Earnings release

Reykjavik, 30 October 2008

Bakkavör Group's results for the first nine months 2008:

EBITDA £87.9 million in the first nine months of the year

- Turnover £1.2 billion in 9M, up 10% and £402.8 million in Q3, up 7%
- EBITDA £87.9 million in 9M, down 24%, and £29.4 million in Q3, down 26%, including restructuring costs of £4.8 million in 9M, of which £1.7 million in Q3
- EBITDA margin 7.3% in 9M and 7.3% in Q3 (underlying EBITDA margin 7.7% in 9M and 7.7% in Q3, excluding restructuring costs)
- Operating profit (EBIT) £54.7 million in 9M, down 37%, and £18.2 million in Q3, down 39%
- Cash flow from operating activities £44.3 million in 9M, down 46%, and £28.8 million, up 41%, in Q3
- Shareholders' earnings, excluding loss on other financial assets, amounted to £5.8 million in the first nine months
- Return on equity 3.3%, excluding loss on other financial assets, compared with 19.2% in 9M 2007
- Earnings per share 0.3 pence in 9M excluding loss on other financial assets, compared with 1.7 pence in 9M 2007
- Loss on the Group's economic interest in 10.9% shareholding in Greencore Group PLC under a CFD (contract for difference) £58.5 million in 9M, of which £12.3 million in Q3
- In October, the Group relinquished its 10.9% economic interest under a CFD, as a result of a withdrawal of the funding source
- As a part of ongoing review, further restructuring in ready meals proposed in Q3 and October 2008

Ágúst Gudmundsson, Chief Executive Officer:

"Bakkavör Group is progressing in very challenging conditions as we continue to focus on our business priorities to mitigate inflationary costs, improve operational efficiencies, increase market share and drive significant cash generation. As such we are making firm groundwork towards our stated intention of returning to profit growth in 2009.

As expected, the Group's profitability in the quarter continued to be affected by its withdrawal from a proportion of its ready meals business in the second half of 2007 and subsequent restructuring, as well as steep increases in raw material and utility costs. The quarter was also marked by a further downturn in consumer confidence and unsettled summer weather in the UK which affected our sales performance during the period. The Group however successfully gained market share in ready meals and other core categories late in the quarter which will increase sales revenues in the remainder of the year.

This month the Group relinquished its 10.9% economic interest in Greencore Group. Turmoil and fluctuations in the global financial markets resulted in the withdrawal of the funding source, making it necessary for the Group to relinquish this economic interest. The withdrawal of the funding source was in no way a reflection of the financial standing of Bakkavör Group.

Looking ahead, we expect the trading environment to remain tough for the remainder of the year and into 2009. We will continue to focus on our key business priorities in order to drive sales and profit performance and remain confident of our commitment to the fresh prepared foods sector. The Group has a diverse range of products across a wide and strong customer base as well as the ability to develop new products and ranges rapidly. Bakkavör Group remains focused on upholding and strengthening its position in the fresh prepared foods and produce markets, underpinned by its ability to successfully meet changing consumer needs."

Bakkavör Group // Ármúli 3 // 108 Reykjavík // Iceland //Tel: +354 550-9700 // Fax: +354 550-9701

Consolidated Financial Statement - Key figures — Amounts in £m

	Q3 2008	Q3 2007	Change %	9M 2008	9M 2007	Change %
Net sales	402.8	375.7	7%	1,205.8	1,098.7	10%
Cost of sales	(312.6)	(289.7)	8%	(947.1)	(842.7)	12%
Gross profit	**90.2**	**86.0**	**5%**	**258.7**	**256.0**	**1%**
Operating expenses	(70.4)	(56.0)	26%	(199.0)	(168.8)	18%
Restructuring costs	(1.7)			(4.8)		
Share of profit (loss) in associates	0.1	0.1	31%	(0.3)	(0.3)	5%
Operating profit/EBIT	**18.2**	**30.1**	**(39%)**	**54.6**	**86.9**	**(37%)**
Net finance costs	(21.9)	(15.4)	43%	(46.8)	(38.2)	22%
Loss on other financial assets	(16.3)			(62.5)		
(Loss) profit before tax	**(20.0)**	**14.7**	**(236%)**	**(54.7)**	**48.7**	**(212%)**
Income tax	0.5	(3.4)	(116%)	(1.1)	(11.7)	(90%)
(Loss) profit for the period	**(19.5)**	**11.3**	**(273%)**	**(55.8)**	**37.0**	**(251%)**
Shareholders' (loss) earnings	(20.0)	11.3	(277%)	(56.7)	36.4	(256%)
Minority interest	0.5	0.1	845%	1.0	0.5	81%
(Loss) earnings per share (GBP pence)	**(0.9)**	**0.5**	**(278%)**	**(2.6)**	**1.7**	**(256%)**
Adjusted (loss) earnings per share (GBP pence)	**(0.2)**	**0.5**	**(132%)**	**0.3**	**1.7**	**(84%)**
EBITDA	29.4	39.7	(26%)	87.9	115.6	(24%)
EBITDA margin	7.3%	10.6%	-	7.3%	10.5%	-
Cash from operating activities	28.8	20.3	41%	44.3	81.3	(46%)
Free cash generated	17.7	10.6	67%	4.6	47.8	(90%)
Return on equity	(32.3%)	17.7%	-	(30.7%)	19.2%	-
Adjusted return on equity	(4.7%)	17.7%	-	3.3%	19.2%	-

Consolidated Balance Sheet - Key figures — Amounts in £m

	30.9 2008	31.12 2007	Change %
Non-current assets	1,202.6	1,120.7	7%
Current assets	514.1	362.1	42%
Total assets	**1,716.7**	**1,482.8**	**16%**
Equity	205.5	278.7	(26%)
Non-current liabilities	827.8	806.1	3%
Current liabilities	683.4	398.0	72%
Total equity and liabilities	**1,716.7**	**1,482.8**	**16%**

Consolidated Cash Flow - Key figures — Amounts in £m

	9M 2008	9M 2007	Change %
Cash generated from operations	68.4	110.2	(38%)
Cash flow from operating activities	**44.3**	**81.3**	**(46%)**
Investing activities	(159.6)	(78.8)	102%
Financing activities	253.4	(1.4)	(18,438%)
Net increase in cash	138.1	1.0	13,252%
Free cash generated by operating activities	**4.6**	**47.8**	**(90%)**

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

Bakkavör Group // Ármúli 3 // 108 Reykjavík // Iceland //Tel: +354 550-9700 // Fax: +354 550-9701

Financial results for the nine months and Q3 2008

Accounting Policies

The accounting policies adopted are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2007. Longshun Foods was consolidated into the Group's accounts from January 2008, Two Chefs on a Roll from February 2008, Italpizza from May 2008 and Fram Foods SA. from July 2008. Gastro Primo has been accounted for as an associated company from March 2008 and La Rose Noire from May 2008.

Overview of Group financial performance in the nine months and Q3 2008

Group sales amounted to £1.2 billion in the first nine months of the year, up 10%, and totalled £402.8 million in Q3, up 7%. Growth in like-for-like sales in underlying business was down 0.5% in the nine months and down 2.5% in the third quarter. Further analysis of the segmental sales trends are included below in the section "Bakkavör Group's sales and developments by geographical markets" on page 7.

EBITDA totalled £87.9 million in the nine month period compared with £115.6 million in the same period last year, down 24%. EBITDA in Q3 amounted to £29.4 million compared with £39.7 million in Q3 last year, decreasing by 26%. The reasons for the decline are highlighted below in section "Key issues impacting the Group's 9M and Q3 2008 performance" on page 5. The results for the nine month period also include restructuring costs of £4.8 million spread across a number of the Group's businesses. The Group is continuing to drive efficiencies in other areas of the business and further restructuring costs can be expected in Q4 2008 and into 2009.

EBITDA margin was 7.3% in the first nine months compared with 10.5% in the same period 2007, a decrease of 320 basis points. EBITDA margin in Q3 was 7.3% compared with 10.6% in Q3 2007. Excluding the restructuring costs the EBITDA margin was 7.7% in the first nine months and 7.7% in Q3.

Operating profit amounted to £54.7 million in first nine months, decreasing by 37%, and £18.2 million in the quarter, decreasing by 39%.

Net finance costs totalled £46.8 million in the nine months, compared with £38.2 million in the same period 2007, reflecting increased leverage in relation to acquisitions and a higher underlying cost of debt. In Q3 2008 net finance cost amounted to £21.9 million, compared with £15.4 million in Q3 2007, an increase of £6.5 million.

Loss on other financial assets in the nine months amounted to £62.5 million, with £12.3 million in Q3, due to a devaluation of the CFD (Contract for Difference) in Greencore Group PLC. A loss of a further £3.7 million is due to a devaluation of a 6.1% shareholding in Camposol, a Peruvian company growing asparagus and avocados, under a forward equity contract. The Group treats this holding as an investment rather than a long-term strategic holding.

Taxes totalled £1.1 million in the first nine months of 2008 compared with £11.7 million in the same period 2007. Income tax in Q3 amounted to a £0.5 million credit compared with a £3.4 million charge in Q3 2007. The effective tax rate, excluding loss on other financial assets, was 14.2% for the nine month period, compared with 24.1% in the same period 2007. The effective tax rate, excluding loss on other financial assets, was 14.2% in Q3, compared to 22.9% Q3 2007.

Profit before tax, excluding loss on other financial assets, amounted to £7.9 million in the nine months (a loss of £54.6 million if loss on other financial assets is included) compared with a profit of £48.7 million in the same period 2007. Loss before tax in Q3, excluding loss on other financial assets, amounted to £3.7 million (loss of £20.1 million if loss on other financial assets is included).

Shareholders' earnings, excluding loss on other financial assets, amounted to £5.8 million in the first nine months (negative of £56.7 million, if loss on other financial assets is included) compared with £36.4 million in the same period 2007. In Q3 shareholders' earnings, excluding loss on other financial assets, were negative of £3.6 million, compared with positive shareholders' earnings of £11.3 million in Q3 2007.

Return on equity in the nine months, excluding loss on other financial assets, was 3.3% (negative of 30.7% including loss on other financial assets) compared with 19.2% in the same period in 2007. In Q3, return on equity, excluding loss on other financial assets, was negative 4.7% (negative of 32.3% including loss on other financial assets) compared with 17.7% in Q3 2007.

Earnings per share, excluding loss on other financial assets, amounted to 0.3 pence in the first nine months (negative of 2.6 pence if loss on other financial assets is included) compared with 1.7 pence in the same period 2007. Earnings per share in Q3, excluding loss on other financial assets, were negative of 0.2 pence (negative of 0.9 pence if loss on other financial assets is included) compared with a positive 0.5 pence in Q3 2007.

Balance Sheet at 30 September 2008

Assets
The Group's total assets at 30 September 2008 were £1,716.7 million compared with £1,482.8 million at 31 December 2007.

Non-current assets amounted to £1,202.6 million compared with £1,120.7 million at year-end 2007. Goodwill and other intangible assets increased from £775.9 million to £824.8 million following acquisitions during the period. The assessment of fair value of the net assets of Welcome Food Ingredients (acquired in October 2007), Longshun Foods (acquired in January 2008), Two Chefs on a Roll (acquired in January 2008), Italpizza (acquired in April 2008), Heli Food Fresh (fully acquired in June 2008) and Fram Foods SA. (acquired in July) is provisional and will be completed within 12 months of their acquisition dates.

Current assets were £514.1 million at 30 September 2008 compared with £362.1 million at year-end 2007. The Group has, mainly from its financing activities, generated £150 million in funds which are on deposit in Iceland. The deposit is fully protected by the Iceland Depositors & Investors Guarantee Fund. Current liabilities increased from £398.0 million at year-end 2007 to £683.4 million at the end of Q3 2008, mainly due to the fact that the bonds issued in 2003 will mature in May 2009. The current ratio was 0.8 in the first nine months decreasing from year-end 2007.

Liabilities and Equity
Despite the above-mentioned bonds maturing next year, non-current liabilities increased by £21.7 million, amounting to £827.8 million at the end of September 2008, compared with £806.1 million at year-end 2007, reflecting the effects of acquisitions during the nine-month period.

Equity decreased from £278.7 million at year-end 2007 to £205.5 million at the end of September 2008. The equity ratio at the end of the nine months was 12.0% compared with 18.8% at year-end 2007.

Cash Flow
Bakkavör Group is inherently a cash generative business and cash generation continues to be a core focus.

The Group's cash generation from operations in the first nine months amounted to £68.4 million compared to £110.2 million in the same period last year. The reduction in cash generated at this level is primarily a consequence of the reduced EBITDA and one-off insurance receipts in 2007. In Q3, cash generation from operations was £35.7 million compared with £29.9 million in Q3 2007.

Cash flow after deducting payments of interest and tax amounted to £44.3 million in the first nine months compared with £81.3 million in the same period in 2007 and £28.8 million in Q3 2008, compared with £20.3 million in Q3 2007.

Investing activities totalled £159.6 million in the first nine months of the year compared with £78.8 million in the comparable period 2007. The outflow of £53.9 million relating to financial assets is due to the economic interest in Greencore Group. Acquisitions in the first nine months amounted to £57.5 million. Capital expenditure at the Group's current sites amounted to £39.7 million, some 1.2x depreciation, of which £25.2 million was invested in increased capacity. This will ensure Bakkavör Group's continued ability to grow over the next two years primarily within the Group's current facilities. Therefore, the capital expenditure in 2009 and 2010 will be reduced significantly when compared to current levels of investment.

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 £4.6 million in the first nine months 2008 compared with free cash flow of £47.8 million in the same period in 2007. Free cash flow in Q3 2008 was positive of £17.7 million compared to £10.6 million in the same period in 2007.

The Annual General Meeting of Bakkavör Group, held on 14 March 2008, resolved to pay a dividend to shareholders which corresponded to ISK 0.55 per share or 55% of issued share capital. Dividends were paid on 15 April 2008.

Key issues impacting the Group's nine months and Q3 2008 performance

Overview

In the quarter, Bakkavör Group's trading performance continued to be affected by inflationary pressures as well as the actions taken to restructure part of its ready meals operations in the second half of 2007. In addition, a further downturn in consumer confidence started to weaken sales volumes and poor summer weather impacted sales growth in the Group's cold-eating products.

Bakkavör Group's business priorities are to continue to mitigate inflationary costs, improve operational efficiencies, increase market share and drive significant cash generation.

The main pressures on financial performance and how the Group is managing these pressures are summarised below:

Inflationary pressures

Uncertainty in the global commodity markets continues although there was evidence in the quarter of some easing of inflationary pressures. Wheat and rapeseed oil commodity prices, for example, have fallen and chicken commodity prices have stabilised, due to the expectation that a wider downturn in the global economy may impact demand. Given the current instability in the global financial markets, Bakkavör Group still remains cautious regarding the softening of commodity prices; however, we expect the general downward trend in price movements to ease some of the pressure on purchasing transactions and operational margins.

As reported in Q2, the strengthening of the euro against pound sterling put pressure on the Group's purchasing costs. In Q3 the exchange rate remained stable however the pound still remains weak compared with the same period last year and the Group's profit margins have continued to be affected.

The price of crude oil has significantly fallen since July 2008 and this should ease the pressure on the Group's distribution costs; however, gas and electricity tariffs have remained high and, as the Group outlined in its half year results, it has already incurred significant increases in utility costs which will impact Group profits in Q4, continuing into 2009.

Present economic conditions make the process of mitigating such inflationary pressures more challenging; however the Group is continuing to focus on offsetting costs through revised price agreements with customers and suppliers, consolidation of the supplier base, simplifying the supply chain by using in-house processes as opposed to outsourcing, and maximising the Group's global position to source ingredients.

Improving operational efficiencies and market share gains

UK ready meals consolidation

One of the core markets in which Bakkavör Group operates is ready meals and it is committed to reinforcing its long-term position in this market. In order for this to be realised, the Group has focused, since late 2007, on optimising capacity across its ready meals operations to improve both operational efficiencies and profitability. As outlined in previous statements, the strategic ready meals withdrawal and subsequent restructuring which started in the second half of 2007 impacted sales and profitability in the first half of 2008 and continued to do so in Q3 2008.

In the quarter, the Group announced further actions to optimise its ready meals capacity and align costs with revenue with the proposed closure of Saxon Valley Foods in Biggleswade, and is currently in consultation with employees at the site. This site has been unprofitable for a prolonged period of time

Bakkavör Group // Ármúli 3 // 108 Reykjavík // Iceland //Tel: +354 550-9700 // Fax: +354 550-9701

and over recent months it has become clear that recovery is not going to be possible owing to the impact of reduced sales volumes and increasing input costs. Subject to the outcome of the consultation process, it is proposed that the closure of the site would take place in Q1 2009 following the successful transfer of products to the Group's other ready meals operations.

In addition, in October 2008 Bakkavör Group proposed the closure of its Mariner Foods ready meals business which has two sites based in Grimsby. Against the backdrop of an increasingly challenging trading environment marked by rising inflationary costs coupled with uncertain consumer demand, the profitability of this operation has come under significant pressure. The Group considers the proposed closure to be the most viable option and should this proposal be adopted, it would further consolidate the Group's UK ready meals operations and improve operational efficiencies.

The Group's strategic focus on its ready meals operations has provided it with the opportunity to strengthen its position in the UK ready meals market through market share gains. These share gains have established the Group as the UK market leader in this core business and we expect our ready meals business will return to sales growth in Q4 2008.

Other areas of consolidation
In the quarter, the Group closed its UK Birmingham dips and dressings manufacturing site following the successful transfer of products to Welcome Foods in Nottinghamshire. The decision to consolidate the businesses was made in Q3 2007 as the Birmingham facility was unable to operate efficiently and effectively due to limited capacity. Bakkavör Group also announced in October 2008 the proposed transfer of the majority of its Bourne Stir Fry business in the UK to its Bourne Salads and Fruit operation to improve the utilisation of its Salads site and deliver a more sustainable business for the Group.

Bakkavör Group is continuing to review operational efficiencies in all areas of the business in order to generate profitable growth in the long term.

Falling consumer confidence affecting expenditure
Consumer confidence in the UK has fallen considerably in the quarter owing to the turmoil in the financial markets, rising household bills (food, fuel and heating), falling house prices and rising unemployment. As a result, there is evidence of consumers becoming more 'value-sensitive' as they attempt to reduce their food shopping bill. Discounters in the UK have increased their market share and the mainstream grocery retailers have responded by increased promotional activity and introducing 'budget' brands.

Figures released late October by the UK Office of National Statistics (ONS) indicate a slow down in consumer spending. Despite UK total retail sales volume in the three months to September rising 2.3% higher than the same period last year, sales in food stores fell by 0.1%. This represented the largest decrease since records started in 1986. Gross Domestic Product (GDP) also decreased by 0.5% in the third quarter of 2008. Bakkavör Group has started to see weaker volumes in some areas due to this change in consumer sentiment.

These are challenging times for the food industry and the Group remains cautious about the short-term outlook for consumer confidence and the potential impact of worsening economic conditions on consumer expenditure. However we operate in a defensive consumer goods sector and demand for good value, convenient food has become a part of everyday life. Moreover, the Group has a diverse range of products across a wide and strong customer base as well as the ability to develop new products and ranges rapidly. Bakkavör Group remains focused on upholding and in the long-term strengthening its position in the fresh prepared foods and produce markets, underpinned by its ability to successfully meet changing consumer needs.

UK weather
In Q3 2008 there was little reprieve from the unsettled and changeable summer weather in the UK, with the quarter marked by above average rainfall and below average sunshine. The prolonged unsettled summer weather continued to have a negative impact on the Group's cold-eat markets, particularly leafy salads and convenience salads which, coupled with the decline in our ready meals sales and the downturn in consumer confidence, held back the Group's overall UK sales growth.

Bakkavör Group // Ármúli 3 // 108 Reykjavík // Iceland //Tel: +354 550-9700 // Fax: +354 550-9701

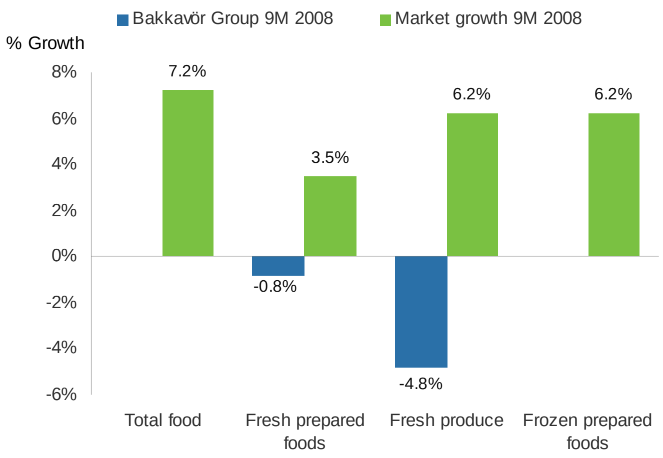
Bakkavör Group's sales and developments by geographical market

United Kingdom

UK sales represented 87% of the Group's turnover in the first nine months of the year, amounting to £1,046 million, up 5%. In Q3, UK sales totalled £342 million, up 2.2%. Like-for-like sales in the UK business decreased by 0.8% in the first nine months and decreased by 1.8% in Q3. A major factor behind this decline is the downturn in ready meals sales.

Sales in the UK include fresh prepared foods (e.g. ready meals, leafy salads, convenience salads and pizzas) and fresh produce (e.g. whole-head lettuce, tomatoes and cucumbers).

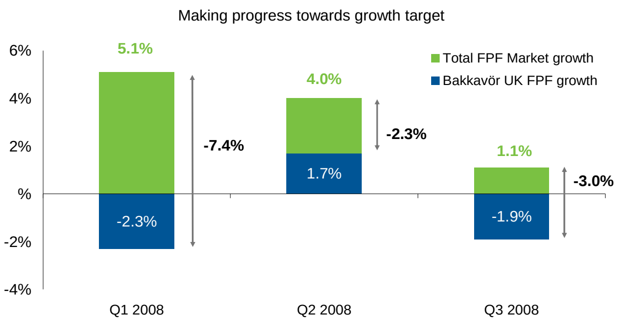
Fresh prepared foods



Total food market growth by value continues to be heavily influenced by price inflation. However, overall food inflation is expected to fall towards the end of the year as some of the sharpest price increases drop out of annual comparisons.

Growth in the fresh prepared foods market in the nine months to September 2008 was less than total food growth, with fresh prepared foods affected by a declining ready meals market and experiencing less of a price inflation uplift than staple food items.

Bakkavör Group's growth target for UK fresh prepared foods, which is to achieve sales growth that is above market growth, was not achieved in the first nine months of 2008. The Group's fresh prepared foods sales declined by 0.8% against a 3.5% market growth, with sales performance still affected by its strategic ready meals withdrawal and subsequent restructuring, coupled with prolonged poor summer sales in its cold-eat categories driven by the unsettled weather.



Source: TNS RST Summary w/e 7th Sept 2008
Bakkavor internal sales w/e 27th Sept 2008

If ready meals sales are excluded from Bakkavör Group's nine month sales and the total fresh prepared foods market, Group sales increased by 3.4% compared with 5.4% market growth.

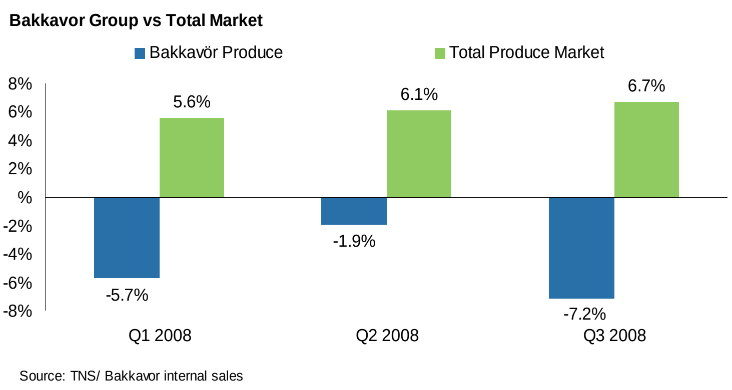
The Group continued to achieve strong sales growth rates in categories such as prepared fruit (+32%), pizza (+7%) and soups (+16%) in the nine months.

In Q3, slowdown in consumer demand, coupled with poor weather held back fresh prepared foods market growth.

During the quarter, Bakkavör Group's growth was impacted by its ready meals performance and disappointing salads sales, which were significantly affected by the unfavourable weather. Q3 also marked the exit of pasta from the Group's fresh prepared foods sales following the closure of its pasta business in Q2 2008.

The Group continued to deliver strong sales growth rates in dips (+6%), prepared fruit (+18%), pizza (+6%) and soups (+9%) in the quarter and started to see the positive effect of market share gains in its dips and pizza business. It also expects to return to sales growth in ready meals in Q4 2008 as the benefits of the market share gains start to take effect.

Fresh produce



The Group's fresh produce business represents 20% of its UK turnover. Like-for-like fresh produce sales declined by 4.8% compared with a 6.2% market growth in the first nine months of the year. In the quarter, the Group's sales declined by 7.2% versus a 6.7% market growth.

Market growth is being driven primarily by inflation with overall market growth by volume increasing just 1.6% in the quarter. The Group's fresh produce performance continued to be affected by its withdrawal from certain product lines coupled with overall weaker volume sales in its key customer accounts and prolonged unsettled weather throughout the summer which impacted the sales of salad vegetables.

Continental Europe

Continental European sales represented 11% of the Group's turnover in the first nine months of the year, amounting to £134 million. In Q3, sales totalled £50 million. Like-for-like sales in Continental Europe were strong in the first nine months of the year, growing by 6% on a constant currency basis, amounting to £146 million. In Q3, like-for-like sales amounted to £51 million, up 4% on a constant currency basis.

Bakkavör Group's Continental European operations continue to deliver good growth despite difficult trading conditions with economic uncertainty in the regions in which they operate, inflationary pressures such as higher distribution costs and aggressive competition from branded manufacturers. The Group's recent investment in Bakkavor Traiteur, which manufactures dips and bread products in France, will provide the Group with further opportunities to expand its fresh prepared foods offering in the region. The Group is also maximising the potential of its Italian pizza operation, Italpizza, introducing its unique wood-fired bases into the UK pizza market.

Rest of the World

Sales in the Group's other markets represented 2% of turnover in the first nine months of the year, amounting to £26 million, with like-for-like sales up by 34% by value. In Q3, sales totalled £11 million, with like-for-like sales up by 25% by value.

Asia

In the first nine months of 2008 Creative Food, the Group's Chinese fresh prepared foods business, continued to deliver strong growth with sales up by 40% by value. During the quarter, Creative Food commenced production at its new facility in Xianyang City to meet ongoing customer demand for its foodservice products. The business continues to actively explore expanding its retail offering to benefit from the potential of the growing modern retail grocery market in this region.

North America

The Group's North American operation, Two Chefs on a Roll continues to build on its position in the region. As outlined in the Q2 2008 results, the Group transferred part of the plant and equipment from its closed UK pasta facility to its US business, in order to facilitate the launch of a range of fresh pasta products and in October a range of pasta was launched into the US market.

Bakkavör Group // Ármúli 3 // 108 Reykjavík // Iceland //Tel: +354 550-9700 // Fax: +354 550-9701

Other Key Developments in Q3 2008 and Post Quarter Activities

Recent unprecedented events and the Group's financing position

Events in the Icelandic economy in early October had a significant effect on the Icelandic equity market and consequently Bakkavör shares. The three largest banks in Iceland were nationalised, trading of all stocks on the NASDAQ OMX Iceland was suspended for three days and there have been concerns about the solvency of Icelandic companies. Since 1 October, the Icelandic main index, OMXI15 has fallen by 80% and Bakkavör shares fallen by 74%.

Bakkavör Group is listed on the NASDAQ OMX in Iceland, but the Group does not have any business operations in the country. As a consequence the Group's day-to-day trading activities are not affected by the economic situation in Iceland. Bakkavör is a profitable and cash generative business operating in 10 countries and is not faced with solvency issues. The vast majority of the Company's funding comes from major European and international banks with whom Bakkavör continues to have strong relationships. Less than 10% of the Group's committed banking arrangements are with Icelandic banks.

The Group has a significant cash deposit derived mainly from its financing activities with the new Kaupthing bank. This is 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. As a consequence we are confident as to the recoverability of the deposit.

Potential change of ownership of 39.6% share in Bakkavör Group

In October, ELL 182 ehf., a company wholly owned by the Group's CEO Ágúst Gudmundsson and the Group's Chairman Lýdur Gudmundsson, made an offer to acquire a total of 855,151,478 shares in Bakkavör Group or 39.629% of the total share capital from the financial services company Exista hf. The price offered was ISK 9.79 per share which was the last closing price of Bakkavör Group at 8 October 2008. The offer is subject to Bakkavör's creditors´ approval. With the purchase, the founders are looking to provide stability to the ownership structure of the Group.

Relinquishing of economic interest under a CFD in Greencore Group PLC

In October, the Group relinquished its 10.9% economic interest under a CFD (Contract for Difference) in 22,028,795 ordinary shares in Greencore Group at a price of EUR 1.30 per ordinary share. The economic interest was announced originally in April of this year.

Turmoil and fluctuations in the global financial markets resulted in the withdrawal of the funding source, making it necessary for the Group to relinquish its economic interest in Greencore. The withdrawal of the funding source was in no way a reflection of the financial standing of the Group or its commitment to the sector.

Future prospects

Looking ahead, Bakkavor Group remains confident in the long-term prospects for the business and our vision remains unchanged. However, with continued economic uncertainty we are cautious about the short-term outlook for consumer confidence and the effect on sales volumes and we expect the trading environment in which we operate to remain tough for the remainder of the year and into 2009. As a consequence the Group is adopting a very selective approach to capital expenditure and acquisition investments.

We will continue to focus on our business priorities to mitigate inflationary costs, improve operational efficiencies, increase market share and drive cash generation. This is likely to result in further restructuring and consolidation within our operations for the remainder of the year and into 2009. In addition, the Group will focus on driving synergies through the integration of the newly acquired businesses. These actions, coupled with market share gains in some of the Group's core markets taking effect in Q4, are expected to have a positive impact on sales and profit performance in 2009.

Despite today's challenging market conditions, the global demand for fresh prepared foods continues to grow. The Group has a diverse range of products across a wide and strong customer base. Moreover, the ability to develop new products and ranges rapidly means we are well placed to adapt to market conditions and changing global consumer demand at any given time.

Bakkavör Group // Ármúli 3 // 108 Reykjavík // Iceland //Tel: +354 550-9700 // Fax: +354 550-9701

Presentation of nine months results

Presentation of Results Thursday 30 October at 16:30 (Icelandic/UK time)

A presentation for shareholders and other market participants will be held on Thursday 30 October, at 16:30 Icelandic/UK time (17:30 Central European Time) at Ármúli 3, 108 Reykjavík. At the meeting Ágúst Gudmundsson, CEO will present the results and answer questions.

Webcast and Conference Call
A webcast from the meeting will commence at 16:30 local/UK time (17:30 Central European Time) and will be accessible on Bakkavör Group's website, www.bakkavor.com. Participation in the meeting is also available via conference call. Dial-in numbers are: +44 (0)20 3043 2436 (UK number) or +354 800 8660 (Icelandic number).

The presentation will be available following the meeting on the Group's website, www.bakkavor.com and on the website of the OMX Nordic Exchange in Iceland (www.omxgroup.com/nordicexchange). Bakkavör Group's Interim Financial Statements can also be viewed at the Group's Headquarters at Ármuli 3 in Reykjavík.

The Approval of Results

The Condensed Interim Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 30 October 2008.

Publication of Quarterly Results in 2008

Scheduled publication of the Group's interim and annual financial statements for 2008 is as follows:

Q4 and Annual Results 2008 29 January 2009

Key Contacts:

Ágúst Gudmundsson, CEO
Tel: +354 550 9700

Richard Howes, CFO
Tel: +354 550 9700

Snorri Gudmundsson, IR
Tel: +354 550 9710 / +354 858 9710

Quarterly Overview - Key figures					Amounts in £m
	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net sales	402.8	425.7	377.3	372.3	375.7
Cost of sales	(312.6)	(335.5)	(299.0)	(292.4)	(289.7)
Gross profit	**90.2**	**90.2**	**78.3**	**79.9**	**86.0**
Operating expenses	(70.4)	(66.1)	(62.5)	(56.5)	(56.0)
Restructuring costs	(1.7)	(3.1)			
Share of profit (loss) in associates	0.1	(0.6)	0.2	(0.3)	0.1
Operating profit/EBIT	**18.2**	**20.4**	**16.0**	**23.1**	**30.1**
Net finance costs	(21.9)	(9.7)	(15.1)	(14.5)	(15.4)
Loss on other financial assets	(16.3)	(30.4)	(15.8)		
(Loss) profit before tax	**(20.0)**	**(19.7)**	**(14.9)**	**8.6**	**14.7**
Income tax	0.5	(3.8)	2.1	1.8	(3.4)
(Loss) profit for the period	**(19.5)**	**(23.5)**	**(12.8)**	**10.4**	**11.3**
Shareholders' (loss) earnings	(20.0)	(23.7)	(13.0)	10.3	11.3
Minority interest	0.5	0.3	0.2	0.1	0.1
(Loss) earnings per share (GBP pence)	**(0.9)**	**(1.1)**	**(0.6)**	**0.5**	**0.5**
Adjusted (loss) earnings per share (GBP pence)	**(0.2)**	**0.3**	**0.2**	**0.5**	**0.5**
EBITDA	**29.4**	**32.2**	**26.3**	**33.4**	**39.7**
EBITDA margin	**7.3%**	**7.6%**	**7.0%**	**9.0%**	**10.6%**
Cash flow from (to) operating activities	28.8	19.8	(4.3)	23.4	20.3
Free cash generated by (to) operating activities	17.7	3.0	(16.0)	12.2	10.6

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

About Bakkavör Group

Bakkavör Group is a leading international food manufacturing company specialising in fresh prepared foods and produce. The Group operates 66 factories and employs around 20,000 people in 10 countries. The Group's Head Office is in Reykjavík, Iceland, and the business is listed on the NASDAQ OMX Exchange in Iceland (www.omxgroup.com/nordicexchange Ticker: BAKK).

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. In total, the Group makes over 6,000 products in 18 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, Italy, Spain, South Africa, China, the Czech Republic and the United States.

To subscribe to Bakkavör Group's mailing list, please mail to:
investor.relations@bakkavor.com

Bakkavör Group // Ármúli 3 // 108 Reykjavík // Iceland //Tel: +354 550-9700 // Fax: +354 550-9701