

Reykjavík, 9th December 2008

Bakkavör Group Update re: Cash deposit and debt discussions

General media commentary surrounding the industry in which we operate has prompted speculation about the impact on Bakkavör and particularly its funding position. Against this background and in response to press speculation, the Board of Bakkavör Group ('Bakkavör' or 'the Group') provides the following statement:

Cash Deposit and Debt discussions

As indicated in the Group's Q3 results announced in October, the Group has a significant cash deposit with the new Kaupthing Bank. The funds on deposit are fully protected by the Depositors and Investors Guarantee Fund in Iceland as well as being supported by assurances from the Icelandic Prime Minister's Office and Governor of The Central Bank of Iceland.

Recent withdrawals have been honoured and whilst the Board of Bakkavör is confident as to the recoverability of the remaining £140 million on deposit, the timescale by which this will be achieved is currently uncertain.

Against this backdrop, Bakkavör has instigated discussions with the international banking syndicate supporting the main credit facility and has appointed its long-standing debt adviser, NM Rothschild & Sons Limited ('NMR') to advise on the Group's discussions in this regard.

Bondholders

At the same time, Bakkavör is holding discussions with its bondholders in relation to Bonds issued between 2003 and 2005 with a view to securing extensions to current maturities.

The fundamentals of the business remain strong and Bakkavör continues to be a profitable, cash generative business that enjoys good relationships with both its customers and suppliers and is trading on normal terms of business.

Given the strong support Bakkavör has enjoyed from its banking partners and bondholders in recent years, Bakkavör is confident these discussions will reach a successful conclusion.

Bakkavör will update shareholders and other stakeholders on the above as part of the Group's statutory regulatory financial statements for the year ending 31 December 2008, which will now be announced on 12 March 2009.

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