



**BAKKAVÖR**

31 January 2007

Ágúst Gudmundsson, Chief Executive Officer

Lýdur Gudmundsson, Chairman

# **BAKKAVÖR GROUP'S ANNUAL AND Q4 RESULTS 2006**





## Agenda

- 1 Business Highlights and Financial Results**
- 2 Operational Review
- 3 Future Prospects

# Business Highlights 2006

## **UK consolidation – four acquisitions**

Strengthened the Group's position in key product categories:

- Desserts (Laurens Patisseries, Rye Valley Patisseries)
- Speciality bread (New Primebake)
- Ready meals (Fresh Cook)

## **Continental Europe**

- Improved performance of existing operations
- Continued exploration of market opportunities and acquisition targets

## **International expansion**

- Acquired stake in Creative Foods in China
- Exploration of market opportunities and acquisition targets in Asia

# Business Highlights 2006

## continued

### **Integration**

- Further integration of acquired businesses
- Appointment of Ágúst Gudmundsson as CEO of Bakkavör Group
- Appointment of Lýður Gudmundsson as non-executive Chairman of Bakkavör Group

### **Rebranding**

- Launched new logo to reflect successful integration
- Now operating under one name, Bakkavör Group

### **Share capital increase**

- Kaupthing Bank converted bonds issued in 2001 into shares
- Part of acquisition price of Laurens Patisseries satisfied by issue of new shares

## Financial Highlights for the Year 2006

- Operating profit (EBIT) £113.9 million – up 71%
- Sales £1.2 billion with 10% growth in underlying business
- EBITDA £147.8 million and EBITDA ratio 12.1%
- EBITDA ratio, net of agency sales change 12.6%
- Pro-forma EBITDA up 20%
- Shareholders' earnings £67.6 million – up 111%
- Cash generated from operations £165.1 million – up 59%
- Free cash generated by operating activities £93.6 million – up 43%
- Return on equity 37% compared with 30% in the year 2005
- Equity increased by £114.1 million up 90% from year-end 2005
- The Board recommends that dividend of ISK 0.5 per share, which equals 50% of issued share capital, be paid for 2006

# Consolidated Income Statement 2006

Amounts in £'000	2006	2005	Change %
Net sales	1,219,189	722,065	69%
Cost of sales	-892,912	-513,521	74%
<b>Gross profit</b>	<b>326,277</b>	<b>208,544</b>	<b>56%</b>
Operating expenses	-212,026	-141,969	49%
Share of (loss) profit in associates	-318	75	-524%
<b>Operating profit (EBIT)</b>	<b>113,933</b>	<b>66,650</b>	<b>71%</b>
Net finance costs	-47,360	-28,269	68%
<b>Profit before tax</b>	<b>66,573</b>	<b>38,381</b>	<b>73%</b>
Income tax	-15,237	-6,048	152%
<b>Profit from continuing operation</b>	<b>51,336</b>	<b>32,333</b>	<b>59%</b>
Profit from discontinuing operation	16,910	-	-
<b>Profit for the year</b>	<b>68,246</b>	<b>32,333</b>	<b>111%</b>



## Financial Highlights Q4 2006

- Operating profit (EBIT) £30.7 million – up 47%
- Sales £329.2 million with 10% growth in underlying business
- EBITDA £39.3 million and EBITDA ratio 11.9%
- EBITDA ratio, net of agency sales change 12.7%
- Pro-forma EBITDA up 9%
- Shareholders' earnings £32.8 million – up 191%
- Cash generated from operations £41.8 million
- Free cash generated by operating activities £23.9 million
- Return on equity 58.3% compared with 38.0% in Q4 2005
- Insurance claim agreed
- Profit of discontinued operations net of tax £16.9 million (pre-tax £21.3 million)

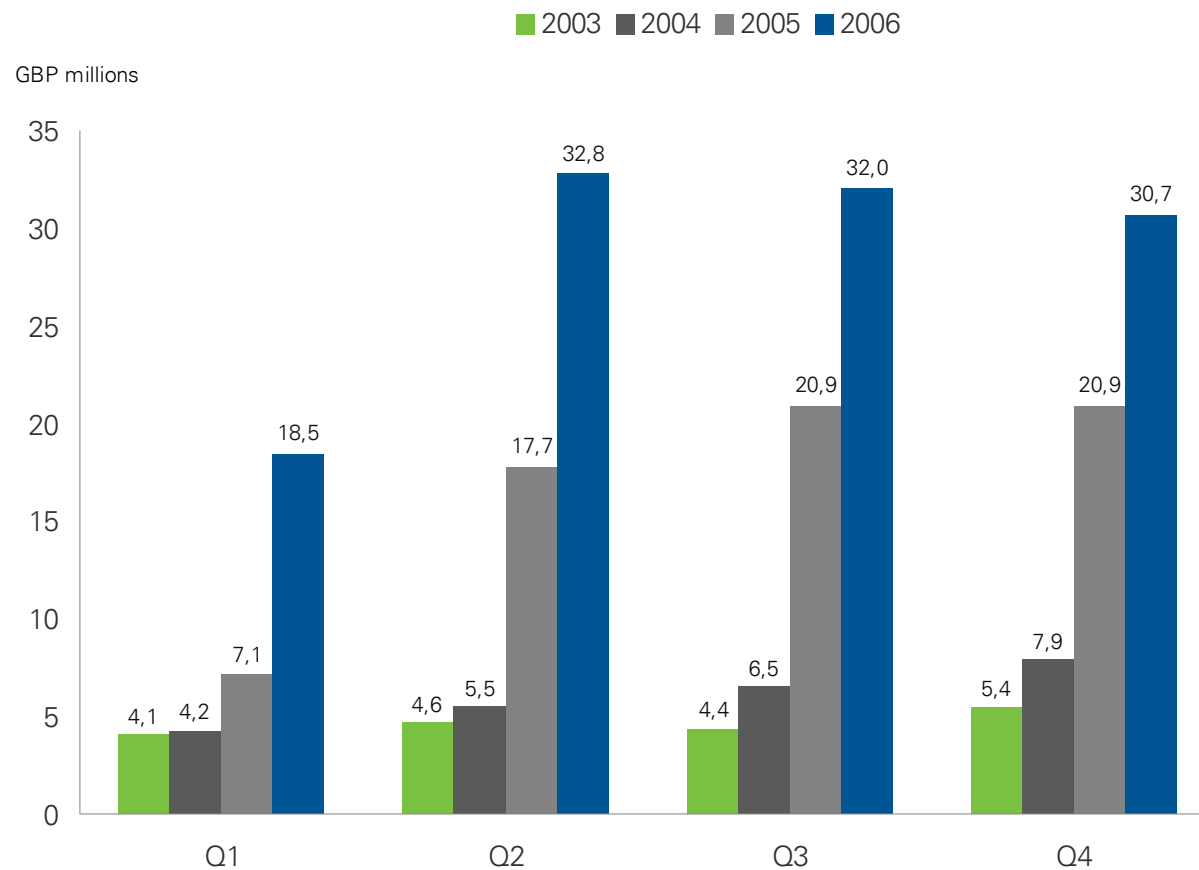
# Consolidated Income Statement Q4 2006

Amounts in £'000	Q4 2006	Q4 2005	Change %
Net sales	329,161	252,170	31%
Cost of sales	-239,047	-180,599	32%
<b>Gross profit</b>	<b>90,114</b>	<b>71,571</b>	<b>26%</b>
Operating expenses	-59,933	-50,435	19%
Share of profit (loss) in associates	470	-278	269%
<b>Operating profit (EBIT)</b>	<b>30,651</b>	<b>20,858</b>	<b>47%</b>
Net finance costs	-10,098	-9,764	3%
<b>Profit before tax</b>	<b>20,553</b>	<b>11,094</b>	<b>85%</b>
Income tax	-4,714	193	-
<b>Profit from continuing operation</b>	<b>15,839</b>	<b>11,287</b>	<b>40%</b>
Profit from discontinuing operation	16,910	-	-
<b>Profit for the period</b>	<b>32,749</b>	<b>11,287</b>	<b>190%</b>

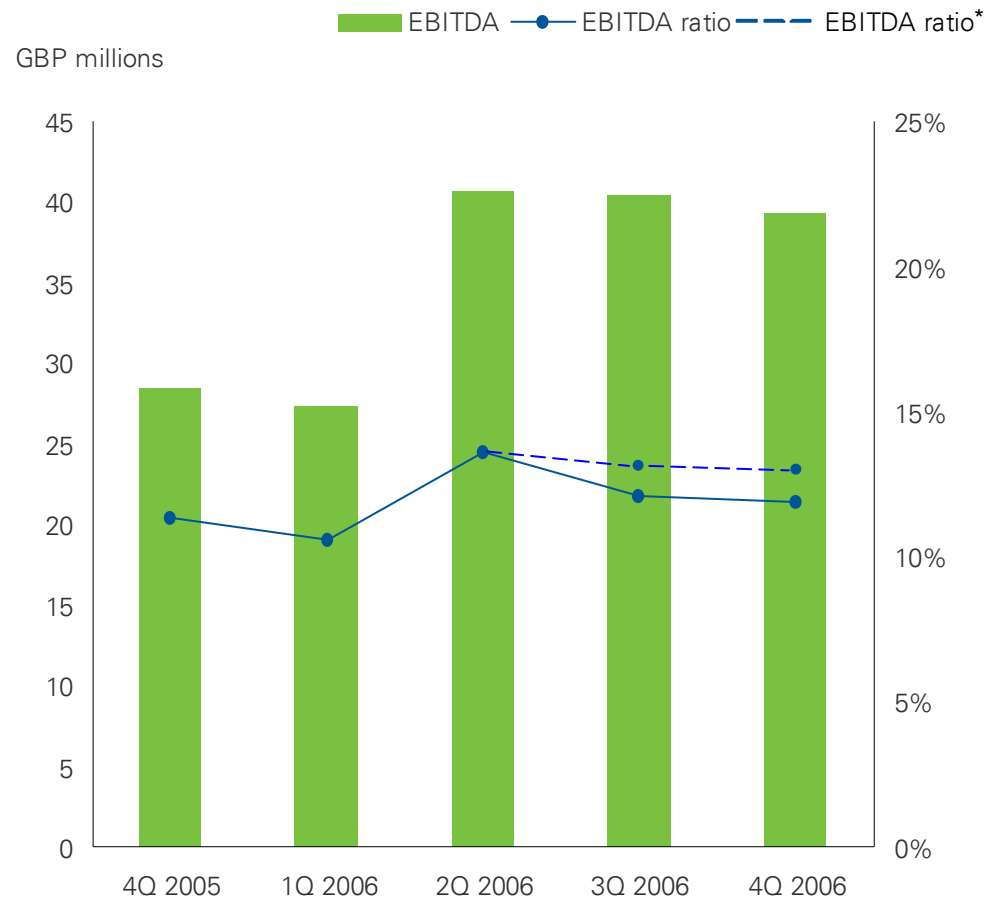




# EBIT – by Quarters



# EBITDA / EBITDA Ratio



\* net of agency sales change



# Balance Sheet 31 December 2006

Amounts in £'000	2006	2005	Change %
Non-current assets	1,028,878	840,400	22%
Current assets	296,929	294,207	1%
<b>Total assets</b>	<b>1,325,807</b>	<b>1,134,607</b>	<b>17%</b>
Equity	241,447	127,352	90%
Non-current liabilities	715,677	704,223	2%
Current liabilities	368,683	303,032	22%
<b>Total equity and liabilities</b>	<b>1,325,807</b>	<b>1,134,607</b>	<b>17%</b>



# Key Cash Flow Figures 2006

Amounts in £'000 Key figures	2006	2005	Change %
Cash from operations	165,066	103,553	59%
<b>Cash flow from operating activities</b>	<b>131,500</b>	<b>82,059</b>	<b>60%</b>
Working capital	142,764	66,939	113%
Property, plant and equipment	37,902	16,413	131%
<b>Free cash generated by operating activities</b>	<b>93,598</b>	<b>65,646</b>	<b>43%</b>



# Key Ratios 2006

	2006	2005	2004	2003
Current ratio	0.8	1.0	2.8	2.8
Equity ratio	18.2%	12.4%	37.1%	41.0%
EBITDA ratio	12.1%	11.9%	18.7%	16.3%
EBITDA ratio, net of agency sales change	12.6%	11.9%	18.7%	16.3%
EBIT ratio	9.3%	9.2%	16.1%	13.3%
EBIT ratio, net of agency sales change	9.7%	9.2%	16.1%	13.3%
Return on equity	37.0%	30.0%	16.4%	20.7%
Earnings per share (GBP pence)	3.5	2.0	0.8	0.9



# Market Predictions 2006

2006 Forecast – £ million	Glitnir*	LAIS*	Kaupthing	Forecast Average	BVGR 2006	BVGR 2005
Operating income	1,189.2	1,234.2	1,220.0	1,214.5	1,219.2	722.1
Growth	65%	71%	69%	68%	69%	383%
Expenses	1,045.0	1,086.0	1,070.0	1,067.0	1,071.4	636.0
EBITDA	144.2	148.2	150.0	147.5	147.8	86.1
EBITDA ratio	12.1%	12.0%	12.3%	12.1%	12.1%	11.9%
EBIT	110.2	114.0	117.0	113.7	113.9	66.7
Profit from continuing operation	45.5	47.6	48.0	47.0	51.3	32.3

\* Insurance benefit (£20m) not included in forecasts





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# Operational Review 2006

## UK

- 92% of Group's pro-forma sales
- Group performance strong, with 9% growth ahead of total food and fresh prepared foods sector
- Acquisitions of New Primebake, Laurens Patisseries and Rye Valley Patisserie strengthened Group's position in key product categories
- Sales split between hot and cold eating 52:48
- UK strong GDP growth in 2006, but trading environment under pressure from rising inflation and higher interest rates
- Prolonged warm weather and World Cup influenced sales over summer 2006
- Food mega trends strong – convenience, health, pleasure
- Convenience becoming a 'given'. Consumers willing to trade up to products that offer natural health benefits, premium ingredients and provenance

## Continental Europe

- 8% of Group's pro-forma sales
- Performance improving significantly with sales up 27%
- Sales growth in French and Spanish businesses
- Sales decline in Belgian ready meals business as expected due to range rationalisation
- Retailers increasingly using fresh prepared foods to differentiate their offer

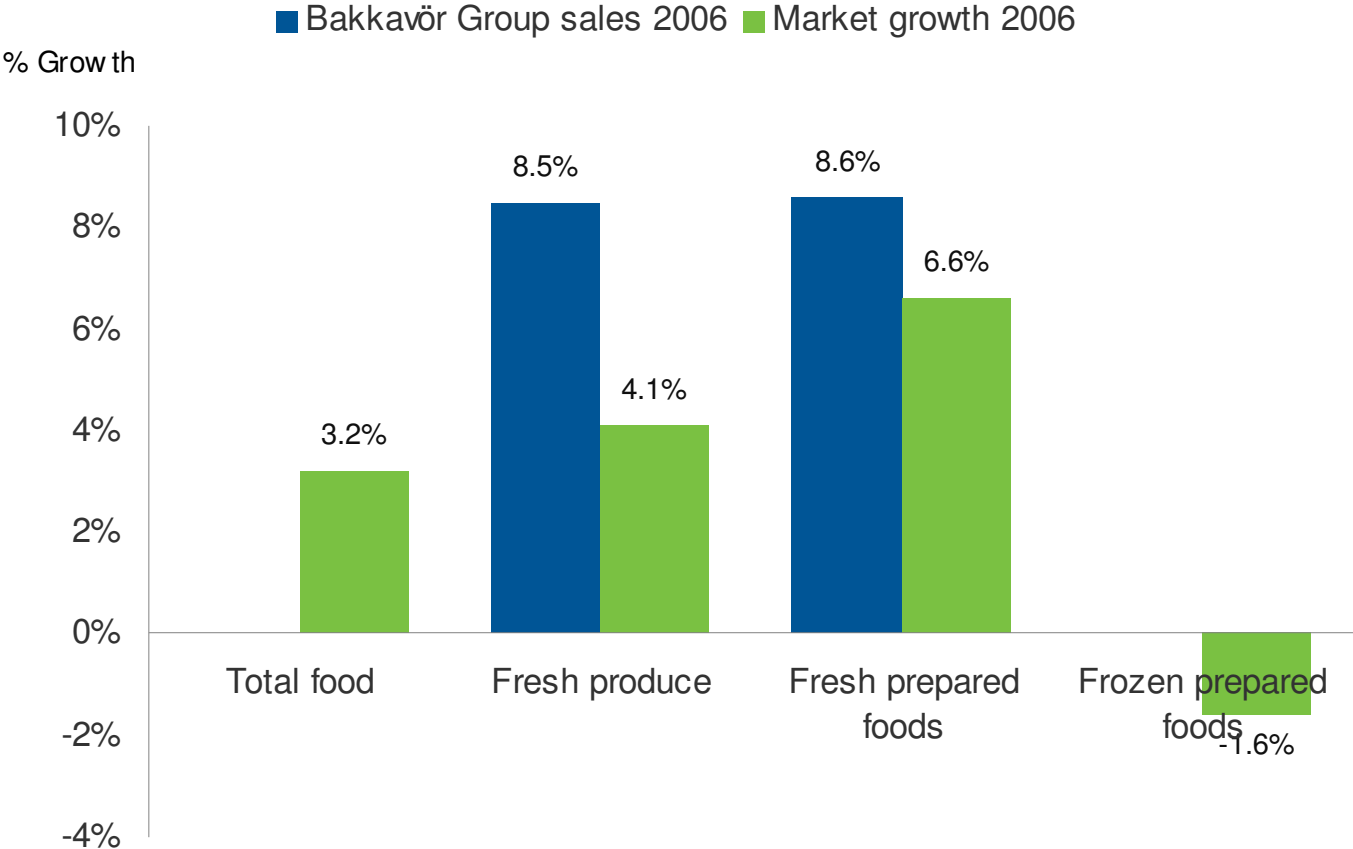
## Asia

- Creative Foods in China performing well – pro-forma sales up 23%
- Group focused on exploring China and other Asian markets further – extensive opportunities due to strong economic growth and developing consumer food trends



# Market Growth

Bakkavör Group sales grew ahead of market growth in 2006

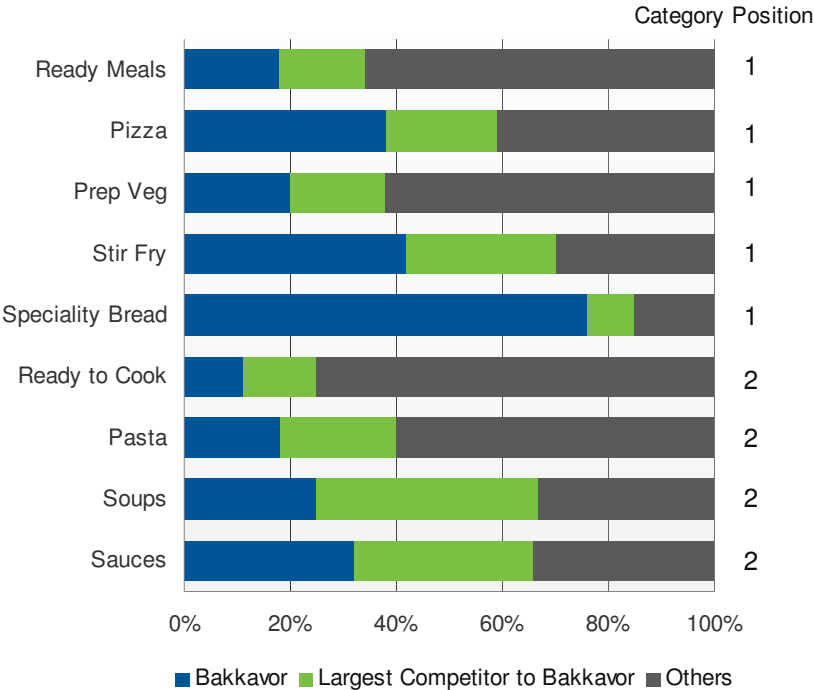


Source: TNS Monthly RST Summary 52 weeks ending 31 Dec 2006

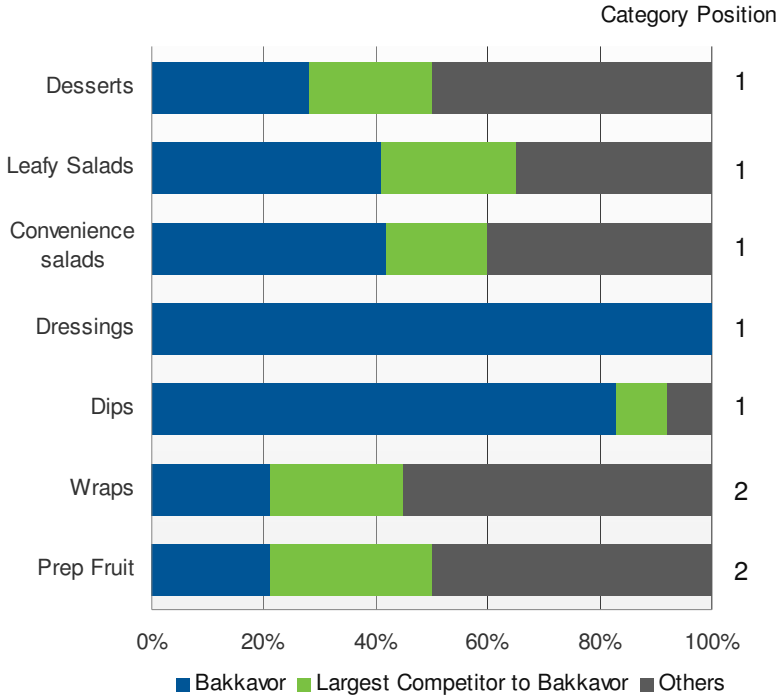
# Bakkavör Shares by Product Category

Bakkavör Group market leader in 10 of 17 categories

Hot eating



Cold eating



Source: Bakkavör market intelligence based on a proforma basis 52 weeks ending 31 December 2006. RSV figures.





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# Future Prospects

*The Group will continue to pursue an ambitious growth strategy:*

- Continue to lead UK consolidation
  - Improve efficiencies of existing operations
  - Increase emphasis on growth in new markets
  - Three prevalent global food trends – health, convenience, pleasure – will continue influencing consumer behaviour, further strengthening demand for fresh prepared foods
  - Future developments – natural ingredients, organic, ethical, emerging cuisines rising from travel and migration
- Bakkavör Group in a strong position to take advantage of these trends and meet consumer demand wherever it operates



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