BAKKAVÖR

Press Release

Reykjavík, 5 February 2009

Bakkavör Group
Trading update for the year ended 31 Dec 2008

The Board of Bakkavör Group hf ('Bakkavör' or 'the Group') provides the following preliminary update to the market ahead of the publication of the Group's audited year-end results for the 12-month period ended 31 December 2008, which will be announced on Thursday 26 March 2009:

- Full year Group sales up approx. 10%. Q4 Group sales up approx. 11%.
- Profitability continues to be impacted by a tough trading environment.
- Significant one-off costs including restructuring in 2008 and particularly in Q4.
- Substantial part of cash deposit in Iceland now retrieved – full balance expected by mid April.

Trading update

Full-year Group turnover is in-line with management expectations and ahead of last year by around 10%, with like-for-like sales broadly flat. Fourth quarter sales are expected to be 11% ahead of last year, with like-for-like sales up by around 1% supported by the return to growth of our ready meals business.

As announced previously, the Group's profitability has been impacted by the effect of commodity and utility inflation, restructuring of our ready meals businesses, poor summer trading and a rise in promotional spend. As a result, EBITDA in 2008 excluding restructuring costs and associates is expected to be around £109 million.

In 2008, the Group has invested around £50 million in capital expenditure, including the building of two new factories. In addition to the jobs created, this expenditure demonstrates the Group's commitment to ensuring it maintains well-invested facilities. This significant investment alongside one-off adverse movements in working capital has however impacted the Group's cash generation in 2008. Bakkavör, however, remains an inherently cash generative business and continues to operate well within its facility headroom limits. The Board believes the Group is well placed to return to good cash generation in 2009.

Group restructuring

As part of a planned strategy to further improve operating efficiency, Bakkavör has undertaken significant restructuring activity, including the consolidation and closures of some of its factories, to realign its cost base. This will leave Bakkavör well placed to deal with any impact of worsening economic conditions on consumer expenditure.

The Board expects the restructuring activity in 2008 to total £19 million in cash costs and £23 million in asset-related impairments. The Board anticipates that the cash benefit in 2009 from restructuring activities will fully offset the cash expenses incurred in 2008.

The final quarter of 2008 was also impacted by the turbulence in financial markets with mark to market losses mainly relating to interest rate swaps of £28 million and foreign exchange movements on Euro and US Dollar denominated loans of £23 million; both are non cash items. These costs are in addition to the one-off costs announced previously relating to the impact on deferred taxation of the change in UK tax legislation on Industrial Building Allowances of £20 million and the losses on investments in Greencore and Camposol which total £63 million.

Cash Deposit and debt discussions

Bakkavör has now retrieved £104 million of its original £150 million cash deposit with the New Kaupthing bank. The cash will primarily repay debt in the Group's £700 million Revolving Credit Facility. In addition Bakkavör has agreed a deposit withdrawal schedule with New Kaupthing bank that should result in the full deposit being retrieved by mid April 2009.

Discussions with Bond holders, lenders to the £700 million Revolving Credit Facility, and other short term financial creditors are on-going and the Board remains confident of their continued support. A further update will be given at the time of the results announcement in March.

Further information:

Iceland:
Snorri Gudmundsson
Investor Relations
Bakkavör Group hf
Tel: +354 550 9710
Mobile: +354 858 9710
Email: snorri@bakkavor.com
Website: www.bakkavor.com

UK and International:
Fiona Tooley
Citigate Dewe Rogerson
Mobile: +44 (0) 7785 703523
Tel: +44 (0)121 455 8370
Email: fiona.tooley@citigatedr.co.uk