current fixed assets	–7	–19
Non-cash income and expense	+342	+156
Interest paid	–2,804	–2,164
Interest received	+79	+31
Taxes on income paid	–8,173	–6,665
Taxes on income received	+243	+164
CASH FLOW BEFORE CHANGE IN WORKING CAPITAL	**+19,998**	**+17,592**
Decrease in current provisions	–76	–59
Increase/decrease in inventories, trade receivables and other assets that cannot be classified as investing or financial activities	–21,505	–10,974
Increase/decrease in inventories, trade payables and other liabilities that cannot be classified as investing or financing activities	+6,973	+1,856
CASH FLOW FROM OPERATING ACTIVITIES	**+5,390**	**+8,415**
Proceeds from disposals of fixed assets	+17	+29
Payments for investments in fixed assets	–18,009	–7,198
Payments for investments in intangible assets	–392	–544
Payments for investments in financial fixed assets	–1,575	–
CASH FLOW FROM INVESTING ACTIVITIES	**–19,959**	**–7,713**
Proceeds from increases in equity capital	+476	+273
Dividends to shareholders	–3,803	–3,152
Proceeds from new bank loans	+20,393	+3,245
Repayment of bank loans	–5,099	–5,309
Increase/decrease of current liabilities to banks	+4,845	+7,132
Proceeds from finance leases	–	–
Finance lease payments	–2,249	–2,395
CASH FLOW FROM FINANCING ACTIVITIES	**+14,563**	**–206**
Effect of changes in exchange rates on cash and cash equivalents	–	–
Net change in cash and cash equivalents	–6	+496
Cash and cash equivalents at the beginning of the period	+973	+477
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**+967**	**+973**

FRoSTA Aktiengesellschaft, Bremerhaven

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2007

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 trade brands. The Group's headquarters are in Bremerhaven. FRoSTA AG's Executive Board approved the consolidated financial statements on March 19, 2008 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, 2007 have been prepared in compliance with the International Accounting Standards Board's (IASB) financial accounting standards – the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRSs) – which are binding within the European Union with the restriction that we have not extended the notes to the consolidated financial statements to include segment reporting according to IAS 14 (see IAS 14 subpara. 50). In doing so all IAS or IFRSs (with the above exception) to be applied as at December 31, 2007 and the appropriate interpretations provided by the Standing Interpretations Committee (SIC) or the International Financial Reporting Interpretations Committee (IFRIC) were complied with. The requirements of the above-mentioned regulations were fulfilled with the exception of the IAS 14, so that FRoSTA AG's consolidated financial statements convey an appropriate picture of the assets, finances and earnings as well as the cash flows within the financial year.

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

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

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

2. Consolidation

2 a) Consolidation principles

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

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

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

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

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

3 b) Consolidated Group

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

Name and headquarters of company	Subscribed capital TEUR	Equity TEUR	Result for the year 2007 TEUR	Result for the year 2006 TEUR
1. COPACK Tiefkühlkost-Produktionsgesellschaft mbH, Bremerhaven	256	254	–2	1
2. ELBTAL Tiefkühlkost Vertriebs GmbH, Lommatzsch	26	26	0	0
3. Feldgemüse GmbH, Lommatzsch	26	14	3	–5
4. FRoSTA France S.a.r.l., Boulogne-Billancourt/France	153	271	10	12
5. FRoSTA Tiefkühlkost GmbH, Bremerhaven	255	254	–1	0
6. FRoSTA GV-Partner GmbH Großverbraucher-Service, Bremerhaven	256	257	1	1
7. FRoSTA Italia s.r.l., Rome/Italy	10	156	11	9
8. FRoSTA Tiefkühlkost GmbH, Baden/Austria	36	228	20	19
9. FRoSTA ČR s.r.o., Prague/Czech Republic	38	162	49	–15
10. FRoSTA Sp. z o.o., Bydgoszcz/Poland	9,742	10,405	1,289	1,234
11. BioFreeze GmbH, Bremerhaven	256	254	–1	–1
12. TIKO Vertriebsgesellschaft mbH, Bremerhaven	256	257	1	1

In the financial year 4 subsidiaries and 2 associated companies were not included in the consolidated financial statements because as a whole they are of minor importance as regards the consolidated assets, finances and earnings. The unconsolidated subsidiaries are mostly companies with no operational business.

4 c) Conversion of foreign currency transactions

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

The exchange rate differences that occur from conversion are recorded as balancing items from currency conversion.

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

Closing rate	2007	2006
Polish Zloty	3.5928	3.8413
Czech crown	26.575	27.435

3. Illustration of accounting and valuation methods

5 a) Realisation of revenue and expenses

Revenues from the sale of products and goods are recorded once the delivery owed has been carried out and risk and ownership have been passed on. Customer discounts and rebates as well as returned goods are accounted on an accrual basis according to the sales they are based on.

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

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

Dividends are recognised at the time they are paid out.

6 b) Intangible assets

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

Purchased intangible assets are valued at cost.

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

	Useful life in years
Software	4
Licenses	4

7 c) Tangible assets

Tangible assets are capitalised at cost and subjected to straight-line depreciation according to their probable useful economic life. Costs of self-produced assets include all direct costs and all overheads that are incurred as a result of the manufacturing process.

Investment grants and investment subsidies received reduce the cost. In the financial year this reduction amounts to TEUR 7,902 (2006 TEUR 8.859). Financing costs are capitalised as a part of cost. Costs for repairing tangible assets are always recognised as expenses. Capitalisation only occurs if the costs mean a development or important improvement in the asset. The assets to be capitalised are subjected to separate analyses for the purposes of measuring depreciation expense if significant cost segments have different economic useful lives.

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

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

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

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

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

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

8 d) Unscheduled depreciation of intangible assets and tangible assets

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

If it is not possible to determine the amount obtainable for individual assets, the cash flow for the next higher classification of assets for which this type of cash flow can be established, will be determined. The cash flow forecast of these cash-generating units is based on the detailed financial budget for the next years and the financial planning strategy over and above this period. The growth rates assumed do not exceed the average growth rates for the industry in which the respective cash-generating unit is active. The discount rate is based on a weighted average calculation of capital costs taking into account the borrowing capital/equity capital structure and amounts to 8.35 % before taxes. Should there be no reason for unscheduled depreciation, a revaluation is carried out to a maximum of the cumulative procurement or manufacturing cost. On December 31, 2007 this amounted to TEUR 3,311. (2006 TEUR 4,595).

9 **e) Participating interests**

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

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

10 **f) Inventories**

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

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

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

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

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

12 **h) Financial resources**

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

13 **i) Pension provisions**

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

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

14 **j) Other provisions**

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

Jubilee or other long-service benefits and partial retirement are part of the long-term employee benefits. Provisions for jubilee benefits are valued under IAS 19 according to the projected unit credit method. Each year the actual value of the rights obtained on the reporting date must be put in reserves. Provisions for partial retirement benefits must also be made at their actual value.

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

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

15 **k) Liabilities**

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

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

16 **l) Deferred taxes**

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

17 **m) Derivative financial instruments**
Forward-exchange contracts, forward options and interest-rate swaps

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

These transactions are only concluded to safeguard the operative business and the financing procedures associated with it. US dollar requirements are predominantly hedged. These occur because FRoSTA purchases some of the raw materials it requires in this currency without reporting any US dollar income. Interest-rate swaps are used to hedge non-current variable financing transactions.

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.

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

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

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

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

Financial instrument	Type	31.12.2007 Nominal amount TEUR	31.12.2007 Fair value TEUR	31.12.2006 Nominal amount TEUR	31.12.2006 Fair value TEUR
call options	Option purchase TUSD	5,060	–138	4,850	27
forward-exchange contracts	purchase TUSD	11,242	–207	14,730	–208
interest-rate swaps	loan TEUR	22,277	–225	6,597	35
interest-cap contracts	Loan TEUR	5,000	46	0	0

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

The due dates for the interest-rate swaps as at December 31, 2007 and 2006 are as follows:

	31.12.2007 TEUR	31.12.2006 TEUR
Within a year	2,320	1,456
Between one and five years	16,259	4,391
Over five years	8,698	750
Total	**27,277**	**6,597**

19 **n) Employee share program**

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

There are two different purchasing prices per share depending on the retention periods of two or five years, after which the securities may be sold.

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

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

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

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

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

21 **p) Foreign currency transactions**

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

22 **q) Use of accounting estimates**

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

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

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

The IASB has published further standards and interpretations, however these were not yet mandatory as per December 31, 2007. The new versions of IAS 23 "Borrowing Costs" and IFRS 8 "Segment Reporting" are to be applied for the first time in the financial year beginning on January 1, 2009. In general, the Board does not expect any major effects on the consolidated financial statements of FRoSTA AG in the initial application period. But the additional notes on the financial statements will be more comprehensive and their structure may have to be adapted accordingly.

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

In the FRoSTA Group development costs have not been capitalised, as their future economic use cannot be reliably determined, as long as the products have not been launched on the market. The expenses for product development for the financial year 2007 amounted to TEUR 1,188 (2006 TEUR 1,110).

25 **b) Tangible assets**

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

26 **c) Financial assets**

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

27 **d) Inventories**

The inventories are comprised as follows:

TEUR	31.12.2007	31.12.2006
Raw materials and consumables	22,771	19,875
Unfinished goods	12,265	9,746
Finished products and goods	19,679	18,280
Down payments	2,819	1,125
Inventories	**57,534**	**49,026**

The lower net realisable value, in so far as this was necessary, taking into account sales and manufacturing costs still being incurred was recognised. The impairments of inventories shown in expenses amount to TEUR 1,262 (2006 TEUR 1,372).

28 **e) Trade receivables**

Trade receivables are comprised as follows:

TEUR	31.12.2007	31.12.2006
Trade receivables, gross	63,824	52,706
Value adjustments on trade receivables	–932	–793
Trade receivables	**62,892**	**51,913**

Value adjustments on trade receivables have developed as follows:

TEUR	31.12.2007	31.12.2006
Value adjustments January 1	793	759
Spread	14	2
Allocations	130	42
Utilisation	0	0
Dissolutions	–5	–10
Value adjustments December 31	**932**	**793**

Expenditure on total write-offs amount to TEUR 39 (2006 TEUR 32). Income from written-off receivables amount to TEUR 5 (2006 TEUR 10).

Risks included in the trade receivables:

TEUR	31.12.2007	31.12.2006
Neither overdue nor adjusted receivables	58,129	47,652
Overdue receivables not individually adjusted		
Less than thirty days	4,119	3,627
Thirty to sixty days	155	324
More than sixty days	489	310
Total receivables overdue	4,763	4,261
Net accounting value	62,892	51,913

Receivables sold in ABS transactions amounted to TEUR 28,256. 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	31.12.2007	31.12.2006
Receivables from investment grants	96	295
Creditors with debit balances	221	225
Additional expenditure due to issue of employee shares	105	92
VAT and consumer tax	4,048	1,849
Other	627	600
financial assets	**5,097**	**3,061**
Delimitations	279	161
Partial retirement/ bankruptcy insurance	64	98
Other assets	**343**	**259**
Sundry assets	**5,440**	**3,320**

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

30 **g) Equity capital**

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

Minimum capital requirements have been met.

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

31 **Subscribed capital**

The share capital of TEUR 16,317 has been fully paid in. Considering 6,373,673 shares, the calculatory value is EUR 2.56 per share. Compared to the previous year there was a change in that 30,124 employee shares were issued at a special price of 368 TEUR. In addition, 5,160 individual shares made out to bearer were issued to employees within a bonus scheme. The shares were issued at the share price of the transfer day. The total purchase price was TEUR 107. The nominal value of the shares was TEUR 90.

Apart from this there are authorised capital funds, as yet unused, for a fixed period until June 30, 2009 amounting to EUR 409,672,96 for the issuing of shares to employees of FRoSTA AG and its affiliated companies, as well as authorised capital funds of EUR 5,000,000 for a fixed period until June 30, 2012 for a capital increase from cash contributions.

32 **Capital reserves**

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

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

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

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

According to the German Stock Corporation Law, the dividend to be paid out to the shareholders is measured according to the net profit stated in FRoSTA AG's annual financial statements. As per December 31, 2007, these came to TEUR 11,311 (2006 TEUR 11,036).

The Shareholders' Meeting on June 21, 2007 decided to pay out a dividend of EUR 0.60 per share (TEUR 3,803) and to transfer TEUR 7,233 into revenue reserves based on FRoSTA AG's net profit as at December 31, 2006.

FRoSTA AG's Executive Board proposes a dividend of EUR 0.66 per share for 2007 subject to the approval of the Shareholders' Meeting.

34 **Balancing items from currency conversion**

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

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

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

The following share purchases were effected:

TEUR	2007	2006
Proposal 1 – number of shares	16,002	15,020
Issue price (EUR)	9.9	6.05
Market rate (EUR)	19.80	14.50
Estimated market price (EUR)	11.55	9.45
Balance (EUR)	1.65	3.40
Value (TEUR)	**26**	**51**
Proposal 2 – number of shares	14,122	20,053
Issue price (EUR)	14.85	9.10
Estimated market price (EUR)	16.50	12.50
Balance (EUR)	1.65	3.40
Value (TEUR)	**23**	**68**
Total (TEUR)	**49**	**119**

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

36 **h) Pension obligations**

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

The Group pension schemes are all performance-related (defined benefit plans).

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

In the financial years 2007 and 2006 the following parameters were used:

	2007	2006
Interest rate	5.25 %	4.50 %
Salary trend	3.00 %	3.00 %
Pension trend	2.00 %	2.00 %

The actuarial forecasts for the life expectancy are based on Dr Klaus Heubeck's 2005 charts for the financial year 2007.

In 2007 and 2006 the following expenses were incurred:

TEUR	2007	2006
Actuarial profits/losses	–65	33
Personnel revenue/costs	**–65**	**33**
Interest paid	37	89
Pensions revenue/costs	**–28**	**122**

The provision recorded in the balance sheet developed as follows:

TEUR	2007	2006
Provisions as per January 1	1,149	2,640
Pensions costs/revenue	–28	122
Payments to pensioners	–83	–153
Transfer of pension to pension fund	0	–1.460
Provisions as at December 31	**1,038**	**1,149**

37 **i) Other provisions**

The other provisions are made up as follows:

TEUR	As at 01.01.2007	Utilisation	Write-back	Transfer	As at 31.12.2007
Partial retirement	362	44	0	65	383
Jubilee payments	995	37	0	177	1,135
Sundry non-current provisions	**1,357**	**81**	**0**	**242**	**1,518**
Severance payments	244	218	26	189	189
Anticipated losses	21	21	0	0	0
Sundry current provisions	**265**	**239**	**26**	**189**	**189**
Sundry provisions	**1,622**	**320**	**26**	**431**	**1,707**

38 **j) Liabilities**

	Total amount TEUR	thereof with a remaining maturity of			thereof secured by mortgages TEUR
		up to one year Jahr TEUR	between one and five years TEUR	more than five years TEUR	
Liabilities to banks (previous year)	69,613 (49,516)	47,928 (40,672)	15,252 (8,844)	6,433 (0)	25,016 (8,895)
Trade payables (previous year)	34,328 (28,217)	34,328 (28,217)	0 (0)	0 (0)	0 (0)
Liabilities to affiliated companies (previous year)	32 (32)	32 (32)	0 (0)	0 (0)	0 (0)
Amounts owed to companies in which a shareholding is held (previous year)	27 (0)	27 (0)	0 (0)	0 (0)	0 (0)
Other liabilities (previous year)	10,501 (11,528)	10,501 (11,528)	0 (0)	0 (0)	0 (0)

Bank loans and overdrafts are secured by mortgages (TEUR 24,099; previous year TEUR 7,645) and secured by similar rights (TEUR 917; previous year TEUR 1,250).

Bank loans and overdrafts are listed as follows:

	31.12.2007 TEUR	31.12.2006 TEUR
Non-current loans	**21.685**	**8.844**
Current loans	6.765	4.354
Current account liabilities	41.163	36.318
Current liabilities to banks	**47.928**	**40.672**
Bank loans and overdrafts	**69.613**	**49.516**

Receivables sold in asset backed securities transactions (ABS) amounted to TEUR 28,256 as per December 31, 2007. After deducting a discount of TEUR 3,300, they are included in other current liabilities at a value of TEUR 24.956.

Bank liabilities as per December 31, 2007 and other liabilities which are long-term and of an exclusively financial nature have the following interest rates and maturity dates:

31.12.2007 TEUR	31.12.2006 TEUR	Interest rate in %	Maturity
Loans from financial institutions			
0	26	4.85	30.06.2007
0	51	4.85	30.06.2007
128	383	5.65	30.06.2008
1,113	1,041	Wibor + 1.00	14.07.2008
147	294	3.75	30.09.2008
639	1,278	3.25	30.12.2008
1,829	2,891	5.95	30.08.2009
2,391	825	4.45	02.01.2010
917	1,250	4.73	30.09.2010
491	371	Euribor + 1.20	20.07.2011
3,830	4,788	5.525	30.08.2011
3,000	0	3.50	30.12.2016
9,215	0	Euribor 3M + 0.50	31.12.2016
4,750	0	4.98	31.05.2017
28,450	**13,198**		

39 The other current liabilities are structured as follows:

TEUR	31.12.2007	31.12.2006
Financial liabilities from sale and lease back of SAP/R3	0	2,249
Collection commissions	1,809	1,551
Customers with a credit balance	138	139
Other sundry financial liabilities	281	244
Financial liabilities	**2,228**	**4,183**
Liabilities to employees	2,146	2,669
Social security contributions	49	97
Taxes	462	563
Accruals	5,616	4,016
Other sundry liabilities	**8,273**	**7,345**
Other liabilities	**10,501**	**11,528**

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	2007	2006
Germany	225,781	208,224
Abroad	122,916	99,107
Sales revenues	**348,697**	**307,331**

41 **e) Other operating income**

Other operating income is structured as follows:

TEUR	2007	2006
Exchange rate profits	1,886	1,283
Income from charged-off accruals	981	655
Income from credits from previous years and charged-off liabilities	271	938
Income from mineral oil tax refund	571	523
Sundry operating income	1,076	1,029
Other operating income	**4,785**	**4,428**

42 **c) Personnel costs**

Personnel costs are split up as follows

TEUR	2007	2006
Wages and salaries	42,249	38,936
Social security contributions	7,364	7,085
Pension costs	1	610
Costs of share-related remunerations	50	119
Personnel costs	**49,664**	**46,750**

The personnel costs include severance payments of TEUR 145 (TEUR 260 previous year). The interest paid included in the pension payments is accounted for in the financial result.

The following figures state the average numbers of personnel employed in 2007/2006:

	2007	2006
Wage-earners	838	782
Salaried staff	364	335
Temporary employees	137	99
Number of employees according to article 314 (1) No. 4 HGB	**1,339**	**1,216**
Apprentices	33	32
Number of employees	**1,372**	**1,248**

43 **d) Depreciation and amortisation**

A breakdown of depreciation and amortisation is as follows:

TEUR	2007	2006
Scheduled amortisation of intangible assets	1,873	1,852
Scheduled depreciation of property, plant and equipment	9,067	8,938
Depreciation and amortisation	**10,940**	**10,790**

44 **e) Other operating expenses**

Other operating expenses are grouped as follows:

TEUR	2007	2006
Storage and transport costs	14,433	12,634
External personnel costs	9,582	7,204
Marketing costs	8,775	8,407
Rent and cold-storage expenses	6,120	5,065
Maintenance	3,511	3,185
Foreign currency exchange losses	2,661	1,751
Fees, contributions and insurance	2,189	2,339
Other expenses	8,796	5,659
Other operating expenses	**56,067**	**46,244**

45 **f) Interest result**

The interest result is divided up as follows:

TEUR	2007	2006
Income from interest on bank balances	4	5
Income from interest on loans	1	1
Income from interest swaps	61	35
Income from interest cap contracts	52	0
Income from interest on tax credits	98	3
Other income from interest	28	45
Income from interest	**244**	**89**
Interest paid for bank loans and overdrafts	–1,665	–1,178
Interest paid for sales and lease back transaction	–36	–149
Interest paid for pension reserves	–37	–89
Interest paid for accrued taxes	0	–8
Anticipated losses from interest rate swaps	0	83
Amortisation of debt discount	0	–12
ABS	–1,178	–832
Other interest paid	–17	–8
Interest and similar expenses	**–2,933**	**–2,193**
Income from interest	**–2,689**	**–2,104**

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	2007	2006
Current German taxes	6,842	5,896
Current foreign taxes	541	453
Current taxes for financial year	**7,383**	**6,349**
Taxes for previous years	–522	–912
Taxes on income and earnings	**6,861**	**5,437**
Deferred taxes Germany	–2,385	– 1,194
Deferred foreign taxes	–74	– 35
Deferred taxes	**–2,459**	**– 1,229**
Tax expenditure according to income statement	**4,402**	**4,208**

The expected expense for taxes on earnings and income, which would have resulted if the parent company FRoSTA AG's tax rate of 37.25 % 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	2007	2006
Result before taxes on income and earnings	**16,639**	**14,575**
FRoSTA AG's tax rate	37.25 %	37.25 %
Expected tax expenditure	**6,198**	**5,429**
Different tax rates	–1,341	–389
Taxes on income and earnings for previous years	–522	–912
Tax expenditure for non-deductible operating expenses	246	252
Tax savings from tax-free earnings	–179	–172
Tax expenditure according to income statement	4,402	4,208

For corporations based in Germany, 25 % is paid for corporation tax and 5.5 % for solidarity surcharge due on corporation tax. In addition, these corporations are liable to trade tax with the level depending on a community-based taxation scale. Trade tax reduces the assessment base for the calculation of corporate income tax. As of 2004 a limited use of the income tax and trade tax loss carry forwards has to be considered. The loss carried forward will reduce the first EUR 1 million fully, exceeding profits will be reduced by a maximum of 60 %.

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

The transition from imputation method to half income system has resulted in a corporation tax credit of TEUR 1,794. This tax credit will be paid out in ten equal instalments as from 2008. The cash value was activated in receivables from current taxes on income and profit.

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

TEUR	31.12.2007 Active deferred taxes	31.12.2007 Passive deferred taxes	31.12.2006 Active deferred taxes	31.12.2006 Passive deferred taxes
Intangible assets	169	0	106	0
Tangible assets	0	5,648	0	7,975
Inventories	24	256	6	551
Trade receivables	10	97	20	70
Other assets	239	0	356	0
Pension reserves	50	0	77	0
Sundry provisions	377	0	251	0
Trade payables	0	12	85	8
Other liabilities	8	0	101	0
Temporary differences	**877**	**6,013**	**1,002**	**8,604**
Loss carry forwards	**0**	**0**	**0**	**0**
Total	**877**	**6,013**	**1,002**	**8,604**

The change in the deferred tax receivables and liabilities results from current deferred tax expenditures and tax proceeds as well as changes in tax rates as from 2008.

48 **h) Earnings per share**

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

		2007	2006
Consolidated profit for the year	TEUR	**12,237**	**10,367**
Weighted average of issued shares	1,000 shares	6,345	6,309
Consolidated profit for the year per share	EUR	**1.93**	**1.64**

A figure of EUR 1.93 (previous year EUR 1.64) is reported for the undiluted as well as for the diluted result.

49 **7) Explanatory notes on the group cash flow statement**

Structure of the financial funds

The financial funds are made up of cash and credit at banks of TEUR 967 (previous year TEUR 973).

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

In conformance with IAS 14, a segment report has to be created if the company operates in segments which differ with respect to risk and profit situation. Since FRoSTA AG only operates in one segment, frozen food, such a differentiation is not required.

Segment reportig according to regions as per IAS 14 is required if the segments are in different economic zones with varying risk and profit situations. Since most of FRoSTA AG's earnings are made in the European Union with its uniform economic and political background, this form of segment reporting is also not required.

9) Other information

51 **Primary financial instruments**

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

TEUR	31.12.2007 Book value	31.12.2007 Fair value	31.12.2006 Book value	31.12.2006 Fair value
Banks loans and overdrafts	69,613	69,599	49,516	49,596
Liabilities from SAP sale and lease back transaction	0	0	2,249	2,250
Other financial liabilities	2,228	2,228	1,934	1,934

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

52 **a) Contingencies**

The FRoSTA Group believes there are no significant contingencies.

53 **b) Other financial liabilities**

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

TEUR	2007	2006
Liabilities from current leasing contracts	2,022	1,394
Liabilities from current leases and maintenance agreements	4,462	3,469
Commitments from increase in capital investments	5,138	1,532
Other financial liabilities	11,622	6,395

Future payments from lease, maintenance and hire contracts as at December 31, 2007 have the following remaining maturities:

TEUR	< 1 year	1–5 years	> 5 years
Future payments from current leasing contracts	892	1,114	16
Future payments from current lease and maintenance contracts	2,252	2,071	139
Total	3,144	3,185	155

Total expenditure from sale and lease back contracts amounted to TEUR 3,364 and TEUR 3,123 respectively for the financial years 2007 and 2006.

54 **c) Finance leases**

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

TEUR	31.12.2007	31.12.2006
Intangible assets	1,274	2,552
Tangible assets	333	538
Total	1,607	3,090

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

TEUR	31.12.2007	31.12.2006
Leasing payments due:		
Within one year	0	2,285
Between one and five years	0	0
Total leasing payments	0	2,285
less: expected future interest payments	0	36
Liabilities under finance lease	0	2,249
thereof:		
Current	0	2,249
Non-current	0	0

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

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

	TEUR
Final audit	50
Other certification or valuation services	11
Total	61

56 **e) Affiliated individuals**

Executive Board

Members of the FRoSTA AG's Executive Board in the financial year 2007 were:

› Dirk Ahlers, businessman, Hamburg (Chairman)
– As at December 31, 2007: 2,245,076 FRoSTA shares = 35.2%.

› Felix Ahlers, Hamburg (Vice President Marketing and Sales)
– As at December 31, 2007: 1,448,660 FRoSTA shares = 22.7%.

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

› Jürgen Marggraf, Bremen (Vice President Operations)

The total number of Executive Board FRoSTA shares as at December 31, 2007 amounts to: 3,774,086 = 59.2%.

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

– Ms Friederike Ahlers, Hamburg, and Mr Felix Ahlers, Hamburg, notified us on February 18, 2004 that since February 4, 2004 they have been entitled to more than 5 % of the voting rights in FRoSTA AG, namely each holds exactly 77.2 % of the voting rights, whereby 54.8 percentage points of the voting rights are allocated to each in accordance with art. 22 (2) sentence 1 WpHG (German Securities Trading Act.).
– Mr Dirk Ahlers, Hamburg, notified us on February 18, 2004 that since February 4, 2004 he has been entitled to more than 75 % of the voting rights in FRoSTA AG, namely exactly 77.2 % of the voting rights, whereby 44.8 percentage points of the voting rights are allocated to him in accordance with Art. 22 (2) sentence 1 WpHG (German Securities Trading Act.).

Supervisory board

Members of FRoSTA AG's Supervisory Board in the financial year 2007 were:

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

› Ulf Weisner, businessman, Ratingen-Lintorf (Deputy Chairman of the Supervisory Board)

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

The total number of FRoSTA AG shares owned by the Supervisory Board at the balance sheet date is 2,500 = 0.04%.

In the financial year 2007, the Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co., Hamburg, whose partners include Mr Dirk Ahlers, invoiced FRoSTA AG for travel expenses, rentals and commission on commodities sold totalling TEUR 382 (in the previous year TEUR 115). The balance at December 31, 2007 amounts to TEUR 2 (incl. VAT).

In the financial year 2007, FRoSTA AG invoiced the Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co. for commodities sold and consulting services to a total value of TEUR 42. The balance at December 31, 2007 is TEUR 5 (incl. VAT).

Lenox Frozen Fruits Ltd, a 100% subsidiary of the Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co., invoiced FRoSTA AG for goods delivered to a value of TEUR 78. The balance at December 31, 2007 amounts to TEUR 0.

The consulting services for FRoSTA AG provided by Sozietät Büsing, Müffelmann & Theye, Bremen amounted to TEUR 50 (in the previous year TEUR 63). As at December 31, 2007 this results in a balance of TEUR 6 (incl. VAT).

Mr Ulf Weisner invoiced for consulting services and travelling expenses to FRoSTA AG worth TEUR 17 (2006 TEUR 10). This amounts to a balance of TEUR 0 (incl. VAT) on December 31, 2007.

57 **f) Remuneration according to article 314 (1) No. 6 HGB**

The total remuneration of the Executive Board for the financial year 2007 amounted to TEUR 2,347 (previous year TEUR 2,029). Of this the fixed remuneration came to TEUR 855 (previous year TEUR 816) and variable remuneration TEUR 1,492 (previous year TEUR 1,213).

The total remuneration of former members of the Executive Board was TEUR 67 in the financial year (2006 TEUR 65). Pension reserves for former Executive Board members amounted to TEUR 604 on the balance sheet date (TEUR 650 in the previous year).

The remuneration of the Supervisory Board amounted to TEUR 48. Of that, TEUR 34 were variable and TEUR 14 fixed payments. The remuneration of the previous year at TEUR 27 comprised variable payments of TEUR 27 and fixed payments of TEUR 14.

58 **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.

59 **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 11,310,756.33 as per December 31, 2007 be appropriated as follows: a dividend of EUR 0.66 per share equalling a total dividend of EUR 4,206,624.18 be paid to shareholders and that the remaining amount of EUR 7,104,132.15 be allocated to the other revenue reserves.

60 **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 27, 2008

The Executive Board

(D. Ahlers) (Dr S. Hinrichs)

(J. Marggraf) (F. Ahlers)

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 27, 2008

The Executive Board

(D. Ahlers) (Dr S. Hinrichs)

(J. Marggraf) (F. Ahlers)

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, 2007 to December 31, 2007. 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, with the following exception: Contrary to IAS 14, the notes to the Group financial statement do not include segment reporting.

In our opinion and based on the information obtained during the audit, the consolidated financial statements, with the above-mentioned limitation, give a true and fair view of the Group's assets, finances and earnings in accordance with IFRSs, as applicable in the EU and the commercial provisions that also apply according to Art. 315a (1) HGB. Taking into account the above-mentioned limitation, the Group management report concurs with consolidated financial statements in accordance with IFRSs, as applicable in the EU, and provides an accurate picture of the Group's position, correctly depicting the challenges and risks of development in the future.

Bremen, March 27, 2008

Gräwe & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr Meyer
Auditor

Heilemann
Auditor

FINANCIAL STATEMENTS FRoSTA AG

	Notes Item	2007 TEUR	2006 TEUR
1. Turnover	(8)	334,297	295,636
2. Increase in inventories of finished and unfinished goods		3,075	1,384
3. Own work capitalised		21	43
4. Other operating income	(9)	4,079	5,563
5. OPERATING INCOME		**341,472**	**302,626**
6. Cost of materials			
a) Raw materials, consumables and goods purchased for resale		–207,584	–182,230
b) Purchased services		–8,407	–7,364
		–215,991	**–189,594**
7. GROSS PROFIT		**125,481**	**113,032**
8. Personnel expenses			
a) Wages and salaries		–38,865	–35,942
b) Social security and other pension costs and for support thereof for pensions TEUR 73 (2006: TEUR 1,029)		–6,784	–7,584
		–45,649	**–43.526**
9. Depreciation/amortisation of intangible and tangible fixed assets	(3)	–7,556	–7,097
		–7,556	**–7,097**
10. Other operating expenses	(10)	–52,340	–44,742
11. OPERATING RESULT		**19,936**	**17,667**
12. Income from participating interests – thereof to associated companies TEUR 253 (2006: TEUR 176)		324	211
13. Other interest and similar expenses – thereof to associated companies TEUR 162 (2006: TEUR 213)		697	260
14. Interest and similar expenses – thereof to associated companies TEUR 22 (2006: TEUR 17)		–2,725	–2,779
15. Financial result		**–1,704**	**–2,308**
16. RESULT FROM ORDINARY BUSINESS ACTIVITIES		**18,232**	**15,359**
17. Taxes on income and earnings	(11)	–6,713	–4,133
18. Other taxes		–208	–190
		–6,921	**–4,323**
19. PROFIT FOR THE YEAR		**11,311**	**11,036**
20. Profit carried forward from previous year		0	0
21. Dividends		0	0
22. Transfer to revenue reserves		0	0
23. ACCUMULATED PROFITS		**11,311**	**11,036**

ASSETS

	Notes TItem	31.12.2007 TEUR	31.12.2006 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		2,171	2,996
		2,171	**2,996**
II. Tangible assets	(3)		
1. Land, land rights and buildings including buildings on land owned by third-parties		23,138	23,575
2. Plant and machinery		8,289	8,092
3. Other plant, operating and office equipment		4,902	5,199
4. Prepayments and assets under construction		846	506
		37,175	**37,372**
III. Financial assets	(3)		
1. Shares in associated companies		7,802	3,827
2. Participating interests		1,593	17
3. Long-term securities		6	6
4. Employer's pension liability insurances		25	24
		9,426	**3,874**
		48,772	**44,242**
B. CURRENT ASSETS			
I. Inventories	(2)		
1. Raw materials and consumables		20,002	16,049
2. Work and services in progress		11,553	9,246
3. Finished products and goods purchased for resale		17,140	16,347
4. Down payments		574	1,125
		49,269	**42,767**
II. Accounts receivable and miscellaneous other fixed assets	(4)		
1. Trade receivables		57,849	48,421
2. Amounts owed by associated companies		1,820	3,084
3. Other assets		5,866	4,427
		65,535	**55,932**
III. Cash, bank balances and cheques		619	553
		115,423	**99,252**
C. DEFERRED INCOME			
1. Other accruals and deferrals		247	127
BALANCE SHEET TOTAL		164,442	143,621

LIABILITIES

	Notes Item	31.12.2007 TEUR	31.12.2006 TEUR
A. EQUITY CAPITAL	(5)		
I. Subscribed capital		**16,317**	**16,226**
II. Capital reserves		**8,081**	**7,696**
III. Revenue reserves			
1. Statutory reserve		200	200
2. Other revenue reserves		24,371	17,139
		24,571	**17,339**
IV. Annual profits		**11,311**	**11,036**
		60,280	**52,297**
B. PROVISIONS	(6)		
1. Pension provisions and similar obligations		621	644
2. Provisions for taxes		1,567	2,920
3. Other provisions		14,529	13,407
		16,717	**16,971**
C. CREDITORS	(7)		
1. Bank loans and overdrafts		58,136	47,618
2. Trade payables		19,652	16,201
3. Amounts owed to associated companies		3,241	2,739
4. Amounts owed to companies in which a shareholding is held		27	0
5. Other creditors – thereof taxes TEUR 438 (2006: TEUR 525)		6,389	7,795
		87,445	**74,353**
BALANCE SHEET TOTAL		164,442	143,621

MOVEMENT ON FIXED ASSETS FRoSTA AG AS PER DECEMBER 31, 2007	PURCHASE AND MANUFACTURING COST					ACCUMULATED DEPRECIATION, AMORTISATION AND WRITE-DOWNS				NET BOOK VALUE	
	As at 1.1.2007 TEUR	Additions TEUR	Transfers TEUR	Disposals TEUR	As at 31.12.2007 TEUR	As at 1.1.2007 TEUR	Additions TEUR	Disposals TEUR	As at 31.12.2007 TEUR	As at 31.12.2007 TEUR	As at 31.12.2006 TEUR
I. INTANGIBLE ASSETS											
Concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	9,080	383	43	0	9,506	6,084	1,251	0	7,335	2,171	2,996
II. TANGIBLE ASSETS											
1. Land, land rights and buildings including buildings on land owned by third-parties	61,195	1,287	79	0	62,561	37,620	1,803	0	39,423	23,138	23,575
2. Plant and machinery	98,902	2,797	332	647	101,384	90,810	2,932	647	93,095	8,289	8,092
3. Other plant, operating and office equipment	37,183	1,266	16	114	38,351	31,984	1,570	105	33,449	4,902	5,199
4. Prepayments and assets under construction	506	810	–470	0	846	0	0	0	0	846	506
	197,786	6,160	–43	761	203,142	160,414	6,305	752	165,967	37,175	37,372
III. FINANCIAL ASSETS											
1. Shares in associated companies	7,554	3,975	0	0	11,529	3,727	0	0	3,727	7,802	3,827
2. Participating interests	193	1,576	0	0	1,769	176	0	0	176	1,593	17
3. Long-term securities	6	0	0	0	6	0	0	0	0	6	6
4. Employer's pension liability insurances	24	1	0	0	25	0	0	0	0	25	24
	7,777	5,552	0	0	13,329	3,903	0	0	3,903	9,426	3,874
	214,643	12,095	0	761	225,977	170,401	7,556	752	177,205	48,772	44,242

FRoSTA Aktiengesellschaft, Bremerhaven

NOTES FOR THE FINANCIAL YEAR 2007 OF FROSTA AG

A. GENERAL REMARKS

1 The financial statements at December 31, 2007 have been prepared in accordance with the regulations for corporations included in the German Commercial Code (HGB), taking into account the additional provisions in the German Corporation Law (AktG).

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

2 B. ACCOUNTING AND VALUATION METHODS

Intangible fixed assets are shown at purchase costs less scheduled amortisation. Amortisation is recorded straight-line on the basis of the normal useful lives of the assets concerned.

Tangible assets are valued at purchase and manufacturing costs, less scheduled depreciation in the case of assets with a limited useful life. Unscheduled depreciation is carried out for extraordinary impairment. Unscheduled write-offs in the financial year totalled TEUR 0 (2006 TEUR 0). A fixed value of TEUR 158 has been assigned to transport pallets (2006 TEUR 158).

Depreciation is calculated on the basis of the normal useful lives of the assets concerned. A switch is made from the declining-balance method to the straight-line method as soon as this causes a higher depreciation charge. Low value assets with costs of up to 410 EUR are fully written off in the year purchased and shown as disposals in the movements on fixed assets.

Investment grants and subsidies received or requested lower the procurement and manufacturing costs of the subsidised assets. The reduction as per December 31, 2007 amounts to TEUR 4.198 (2006 TEUR 4.776). The release of investment grants and subsidies amounting to TEUR 760 (2006 TEUR 805) directly reduces the "gross amortisation".

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

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

Purchase costs of raw materials, consumables and goods are based on the purchase prices plus incidental acquisition expenses. The Lifo valuation method is applied for raw fish. The difference according to art. 284 (2) no. 4 HGB when using the Lifo measurement for the raw product fish is TEUR 555 (2006 TEUR 1,072).

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

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

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

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

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

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

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

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

The extent to which the profits for each year have been affected by valuations in accordance with the German tax law (Art. 285 (5) HGB) in the financial year 2007 and the previous year is not of great significance to FRoSTA AG's assets, finances and earnings.

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

I. BALANCE SHEET

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

Participating interests
FRoSTA AG has participating interests in the following companies:

Name and headquarters of the company	Share of capital %	Share of subscribed capital TEUR	Equity TEUR	Annual earnings 2007 TEUR
1. COPACK Tiefkühlkost-Produktionsgesellschaft mbH, Bremerhaven	100.00	256	254	–2
2. ELBTAL Tiefkühlkost Vertriebs GmbH, Lommatzsch	100.00	26	26	0
3. Feldgemüse GmbH, Lommatzsch	100.00	26	14	3
4. FRoSTA France S.a.r.l., Boulogne-Billancourt/France	100.00	153	271	10
5. FRoSTA Tiefkühlkost GmbH, Bremerhaven	100.00	255	254	–1
6. FRoSTA GV-Partner GmbH Großverbraucher-Service, Bremerhaven	100.00	256	257	1
7. FRoSTA Italia s.r.l., Rome/Italy	100.00	10	156	11
8. FRoSTA Tiefkühlkost GmbH, Baden/Austria	100.00	36	228	20
9. FRoSTA ČR s.r.o., Prague/Czech Republic	100.00	38	162	49
10. FRoSTA Sp. z o.o., Bydgoszcz/Poland	100.00	9,742	10,405	1,289
11. BioFreeze GmbH, Bremerhaven	100.00	256	254	–1
12. TIKO Vertriebsgesellschaft mbH, Bremerhaven	100.00	256	257	1
13. Columbus Spedition GmbH, Bremerhaven	33.33	45	107 [1]	62 [1]
14. FRoSTA Hungary Kft., Budapest/Hungary	100.00	25	27	–2
15. FRoSTA Romania S.R.L., Bukarest/Romania	100.00	29	28	–3
16. FRoSTA Benelux B.V., Berkel-Enschot/Netherlands	100.00	45	[2]	[2]
17. NORDSTERN America Inc., Seattle/USA	100.00	4	[2]	[2]
18. MIRELITE Außenhandels AG, Budapest/Hungary	6.60	69	[2]	[2]
19. Bio-Frost Westhof GmbH	45.00	278	[2]	[2]
				+1,437

1 Applies to 2006
2 In the case of subsidiaries with the serial Numbers 16 - 19 simplified regulations according to Art. 286 (3) 1 no. 1 HGB were employed.

4 2. Accounts receivable and miscellaneous other fixed assets
The amounts owed by associated companies are a result of inter-company supply, service and clearing transactions and from taxes in conjunction with the consolidated tax filing arrangements.

An amount of TEUR 1,188 (2006 TEUR 2,587) owed by associated companies are financing costs. TEUR 818 (2006 TEUR 1,293) of this have a remaining period of more than one year.

As per December 31, 2007 trade receivables of TEUR 28,256 (2006 TEUR 28,244) were sold as part of asset-backed security transactions.

Of the other assets, TEUR 1,316 (2006 TEUR 1,185) have a remaining term of more than one year.

5 3. Equity capital
The equity capital on December 31, 2007 was EUR 16,316,602.88 and is divided into 6,373,673 no-par value shares. The individual share certificates are made out to the bearer.

In compliance with the Shareholders' Resolution of June 21, 2007 a decision was taken to appropriate a sum of EUR 7,232,927.88 from the net profit of TEUR 11,035,961.28 to other revenue reserves.

As passed in an Executive Board resolution on August 28, 2007, the Company's equity capital was increased by EUR 90,327.04 to EUR 16,316,602.88 by issuing 35,284 bearer shares to Company employees. This increase was made on the basis of the authorisation given to the Executive Board according to Art. 4 (3) of the articles of incorporation. A resolution passed by the Supervisory Board on September 27, 2007 approved this resolution by the Executive Board on the increase of equity capital. Premiums of EUR 385,132.46 from shares issued were transferred to the capital reserves. There are also authorised capital funds as yet unused for a fixed period till June 30, 2009 in the amount of EUR 409,672.96 to issue shares to employees in the company or affiliated companies and authorised capital funds in the amount of EUR 5,000,000.00 for a fixed period till June 30, 2012 for a capital increase against cash contributions.

6 **4. Other provisions**

The other provisions in the financial statements mainly concern provisions for outstanding invoices (TEUR 4,374), personnel (TEUR 6,578), collection commissions (TEUR 1,809) and licence fees (TEUR 74) for the "Grüner Punkt" (German system of separating refuse).

7 **5. Liabilities and contingencies**

The liabilities of FRoSTA AG are as follows:

	Total amount TEUR	thereof with a remaining maturity of: up to one year TEUR	1 – 5 Jahre TEUR	more than five years TEUR	thereof secured by mortages TEUR
Bank loans and overdrafts to financial institutions (in previous year)	58,136 (47,618)	45,295 (40,129)	9,091 (7,489)	3,750 (0)	15,801 (8,895)
Trade payables (in previous year)	19,652 (16,201)	19,652 (16,201)	0 (0)	0 (0)	0 (0)
Liabilities to associated companies (in previous year)	3,241 (2,739)	3,241 (2,739)	0 (0)	0 (0)	0 (0)
Amounts owed to companies in which a shareholding is held (in previous year)	27 (0)	27 (0)	0 (0)	0 (0)	0 (0)
Other liabilities (in previous year)	6,389 (7,795)	6,389 (7,795)	0 (0)	0 (0)	0 (0)
(in previous year)	**87,445 (74,353)**	**74,604 (66,864)**	**9.091 (7,489)**	**3,750 (0)**	**15,801 (8,895)**

The amounts owed to associated companies are a result of intercompany deliveries, services and clearance transactions and taxes in conjunction with consolidated tax filing arrangements.

With approval on the dates mentioned below, FRoSTA AG issued loan-securing guarantees to BRE Bank SA, Bydgoszcz, Poland for the liabilities of FRoSTA Sp. z o.o:

By approval on February 15, 2007: PLN 2,000,000.00 (EUR 556,668.89) and PLN 3,200,000.00 (EUR 890,670.23).

By approval on July 26, 2006: PLN 4,000,000.00 (EUR 1,113,337.79).

By approval on September 04, 2006: EUR 550,000.00.

By approval on September 12, 2007 a further loan-securing guarantee amounting to PLN 2,000,000.00 (EUR 556,668.89) was made to the Deutsche Bank Polska SA in Warsaw for the liabilities of FRoSTA Sp. z o.o.

II. PROFIT AND LOSS ACCOUNT

8 **1. Turnover**

FRoSTA AG's turnover is as follows:

	2007 Mill. EUR	2006 Mill. EUR	Difference %
Product sales - Germany - Abroad	 251 111	 229 90	 +9.6 +23.3
	362	**319**	**+13.5**
Sales deductions	28	23	+21.7
	334	**296**	**+12.8**

Classified into product groups, turnover is as follows:

	2007 Mill. EUR	2006 Mill. EUR	Difference %
Fish	163	148	+10.1
Vegetables and fruit	83	82	+1.2
Ready meals and other products	88	66	+33.3
	334	**296**	**+12.8**

9 **2. Other operating income**

Income to a total of TEUR 2,221 (2006 TEUR 3,507) from other periods is shown in other operating income. Amounts from the financial year 2007 are mainly due to the charge-off of advertising expenses and the write-back of personnel and other reserves.

10 **3. Other operating expenses**

Expenses of TEUR 212 (2006 TEUR 193) from other periods are included in other operating expenses.

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

Net tax expenses of TEUR 128 (2006 TEUR 1,761) are also included in this item.

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

	31.12.2007 TEUR	31.12.2006 TEUR
a) Liabilities under current leasing contracts	1,849	1,234
b) Liabilities under current tenancy and maintenance contracts	4,288	3,286
c) Purchase commitment from expansion investments	1,065	1,192
	7,202	**5,712**
thereof payable by December 31, 2008:		
a) Liabilities under current leasing contracts	801	598
b) Liabilities under current tenancy and maintenance contracts	2,090	1,814
c) Purchase commitment from expansion investments	1,065	1,192
	3,956	**3,604**

The amounts shown are the nominal amounts.

13 **E. HEDGING TRANSACTIONS/DERIVATIVES**

In order to secure the future USD requirement for supplies received, forward exchange contracts and call options have been taken out. The respective accounts receivable and payable are booked at the current rate and also continued at that rate on the balance sheet date, taking the imparity principle into account, as they are open items. Provisions for unrealised losses from forward contracts and options are booked as anticipated losses. Furthermore, interest rate swaps were also transacted. As interest security, use was made of interest swaps and interest caps.

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

inancial tool	Type	Level	Fair value TEUR
Call options	Option buy TUSD	7,000	–141
Forward exchange contracts	Buy TUSD	15,331	–200
Interest-rate swaps	Loan TEUR	9,891	0
Interest caps	Loan TEUR	5,000	0

14 **F. Auditor's remuneration**

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

	TEUR
Final audit/Other confirmation and assessment services	61

15 **G. OTHER INFORMATION**

1. Number of employees

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

	2007	2006
Wage-earners	584	568
Salaried staff	289	276
Temporary staff	137	99
No. of employees according to Art. 285 no 7 HGB	**1,010**	**943**
Trainees	33	32
	1,043	**975**

16 **2. Executive board**

The following were members of FRoSTA AG's Executive Board in the financial year 2007

› Dirk Ahlers, businessman, Hamburg (Chairman)
– As at December 31, 2007: 2,245,076 FRoSTA shares = 35.2%

› Felix Ahlers, Hamburg (Vice President Marketing and Sales)
– As per December 31, 2007: 1,448,660 FRoSTA shares = 22.7%

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

› Jürgen Marggraf, Bremen (Vice President Operations)

The total number of Executive Board FRoSTA shares on the balance sheet date amounted to 3,774,086 = 59.2%.

17 **3. Supervisory Board**

Members of FRoSTA AG's Supervisory Board in the financial year 2007 were:

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

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

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

The total FRoSTA AG shares owned by members of the Supervisory Board on the balance sheet date amounted to 2,500 shares = 0.04%.

18 **4. Affiliated individuals**

The Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co., Hamburg, whose shareholder Mr Dirk Ahlers is, invoiced FRoSTA for travel expenses, rentals and commission on commodities sold totalling TEUR 382 in the financial year 2007 (2006 TEUR 115). The balance at December 31, 2007 was TEUR 2 (incl. VAT).

FRoSTA invoiced the Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co for commodities sold and consulting services totalling TEUR 42 in the financial year 2007. The balance at December 31, 2007 was TEUR 5 (incl. VAT).

Lenox Frozen Fruits Ltd., a 100% shareholding of the Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co invoiced FRoSTA for commodities sold totalling TEUR 78 in the financial year 2007. The balance at December 31, 2007 was TEUR 0.

The consulting services for FRoSTA AG provided by Sozietät Büsing, Müffelmann & Theye, Bremen amounted to TEUR 50 (2006 TEUR 63. The balance at December 31, 2007 was TEUR 6 (incl. VAT).

Mr Ulf Weisner invoiced FRoSTA AG for consulting services and travel expenses amounting to TEUR 17 (2006 TEUR 10). The balance at December 31, 2007 was TEUR 0.

19 **5. Remuneration according Art. 285 no. 9 HGB**

The total remuneration of the Executive Board of FRoSTA AG for the financial year was TEUR 2,347 (2006 TEUR 2,029). Of this the fixed remuneration came to TEUR 855 (2006 TEUR 816) and variable remuneration TEUR 1,492 (2006 TEUR 1,213).

The total remuneration of former members of the Executive Board at FRoSTA AG was TEUR 67 in the financial year (2006 TEUR 65). Pension reserves for former Executive Board members amounted to TEUR 504 on the balance sheet date.

The remuneration of the Supervisory Board members amounted to TEUR 48 (2006 TEUR 41). Of that, TEUR 34 (2006 TEUR 27) were variable and TEUR 14 fixed payments (2006 TEUR 14).

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

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

21 **7. Appropriation of profits**

We will be proposing to the General Meeting of Shareholders that the net profit for the year totalling EUR 11,310,756.33 as at December 31, 2007 be appropriated as follows: that a dividend of EUR 0.66 per share equalling a total dividend of EUR 4,206,624.18 be paid to shareholders and that the remaining amount of EUR 7,104,132.15 be appropriated to the other revenue reserves.

Bremerhaven, March 27, 2008

The Executive Board

(D. Ahlers) (Dr S. Hinrichs)

(J. Marggraf) F. Ahlers)

Statement by the Legal Representatives in conformance with Art. 289 (1) sentence 5 of the German Commercial Code

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

Bremerhaven, March 27, 2008

The Executive Board

(D. Ahlers) (Dr S. Hinrichs)

(J. Marggraf) F. Ahlers)

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, 2007 to December 31, 2007. Accountancy and presentation of financial statements and management report according to German commercial regulations are the responsibility of the Company's Executive Board. Our responsibility is to assess the financial statements, including accountancy and management reports, based on our audit.

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

Our audit has not produced any objections.

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

Bremen, March 27, 2008

Gräwe & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr Meyer
Auditor

Heilemann
Auditor

CORPORATE GOVERNANCE REPORT FRoSTA AG

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

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

Shareholders and Shareholders' Meeting

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

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

Supervisory Board

FRoSTA AG's Supervisory Board consists of three members, two of whom are elected at the shareholders' meeting. Company employees elect one member. The Chairman of the Supervisory Board is elected from the Supervisory Board itself. The Supervisory Board was elected in the shareholders' meeting in 2004 for five years.

The Supervisory Board appoints the members of the Executive Board. It controls and advises the Executive Board in managing the Company. Significant decisions taken by the Executive Board require the Supervisory Board's approval. The Supervisory Board meets four times a year and if necessary will meet without the Executive Board. The Supervisory Board has a financial and personnel committee. The Supervisory Board establishes the annual financial statement and approves the consolidated financial statements.

Executive Board

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

Financial accounting and auditing

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

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

Transparency

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

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

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

Declaration of compliance in accordance with Art. 161 AktG (German corporation law)

The Executive Board and Supervisory Board declare that the recommendations of the "Government Commission on German Corporate Governance Codes", in the June 12, 2006 edition published in the electronic Bundesanzeiger have been followed in the financial year 2007 with the following exception:

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

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

With the above mentioned exceptions, the recommendation of the June 14, 2007 version has been complied with since publication and will continue to be complied with in future.

Remuneration of the Supervisory Board and the Executive Board

The financial and personnel committee at FRoSTA AG establishes the level and structure of remuneration for the Executive Board. Dr. Herbert Müffelmann and Mr Ulf Weisner sit on the committee.
The members of the Executive Board receive remuneration that comprises:

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

Year	Basic remuneration (TEUR)	Remuneration for Share purchase (TEUR)	Variable remuneration (TEUR)	Insurances (TEUR)	Total (TEUR)
2006	809	129	1.084	7	2,029
2007	846	166	1.326	9	2,347

The total remuneration of former members of the Executive Board at FRoSTA AG and in the Group amounted to TEUR 67 in the business year (2006 TEUR 65).

The members of the Supervisory Board receive remuneration that comprises:

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

Year	Basic remuneration (TEUR)	Success-related bonus (TEUR)	Total (TEUR)
2006	14	27	41
2007	14	34	48

Transactions in securities requiring notification according to Art. 15 a WpHG (German securities trading act)

The following transactions in securities requiring notification were carried out in 2007 with Company shares and published accordingly:

Date	Name	Type of business	Price per share	Number	Total volume
26.07.2007	Dr Stephan Hinrichs	share purchase	21.80 €	1.000	21,800.00 €
27.07.2007	Dr Stephan Hinrichs	share purchase	20.40 €	500	10,200.00 €
14.08.2007	Jürgen Marggraf	share purchase	21.50 €	1.000	21,500.00€
17.08.2007	Dr Stephan Hinrichs	share purchase	19.70 €	400	7,880.00 €
17.08.2007	Jürgen Marggraf	share purchase	19.80 €	600	11,880.00 €
21.08.2007	Jürgen Marggraf	share purchase	20.50 €	400	8,200.00 €

Shares owned by the Executive Board and Supervisory Board

Members of the Executive Board and the Supervisory Board hold shares in FRoSTA AG amounting to a total of 59.25 %.

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

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

	%
Dirk Ahlers	35,2
Felix Ahlers	22,7

Bremerhaven, March 27, 2008

The Executive Board

					IFRS ←	→ HGB					
FINANCIAL YEAR		**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**
Employees (average)	number	1,372	1,248	1,167	1,138	1,118	1,162	1,214	1,160	1,140	1,171
Turnover	(mill. EUR)	349	307	269	264	262	284	299	275	287	293
EBITDA	(mill. EUR)	30.2	27.4	26.1	25.8	6.0	19.2	23.4	16.3	25.1	18.9
Depreciation	(mill. EUR)	10.9	10.8	10.9	10.4	10.7	10.9	14.5	12.9	11.2	10.5
EBIT	(mill. EUR)	19.3	16.6	15.2	15.4	–4.7	8.3	8.9	3.4	13.8	8.4
Return on sales (related to operating result) [1]		5.5 %	5.4 %	5.7 %	5.8 %	–1.8 %	2.9 %	3.0 %	1.2 %	4.8 %	2.9 %
Result from ordinary business activities	(mill. EUR)	16.6	14.6	13.5	12.9	–7.4	5.2	4.6	0.6	11.0	5.0
Taxes on income	(mill. EUR)	4.4	4.2	5.1	5.1	0.0	2.5	1.6	0.4	3.8	0.2
Group result for the year	(mill. EUR)	12.2	10.4	8.4	7.8	–7.7	2.3	2.8	–0.1	6.9	4.6
Cash flow	(mill. EUR)	20.0	17.6	17.8	24.8	3.9	13.2	17.6	13.6	18.6	15.5
Investments	(mill. EUR)	20.0	7.7	5.8	6.6	6.4	8.4	8.6	30.6	19.5	10.0
Shares	number	6,373,673	6,338,389	6,303,316	6,277,965	6,265,203	6,254,233	6,244,241	6,227,900	6,199,503	6,169,717
Total dividend	(TEUR)	4,207	3,803	3,152	1,256	0	2,502	2,498	1,709	4,755	4,119
Dividend per share	(EUR)	0.66	0.60	0.50	0.20	0.00	0.40	0.40	0.77	0.77	0.77
Fixed assets	(mill. EUR)	75.9	66.7	68.8	73.7	57.3	63.8	66.3	76.1	60.6	54.8
Current assets	(mill. EUR)	129.1	107.3	95.0	61.4	59.8	68.4	63.7	70.1	83.0	101.5
Equity capital [2]	(mill. EUR)	80.2	70.4	62.7	55.1	31.5	39.8	41.0	41.8	41.7	38.5
Equity ratio [3]		39.1 %	40.5 %	38.1 %	34.3 %	22.1 %	25.5 %	25.2 %	24.4 %	28.9 %	24.5 %
Amounts owed to credit institutions	(mill. EUR)	69.6	49.5	44.5	28.8	42.7	42.5	46.8	46.9	55.6	70.9
Credit capital ratio [4]		34.0 %	28.4 %	27.0 %	17.9 %	30.0 %	27.3 %	28.8 %	27.4 %	38.5 %	45.2 %
Return on investment [5]		12.2 %	11.7 %	10.9 %	12.3 % (HGB)	–3.6 %	5.9 %	6.0 %	2.5 %	10.3 %	6.2 %
Return on equity [6]		20.7%	20.7%	21.5%	23.4%	–24.4%	12.1%	10.7%	0.7%	25.7%	12.5%

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,

The year 2007 was again very successful for FRoSTA and we were able to maintain the high growth rate of the previous year. Turnover increased by 14 %, while earnings also grew proportionately.

The Supervisory Board met on four occasions during the financial year 2007, as did the Committee for Personnel and Finances consisting of the Supervisory Board members Dr Müffelmann and Mr Weisner.

The main topics at the Supervisory Board sessions were price increases in raw material, raw material supply - especially in the organic sector – as well as the higher prices for our products made necessary by the more expensive raw material. In addition, we advised on and approved investment in the construction of a new fish-producing line in Poland as well as in the planning of a new ready meals line in Bremerhaven. In connection with the investment in Poland, the main focus of our consultations was on the financing and timely completion of the project. The Supervisory Board also checked and approved the acquisition of a shareholding in Bio-Frost Westhof GmbH. Regular consultations were also held between the Executive Board and Supervisory Board on the competitive environment, especially as regards the FRoSTA brand, and on advertising measures to support it. Strategic personnel questions were also a frequent topic of the discussions.

The Supervisory Board has examined, discussed in detail and approved the annual planning proposal presented by the Executive Board. On the basis of the reporting and accounting of the Executive Board, the Supervisory Board has monitored the general business situation as well as developments in turnover, costs and results, paying particular attention to compliance with the annual plan and looking into any deviations thereof.

The Committee for Personnel and Finances dealt with financial and personnel matters and carried out preparatory work for decisions of the Supervisory Board on remuneration of the Executive Board and senior management.

The Supervisory Board entrusted Gräwe & Partner GmbH, Wirtschaftsprüfungsgesellschaft und 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 granted an unqualified audit certificate. As in previous years, the group financial statements were given a correspondingly qualified audit certificate because segment reporting was not carried out, since this would have exposed the company to competitive disadvantages. The auditor's report was submitted to the members of the Supervisory Board's Financial Committee in good time. It was discussed in detail during the Supervisory Board's balance sheet meeting in the presence of the auditors on March 27, 2008. At the request of the Supervisory Board, the auditors have included detailed explanations of some items in the balance sheet – inventories, receivables and provisions.

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, 2007 nor to the management report of 2007. The Supervisory Board has thus unanimously approved and passed the individual and group financial statements prepared by the Executive Board.

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

The Supervisory Board would like to express its thanks to the Executive Board and to all employees for their successful performance during the business year 2007.

Bremen, April 2008

For the Supervisory Board
Dr Herbert Müffelmann

SUPERVISORY BOARD

Dr Herbert Müffelmann
Bremen
Solicitor
Chairman

Jürgen Schimmelpfennig
Bremerhaven
Fitter

Ulf Weisner
Ratingen-Lintorf
Buisinessman
Deputy chairman

EXECUTIVE BOARD

Dirk Ahlers
Hamburg
Chairman

Felix Ahlers
Hamburg

Dr Stephan Hinrichs
Bremerhaven

Jürgen Marggraf
Bremerhaven

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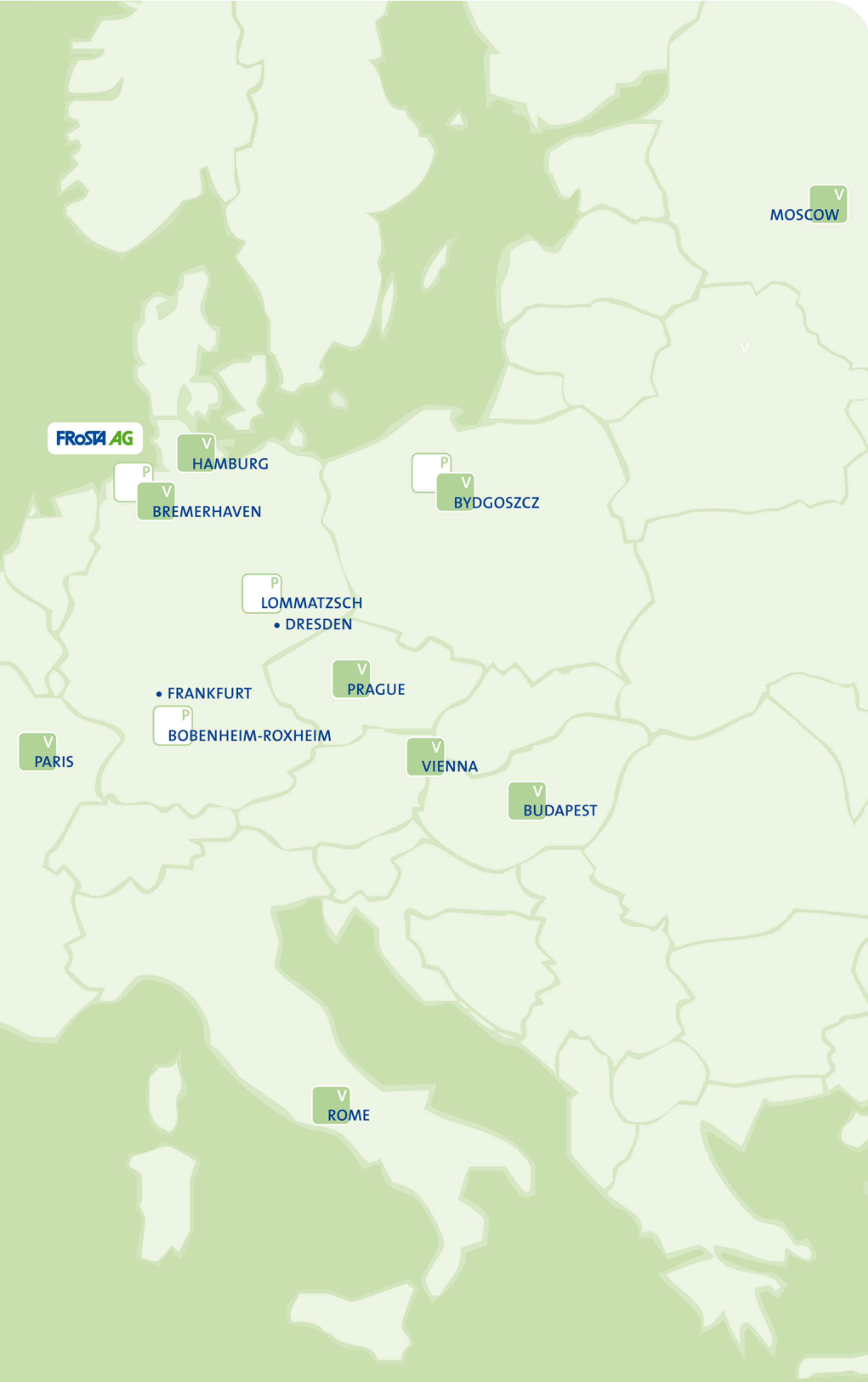

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