

Earnings release

Reykjavik, 31 January 2007

Bakkavör Group's results for 2006:

Shareholders' Earnings £67.6 million

REYKJAVIK, 31 January 2007. Bakkavör Group (ICEX: BAKK) reports operating profit of £113.9 million in 2006 and £30.7 million in Q4. Sales totalled £1.2 billion in 2006 and £329.2 million in Q4. EBITDA increased by 72% in 2006, amounting to £147.8 million. In the quarter, EBITDA amounted to £39.3 million, increasing by 38%. Shareholders' earnings totalled £67.6 million in 2006 and £32.8 million in Q4. Cash generated from operations amounted to £165.1 million and free cash generated by operating activities was £93.6 million. Earnings per share were 3.4 pence, a 74% increase, and return on equity was 37% compared with 30% in 2005.

Business Highlights 2006

- Four UK acquisitions strengthened the Group's position in key product categories
- Operations in Continental Europe turned into profitable position
- Successful entry into the Chinese market with an acquisition in co-operation with Glitnir Bank
- Shareholders' earnings £67.6 million in 2006, up 111%, and £32.8 million in Q4, up 191%
- Operating profit (EBIT) £113.9 million in 2006, up 71%, and £30.7 in Q4, up 47%
- Growth in like-for-like sales in underlying business 10% in 2006
- EBITDA £147.8 million in 2006, up 72%, and £39.3 million in Q4, up 38%
- EBITDA ratio 12.1% in 2006 and 11.9% in Q4
- EBITDA ratio, net of agency sales change 12.6% in 2006 and 12.7% in Q4
- Pro-forma EBITDA in 2006, up 20%
- Cash generated from operations £165.1 million, up 59%
- Free cash generated by operating activities £93.6 million, up 43%
- Equity £241.4 million compared with £127.4 million at year end 2005, up 90%
- Equity ratio 18.2%, up from 12.4% at year end 2005
- Earnings per share 3.4 pence, up 74%
- Return on equity 37% compared with 30% in 2005
- Board of Directors will propose the payment of dividends at the Group's AGM in March which corresponds to ISK 0.5 per share or 50% of issued share capital

Ágúst Gudmundsson, Chief Executive Officer, said:

"We are pleased to report a strong performance in 2006. We strengthened our position in key product categories in the UK with four acquisitions and turned our Continental European operations back into a profitable position. We also took our first steps in Asia by acquiring a stake in a Chinese salad company. Improved efficiencies and profitability were achieved as we remained focused on further integration of our businesses, extracting synergies and taking advantage of economies of scale. The outlook for 2007 is good – we intend to continue to lead the consolidation in the UK market as well as take advantage of favourable market developments in Continental Europe. Furthermore, we will explore a wealth of opportunities that we have identified in the fast growing food markets across Asia."

Quarterly Overview - Key figures		Amounts in £'000			
	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Net sales	329,161	332,939	298,483	258,606	252,170
Cost of sales	(239,047)	(244,430)	(219,154)	(190,281)	(180,599)
Gross profit	90,114	88,509	79,329	68,325	71,571
Operating expenses	(59,933)	(56,266)	(46,362)	(49,465)	(50,435)
Share of profit (loss) in associates	470	(208)	(178)	(402)	(278)
EBIT	30,651	32,035	32,789	18,458	20,858
Net finance costs	(10,098)	(13,922)	(12,888)	(10,452)	(9,764)
Profit before tax	20,553	18,113	19,901	8,006	11,094
Income tax	(4,714)	(2,866)	(5,681)	(1,976)	193
Profit from continuing operations.....	15,839	15,247	14,220	6,030	11,287
Discontinuing operation, net of tax.....	16,910				
Profit for the period	32,749	15,247	14,220	6,030	11,287
Shareholders' earnings	32,753	15,012	14,041	5,811	11,271
Minority interest	(4)	235	179	219	16
Earnings per share (GBP pence)	1.5	0.7	0.8	0.4	0.7
EBITDA	39,324	40,411	40,720	27,307	28,427
EBITDA ratio	11.9%	12.1%	13.6%	10.6%	11.3%
EBITDA ratio, net of agency sales change.....	12.7%	13.2%	13.6%	10.6%	11.3%

Consolidated Financial Balance Sheet - Key figures		Amounts in £'000		
	31.12 2006	31.12 2005	Change	
				%
Non-current assets	1,028,878	840,400		22%
Current assets	296,929	294,207		1%
Total assets	1,325,807	1,134,607		17%
Equity	241,447	127,352		90%
Non-current liabilities	715,677	704,223		2%
Current liabilities	368,683	303,032		22%
Total equity and liabilities.....	1,325,807	1,134,607		17%

Consolidated Financial Cash Flow - Key figures		Amounts in £'000		
	2006	2005	Change	
				%
Cash generated from operations	165,066	103,553		59%
Cash flow from operating activities	131,500	82,059		60%
Investing activities	(167,414)	(446,100)		-62%
Financing activities	(6,375)	421,934		-102%
Net (decrease) increase in cash	(42,289)	57,893		-173%
Free cash generated by operating activities	93,598	65,646		43%

Operating results for the year 2006

Accounting Policies

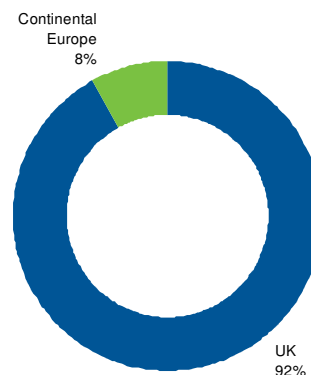
The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Laurens Patisseries Limited was included in the Group's financial statements as of 1 May 2006, New Primebake Limited as of 1 July, Rye Valley Patisseries (now Pure Patisseries) as of 10 November 2006 and Fresh Cook Limited as of 22 November 2006.

Consolidated Financial Statement - Key figures				Amounts in £'000		
	Q4 2006	Q4 2005	Change %	2006	2005	Change %
Net sales	329,161	252,170	31%	1,219,189	722,065	69%
Cost of sales	(239,047)	(180,599)	32%	(892,912)	(513,521)	74%
Gross profit	90,114	71,571	26%	326,277	208,544	56%
Operating expenses	(59,933)	(50,435)	19%	(212,026)	(141,969)	49%
Share of profit (loss) in associates	470	(278)	269%	(318)	75	-524%
Operating profit	30,651	20,858	47%	113,933	66,650	71%
Net finance costs	(10,098)	(9,764)	3%	(47,360)	(28,269)	68%
Profit before tax	20,553	11,094	85%	66,573	38,381	73%
Income tax	(4,714)	193	-	(15,237)	(6,048)	152%
Profit from continuing operations.....	15,839	11,287	40%	51,336	32,333	59%
Discontinuing operation, net of tax.....	16,910	-	-	16,910	-	-
Profit for the period	32,749	11,287	190%	68,246	32,333	111%
Shareholders' earnings	32,753	11,271	191%	67,617	31,986	111%
Minority interest	(4)	16	-125%	629	347	81%
Earnings per share (GBP pence)	1.5	0.7	119%	3.4	2.0	74%
EBITDA.....	39,324	28,427	38%	147,762	86,079	72%
EBITDA ratio.....	11.9%	11.3%	-	12.1%	11.9%	-
EBITDA ratio, net of agency sales change..	12.7%	11.3%	-	12.6%	11.9%	-
Free cash.....	23,943	47,844	-50%	93,598	65,646	43%
Return on equity.....	58.3%	38.0%	-	37.0%	30.0%	-

The year 2006 was characterised by a strong performance in the UK and Continental Europe. Operating profit increased by 71%, from £66.7 million in 2005 to £113.9 million in 2006. Operating profit in Q4 was £30.7 million compared with £20.9 million in Q4 2005, up 47%. Performance in Continental Europe improved during the year with operating profit amounting to £1.4 million compared with an operating loss of £2.6 million in 2005. In the fourth quarter, operating profit totalled £0.6 million in Continental Europe.

Group sales in 2006 amounted to £1.2 billion and £329.2 million in Q4 with a 10% like-for-like sales growth in the underlying business in 2006 and Q4. UK sales represented 92% of Bakkavör Group's turnover, amounting to £1.1 billion. Pro-forma sales in Continental Europe grew by 27%, amounting to £98.0 million in 2006. See more detailed information on sales in the sales and market review on page 6.

EBITDA increased by 72% in 2006, amounting to £147.8 million compared with £86.1 million in 2005. EBITDA ratio in 2006 was 12.1% compared with 11.9% in 2005. In the fourth quarter, EBITDA increased by 38%, amounting to £39.3 million compared with £28.4 million in Q4 2005. EBITDA ratio was 11.9% in Q4 compared with 11.3% in the same period last year. Pro-forma EBITDA increased by 9% in Q4 and 20% in 2006.



As previously reported changes were made to a supply strategy agreement with one of the Group's customers in July 2006. As a result, part of produce sales from Q3 and onwards are now reported on a full sale basis instead of agency sales basis as before. Although the Group's sales growth and

margins are affected, there is no impact on operating results. Had this change not occurred, sales for the full year 2006 would have amounted to £1,172.2 million instead of the reported £1,219.2 million and EBITDA ratio would have been 12.6% instead of 12.1% in 2006 and 12.7% instead of 11.9% in Q4. The Group's long term goal of EBITDA ratio of 12%-14% will, for the time being, remain the same.

The Group's share of loss in associates in 2006 was £0.3 million compared to £0.1 million share of profit in 2005.

Net finance costs amounted to £47.4 million in 2006 compared with £28.3 million in 2005 reflecting the full year effect of increased leverage undertaken since the acquisition of Geest in May 2005. Net finance costs in Q4 on the other hand increased by only 3% to just under £10.1 million despite debt finance of the Laurens Patisseries acquisition.

Taxes totalled £19.6 million in 2006 compared with £6.0 million in 2005. The effective tax rate was 22.3% for the year, mostly relating to the internal financing structure of the Company, utilisation of previously unrecognised tax losses recognised and other tax incentives recognised.

Profit from discontinued operations, net of tax, amounted to £16.9 million (pre-tax profit amounted to £21.3 million), comprise insurance re-imburement in excess of book value of the assets destroyed and impairment of other related assets following the fire at the Barton site on 3 April 2005. A decision was made not to replace the assets and discontinue operations in this facility.

Balance Sheet at 31 December 2006

Assets

The Group's total assets at 31 December 2006 amounted to £1,325.8 million compared with £1,134.6 million at 31 December 2005. This increase is mainly due to the acquisitions during the year.

Non-current assets totalled £1,028.9 million compared with £840.4 million at year end 2005. Goodwill and other intangible assets amounted to £713.9 million compared with £565.7 million at year end 2005, an increase of £148.2 million that mainly relates to the acquisition of Laurens Patisseries. The assessment of fair value of Geest was completed in April 2006 and that of Hitchen Foods was completed in September 2006. No material changes were necessary to the previously reported fair value of net assets. The assessment of fair value of the net assets of Laurens Patisserie and New Primebake (acquired in April 2006 and July 2006, respectively) and Rye Valley Patisserie and Fresh Cook (both acquired in November 2006) is provisional and will be completed within 12 months of the acquisition date. Under IFRS, the value of goodwill will be tested annually for impairment. At the 2006 year end an impairment test was performed on the goodwill of Bakkavör Group and, as a result of the test, goodwill impairment was not required.

Current assets totalled £296.9 million at 31 December 2006 compared with £294.2 million at year end 2005. Current liabilities increased from £303.0 million at year end 2005 to £368.7 million in 2006. At year end, the current ratio was 0.8 and the quick ratio was 0.7 at the end of the year, compared with 1.0 and 0.9 last year. These ratios are affected by a £109.9 million payment of long-term debt during the year.

Liabilities and Equity

Non-current liabilities increased by only £11.5 million in 2006 from £704.2 million at year end 2005 to £715.7 million at 31 December 2006 despite the £150 million loan provided by Barclays PLC to finance the acquisition of Laurens Patisseries and to re-finance the Hitchen Foods acquisition. This can be attributed to payments of non-current liabilities, the re-financing of the Hitchen Foods acquisition and the bonds converted into shares in 2006.

Equity increased from £127.4 million at year end 2005 to £241.4 million at the end of 2006, clearly reflecting the Group's strong performance in the period as well as the new share capital issued in relation to the acquisition of Laurens Patisseries and the conversion of bonds into shares in 2006. The equity ratio at year end was 18.2%, having increased from 12.4% at year end 2005. Earnings per share were 3.4 pence compared with 2.0 pence in 2005, an increase of 74%. As previously reported, dividends of 25% of nominal share value were paid in April, corresponding to ISK 0.25 per share.

Cash Flow

As in previous years, Bakkavör Group's cash flow generation remained strong during the year and was £165.1 million in 2006 compared with £103.6 million in 2005, an increase of 59%. Cash flow after deducting payments of interest and tax amounted to £131.5 million compared with £82.1 million in 2005, an increase of 60%

Investing activities in property, plant and equipment amounted to £37.9 million in 2006 compared with £16.4 million in 2005. Capital expenditure during the year was kept at the level of depreciation.

The Group defines free cash flow as the amount of cash generated by the business, after meeting all its obligations for interest, tax and after investments in tangible assets. The Group generated free cash flow of £93.6 million in 2006, compared with £65.6 million in 2005, which is a 43% increase.

Activities in the fourth quarter

Q4 acquisitions

On 10 November 2006, Bakkavör Group further strengthened its position in the UK chilled dessert and cake market through the acquisition of Rye Valley Patisserie (now Pure Patisserie), which was part of Kerry Foods Limited, a division of Kerry Group PLC. Pure Patisserie, which is based in Birmingham, specialises in the manufacturing of chilled desserts and employs 250 people. The company has been integrated into Bakkavör Group's existing chilled dessert operations.

On 22 November 2006, the Group reached an agreement to acquire the remaining 50% of the issued share capital of Fresh Cook Ltd., which Bakkavör Group and Rannoch Foods have operated as a 50:50 joint venture business since October 2004. Fresh Cook is which is based in Lincolnshire in the UK and employs 360 people and focuses on producing ready meals.

Share capital increase

On 29 November 2006, Bakkavör Group's Board of Directors resolved to increase the share capital in the Group by 23,979,203 shares in order to fulfil the Company's obligations pursuant to convertible bonds owned by Kaupthing Bank hf. All obligations regarding convertible bonds have now been fulfilled.

Operational Highlights in 2006

Successful year in all the Group's markets

During the year, Bakkavör Group continued its targeted consolidation of the UK market with four acquisitions and strengthened its position in key product categories: **desserts** (Laurens Patisseries Limited and Rye Valley Patisserie), **speciality bread** (New Primebake) and **ready meals** (Fresh Cook).

Performance across the Group's operations in Continental Europe improved during the year as we continued to increase our focus on operational efficiencies, successful strategic range rationalisation and operational restructure at one of the Group's businesses. During the year, the Group continued its exploration of market opportunities and acquisition targets in the area of fresh prepared foods which is rapidly moving up the agenda across Continental Europe.

In April, Bakkavör Group acquired a 40% stake in Creative Foods in China in co-operation with Glitnir Bank. The Group continues to focus strongly on further exploration of market opportunities and acquisition targets in various Asian markets that are growing rapidly. Increased demand for healthy, convenient and quality food products offer the Group opportunities for growth in China and across Asia.

Senior management changes and rebranding

At Bakkavör Group's AGM in March 2006, it was announced that Lýður Guðmundsson, CEO of Bakkavör Group, would move his day-to-day focus from Bakkavör Group to Exista hf. as its Executive Chairman. Ágúst Guðmundsson now leads the Group as CEO and Lýður continues to play an active role in the strategic development of the Group as the Chairman of the Board of Directors. Exista hf. is a financial services company with a particular focus on insurance and assets leasing, as well as being the major shareholder in several of Iceland's largest companies, including Bakkavör Group. Ágúst Guðmundsson and Lýður Guðmundsson are the largest shareholders of Exista with a 47% share.

On Bakkavör Group's 20th anniversary a new logo was launched to further reflect the successful integration of the Group's businesses. The Geest name and logo is longer used and today, all the Group's individual businesses, which continue to operate under their names, come under the umbrella of one name, **Bakkavör Group**.

Share capital increase and conversion of bonds

Part of the acquisition price of Laurens Patisseries Limited was satisfied by the issue of new shares. In addition, share capital was further increased to fulfil Bakkavör Group's obligations regarding convertible bonds owned by Kaupthing Bank. Following these share capital increases, the total number of shares in Bakkavör Group hf. is 2,157,888,219.

Sales and market review 2006

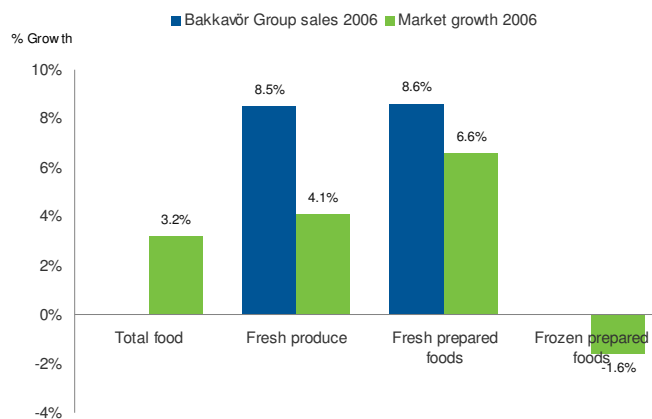
United Kingdom

Bakkavör Group's growth target for UK fresh prepared foods is to achieve sales growth that is above market growth. In 2006, this objective was achieved with sales growth of 8.6% in a market that grew by 6.6%.

In addition, the business also achieved a strong uplift in fresh produce with sales increasing by 8.5%, against a sector growth of 4.1%.

During the year, the market growth rate for fresh prepared foods was particularly strong versus other areas of the food market.

Overall, the UK economy grew by 2.7% in 2006, which is the strongest growth in more than a decade. However, inflationary pressures, owing to higher oil prices and rising interest rates, are influencing economic confidence both at a business and an individual level.



Source: TNS Monthly RST Summary, 52 wks ending 31 Dec 2006

Ongoing price competition among the grocery retailers in 2006 and the subsequent proliferation of internet price comparison websites, inevitably generated increased price awareness, with a trend for people to spend as little as possible on commodity items. However, this does not seem to have affected the rising demand for premium products, with many UK retailers confirming that sales of premium products were strong in the fourth quarter. Many fresh prepared food products are perceived to be premium products, offering people high-quality ingredients and a wide choice of time-saving meal solutions.

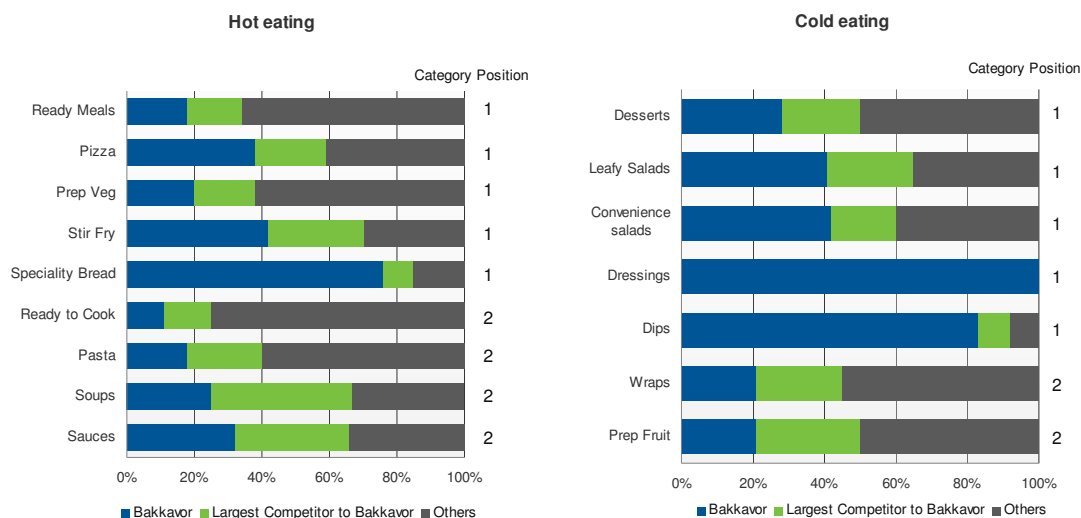
The fresh prepared foods sector also benefited from the prolonged warm weather during summer 2006, as well as the World Cup. Sales in fresh salads, pizzas and dips were particularly strong owing to these two factors.

People are becoming increasingly concerned about social, environmental and ethical issues and this trend has influenced our customers' corporate responsibility programmes – particularly for food, where there is demand for increased information (e.g. for ethically-sourced ingredients). Food safety and product integrity are at the top of Bakkavör Group's agenda and management is working closely with its customers to ensure clear communication of responsible practices.

Product Groups

Sales in the UK include fresh prepared foods (e.g. ready meals, leafy salads, convenience salads and pizzas) and also fresh produce (e.g. whole head lettuce, tomatoes and cucumbers). Bakkavör Group divides its UK fresh prepared products into two main product groups – hot-eating and cold-eating. The Group's sales ratio of hot-eating versus cold-eating products for the year was 52:48. Bakkavör Group is the market leader in 10 of 17 categories which it operates:

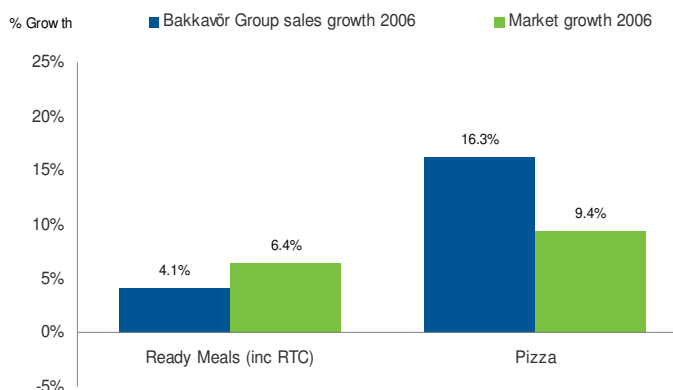
% product market share



Source: Bakkavor market intelligence 52 weeks ending December 2006. RSV Sales.

Hot-Eating Product Overview

The **ready meals** market is the largest fresh prepared foods category in which the Group operates and this market (including ready to cook meals) was estimated to be worth almost £1.7 billion¹ at retail sales value for the year, with 6.4% market growth by value. This market growth is influenced mainly by traditional British and premium ready meals as well as ready to cook meals. This has stemmed from a revival of interest in 'contemporary British' dishes brought to life by the popularity of 'gastropubs' coupled with the assured provenance and high quality ingredients associated with premium meals.



Source: TNS Monthly RST Summary, 52 wks ending 31 Dec 2006

¹ Source: TNS

Bakkavör Group's overall sales growth was affected negatively by business rationalisation at the beginning of 2006. However the Group's performance improved as the year progressed owing to its strong position in the key growth segments and successful product launches. Going forward into 2007, the Group continues to focus on developing products that meet consumer needs and anticipates that further growth should be achieved.

The chilled prepacked **pizza** market experienced strong growth with sales by value increasing by 9.4% for the year. Bakkavör Group is market leader in chilled prepacked pizza with core business in the Italian, premium and deep-based segments.

The market is estimated to be worth £317 million². The popularity of both Italian and American-style restaurants as well as the growing trend for people wanting to know the provenance of ingredients have led to an increased demand for authenticity. As a result traditional Italian pizzas, positioned under the retailer's own ranges or a premium brand, such as PizzaExpress, as well as American-style deep pizzas are experiencing strong sales growth. Bakkavör Group's sales were ahead of the market, with 16% growth in 2006, benefiting from these consumer trends and successful growth in the key pizza segments in which the Group operates.

During 2006 the Group also performed well in other markets in the hot-eating sector, including **prepared vegetables** (13% growth year-on-year), **stir fry** (13% growth year-on-year) and **sauces** (12% year-on-year).

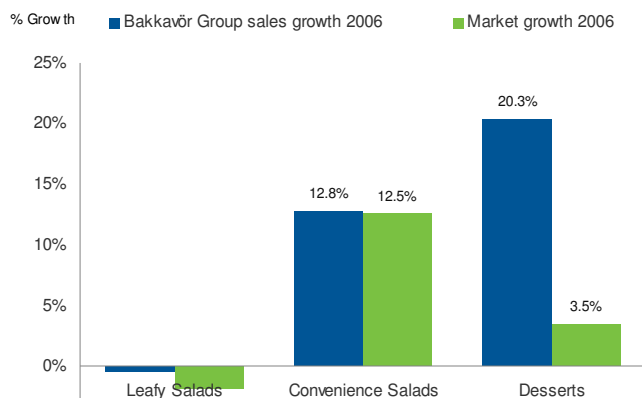
The Group's **fresh pasta** sales continued to be restricted as a result of the fire in April 2005, which destroyed two manufacturing facilities (bread and pasta). However the Group's sales growth in **speciality bread** is improving following the acquisition of New Primebake with pro-forma sales growth of 3% in 2006.

Cold-Eating Product Overview

Within the **leafy salads** market there are three key segments based on flavour – sweet, mild and strong – and the Group operates within all three segments. The market was estimated to be worth £312 million² at retail sales value for the year with sales declining by 2% despite strong sales during the warm summer months. Bakkavör Group fared better than the market in this sector.

We believe that people's buying behaviour has been influenced by constant media attention regarding food safety coupled with poor

sales of the sweet varieties due to consumer preference for the stronger varieties. The Group has and will continue to focus on product integrity in this market and has, for example, implemented new leaf washing methods and provided additional information on labels such as when and where the crop was picked and these initiatives are proving to be successful. The Group's organic leafy salads are also performing well, albeit from a small base, with sales up by over 40% year-on-year.



Source: TNS Monthly RST Summary, 52 wks ending 31 Dec 2006

The **convenience salads** market grew by 12.5% in 2006 with both segments of the market – accompaniment salads and meal salads – experiencing strong growth, up in value terms by 11% and 16%, respectively. Bakkavör Group sales growth was in line with the market, up 12.8% for the year. This growth is benefiting from consumer preference for the premium and non-traditional salads (such as cous-cous and rice-based salads).

² Source: TNS

The **chilled desserts** market was estimated to be worth £415 million² and grew by 3.5% by value for the year. Bakkavör Group pro-forma sales grew almost six times the market growth rate, up 20.3% due to strong sales in the key growth segments of whole cheese cakes and family dairy desserts.

During 2006 the Group also performed well in other markets in the cold-eating sector, including **dips** (Group sales up 17% year-on-year) and **prepared fruit** (Group sales up 37% year-on-year).

UK Fresh Produce

The fresh produce market grew by 4.1% in 2006. Bakkavör Group sales grew at over twice the rate of the market, with sales up 8.5% for the year. The prolonged warm weather over the summer had an inflationary impact on the market as crop yields of certain fruit and vegetable crops fell, leading to higher prices. Our growth was strengthened by our ability to supply premium ranges of products to the market, which sold well.

Continental Europe

Pro-forma sales in the Group's Continental European businesses grew by 27%, amounting to £98.0 million for the year. These businesses provide fresh prepared foods and produce to retail and foodservice customers in France, Spain, Netherlands and the UK. On the whole, the fresh prepared food market in Continental Europe is under-developed compared to the UK. However, the health, convenience and pleasure mega-trends are strengthening in these geographical markets owing to socio-demographic and economic developments, such as the changing family structures, increased disposable income and rising health concerns. As in other markets, these developments offer Bakkavör Group further opportunities for growth.

Bakkavör Asia

Creative Foods' core business is to grow and prepare vegetables and fruits to supply supermarket and foodservice chains in China as well as export markets. The company has performed well since the acquisition, with pro-forma sales growth of 23% year-on-year.

Rapid urbanisation and increasingly busy lifestyles has resulted in daily food shopping becoming more difficult in China and this is driving the growing acceptance of refrigerated food use. In addition, the arrival of western-style fast-food chains and supermarkets, greater awareness of chilled foods and the emergence of a generation both willing and able to try new products are all combining to increase sales of chilled foods in China.

Socio-economic and consumer lifestyle developments in China and the rest of Asia offer Bakkavör Group extensive opportunities and we will continue to actively explore various markets to ensure we maximise our position in this geographical market.

New Product Development

Behaviour is changing across the globe, affected by more complex family structures, increase in the number of working women, advances in technology and communication, increased prosperity and disposable income, and a greater awareness of global environmental issues and health concerns. These dramatic lifestyle changes have influenced people's eating habits and the development of the food market.

The fresh prepared foods sector has been particularly successful in meeting these evolving needs for health, convenience and pleasure and, as a result, continues to achieve stronger growth than many other food sectors. The UK is at the forefront of this development, but these trends are prevalent around the world and are evolving rapidly across Continental Europe and Asia, for example.

The Group's development teams remain focused on understanding how these three key trends are developing globally and influencing people's food choices. As a result, the Group has already strengthened its position in a number of key product categories by developing and launching over 1,500 new products during 2006 to meet today's modern lifestyle needs.

Convenience

During the year, the Group's development teams have been focused on developing products that reflect people's busy lifestyles and the level of involvement they wish to commit to the preparation and cooking process. As a consequence we have launched a variety of meal solutions that are either 'ready to eat' or 'ready to heat'. Furthermore, a growing interest in food has resulted in increased popularity of 'ready to finish' foods as they allow people to feel more involved in the cooking process without having to take the time to shop for and prepare all the specific ingredients. Bakkavör Group has taken a leading position in this area.

Health

The health trend played a major role in the Group's product development in 2006. One of our key objectives has been to develop products free from hydrogenated fats, artificial additives and preservatives, using only natural ingredients to flavour and preserve the foods. We have, for example, launched a number of natural nutritionally balanced meals that are becoming a particularly popular choice for those consumers that are looking to maintain a balanced, healthy diet.

Bakkavör Group's new product development reflects the fact that we take our responsibility to develop safe products, produced in an ethical way, seriously. Some of our initiatives in 2006 included a focus on using local ingredients wherever possible, as well as adapting our manufacturing processes, such as, for example, the way in which we wash our leafy salads. Furthermore, we are looking at new environmental initiatives for our food packaging.

Pleasure

To meet this trend, we have focused on using high quality premium ingredients that exceed people's expectations whether it be for exciting tastes and flavours or simple old favourites. We are proud to have won food industry awards for two of our premium products this year based on their high level of quality.

Future Prospects

In 2007, Bakkavör Group will continue to pursue an ambitious growth strategy, focusing on organic and acquisitive growth. The Group will continue to lead the consolidation of the UK food market and improve efficiencies across existing operations. An emphasis will be placed on growth in new markets in 2007, mainly across Continental Europe and Asia.

The three global mega trends – **health, convenience and pleasure** – will continue to influence people's eating behaviour and thereby strengthen the demand for fresh prepared foods. The UK market continues to develop well and the fresh prepared foods sector is also developing rapidly in Continental Europe. Furthermore, China, along with other Asian markets, presents a wealth of future growth opportunities for the Group.

Bakkavör Group is in a strong position to take advantage of these favourable global trends with a balanced product portfolio, excellent businesses in its chosen geographic markets and commitment to making high quality fresh prepared foods, meeting consumer demand wherever it operates.

Presentation of Results

A meeting for shareholders, potential investors and analysts will be held on Wednesday 31 January at 16:30 GMT at Sunnusalur, Radisson SAS, Hotel Saga Reykjavík. Ágúst Gudmundsson, CEO, and Lýður Gudmundsson Chairman will present the Group's annual and Q4 results and answer questions. A webcast of the meeting can be viewed in real time at www.bakkavor.com and www.icex.is. Questions can be submitted at the meeting or in advance by sending an email to investor.relations@bakkavor.com.

Information will be available after the meeting on the Group's website, www.bakkavor.com, the website of the OMX Nordic Exchange in Iceland, www.icex.is and on www.huginonline.com. Bakkavör Group's Financial Statements can also be viewed at the Group's Headquarters at Tjarnargata 35.

Five Year Summary

Five Year Summary		Amounts in £'000				
	2006	2005	2004	2003	2002	
Operating revenues.....	1,219,189	722,065	149,584	137,867	133,684	
Operating expenses.....	(1,071,109)	(636,061)	(124,803)	(115,444)	(110,876)	
Share of profit (loss) in associates.....	(318)	75	3,176			
EBITDA.....	147,762	86,079	27,957	22,423	22,808	
Depreciation and amortization.....	(33,829)	(19,429)	(3,799)	(4,108)	(3,414)	
EBIT.....	113,933	66,650	24,158	18,315	19,394	
Net finance costs.....	(47,360)	(28,269)	(7,092)	(4,043)	(3,957)	
Net income from operating activities.....	66,573	38,381	17,066	14,272	15,437	
Income tax.....	(15,237)	(6,048)	(3,962)	(3,882)	(4,062)	
Profit from continuing operations.....	51,336	32,333	13,104	10,390	11,375	
Discontinuing operation, net of tax.....	16,910			3,123	(434)	
Profit for the year.....	68,246	32,333	13,104	13,513	10,941	
Shareholders' earnings.....	67,617	31,986	13,104	13,513	10,941	
Minority interest.....	629	347				
Working capital from operations.....	142,764	66,939	18,582	15,825	15,274	
Capital expenditure.....	37,902	16,413	3,529	5,691	15,879	
Balance sheet						
Non-current assets.....	1,028,878	840,400	217,285	129,805	137,081	
Current assets.....	296,929	294,207	55,108	84,965	36,324	
Total assets.....	1,325,807	1,134,607	272,393	214,770	173,405	
Equity.....	241,447	127,352	88,214	72,056	58,611	
Subordinated convertible loan.....	0	12,868	12,868	15,923	15,923	
Non-current liabilities.....	715,677	691,355	151,950	96,068	63,256	
Current liabilities.....	368,683	303,032	19,361	30,723	35,615	
Liabilities.....	1,084,360	1,007,255	184,179	142,714	114,794	
Total equity and liabilities.....	1,325,807	1,134,607	272,393	214,770	173,405	
Key ratios						
Quick ratio.....	0.7	0.9	2.6	2.6	0.7	
Current ratio.....	0.8	1.0	2.8	2.8	1.0	
Equity ratio	18.2%	12.4%	37.1%	41.0%	43.0%	
EBITDA ratio.....	12.1%	11.9%	18.7%	16.3%	17.1%	
EBITDA ratio, net of agency sales change.....	12.6%	11.9%	18.7%	16.3%	17.1%	
EBIT ratio.....	9.3%	9.2%	16.1%	13.3%	14.5%	
EBIT ratio, net of agency sales change.....	9.7%	9.2%	16.1%	13.3%	14.5%	
Return on equity.....	37.0%	30.0%	16.4%	20.7%	20.7%	
Earnings per share (GBP pence).....	3.4	2.0	0.8	0.9	0.7	

Some figures in the tables may not correspond exactly to figures in the text owing to roundings.

Dividends

The Group is pursuing an ambitious expansion strategy and made significant investments last year. However, given the Group's strong cash flow and solid profit generation the Board of Directors will propose at the Group's Annual General Meeting on 23 March that ISK 1,079 million be paid in dividends to shareholders, which corresponds to ISK 0.5 per share or 50% of Bakkavör Group's issued share capital.

The Approval of Results

The Board of Directors of Bakkavör Group approved the results for the year 2006 at a Board Meeting on 31 January. The Consolidated Financial Statements have been audited by the Group's auditors.

Annual General Meeting and publication of Quarterly Results in 2007

Bakkavör Group will hold its Annual General Meeting on Friday 23 March 2007 at 5pm at the Reykjavík Art Museum, Hafnarhus.

The estimated publication of the Group's Annual Report for the year 2006 is on 20 March. The report will be sent to all shareholders and will also be accessible on the Group's website, www.bakkavor.com, the website of the Iceland Stock Exchange, www.icex.is and on www.huginonline.com.

Scheduled publication of the Group's interim and annual financial statements for 2007 is as follows:

Annual General Meeting	23 March 2007
Q1 results 2007	26 April 2007
Q2 results 2007	26 July 2007
Q3 results 2007	25 October 2007
Q4 results 2007	31 January 2008

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Bakkavör Group is a leading international food manufacturing company specialising in fresh prepared foods and produce. The Group operates 46 factories and employs over 16,000 people in seven countries. The Group's Head Office is in Reykjavík, Iceland, and the business is listed on the OMX Nordic Exchange in Iceland, formerly Iceland Stock Exchange which was acquired by the OMX Nordic Exchange in October 2006, (www.icex.is Ticker: BAKK). Bakkavör Group was founded in 1986 and during its 20-year history the business has grown significantly and today Bakkavör Group is the largest provider of fresh prepared foods and produce in the UK.

The Group's vision is to be recognised and respected as the world's leading fresh prepared foods and produce provider. Bakkavör Group has attained leading market positions in its key market areas of ready meals, pizzas, convenience salads and leafy salads. In total, the Group makes over 4,700 products in 17 product categories, which are developed and sold predominantly under its customers' own brands. In addition to the UK and Iceland, the Group also has business operations in France, Belgium, Spain, South Africa and China and is well-positioned for further expansion.

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www.bakkavor.com/subscribe