



Condensed Interim Consolidated Financial Statements

31 March 2008

Bakkavör Group hf.
Ármúla 3
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Reg.no. 410886-1629

Table of Contents

Endorsement by the Board of Directors and CEO	2
Condensed Consolidated Income Statement	3
Condensed Consolidated Balance Sheet	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Cash Flow Statement	6
Notes to the Condensed Interim Consolidated Financial Statements	7-13

Endorsement by the Board of Directors and CEO

The Board of Directors and the CEO of Bakkavör Group hf. are of the opinion that the Condensed Interim Consolidated Financial Statements for the first three months of 2008 contain all the information necessary to form a clear picture of the Group's standing at 31 March, the period's operating results and the period's financial development.

In January Bakkavör Group hf. acquired 80% share in the Chinese vegetable and fruit provider, Yantai Longshun Foods, with a call option of buying the remaining 20% at the end of 2009.

In January Bakkavör Group hf. acquired Two Chefs on a Roll, a Californian fresh and frozen prepared food provider.

In March Bakkavör Group hf. acquired 48% share in the food and beverage supplier Gastro Primo in Hong Kong, with a non-binding call option to acquire the remaining 52% in 2010.

The Board of Directors and the CEO of Bakkavör Group hf. hereby confirm the Condensed Interim Consolidated Financial Statements for the first three months of 2008 with their signature.

Reykjavík, 28 April 2008

Board of Directors and CEO

Lýdur Gudmundsson
Chairman

Ágúst Gudmundsson
CEO

Antonios P. Yerolemou

Ásgeir Thoroddsen

Dionysos Andreas Liveras

Hildur Árnadóttir

Katrín Pétursdóttir

Panikos J. Katsouris

Condensed Consolidated Income Statement for the period 1 January to 31 March 2008

	Notes	First quarter 1 January - 31 March	
		2008	2007
Net sales	5	377,265	349,354
Cost of sales		<u>(298,979)</u>	<u>(265,587)</u>
Gross profit		78,286	83,767
Other operating income		32	7
Operating expenses		(62,554)	(58,438)
Share of profit in associates		221	25
		<u>(62,301)</u>	<u>(58,406)</u>
Operating profit		15,985	25,361
Net finance costs	6	(15,119)	(12,367)
Loss on other financial assets	15	(15,793)	0
		<u>(30,912)</u>	<u>(12,367)</u>
(Loss) profit before tax		(14,927)	12,994
Income tax		2,120	(3,094)
(Loss) profit for the period		<u>(12,807)</u>	<u>9,900</u>
Attributable to:			
Shareholders of Bakkavör Group hf.		(13,048)	9,648
Minority interest		241	252
		<u>(12,807)</u>	<u>9,900</u>
(Loss) earnings per share (GBP pence)	7	(0.61)	0.45

Condensed Consolidated Balance Sheet at 31 March 2008

	Notes	31.3.2008	31.12.2007
Non-current assets			
Goodwill and other intangible assets	8	786,203	775,851
Property, plant and equipment	9	350,215	337,711
Investments in joint ventures and associates	10	7,005	5,181
Deferred income tax asset		1,919	1,919
		<u>1,145,342</u>	<u>1,120,662</u>
Current assets			
Inventories	11	42,013	46,325
Trade and other receivables		261,413	245,350
Other financial assets	15	11,760	0
Cash and cash equivalents		16,920	70,447
		<u>332,106</u>	<u>362,122</u>
Total assets		<u><u>1,477,448</u></u>	<u><u>1,482,784</u></u>
Equity			
Share capital	12	14,854	14,854
Capital reserves		72,630	72,630
Translation reserves		4,896	3,208
Retained earnings		172,029	186,613
Shareholders' equity		<u>264,409</u>	<u>277,305</u>
Minority interest		<u>1,811</u>	<u>1,371</u>
Total equity		<u>266,220</u>	<u>278,676</u>
Non-current liabilities			
Deferred income tax liability		40,977	39,135
Borrowings		800,792	767,014
		<u>841,769</u>	<u>806,149</u>
Current liabilities			
Current maturities of non-current liabilities		26,947	23,354
Bank loans and overdrafts		0	27,457
Other current liabilities		342,512	347,148
		<u>369,459</u>	<u>397,959</u>
Total equity and liabilities		<u><u>1,477,448</u></u>	<u><u>1,482,784</u></u>
Off Balance Sheet Items:			
Mortgages and commitments	16		

Condensed Consolidated Statement of Changes in Equity for the period ended 31 March 2008

	Shareholders' equity						
	Share capital	Capital reserves	Translation reserves	Retained earnings	Total	Minority interest	Total equity
Equity 1 January 2007	14,924	77,154	(1,437)	149,307	239,948	1,499	241,447
Translation reserves			(11)		(11)		(11)
Actuarial gain recognised on pension plan				3,800	3,800		3,800
Dividends				(8,256)	(8,256)		(8,256)
Profit for the period				9,648	9,648	252	9,900
Equity 31 March 2007	<u>14,924</u>	<u>77,154</u>	<u>(1,448)</u>	<u>154,499</u>	<u>245,129</u>	<u>1,751</u>	<u>246,880</u>
	Share capital	Capital reserves	Translation reserves	Retained earnings	Total	Minority interest	Total equity
Equity 1 January 2008	14,854	72,630	3,208	186,613	277,305	1,371	278,676
Translation reserves			1,688		1,688		1,688
Actuarial gain recognised on pension plan				6,050	6,050		6,050
Dividends				(7,586)	(7,586)		(7,586)
(Loss) profit for the period				(13,048)	(13,048)	241	(12,807)
Change in minority interest						199	199
Equity 31 March 2008	<u>14,854</u>	<u>72,630</u>	<u>4,896</u>	<u>172,029</u>	<u>264,409</u>	<u>1,811</u>	<u>266,220</u>

Condensed Consolidated Cash Flow Statement for the period 1 January to 31 March 2008

	Notes	2008 Q1	2007 Q1
Cash flow (to) from operating activities			
Operating profit		15,985	25,361
Depreciation and amortization	8, 9	10,287	9,716
Other items		(212)	(1,257)
Changes in current assets and liabilities		(19,663)	4,342
Cash generated from operations		6,397	38,162
Payments of interest income and interest expense		(8,607)	(9,166)
Payments of tax		(2,089)	(931)
Cash flow (to) from operating activities		(4,299)	28,065
Investing activities			
Property, plant and equipment	9	(11,732)	(11,174)
Acquisitions, net of cash acquired	18	(11,053)	(8,119)
Shareholdings		(1,829)	0
Financial assets		(26,432)	0
Investing activities		(51,046)	(19,293)
Financing activities			
Bank loans		(33,382)	(8,451)
New borrowings		34,983	6,784
Payments of non-current liabilities		(552)	(1,863)
Financing activities		1,049	(3,530)
Net (decrease) increase in cash		(54,296)	5,242
Effects of foreign exchange adjustments		769	(113)
Cash and cash equivalents at beginning of year		70,447	39,695
Cash and cash equivalents at the end of the period		16,920	44,824
Other information:			
Net cash provided (to) by operating activities			
(Loss) profit for the period		(12,807)	9,900
Items not affecting cash		25,189	15,587
Working capital provided by operating activities		12,382	25,487
Changes in current assets and liabilities		(16,681)	2,578
Cash flow (to) from operating activities		(4,299)	28,065
Property, plant and equipment		(11,732)	(11,174)
Free cash generated (to) by operating activities		(16,031)	16,891

Notes to the Condensed Interim Consolidated Financial Statements

1. General information

Bakkavör Group hf. is a company incorporated and domiciled in Iceland. The Condensed Interim Consolidated Financial Statements for the first three months of 2008 comprise Bakkavör Group hf. (the parent) and its subsidiaries (together referred as the Group).

The Group prepares its Condensed Interim Consolidated Financial Statements in GBP, which is the Group's functional currency.

2. Significant accounting policies

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU.

The Condensed Interim Consolidated Financial Statements have been prepared under the historical cost basis, except for revaluation of certain properties and financial instruments.

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.

These Condensed Interim Consolidated Financial Statements do not include all of the information required for annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended December 31, 2007.

3. Subsidiaries

Subsidiaries at 31 March 2008.

	Place of registration and operation	Interest	Principal activity
Bakkavor Holdings Ltd.	United Kingdom	100%	Holding company
Bakkavor Acquisitions 2008 Ltd.	United Kingdom	100%	Holding company
Bakkavor London Ltd.	United Kingdom	100%	Management company
Bakkavor Acquisitions Ltd.	United Kingdom	100%	Holding company
Hitchen Foods Ltd.	United Kingdom	100%	Packaging and marketing of fresh produce
Laurens Patisseries Ltd.	United Kingdom	100%	Packaging and marketing of desserts
Bakkavor Jersey Ltd.	Jersey	100%	Holding company
Bakkavor USA Inc.	USA	100%	Holding company
Bakkavor USA Ltd.	United Kingdom	100%	Holding company
Two Chefs on a Roll Inc.	USA	100%	Preparation and marketing of fresh prepared foods
Bakkavor Invest Ltd.	United Kingdom	100%	Holding company
Bakkavor (Jersey Two) Ltd.	Jersey	100%	Holding company
Bakkavor Ltd.	United Kingdom	100%	Holding company
Bakkavor Foods Ltd.	United Kingdom	100%	Preparation and marketing of fresh prepared foods
Notsallow 256 Ltd.	United Kingdom	100%	Preparation and marketing of fresh prepared foods
Exotic Farm Produce Ltd.	United Kingdom	100%	Packaging and marketing of fresh produce
Exotic Farm Prepared Ltd.	United Kingdom	100%	Preparation and marketing of fresh prepared foods
Cucina Sano Ltd.	United Kingdom	100%	Preparation and marketing of fresh prepared foods
Heli Food Fresh A.S.	Czech Republic	51%	Preparation and marketing of fresh prepared foods
Welcome Food Ingredients Ltd.	United Kingdom	100%	Preparation and marketing of fresh prepared foods
Katsouris Fresh Foods Ltd.	United Kingdom	100%	Preparation and marketing of fresh prepared foods
Bakkavor Birmingham Ltd.	United Kingdom	100%	Preparation and marketing of fresh prepared foods
Anglia Crown Ltd.	United Kingdom	100%	Preparation and marketing of fresh prepared foods
New Primebake Ltd.	United Kingdom	100%	Preparation and marketing of fresh prepared foods
Bakkavor Fresh Cook Ltd.	United Kingdom	100%	Preparation and marketing of fresh prepared foods
English Village Salads Ltd.	United Kingdom	95%	Packaging and marketing of fresh produce
International Produce Ltd.	United Kingdom	76%	Packaging and marketing of fresh produce
Cinquième Saison SAS Group	France	100%	Preparation and marketing of fresh prepared foods
Centrale Salades France SAS	France	100%	Preparation and marketing of fresh prepared foods
Crudi SAS	France	100%	Preparation and marketing of fresh prepared foods
S.B.L.P. SAS	France	100%	Preparation and marketing of fresh prepared foods
Financiere 4G SAS	France	100%	Preparation and marketing of fresh prepared foods
4G SAS	France	100%	Preparation and marketing of fresh prepared foods
Bakkavor Overseas Ltd.	United Kingdom	100%	Import and exporter of machinery and equipment
Bakkavor Insurance (Guernsey) Ltd.	Guernsey	100%	Insurance and re-insurance
Bakkavor Properties Ltd.	United Kingdom	100%	Property management
BV Negecos	United Kingdom	100%	Holding company
Bakkavor European Marketing BV	Netherlands	100%	Holding company
Vaco BV	Belgium	100%	Preparation and marketing of fresh prepared foods
Bakkavor (SA) (Pty) Ltd.	South Africa	100%	Preparation and marketing of fresh prepared foods

Notes to the Condensed Interim Consolidated Financial Statements

3. Subsidiaries (continued)

	Place of registration and operation	Interest	Principal activity
Bakkavor Asia Ltd.	United Kingdom	100%	Holding company
Bakkavor China Ltd.	United Kingdom	80%	Holding company
Creative Food Group Ltd.	Hong Kong	100%	Holding company
Creative Food Holding Ltd.	Hong Kong	100%	Holding company
Creative Food (Hong Kong) Ltd.	Hong Kong	100%	Trading company
Beijing Creative Food Co. Ltd.	China	100%	Produce and manufactures salad products
Shanghai Creative Food Co. Ltd.	China	100%	Produce and manufactures salad products
Wuhan Creative Food Co. Ltd.	China	100%	Produce and manufactures salad products
Guangzhou Creative Food Co. Ltd.	China	100%	Produce and manufactures salad products
Xianyang Creative Food Ltd.	China	100%	Produce and manufactures salad products
Creative Agriculture Holdings Ltd.	Hong Kong	100%	Holding company
Jiangsu Creative Agricult. Prod. Dev. Ltd.	China	100%	Produce and manufactures salad products
Anhui Creative Agriculture Prod. Dev. Ltd.	China	100%	Produce and manufactures salad products
Nantong Creative Agriculture Prod. Dev. Ltd. .	China	100%	Produce and manufactures salad products
Yantai Longshun Ltd.	China	80%	Produce and manufactures salad products

Bakkavor Group hf. also operates a finance branch in Switzerland to govern intercompany long-term liabilities and investments.

4. Quarterly statements

	Q1 - 2007	Q2 - 2007	Q3 - 2007	Q4 - 2007	Q1 - 2008
Net sales	349,354	373,629	375,683	372,300	377,265
Cost of sales	(265,587)	(287,402)	(289,724)	(292,382)	(298,979)
Gross profit	83,767	86,227	85,959	79,918	78,286
Other operating income	7	5	129	43	32
Operating expenses	(58,438)	(54,427)	(56,090)	(56,549)	(62,554)
Share of profit (loss) in associates	25	(364)	83	(306)	221
Operating profit (EBIT)	25,361	31,441	30,081	23,106	15,985
Net finance costs	(12,367)	(10,439)	(15,392)	(14,488)	(15,119)
Loss on financial asset	0	0	0	0	(15,793)
Profit (loss) before tax	12,994	21,002	14,689	8,618	(14,927)
Income tax	(3,094)	(5,282)	(3,359)	1,796	2,120
Profit (loss) for the period	9,900	15,720	11,330	10,414	(12,807)
EBITDA	35,077	40,805	39,711	33,430	26,272
EBITDA ratio	10.0%	10.9%	10.6%	9.0%	7.0%
Working capital provided by operating activities	25,487	31,707	45,159	10,388	12,382
Cash flow from (to) operating activities	28,065	32,847	20,343	23,434	(4,299)
Free cash generated by (to) operating activities	16,891	20,302	10,593	12,177	(16,031)

Notes to the Condensed Interim Consolidated Financial Statements

5. Business and geographical segments

The Group operates in nine countries with over 6,000 products in 18 categories. Certain parts of the business are subject to seasonal fluctuations in sales. However, the Group operates a diversified portfolio of products that minimises that effect. No individual element of seasonality is likely to be material to the result of the Group as a whole.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	<u>1.1. - 31.3. 2008</u>	<u>1.1. - 31.3. 2007</u>
United Kingdom	334,163	324,577
Continental Europe	36,598	24,777
Rest of world.....	6,504	0
	<u>377,265</u>	<u>349,354</u>

The following table provides an analysis of the Group's sale by categories:

	<u>1.1. - 31.3. 2008</u>	<u>1.1. - 31.3. 2007</u>
"Hot eating"	140,129	148,943
"Cold eating"	142,551	127,642
Traded produce and Continental Europe	94,585	72,769
	<u>377,265</u>	<u>349,354</u>

The following table provides an analysis of the Group's operating profit by geographical market:

	<u>1.1. - 31.3. 2008</u>	<u>1.1. - 31.3. 2007</u>
United Kingdom	15,649	25,114
Continental Europe	289	247
Rest of world.....	47	0
	<u>15,985</u>	<u>25,361</u>

6. Net finance costs

	<u>1.1. - 31.3. 2008</u>	<u>1.1. - 31.3. 2007</u>
Interest income	1,477	523
Interest expenses and exchange rate adjustments	(16,596)	(12,890)
	<u>(15,119)</u>	<u>(12,367)</u>

7. Earnings (loss) per share

The calculation of earnings per share is based on the following data:

	<u>1.1. - 31.3. 2008</u>	<u>1.1. - 31.3. 2007</u>
Net (loss) profit for the 3 months ended 31 March attributable to shareholders	(13,048)	9,648
Total average number of shares outstanding during the period (in million)	2,148	2,157
(Loss) earnings per share (GBP pence)	(0.61)	0.45

Notes to the Condensed Interim Consolidated Financial Statements

8. Goodwill and other intangible assets

	Goodwill	Customer contracts	Total
Cost at 1 January 2008	771,073	4,778	775,851
Additions and assessment changes in fair value during the period	10,637	0	10,637
Amortization during the period	0	(285)	(285)
At 31 March 2008	<u>781,710</u>	<u>4,493</u>	<u>786,203</u>
Carrying amount:			
At 31 March 2008	<u>781,710</u>	<u>4,493</u>	<u>786,203</u>

9. Property, plant and equipment

	1.1. - 31.3. 2008	1.1. - 31.3. 2007
Additions, disposals and exchange difference in 2008	14,445	11,166
Depreciated 2008, included in Cost of sales in the Condensed Interim Consolidated Income statement	(6,314)	(6,510)
Depreciated 2008, included in Operating expenses in the Condensed Interim Consolidated Income statement .	(3,688)	(2,964)

10. Interest in joint ventures and associates

Joint ventures and associates at 31 March 2008.

	Place of registration and operation	Interest	Principal activity
Bakkavor QV Ltd.	United Kingdom	55.0%	Marketing of fresh produce
Tropical Fresh Alimentos SA.....	Brazil	45.0%	Preparation and marketing of fresh prepared foods
Fram Foods hf.	Iceland	30.5%	Manufactures consumer packaged seafood
Middle Road Packers (pty) Ltd.....	South-Africa	30.0%	Preparation and marketing of fresh prepared foods
Gastro Primo Ltd.....	Hong Kong	48.0%	Food and beverage supplier

11. Inventories

	31.3. 2008	31.12. 2007
Raw material and packaging	33,435	39,473
Work in progress	3,958	2,925
Finished goods	4,620	3,927
	<u>42,013</u>	<u>46,325</u>

Notes to the Condensed Interim Consolidated Financial Statements

12. Share capital

Share capital is registered in Icelandic króna (ISK) and is 2,157,888,219 ISK as required by the articles of association. At the end of the period, the Group's own shares amounted to 9,836,000 ISK.

Total share capital at the end of the period according to the financial statements was GBP 14.9 million, as follows:

	31.3. 2008	31.12. 2007
Total share capital	14,932	14,932
Own shares	(78)	(78)
	<u>14,854</u>	<u>14,854</u>

Changes in share capital are as follows:

Share capital at 1 January 2008	14,854	14,924
Changes during the period	0	(70)
Share capital at 31 March 2008	<u>14,854</u>	<u>14,854</u>

13. Dividends

The Annual General Meeting of Bakkavör Group, held on 14 March 2008, resolved to pay a dividend of 55% of nominal share value to shareholders. This corresponds to ISK 0.55 per share. Dividends were paid on 15 April 2008.

14. Non-current liabilities

The Group has a GBP 700 million multi currency credit revolving facility (RCF). At 31 March there were GBP 561 million of drawn borrowings. In addition the Group has available a USD 30 million loan revolving facility. At 31 March there were USD 8 million of drawn borrowings.

15. Derivative financial instruments

The Group utilises currency derivatives, mainly forward exchange contracts and currency options, to hedge significant future transactions and cash flows. At the balance sheet date, the total notional amount of outstanding forward exchange contracts to which the Group is committed amounts to GBP 24.3 million.

The Group uses interest rate swaps, swaptions and collars to manage its exposures to interest rate movements on its bank borrowings. At the balance sheet date, the total notional amount of outstanding interest rate swaps amounts to GBP 498.2 million.

The Group has an economic interest in 10.9% shareholding in Greencore Group PLC under CFD (Contract for Difference). Valuation decrease during the period amounted to GBP 15.8 million.

16. Mortgages and commitments

Operating lease commitments

The future minimum lease payments under non cancellable operating leases are as follows:

	31.3. 2008	31.12. 2007
Not later than 1 year	9,810	16,663
Later than 1 year and not later than 5 years	30,174	41,559
Later than 5 years	56,198	58,629
	<u>96,182</u>	<u>116,851</u>

Capital commitments

Capital expenditure contracted for, but not provided for in these accounts, amounted to GBP 10.6 million.

Purchase commitments

The Group has purchase commitments for the next 12 months to guarantee supply and price in the amount of GBP 18.7 million.

Notes to the Condensed Interim Consolidated Financial Statements

17. Contingent liabilities

There are a number of legal claims or potential claims against the Group, the outcome of which cannot at present be foreseen. Provision has been made for all liabilities which are expected to materialise.

At 31 March the Group has granted its subsidiaries and associates guarantees amounting to GBP 36.9 million.

18. Acquisitions

The following table sets out the book values of the identifiable assets and liabilities acquired in the last twelve months and their fair value to the Group:

	Acquisitions
Tangible assets	32,370
Inventories	4,528
Debtors	16,638
Cash	1,860
Total assets	<u>55,396</u>
Bank loans	(18,961)
Bank overdrafts	(1,851)
Taxation	(283)
Other creditors	(30,296)
Deferred taxation	(1,744)
Total liabilities	<u>(53,135)</u>
Net assets	<u>2,261</u>
Goodwill	72,903
	<u>75,164</u>
Satisfied by:	
Previously acquired	3,413
Direct costs relating to acquisition	167
Cash consideration	53,669
	<u>57,249</u>

Net cash outflows and deferred payments in respect of the acquisition comprises of:

Cash consideration	(53,836)
Cash at bank and in hand acquired	9
Deferred payments	(17,915)
	<u>(71,742)</u>

In accordance with the relevant IFRS standard, the Group has carried out an assessment of the fair value of the assets and liabilities of each of the businesses and companies acquired in the last twelve months. This assessment has established the fair values of the tangible assets as well as the intangible assets and inventories. The difference between the sum of the fair values less liabilities and the purchase price paid is accounted as goodwill at the time of acquisition, and is subject to an annual impairment test. The assessments have been carried out with the assistance of outside experts.

As permitted by IFRS 3 *Business combinations* the assessment of the fair value of the net assets is provisional up to one year from the date of acquisition.

All acquisition have been accounted for by applying the purchase method.

Notes to the Condensed Interim Consolidated Financial Statements

19. Pension

The Group operates a number of pension schemes in the UK and overseas. These schemes are either trust or contract based and have been set up in accordance with appropriate legislation. The assets of each of the pension schemes are held separately from the assets of the Group.

In the UK, the two main schemes, one a defined contribution scheme and the other a funded defined benefit scheme are open to employees joining the Group (full time or part time).

Pension costs charged in arriving at profit on ordinary activities before taxation were:

	<u>1.1. - 31.3. 2008</u>	<u>1.1. - 31.3. 2007</u>
UK defined benefit plan net charge	(640)	(700)
UK defined contribution plan net charge	(39)	(119)
Overseas net charge	<u>(113)</u>	<u>(57)</u>
	<u>(792)</u>	<u>(876)</u>

20. Events after the Balance Sheet date

At 28 April the Group announced the acquisition of an Italian pizza manufacturer, Itaipizza, and also the acquisition of a 45% share in Hong Kong's leading producer of premium bakery and pastry products, La Rose Noire, with a call option to acquire an additional 45% share in 2010 and a 90% share in the company's Chinese operation in 2011.

21. Approval of the Condensed Interim Consolidated Financial Statements

The Condensed Interim Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 28 April 2008.