

**Bakkavör Group's Results for the first nine months 2007:****Operating profit £86.9 million****Business highlights for the first nine months and Q3 2007**

- Turnover £1.1 billion in 9M, up 23% and £375.7 million in Q3, up 13%
- Growth in like-for-like sales in underlying business 8.6% in 9M
- EBITDA £115.6 million in 9M, up 7% and £39.7 million in Q3, down 2%
- EBITDA ratio 10.5% in 9M and 10.6% in Q3
- Operating profit (EBIT) £86.9 million in 9M, up 4%, and £30.1 million in Q3, down 6%
- Shareholders' earnings £36.4 million in 9M, up 4%, and £11.3 million in Q3, down 25%
- Cash generated from operations £110.2 million in 9M, down 11%
- Equity ratio 19.4%, up from 18.2% at year end 2006
- Earnings per share 1.7 pence in 9M, down 9%
- Return on equity 19.2% compared with 28.2% in 9M 2006
- Two acquisitions in Q3 strengthened Bakkavör Group's operations in the UK and Central Europe – Exotic Farm Produce Group in the UK and Heli Food Fresh in the Czech Republic. The Group acquired Welcome Food Ingredients in the UK in October

**Ágúst Gudmundsson, Chief Executive Officer, said:**

"We are experiencing the toughest trading conditions in decades, which have affected Bakkavör Group's performance and heavily impacted sales in the first nine months of the year. Fundamental changes in world supply are resulting in global commodity price increases, which are having a significant impact on our business. This, coupled with extreme weather conditions in the UK, a major product recall in Q1 and capacity transfer within part of our ready meals operations in Q2, is reflected in our nine-month results. Against this backdrop, Bakkavör Group sales outperformed market growth and we continued to strengthen our position across our markets with five acquisitions during the period, in the UK, Czech Republic, France and China. The Group's long-term prospects are good – the demand for fresh prepared foods is growing around the world and we will continue to take advantage of favourable market trends and further develop our business on a global scale."

Quarterly Overview - Key figures		Amounts in £'000				
	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	
Net sales .....	375,683	373,629	349,354	329,161	332,939	
Cost of sales .....	(289,724)	(287,402)	(265,587)	(239,047)	(244,430)	
<b>Gross profit .....</b>	<b>85,959</b>	<b>86,227</b>	<b>83,767</b>	<b>90,114</b>	<b>88,509</b>	
Operating expenses .....	(55,961)	(54,422)	(58,431)	(59,933)	(56,266)	
Share of profit (loss) in associates .....	83	(364)	25	470	(208)	
<b>EBIT .....</b>	<b>30,081</b>	<b>31,441</b>	<b>25,361</b>	<b>30,651</b>	<b>32,035</b>	
Net finance costs .....	(15,392)	(10,439)	(12,367)	(10,098)	(13,922)	
<b>Profit before tax .....</b>	<b>14,689</b>	<b>21,002</b>	<b>12,994</b>	<b>20,553</b>	<b>18,113</b>	
Income tax .....	(3,359)	(5,282)	(3,094)	(4,714)	(2,866)	
<b>Profit from continuing operations.....</b>	<b>11,330</b>	<b>15,720</b>	<b>9,900</b>	<b>15,839</b>	<b>15,247</b>	
Discontinuing operation, net of tax.....				16,910		
<b>Profit for the period .....</b>	<b>11,330</b>	<b>15,720</b>	<b>9,900</b>	<b>32,749</b>	<b>15,247</b>	
Shareholders' earnings .....	11,275	15,501	9,648	32,753	15,012	
Minority interest .....	55	219	252	(4)	235	
<b>Earnings per share (GBP pence) .....</b>	<b>0.5</b>	<b>0.7</b>	<b>0.5</b>	<b>1.5</b>	<b>0.7</b>	
<b>EBITDA .....</b>	<b>39,711</b>	<b>40,805</b>	<b>35,077</b>	<b>39,324</b>	<b>40,411</b>	
<b>EBITDA ratio .....</b>	<b>10.6%</b>	<b>10.9%</b>	<b>10.0%</b>	<b>11.9%</b>	<b>12.1%</b>	
<b>EBITDA ratio, net of agency sales change.....</b>	<b>11.2%</b>	<b>11.7%</b>	<b>10.7%</b>	<b>12.7%</b>	<b>13.2%</b>	

Consolidated Balance Sheet - Key figures		Amounts in £'000		
	30.9 2007	31.12 2006	Change	%
Non-current assets .....	1,081,200	1,028,878	5%	
Current assets .....	314,539	296,929	6%	
<b>Total assets .....</b>	<b>1,395,739</b>	<b>1,325,807</b>	<b>5%</b>	
Equity .....	270,446	241,447	12%	
Non-current liabilities .....	801,766	715,677	12%	
Current liabilities .....	323,527	368,683	-12%	
<b>Total equity and liabilities.....</b>	<b>1,395,739</b>	<b>1,325,807</b>	<b>5%</b>	

Consolidated Cash Flow - Key figures		Amounts in £'000		
	9M 2007	9M 2006	Change	%
Cash generated from operations .....	110,199	123,217	-11%	
<b>Cash flow from operating activities .....</b>	<b>81,255</b>	<b>95,002</b>	<b>-14%</b>	
Investing activities .....	(78,839)	(149,085)	-47%	
Financing activities .....	(1,382)	15,943	-109%	
Net increase (decrease) in cash .....	1,034	(38,140)	103%	
<b>Free cash generated by operating activities .....</b>	<b>47,786</b>	<b>69,655</b>	<b>-31%</b>	

## Operating results for the nine months and Q3 2007

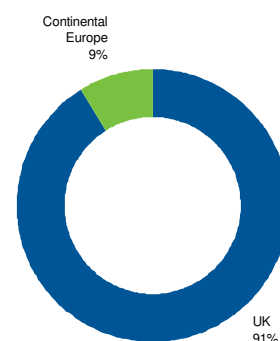
### Accounting Policies

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 2006. 4G was consolidated into the Group's Accounts from May 2007, Creative Food from June 2007, Heli Food Fresh from July 2007 and Exotic Farm Produce from September 2007. Between July 2006 and May 2007, Creative Food was accounted for as an associated company.

Consolidated Financial Statement - Key figures				Amounts in £'000		
	Q3 2007	Q3 2006	Change %	9M 2007	9M 2006	Change %
Net sales .....	375,683	332,939	13%	1,098,666	890,028	23%
Cost of sales .....	(289,724)	(244,430)	19%	(842,713)	(653,865)	29%
<b>Gross profit .....</b>	<b>85,959</b>	<b>88,509</b>	<b>-3%</b>	<b>255,953</b>	<b>236,163</b>	<b>8%</b>
Operating expenses .....	(55,961)	(56,266)	-1%	(168,814)	(152,093)	11%
Share of profit (loss) in associates .....	83	(208)	-	(256)	(788)	-68%
<b>Operating profit .....</b>	<b>30,081</b>	<b>32,035</b>	<b>-6%</b>	<b>86,883</b>	<b>83,282</b>	<b>4%</b>
Net finance costs .....	(15,392)	(13,922)	11%	(38,198)	(37,262)	3%
<b>Profit before tax .....</b>	<b>14,689</b>	<b>18,113</b>	<b>-19%</b>	<b>48,685</b>	<b>46,020</b>	<b>6%</b>
Income tax .....	(3,359)	(2,866)	17%	(11,735)	(10,523)	12%
<b>Profit for the period .....</b>	<b>11,330</b>	<b>15,247</b>	<b>-26%</b>	<b>36,950</b>	<b>35,497</b>	<b>4%</b>
Shareholders' earnings .....	11,275	15,012	-25%	36,424	34,864	4%
Minority interest .....	55	235	-77%	526	633	-17%
<b>Earnings per share (GBP pence) .....</b>	<b>0.5</b>	<b>0.7</b>	<b>-26%</b>	<b>1.7</b>	<b>1.8</b>	<b>-9%</b>
EBITDA.....	39,711	40,411	-2%	115,593	108,438	7%
EBITDA ratio.....	10.6%	12.1%	-	10.5%	12.2%	-
EBITDA ratio, net of agency sales change.....	11.2%	13.2%	-	11.2%	12.6%	-
Cash from operations.....	20,343	51,502	-61%	81,255	95,002	-14%
Free cash generated.....	10,593	40,699	-74%	47,786	69,655	-31%
Return on equity.....	17.7%	30.4%	-	19.2%	28.2%	-

Bakkavör Group sales and overall performance were heavily impacted by challenging trading conditions, mostly due to the fundamental shift in raw material supply that has caused significant commodity price increases on a global scale. Various other factors affected the Group's performance in the first nine months of the year, such as inflation pressures, rising utility costs, adverse weather conditions in the UK, a major product recall in the first quarter and increased instability in the financial markets. Furthermore, as reported in Q2, withdrawal from a small proportion of the Group's ready meals businesses has affected short-term profits.

Group sales amounted to £1.1 billion in the first nine months of the year, with 8.6% sales growth in underlying businesses and 375.7 million in Q3, with 5.5% like-for-like sales growth in the underlying business. UK sales represented 91% of the Group's turnover in the nine-month period, amounting to £1.0 billion, up 22%. In Q3, UK sales were £334.3 million, up 9%. Sales in Continental Europe amounted to £95.5 million in the first nine months, which is a 29% increase. In Q3, sales totalled £39.0 million in Continental Europe, up 46%. Sales in Asia amounted to £3.1 million in the first nine months and £2.4 million in Q3. Pro-forma sales in Asia grew by 8% in the nine-month period. See more detailed information in the sales and market review on page 6.



EBITDA amounted to £115.6 million in the nine-month period compared with £108.4 million in the same period last year, up 7%. EBITDA in the quarter totalled £39.7 million compared with £40.4 million in the third quarter 2006, which is a 2% decrease. Pro-forma EBITDA decreased by 4.3% in the first nine months of the year. EBITDA ratio was 10.6% in Q3 and 10.5% in the first nine months. The EBITDA ratio in the first nine months of 2007 compared with the same period 2006 is affected by changes that were made in July 2006 to a supply strategy agreement in produce.

Operating profit amounted to £86.9 million in the first nine months, increasing by 4% and £30.1 million in the quarter, decreasing by 6%. Performance in Continental Europe improved significantly between periods with operating profit amounting to £2.4 million in the nine months compared with £0.9 million in the same period 2006. Operating profit in China was in line with management expectations.

The Group's share of loss in associates in the first nine months was £0.3 million compared to £0.8 million share of loss in the comparable 2006 period. In Q3, the Group's share of profit in associates amounted to £0.1 million compared with loss of £0.2 million in Q3 2006.

In aggregate, net finance costs in the first nine months were £38.2 million, compared with £37.3 million in the same period 2006, an increase of £0.9 million. In Q3 2007, net finance costs amounted to £15.3 million compared with £13.9 million in Q3 2006, an increase of £1.5 million.

Taxes totalled £11.7 million in the first nine months of 2007 compared with £10.5 million in the same period 2006. Taxes amounted to £3.4 million in the quarter compared with £2.9 million in Q3 2006. The effective tax rate was 24.1% for the nine-month period and 22.9% for the quarter.

Profit before tax amounted to £48.7 million in the nine months, a 6% increase compared with the same period last year. Profit before tax in the third quarter amounted to £14.7 million, increasing by 19%. Profit after tax totalled £37.0 million in the nine-month period compared with £35.5 million in the same period 2006, up 4%. Profit after tax in Q3 was £11.3 compared with £15.3 in Q3 2006, a 26% decrease. Shareholders' earnings amounted to £36.4 million in the first nine months compared with £34.9 million in the nine months 2006, which is a 4% increase. In Q3, shareholders' earnings amounted to £11.3 million compared with £15.0 million in Q3 2006, decreasing by 25%. Return on equity in the nine months was 19.2% compared with 28.2% in the same period last year. In Q3, return on equity was 17.7% compared with 30.4% in Q3 2006.

## **Balance Sheet at 30 September 2007**

### **Assets**

The Group's total assets at 30 September 2007 amounted to £1,395.7 million compared with £1,325.8 million at 31 December 2006.

Non-current assets amounted to £1,081.2 million compared with £1,028.9 million at year end 2006. Goodwill and other intangible assets increased from £713.9 million to £751.7 million following two acquisitions in the third quarter. The assessment of fair value of the net assets of Laurens Patisseries was completed in May 2007 and that of New Primebake in June 2007. No material changes were necessary to the previously reported fair value of net assets. The assessment of fair value of the net assets of Rye Valley Patisserie and Fresh Cook (both acquired in November 2006), 4G (acquired in May 2007), Creative Food (fully acquired in June 2007), Heli Food Fresh (acquired in July) and Exotic Farm produce (acquired in August) is provisional and will be completed within 12 months of the acquisition dates.

Current assets totalled £314.5 million at 30 September 2007, increasing from £296.9 million at year end 2006. Current liabilities amounted to £323.5 million in the nine months, decreasing from £368.7 million at year end 2006. The current ratio was 1.0 compared with 0.8 at year end 2006, and the quick ratio was 0.9 compared with 0.7 at year end 2006.

## Liabilities and Equity

Non-current liabilities amounted to £801.8 million compared with £715.7 million at year end 2006, an increase of £86.1 million partly reflecting effects of acquisitions during the period. In March 2007, Bakkavör Group signed a new five-year £700 million revolving credit facility with a group of banks, refinancing its previous acquisition facilities on favourable terms, increasing operational flexibility.

Equity increased from £241.5 million at year end 2006 to £270.4 million at the end of September 2007. As approved by shareholders at Bakkavör Group's Annual General Meeting in March, dividends of 50% of nominal share value were paid on 24 April 2007, corresponding to ISK 0.50 per share. Equity was further reduced in August when the Group bought back ordinary shares off the market amounting to £4.6 million.

The equity ratio at the end of the period was 19.4% compared with 18.2% at year end 2006. Earnings per share were 1.7 pence in the first nine months compared with 1.8 pence in the comparable period 2006, a 9% decrease.

## Cash Flow

Bakkavör Group's cash flow during the first nine months of the year amounted to £110.2 million compared with £123.2 million in the same period 2006, an 11% decrease. Cash flow after deducting payments of interest and tax amounted to £81.3 million compared with £95.0 million in the first nine months 2006, a 14% decrease. Changes in current asset and liabilities amounted to £17.3 in the first nine months and a substantial part of that decrease is explained by seasonal changes and change in a supply agreement.

Investing activities in property, plant and equipment amounted to £33.5 million in the first nine months of the year compared with £25.3 million in the comparable period 2006. Capital expenditure during the period was in excess of depreciation due to considerable capacity expansion at one of the Group's factories. Furthermore, as explained above, dividends were paid in April, which is reflected in the cash flow figures.

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 £47.7 million in the first nine months 2007, compared with £69.7 million in the same period in 2006. The decrease in free cash flow is explained, as mention earlier, with the change in supply agreement and by increased investments in property, plant and equipment.

## Q3 and post quarter activities

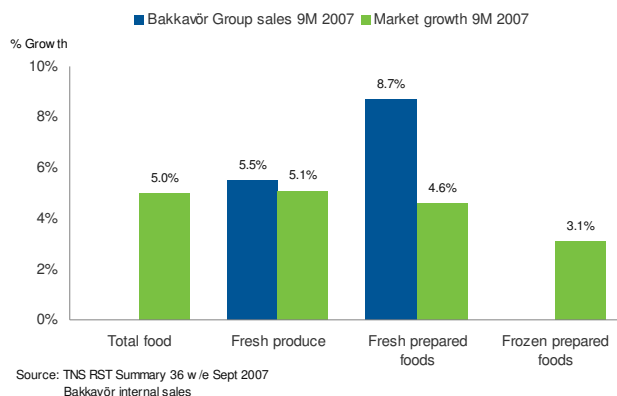
### Strengthening Operations in the UK and Continental Europe

At the beginning of July, Bakkavör Group acquired a 51% stake in Heli Food Fresh, a Czech fresh prepared food manufacturer. The Group will acquire the remaining 49% in April 2010. Heli Food Fresh specialises in the manufacturing of ready meals, soups and sauces for the Central European market, i.e. the Czech Republic, Hungary, Poland and Slovakia. The company is located south of Prague in the Czech Republic and employs 76 people. It has a turnover of €3.6 million and trades with leading European retailers.

At the end of August, Bakkavör Group further strengthened its position in the UK market with the acquisition of Exotic Farm Produce Group, a produce and fresh prepared foods provider. The company supplies the major UK grocery retailers with speciality fresh produce, fresh prepared vegetables and salads as well as fresh prepared meals and meal accompaniments. Exotic Farm Produce is a good strategic fit with the Group's existing businesses and also offers good growth prospects through existing and new customers in the UK and abroad. Exotic Farm Produce is based in Lincolnshire and employs 370 people.

In October the Group acquired the UK flavourings and sauce producer Welcome Food Ingredients Ltd. The acquisition of Welcome Food brings to Bakkavör an added value business as the company specialises in using fresh and dried ingredients to create and manufacture flavourings and blends such as sauces, pastes and dressings for the food industry. Welcome Foods is located in Nottinghamshire and employs 115 people.

## Sales and market review for the first 9 months 2007



### United Kingdom

Bakkavör Group's growth target for UK fresh prepared foods is to achieve sales growth that is above market growth. Bakkavör Group continued to achieve this objective in the first nine months of the year with sales up 8.7% against a 4.6% market growth.

The Group's fresh produce<sup>1</sup> sales grew by 5.5% compared with a 5.1% sector growth.

### Operating in a challenging trading environment

On a global level, we are witnessing an unprecedented change in the world ingredients markets with exceptional rises in many commodity items which has marked an end to over a decade of relatively stable, low inflation. This change has primarily been driven by a shift in demand in the Asian markets and the increasing use of food crops as a source of energy, coupled with an extraordinary period of adverse weather in key growing areas of the world.

On a local level, the UK trading environment remained challenging in the third quarter of the year. Although there has been no further interest rate increases since July, consumer confidence has been knocked by recent instability in the financial markets as well as the prospect of a slower housing market. The country was also subject to continued abnormal weather conditions and increasing price pressures due to rising commodity costs.

Further flooding in July was caused by continued heavy rainfall and August has not been recorded colder since 1993. The extremely poor summer weather impacted both the supply and sale of seasonal products. Bakkavör Group's balanced portfolio of hot- and cold-eating products meant that the Group was to some extent in a better position to react to these inclement conditions, although overall performance was affected.

In Q2 2007 Bakkavör Group reported that rising global commodity prices were putting a strain on food manufacturing costs particularly on items such as vegetables, wheat, butter, cheese and other dairy products. These price pressures have continued into Q3 and whilst the Group has had to absorb these increases it has made progress on recovering some raw material costs, following agreements with its retail customers. Going forward the Group will continue to work with its customers to react to these price increases.

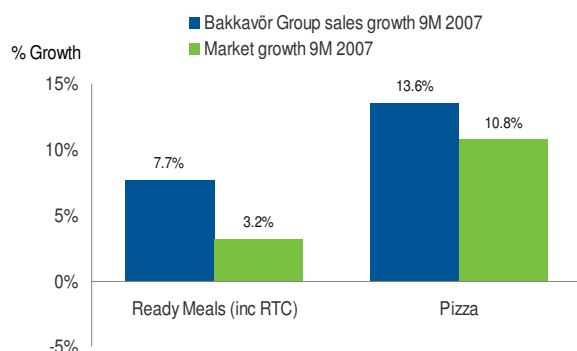
### Product groups

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 first nine months was 49:51.

<sup>1</sup> Excludes Exotic Farm Produce

## Hot-Eating Product Overview

Overall, Bakkavör Group's consolidated hot-eating product sales grew by 6.1% in the first nine months of the year, outpacing the 4.6% growth of the total fresh prepared food market.



Source: TNS RST Summary 36 w/e 9 Sept 2007  
Bakkavör internal sales

The fresh **ready meals** market (including ready to cook meals) grew by 3.2% by value in the first nine months. Bakkavör Group continued to outperform the market in this category, with sales up 7.7% driven by strong uplifts in the ready to cook segment.

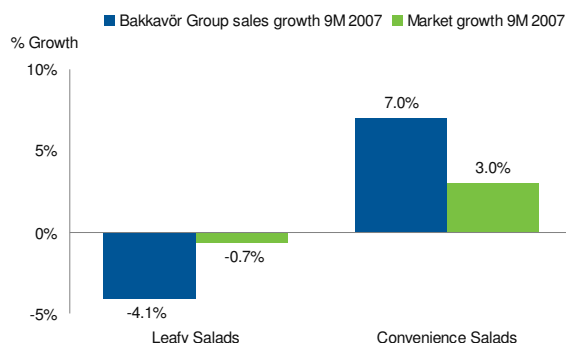
Bakkavör Group's strength lies in its ability to develop products which address more than one of the consumer mega-trends<sup>2</sup> such as a range of convenient nutritionally balanced ready meals and ready to cook meals, prepared with high quality fresh ingredients.

In Q2 2007 the Group reported that it had made the strategic decision to withdraw from manufacturing a small proportion of its Italian ready meals business. This has helped release capacity constraints from other areas of the business; however, as expected this affected short term profits.

The fresh **pizza** market grew by 10.8% by value in the first nine months. The Group's pizza business continued to perform well with sales up 13.6% driven by strong uplifts in the core Italian and premium ranges.

## Cold-Eating Product Overview

Overall, Bakkavör Group's consolidated cold-eating product sales grew by 11.4% in the first nine months of the year despite the poor summer weather in the UK.



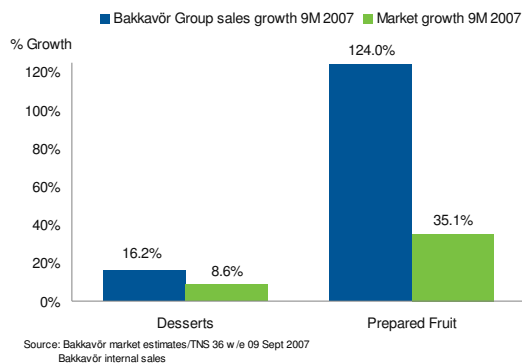
Source: Bakkavör market estimates  
Bakkavör internal sales

As reported in Q2 2007, **leafy salad** sales were heavily impacted by adverse weather conditions which were further compounded by more wet weather in July and cold temperatures in August. This resulted in the market declining by 0.7% by value for the first nine months, and in line with this trend, Bakkavör Group sales were also suppressed. However, on a more positive note, in September both the market and Bakkavör Group returned to sales growth and it is anticipated that the Group will gradually recover its position in this market through increased strategic focus on market regeneration.

The **convenience salads** market – dressed salads and meal salads – grew by 3.0% in the first nine months. As with all seasonal products, market performance continued to be hampered by ongoing poor weather conditions. Despite this, the fast-growing premium and premium healthy segments of the market still held consumer appeal. This was reflected in the Group's sales performance with convenience salads sales growing by 7.0% by value in the nine-month period.

<sup>2</sup> Mega-trends – health, convenience and pleasure

The **chilled desserts** market grew by 8.6% by value in the first nine months. This reflects market trends which show that whilst consumers are focusing on improving their health through fresh, naturally healthy foods, they occasionally want to treat themselves to small indulgences. Chilled desserts are an obvious choice as they are generally perceived as more of a premium treat than their ambient or frozen equivalents. Bakkavör Group sales growth remained robust with sales up 16.2%, with performance strengthened by new business opportunities and successful product innovation.



**Prepared fruit** is now a £225 million<sup>3</sup> market and is one of the fastest growing food markets in the UK, increasing in value in the first nine months by 35.1%. The market successfully caters for different meal occasions whether it is breakfast, a lunchtime snack or part of a family dessert. Bakkavör Group maintained its fast pace of growth with sales by value up 124% reflecting its ongoing commitment to this product market.

### UK Fresh Produce

Despite poor weather conditions, the £7.7 billion<sup>4</sup> fresh produce market grew by 5.1% in the first nine months. Bakkavör Group's produce sales outpaced the market with sales up by 5.5%.

### Continental Europe

Bakkavör Group's European pro-forma sales grew by 15.8% in the first nine months. The Group's French and Spanish operations achieved a combined pro-forma sales growth of 19% and the Belgium operation has now returned to growth with sales up 4%. These businesses remain focused on strengthening their current positions as well as exploring new business opportunities. Since Bakkavör Group announced the acquisition of Heli Food Fresh in the Czech Republic in Q2 the management structure has been strengthened there and the business is now in a good position for further growth.

### Bakkavör Asia

In the first nine months of the year, Creative Food sales grew by 8% driven by strong foodservice sales in 'ready to eat' products such as salad meals. As in the UK, the Group's China operation has been impacted in the short term by raw material cost increases as well as crop damage caused by bad weather in the main growing regions. Nevertheless, the Group's investment plans are still on track and Creative Food continues to explore new business opportunities to expand its presence in chilled foods.

In support of its customers' expansion in North-West China, Creative Foods has commissioned the construction of a new 2,000 sqm plant in Xianyang City. The plant, which will serve Creative Food's customers with salads and chilled foods, is scheduled to become operational by August 2008, and will create around 1000 jobs in the area.

<sup>3</sup> Bakkavör internal estimates

<sup>4</sup> TNS



## **New Product Development**

Convenience, health and pleasure are the global consumer mega-trends which have been driving people's food choices for some time. Furthermore, the increasing consumer concern for the environment has resulted in shoppers wanting more information on how and where their food has been produced. Whilst consumers may have been happy in the past to sacrifice taste for convenience, today there is an increasing demand for products to be not only convenient but also nutritious and taste good. Since Q2 2007, Bakkavör Group has continued to successfully launch a number of new products which span these trends.

In the UK, in produce for example, the Group launched the trio leaf lettuce – a lettuce with three different varieties in one and in cold-eating, organic leafy salads and takeaway salads using premium, healthy ingredients such as quinoa and mango. In hot-eating the Group's new product launches included a range of organic soups and as a perfect accompaniment to soups, some new chilled bread products using UK regional ingredients.

In developing new products, Bakkavör Group also recognises that consumers are developing a growing interest in food but often do not have the culinary skills or confidence to cook from scratch. To assist, a range of premium open pies has been launched in the UK which consumers can cook from fresh and raw ingredients. For those consumers who are happy to just re-heat a meal, the Group's range of nutritionally balanced meals has been expanded to include a number of 'hearty and healthy' traditional British recipes.

Outside the UK, the Group extended its range of prepared vegetables and launched a number of new meal salads and prepared fruit products in Europe. Similarly in China new meal salads were launched and in Q4 a number of product launches are planned which are outside Creative Food's existing product portfolio. This will provide Bakkavör Group with further opportunities to increase its presence in the Chinese chilled foods market. Q3 has also marked an intense period of new product activity at the Group's recently acquired Czech business. It launched a new range of fresh ready meals and soups which marked a huge step change in the product quality of prepared foods in Central Europe.

Furthermore, the Group has planned an array of new products for the final quarter of 2007 which will include seasonal and Christmas products.

## **Future Prospects**

Bakkavör Group expects market conditions to remain challenging. On a global level, the change in world ingredients markets driven by a shift in demand in Asia and the increasing trend towards bio fuels will continue to put pressure on commodity prices. This will affect Bakkavör Group's performance going forward, however, the Group will remain focused on working with its customers to react to these price increases.

In the UK, the extreme weather conditions in the second and the third quarter heavily affected the supply and sales of seasonal products, and this will be reflected in the Group's performance for the full year. Furthermore, the Group's decision to transfer capacity within part of its ready meals business, as reported in Q2, will also affect the Group's performance during the remainder of the year, although this action is expected to deliver benefits for the Group in the long run.

In light of these events, Bakkavör Group expects a challenging fourth quarter. However, the Group will remain focused on further strengthening its position in the UK and developing its customer and product base in Europe and Asia. Bakkavör Group's long-term prospects are good – the demand for fresh prepared foods continues to grow around the world and the Group is in a strong position to take advantage of favourable market trends in all of its geographical markets.

## **Presentation of Results Friday 26 October**

A presentation for shareholders, analysts and market participants will be held on Friday 26 October at 16:00 local time (17:00 British Summer Time) at Ármúli 3, 108 Reykjavík. At the meeting, Ágúst Gudmundsson, CEO of Bakkavör Group will present the results and answer questions.

### **Webcast and Conference Call**

A webcast from the meeting will commence at 16:00 local time (17:00 British Summer Time) and will be accessible on Bakkavör Group's website, [www.bakkavor.com](http://www.bakkavor.com). It is also possible to participate in the meeting via conference call. Dial-in numbers are: +44 (0)20 3043 2436 (UK number) and +354 800 8660 (Icelandic number).

Information will be available following the meeting on the Group's website ([www.bakkavor.com](http://www.bakkavor.com)), the website of the OMX Nordic Exchange in Iceland ([www.omxgroup.com/nordicexchange](http://www.omxgroup.com/nordicexchange)) and on [www.huginonline.com](http://www.huginonline.com). Bakkavör Group's Interim Financial Statements can also be viewed at the Group's Headquarters at Ármúli 3 in Reykjavík.

## **The Approval of Results**

The Board of Directors of Bakkavör Group approved the results for the first nine months 2007 at a Board Meeting on 25 October 2007.

## **Financial Calendar**

Scheduled publication of the Group's Q4 and Annual Financial Results is on 31 January 2008. Bakkavör Group's Annual General Meeting will be held on Friday 14 March 2008.

## **Further Information:**

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<b>Five Year Summary</b>		<b>Amounts in £'000</b>				
	<b>1.1 - 30.9 2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Operating revenues.....	1,098,666	1,219,189	722,065	149,584	137,867	133,684
Operating expenses.....	(982,817)	(1,071,109)	(636,061)	(124,803)	(115,444)	(110,876)
Share of profit (loss) in associates.....	(256)	(318)	75	3,176		
<b>EBITDA.....</b>	<b>115,593</b>	<b>147,762</b>	<b>86,079</b>	<b>27,957</b>	<b>22,423</b>	<b>22,808</b>
Depreciation and amortization.....	(28,710)	(33,829)	(19,429)	(3,799)	(4,108)	(3,414)
<b>EBIT.....</b>	<b>86,883</b>	<b>113,933</b>	<b>66,650</b>	<b>24,158</b>	<b>18,315</b>	<b>19,394</b>
Net finance costs.....	(38,198)	(47,360)	(28,269)	(7,092)	(4,043)	(3,957)
<b>Net income from operating activities.....</b>	<b>48,685</b>	<b>66,573</b>	<b>38,381</b>	<b>17,066</b>	<b>14,272</b>	<b>15,437</b>
Income tax.....	(11,735)	(15,237)	(6,048)	(3,962)	(3,882)	(4,062)
<b>Profit from continuing operations.....</b>	<b>36,950</b>	<b>51,336</b>	<b>32,333</b>	<b>13,104</b>	<b>10,390</b>	<b>11,375</b>
Discontinuing operation, net of tax.....		16,910			3,123	(434)
<b>Profit for the year.....</b>	<b>36,950</b>	<b>68,246</b>	<b>32,333</b>	<b>13,104</b>	<b>13,513</b>	<b>10,941</b>
Shareholders' earnings.....	36,424	67,617	31,986	13,104	13,513	10,941
Minority interest.....	526	629	347			
<b>Working capital from operations.....</b>	<b>102,353</b>	<b>142,764</b>	<b>66,939</b>	<b>18,582</b>	<b>15,825</b>	<b>15,274</b>
<b>Capital expenditure.....</b>	<b>33,469</b>	<b>37,902</b>	<b>16,413</b>	<b>3,529</b>	<b>5,691</b>	<b>15,879</b>
<b>Balance sheet</b>						
Non-current assets.....	1,081,200	1,028,878	840,400	217,285	129,805	137,081
Current assets.....	314,539	296,929	294,207	55,108	84,965	36,324
<b>Total assets.....</b>	<b>1,395,739</b>	<b>1,325,807</b>	<b>1,134,607</b>	<b>272,393</b>	<b>214,770</b>	<b>173,405</b>
<b>Equity.....</b>	<b>270,446</b>	<b>241,447</b>	<b>127,352</b>	<b>88,214</b>	<b>72,056</b>	<b>58,611</b>
Subordinated convertible loan.....	0	0	12,868	12,868	15,923	15,923
Non-current liabilities.....	801,766	715,677	691,355	151,950	96,068	63,256
Current liabilities.....	323,527	368,683	303,032	19,361	30,723	35,615
<b>Liabilities.....</b>	<b>1,125,293</b>	<b>1,084,360</b>	<b>1,007,255</b>	<b>184,179</b>	<b>142,714</b>	<b>114,794</b>
<b>Total equity and liabilities.....</b>	<b>1,395,739</b>	<b>1,325,807</b>	<b>1,134,607</b>	<b>272,393</b>	<b>214,770</b>	<b>173,405</b>
<b>Key ratios</b>						
Quick ratio.....	0.9	0.7	0.9	2.6	2.6	0.7
Current ratio.....	1.0	0.8	1.0	2.8	2.8	1.0
Equity ratio.....	19.4%	18.2%	12.4%	37.1%	41.0%	43.0%
EBITDA ratio.....	10.5%	12.1%	11.9%	18.7%	16.3%	17.1%
EBITDA ratio, net of agency sales change.....	11.2%	12.6%	11.9%	18.7%	16.3%	17.1%
EBIT ratio.....	7.9%	9.3%	9.2%	16.1%	13.3%	14.5%
EBIT ratio, net of agency sales change.....	8.4%	9.7%	9.2%	16.1%	13.3%	14.5%
Return on equity.....	19.2%	37.0%	30.0%	16.4%	20.7%	20.7%
Earnings per share (GBP pence).....	1.7	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.

### **About Bakkavör Group**

*Bakkavör Group is a leading international food manufacturing company specialising in fresh prepared foods and produce. The Group operates 55 factories and employs around 20,000 people in eight countries. The Group's Head Office is in Reykjavík, Iceland, and the business is listed on the OMX Nordic Exchange in Iceland ([www.omxgroup.com/nordicexchange](http://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 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, China and the Czech Republic.*

**To subscribe to Bakkavör Group's mailing list, please log onto:**

**[www.bakkavor.com/subscribe](http://www.bakkavor.com/subscribe)**