Earnings release

Reykjavik, 31 March 2009

Bakkavör Group's Results for 2008:

EBITDA pre-restructuring costs £109 million in 2008

Secured funding across operating businesses for next 3 years
Successfully retrieved £144m of cash deposit with New Kaupthing
Profit impacted by significant one-off costs
Maintained sales performance in tough climate

- Turnover £1.6 billion in 2008, up 10% and £412.5 million in Q4, up 11%.
- Underlying like-for-like sales growth was 1.9% in 2008 and 5.1% in Q4.
- EBITDA pre-restructuring costs £108.5 million in 2008, down 27%, and £15.7 million in Q4, down 53%. EBITDA margin pre-restructuring 6.7% in 2008 and 3.8% in Q4.
- Loss for the period amounted to £154.2 million in 2008 compared with a profit of £47.4 million in 2007. Loss for the period in Q4 amounted to £98.5 million compared to a profit of £10.4 million in 2007.
- Profit impacted by £177 million one-off costs, including restructuring costs, loss on Greencore investment, mark-to-market losses on interest rate swaps and foreign currency loans and deferred taxation.
- Cash flow from operations £45.7 million in 2008, down 67%, and negative of £22.7 million Q4, compared to a cash inflow of £27.6 million in Q4 2007.

Ágúst Gudmundsson, Chief Executive Officer:
"In what are difficult operating conditions for many companies, we have secured funding across all of our operating businesses, strengthened our trading operations and maintained our sales performance despite the slowdown in consumer spend.

I am very pleased to report that we have secured fully committed facilities across all operating businesses, for the next three years to 30 March 2012. These agreements provide sufficient covenants and liquidity headroom to support the Group's business plan and clearly demonstrate to our customers, suppliers, employees and other stakeholders the financial stability of the operating businesses. In addition, we have retrieved £144 million of the £150 million deposited with Kaupthing in Q3 and expect to receive the remainder by mid April.

We are currently in discussions with key bondholders and other creditors of the Group's holding company, Bakkavör Group Hf, and the Board is confident from the indications of support from our key bondholders that we will achieve extensions to bond maturities.

In 2008 our profitability and cash generation were significantly affected by a number of one-off exceptional factors, such as extensive restructuring activity and the loss on our investment in Greencore Group Plc, coupled with the tough trading environment. Through focusing on our business priorities, we have however made progress in improving operational efficiencies, mitigating inflationary costs and increasing market share in core product categories.

Going forward, we expect the trading conditions to remain challenging, however due to the actions we have already taken and the continued focus on our business priorities we believe the Group is well placed to manage ongoing trading pressures as well as adapting to current and future consumer demand. As such, we anticipate returning to profit growth and good cash generation in 2009."

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Consolidated Financial Statements - Key figures — Amounts in £'m

	Q4 2008	Q4 2007	Change %	2008	2007	Change %
Net sales	412.5	372.3	11%	1,618.3	1,471.0	10%
Cost of sales	(321.8)	(292.4)	10%	(1,268.9)	(1,135.1)	12%
Gross profit	**90.7**	**79.9**	**13%**	**349.4**	**335.9**	**4%**
Operating expenses	(85.9)	(56.5)	52%	(284.9)	(225.3)	26%
Share of loss in associates	(0.4)	(0.3)	(46%)	(0.7)	(0.6)	27%
Operating profit/EBIT pre-restructuring costs	**4.3**	**23.1**	**(81%)**	**63.8**	**110.0**	**(42%)**
Restructuring costs	(37.0)	0.0	-	(41.7)	0.0	
Operating (loss) profit/EBIT post-restructuring costs	**(32.6)**	**23.1**	**-**	**22.0**	**110.0**	**(80%)**
Net finance costs	(14.4)	(12.0)	20%	(64.0)	(51.3)	25%
Other gains and (losses)	(53.7)	(2.5)	-	(51.0)	(1.4)	-
Loss on other financial assets	(0.4)	0.0	-	(63.0)	0.0	-
(Loss) profit before tax	**(101.2)**	**8.6**	**-**	**(155.9)**	**57.3**	**-**
Income tax	2.8	1.8	55%	1.7	(9.9)	-
(Loss) profit for the period	**(98.5)**	**10.4**	**-**	**(154.2)**	**47.4**	**-**
Shareholders' (loss) earnings	(97.2)	10.3	-	(153.9)	46.7	-
Minority interest	(1.3)	0.1	-	(0.3)	0.7	-
(Loss) earnings per share (GBP pence)	**(4.5)**	**0.5**	**-**	**(7.2)**	**2.2**	**-**
EBITDA pre-restructuring costs	15.7	33.4	(53%)	108.5	149.0	(27%)
EBITDA post-restructuring costs	(3.8)	33.4	-	84.1	149.0	(44%)
EBITDA ratio pre-restructuring costs	3.8%	9.0%	-	6.7%	10.1%	-
EBITDA ratio post-restructuring costs	(0.9%)	9.0%	-	5.2%	10.1%	-
Free cash generated	(38.6)	12.2	-	(34.0)	60.0	-
Return on equity	(196.2%)	15.2%	-	(76.8%)	18.2%	-

Consolidated Financial Balance Sheet - Key figures — Amounts in £'m

	31.12 2008	31.12 2007	Change %
Non-current assets	1,222.3	1,120.7	9%
Current assets	533.5	362.1	47%
Total assets	**1,755.8**	**1,482.8**	**18%**
Equity	122.7	278.7	(56%)
Non-current liabilities	830.6	806.1	3%
Current liabilities	802.4	398.0	102%
Total equity and liabilities	**1,755.8**	**1,482.8**	**18%**

Consolidated Financial Cash Flow - Key figures — Amounts in £'m

	2008	2007	Change %
Cash generated from operations	45.7	137.8	(67%)
Cash flow from operating activities	**15.2**	**104.7**	**(86%)**
Investing activities	(169.0)	(95.3)	(77%)
Financing activities	296.1	21.7	(1,263%)
Net increase in cash	142.2	31.1	(357%)
Free cash generated (to) by operating activities	**(34.0)**	**60.0**	**(157%)**

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

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Financial results for the year 2008

Accounting Policies

The Consolidated Financial Statements for the year ended 31 December 2008, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. 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, Fram Foods SA. from July 2008 and Guangzhou Riweijian Ltd. from October 2008. Gastro Primo has been accounted for as an associate company from March 2008 and La Rose Noire from May 2008.

Overview of Group financial performance in the year 2008

Group sales amounted to £1.6 billion in 2008, up 10%, and totalled £412.5 million in Q4, up 11%. Sales in the underlying business were up 1.9% in 2008 and up 5.1% in the fourth quarter. Further analysis of the segmental sales trends is included in the section "Bakkavör Group's sales and developments by geographical market" on page 8.

EBITDA before restructuring costs ("pre-restructuring EBITDA") was £108.5 million, compared with £149.0 million, on the same basis in 2007, a decline of £40.5 million. The pre-restructuring EBITDA in Q4 was £15.7 million compared to £33.4 million in Q4 2007 a decrease of £17.7 million.

EBITDA after restructuring costs and joint ventures ("EBITDA") totalled £84.1 million in 2008 compared with £149.0 million in the same period last year, down 43.6%. EBITDA in Q4 was negative £3.8 million compared with £33.4 million in Q4 2007. The reasons for the decline are highlighted in section "Key issues impacting the Group's annual and Q4 2008 performance" on page 5.

The results for the year also include restructuring costs of £41.7 million spread across a number of the Group's businesses. Against the backdrop of challenging trading conditions, we have been implementing a strategic restructuring programme since late 2007 to address under-performing manufacturing sites and improve operational efficiencies in order to generate profitable growth in the long term. The costs associated with this restructuring programme have impacted profits significantly in 2008, in particular Q4. The cost of these activities for the year amounted to £19.2 million in cash costs and £17.5 million of asset impairment and £5.0 million of onerous property costs. Further discussion of the restructuring activities is included in the section "Key issues impacting the Group's annual and Q4 2008 performance" on page 5.

The pre-restructuring EBITDA margin was 6.7% in 2008 compared to 10.1% in 2007. In Q4 the pre-restructuring EBITDA margin dropped from 9.0% in 2007 to 3.8% in 2008 on the same basis. The post-restructuring EBITDA margin was 5.2% in 2008 compared with 10.1% in 2007, a decrease of 490 basis points. EBITDA margin in Q4 was negative 0.9% compared with positive 9% in Q4 2007.

The pre-restructuring operating profit of £63.8 million is a £46.2 million decrease on 2007. In Q4 pre-restructuring operating profit amounted to £4.3 million compared to £23.1 million in Q4 2007. Operating profit amounted to £22.0 million in 2008, decreasing by 80%, and loss of £32.6 million in the quarter.

Net finance costs totalled £64.0 million in the twelve month period, compared with £51.3 million in 2007, reflecting increased leverage in relation to acquisitions and a higher underlying cost of debt. In Q4 2008 net finance cost amounted to £14.4 million, compared with £12.0 million in Q4 2007, an increase of £2.4 million.

Additionally the Group has experienced non cash losses from mark-to-market losses on interest rate swaps of £27.9 million and foreign exchange losses on Euro and US Dollar denominated loans of £23.1 million. In 2007 the mark-to-market losses were £1.5 million. In Q4 2008 the group experienced losses from mark-to-market valuations and foreign currency of £53.7 million compared with £2.5 million in 2007. The Group considered the commercial value of swaps in protecting its cash interest position to outweigh the non-cash volatility that has been experienced in the last quarter of 2008.

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Loss on other financial assets in 2008 amounted to £63.0 million, including £0.4 million in Q4. This is due to a devaluation of a CFD (Contract for Difference) in Greencore Group PLC of £58.5 million and a loss of a further £4.5 million, 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 disposed of both stakes during 2008 and therefore has no further exposure to them.

Loss before tax, amounted to £155.9 million in 2008 compared with a profit of £57.3 million in 2007. Loss before tax in Q4 amounted to £101.2 million compared to a profit of £8.6m in 2007.

Income tax amounted to a £1.7 million credit in 2008 compared with tax charge of £9.9 million in 2007. Income tax in Q4 amounted to a £2.8 million credit compared with a £1.8 million credit in Q4 in 2007. The effective tax rate, excluding loss on other financial assets, was 1.1% for the twelve month period, compared with 17.3% in 2007. The tax charge has been impacted by a one-off tax cost of £22.3 million relating to the impact on deferred taxation of the change in UK tax legislation on Industrial Building Allowances.

Shareholders' earnings amounted to a loss of £153.9 million in the year compared with £46.7 million in 2007. In Q4 shareholders' earnings amounted to a loss of £97.2 million, compared with positive shareholders' earnings of £10.3 million in Q4 2007.

Loss per share, was 7.2 pence in 2008 compared with earnings of 2.2 pence in 2007. Loss per share in Q4 was 4.5 pence compared with earnings of 0.5 pence in Q4 2007.

Balance Sheet at 31 December 2008

Assets

The Group's total assets at 31 December 2008 were £1.8 billion compared with £1.5 billion at 31 December 2007.

Non-current assets amounted to £1,222.3 million compared with £1,120.7 million at year-end 2007. Goodwill and other intangible assets increased from £775.9 million to £851.0 million following acquisitions during the period. The assessment of fair value of the net assets of Longshun Foods (acquired in January 2008), Two Chefs on a Roll (acquired in January 2008) has now been completed and there will be no further impact on goodwill. Italpizza (acquired in April 2008), Heli Food Fresh (fully acquired in June 2008), Fram Foods SA. (acquired in July 2008) and Guangzhou Riweijian Ltd. (acquired in October 2008) are provisional and will be completed within 12 months of their acquisition dates.

At the year an impairment test was performed on the goodwill of Bakkavör Group and as a result of the test, goodwill impairment was not required.

Current assets were £533.5 million at 31 December 2008 compared with £362.1 million at year-end 2007. The Group had at the year end £210.7 million of cash and cash equivalents including £131 million on deposit with Kaupthing Bank in Iceland. As at 31 March 2009, the deposit has reduced to £6m. Further discussion of the retrieval of the cash deposit is included in the section "Other Key Developments in 2008 and Post Quarter Activities in 2009" on page 10.

Current liabilities increased from £398.0 million at year-end 2007 to £802.4 million at the end of 2008, mainly due to bonds issued in 2003 maturing in May 2009. The current ratio was 0.7 compared with 0.9 at year-end 2007.

Liabilities and Equity

Non-current liabilities increased by £25 million, to £830.6 million at the end of December 2008, compared with £806.1 million at year-end 2007, largely reflecting the effects of acquisitions during the twelve month period. Further discussion of the Groups refinancing activities is included in the section "Other Key Developments in 2008 and Post Quarter Activities in 2009" on page 10.

Equity decreased from £278.7 million at year-end 2007 to £122.7 million at the end of December 2008. The equity ratio at the end of the twelve months was 6.9% compared with 18.8% at year-end 2007.

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Cash Flow
The Group's cash generation from operations in 2008 amounted to £45.7 million compared to £137.8 million in the same period last year. In Q4, cash generated from operations was an outflow of £22.7 million compared with an inflow of £27.6 million in Q4 2007. The reduction in cash generated at this level is primarily a consequence of the reduced EBITDA, considerable working capital outflows arising from the adverse timing of customer receipts at the year end, effect of the withdrawal of industry-wide credit insurance on creditor payments and one-off insurance receipts in 2007.

Cash flow after deducting payments of interest and tax amounted to £15.2 million in 2008 compared with £104.7 million in the same period in 2007 and negative of £29.1 million in Q4 2008, compared with positive £23.4 million in Q4 2007. Interest payments increased by £6.6 million to £38.8 million due to the increase in the level of debt and the Group received £8.2m in tax rebates reflecting the losses made in the year and the benefit of tax planning initiatives.

Investing activities totalled £169.0 million in the year compared with £95.3 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 year amounted to £57.4 million and investments in associates were £8.6 million.

Capital expenditure at the Group's current sites amounted to £49.1 million, some 1.1x depreciation, of which £29.1 million was invested in increased capacity, including the building of two new factories. In addition to the jobs created, this expenditure demonstrates the Group's commitment to ensuring it maintains well-invested facilities. The expenditure will ensure Bakkavör Group's continued ability to grow over the next two years primarily within the Group's current facilities. Therefore, capital expenditure in 2009 and 2010 will be reduced significantly when compared to current levels of investment and is not expected to exceed £50 million in total.

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. Free cash flow was negative of £34.0 million in 2008 compared with a positive free cash flow of £60.0 million 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. The Board of Directors will recommend at the Group's Annual General Meeting on the 20 May that no dividends be paid out for the year 2009. This decision is based on the fact that following significant investment and expansion in recent years, the Directors believe it prudent to retain cash within the business to reduce indebtedness.

Despite experiencing significant challenges to the underlying cash generative nature of the Group in 2008, the Board believes the Group is well placed to return to good cash generation in 2009.

Key issues impacting the Group's annual and Q4 2008 performance

Overview
Against a backdrop of challenging trading conditions, Bakkavör Group has been making steady progress with its business priorities of focusing on mitigating inflationary costs, improving operational efficiencies and increasing market share. The Group also aims to drive significant cash generation.

Since late 2007, in order to generate profitable growth in the long term, the Group has been implementing a strategic restructuring programme to address under-performing manufacturing sites and improve operational efficiencies. The costs associated with this restructuring programme have impacted profits significantly in 2008, in particular Q4.

Throughout 2008 increases in commodity and utility prices, coupled with the strengthening of the euro against the pound have affected our profit margins. The Group's ongoing commitment in offsetting these costs continues.

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We have strengthened our position in the UK ready meals market through share gains which took effect in Q4 2008, re-establishing the Group as the UK market leader in this core business. We also successfully gained market share in pizza and dips during the fourth quarter. Such gains are helping us to alleviate reduced sales volumes brought about by the slow down in consumer spending.

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

Mitigating inflationary costs

In the last twelve months the Group has been subject to substantial increases in utility and commodity prices which have impacted our profits throughout the year.

Electricity and gas market prices continued to rise throughout 2008 almost doubling over the period. This has resulted in significant cost increases to the businesses, especially at the peak in Q4, as some long term hedging contracts expired. Subsequently, prices have fallen back and established a downward trend in Q1 2009 as the global recession reduces demand and a number of supply issues in the markets have been resolved.

Although most commodity prices have fallen back from the unprecedented spikes experienced during the winter of 2007/2008, in general prices are still at a significant premium compared to where they were before the steep price increases began. Many of the factors that contributed to the increases, such as the imbalance of agricultural productivity against increasing global consumer demand, are still ongoing and causing price volatility in some commodity markets. For example, rapeseed oil prices have only partially recovered due to this imbalance, processed tomato prices have remained high due to poor harvests and farmers growing alternative crops, and prices of cheaper meat cuts have risen due to increased consumer demand in the current economic downturn.

Throughout 2008 the strengthening of the euro and US dollar against pound sterling has put significant pressure on the Group's overall purchasing costs. The impact of these currency movements was particularly heavy in Q4 when the pound touched an all-time low against the euro and the Group's profit margins have continued to be affected as a result.

The Group has been committed to offsetting these costs to lessen their inflationary impact on the business, however in 2008 we still incurred total cost inflation of around £30m and we will continue to treat mitigating inflationary pressures as a priority in order to generate savings and deliver value to the business. We will do this 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 directly.

Improving operational efficiencies and market share gains

<u>Ready meals restructuring and other areas of consolidation</u>

Since late 2007 the Group has been implementing a strategic restructuring programme to address under-performing manufacturing sites and optimise capacity across the businesses. This process has involved significant restructuring across our ready meals operations as well as consolidation in other areas of the business. We believe our focus on improving operational efficiencies is fundamental in generating profitable growth in the long term.

In the UK the downturn in the ready meals market has affected productivity and profitability of manufacturing sites across the sector and Bakkavör has not been exempt from this development. As reported in Q3, as part of this programme we proposed the closure of three UK ready meals factories – Saxon Valley Foods, based in Biggleswade and Mariner Foods, based across two sites in Grimsby. These proposals have since been adopted as part of the consultation process and two of these factories have now been closed. The third factory is expected to close in Q2 2009. We have now successfully transferred the majority of ready meal and soup products manufactured at these sites to other factories within the Group, whilst resigning the supply of certain low margin ready meal and soup product lines.

In addition, we closed two other manufacturing sites in 2008 – in Q2 we closed our pasta facility in Scunthorpe which was heavily impacted by steep raw material cost increases and in Q3 we closed our

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Birmingham dips and dressings facility due to limited capacity, successfully transferring its products to our Welcome Foods business. Following consultation processes initiated in Q4 we have also re-organised and consolidated other areas of the UK business based in the Birmingham, Yorkshire and Lincolnshire areas. The sites involved in these processes were Bourne Stir Fry, Exotic Farm Produce, Bakkavor Spalding, English Village Salads and Pure Patisserie. Pure Patisserie closed this month following the transfer of its dessert production to our newly extended Isleport Foods site.

At the end of Q4 2008 in order to significantly reduce our central overheads, we also commenced consultation processes with employees at our head office in London and our office in Spalding, Lincolnshire. These consultation processes have now been completed and our London office has now closed.

The costs associated with this extensive restructuring programme and the associated disruption to operations have impacted profits in 2008, in particular Q4. We believe the actions undertaken have been essential for the businesses to ensure their long term sustainability and we are now better placed to manage ongoing trading pressures as well as adapt to current and future consumer demands.

Market share gains

The strategic focus on our ready meals operations has provided us with the opportunity to strengthen our position in the UK ready meals market through share gains. These gains took effect in Q4 2008, re-establishing the Group as the UK market leader in this core business. We also successfully gained market share in pizza and dips during the fourth quarter. Increasing our market share in these areas benefits us by avoiding lower sales volumes brought about by the slow down in consumer spend due to the marked deterioration in consumer confidence.

Falling consumer confidence affecting expenditure

2008 marked the beginning of an unsettling period for consumers due to a combination of rising living costs, such as soaring food, fuel and utility prices, coupled with a decrease in spending power as a result of falling house and stock markets, rising personal debt and the threat of unemployment.

As the year progressed consumer confidence fell significantly and in an attempt to manage household budgets and spending, people increasingly focused on price and value - adopting a more cautious approach towards grocery shopping. Changes in consumer spending were reflected in the December figures released by the UK Office of National Statistics (ONS) which recorded that in food stores, non-seasonally adjusted sales volumes fell by 2.1% which was the largest fall in the volume of food sales since April 1999. Gross Domestic Product (GDP) also decreased by 1.9% in Q4 compared to the same period a year ago.

Due to the change in consumer sentiment, mainstream grocery retailers have worked hard to deliver value to consumers through increased promotions and expanding their economy ranges while discounters have gained popularity which has increased their market share. We believe this trend is likely to continue whilst the economic outlook remains uncertain.

Reflecting these conditions, we have seen sales volumes weaken in some areas of the business and our profitability has been affected by a rise in promotional costs. We remain cautious about the short-term outlook for consumer confidence, however we have a diverse range of products across a wide and strong customer base as well as the skills and capability to develop new products and ranges rapidly. This underpins our ability to successfully meet changing consumer needs and we are committed to adapting our portfolio wherever necessary to ensure our position remains strong within the markets in which we operate.

Weak summer trading

During 2008 the UK was affected by prolonged unsettled summer weather which hampered sales in our cold-eat markets, particularly leafy salads and convenience salads. This, along with the decline in our ready meals sales and the downturn in consumer confidence, held back our overall UK sales growth.

Impacts on cash generation

Bakkavor Group is inherently a cash generative business, however we have been impacted by significant one-off factors in 2008 which affected our cash flow. These involved the loss on the

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investment in Greencore Group which amounted to £54m and capital expenditure of £49m which included the building of two new factories. In addition, against the backdrop of the global international banking crisis, credit insurers' instigated withdrawal or limitation of supplier credit insurance across the food supply chain in Q4 which caused disruption to payment arrangements and in some cases revised terms of business. Our cash flow has been affected by these developments in Q4 however we have good relationships with our suppliers and continue to work with the supply base to ensure the business trades within appropriate terms.

Going forward we expect to return to good cash generation in 2009 as reduced capital expenditure and the anticipated cash benefits from restructuring activities underpin delivery.

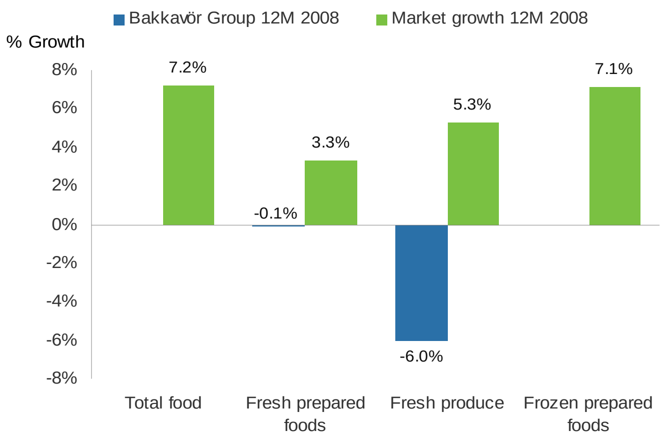
Bakkavör Group's sales and developments by geographical market

United Kingdom

Sales in the UK include fresh prepared foods and fresh produce across both retail and foodservice markets.

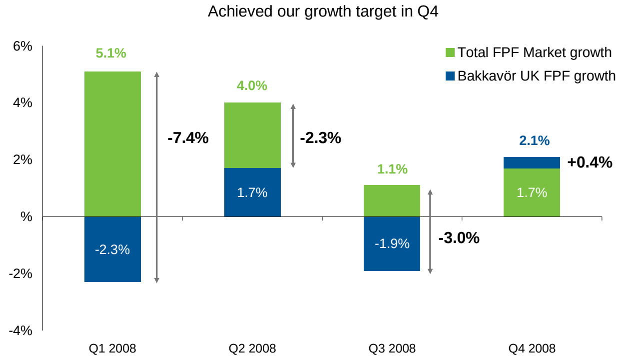
UK sales represented 86% of the Group's turnover in 2008, amounting to £1,388 million, up 3.9%. In Q4, UK sales totalled £343 million, up 1.4%. Underlying[1] sales in the UK business decreased by 0.4% in the year and increased by 0.9% in Q4. A major factor behind the decline in the year has been the downturn in ready meals and produce sales.

Fresh prepared foods



The UK retail fresh prepared foods market includes categories such as ready meals, desserts, leafy salads, convenience salads, pizzas, dips, prepared fruit and soups. Our UK fresh prepared foods sales account for 81% of our UK turnover.

In 2008 total food market growth by value was heavily influenced by price inflation. By the end of the year, food inflation was still robust and reported to be up 11.5%[2] in December across total food category value sales. Whilst overall food inflation is expected to fall with some of the sharpest price increases dropping out of annual comparisons, it is still likely to influence food sales growth throughout the first half of 2009. Whilst food value growth has remained high throughout the year, food volume sales have weakened reflecting changes in consumer spending.



In 2008 growth in the fresh prepared foods market was outpaced by 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 as such as bread, milk, potatoes and cheese. At the start of 2009, the UK ready meals market returned to growth, however in view of the current economic backdrop we continue to be cautious about market growth in fresh prepared foods in the short-term.

[1] Underlying sales excludes acquisitions
[2] Shore Capital Inflation Report Dec 2008

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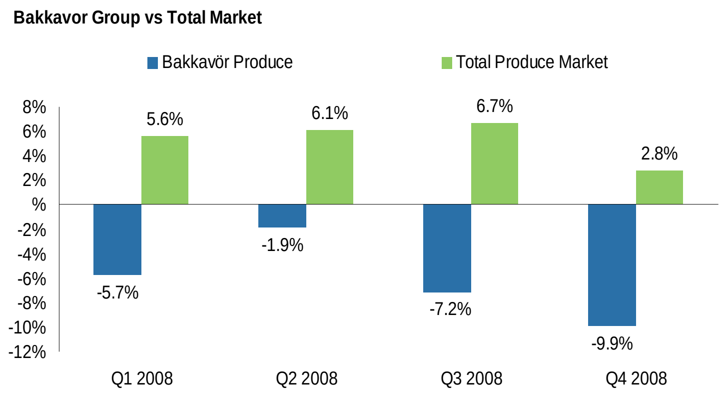
Bakkavör Group's growth target for UK fresh prepared foods, which is to achieve like-for-like[3] sales growth that is above market growth, was not achieved in 2008. Our overall fresh prepared foods sales growth was virtually flat at -0.1% against a 3.3% market growth, with Group sales still affected by our strategic ready meals restructuring, coupled with weak summer trading in our cold-eat categories driven by the unsettled weather. We did however achieve strong sales growth rates in 2008 in categories such as prepared fruit (+25%), ready to cook meals (+13%), pizza (+11%) and soups (+9%).

We have been making steady progress to achieve our growth target and in Q4 we achieved sales growth ahead of the market. Our fresh prepared sales grew by 2.1% against a 1.7% market growth, with our performance supported by a return to sales growth in ready meals following a period of decline. Our strategic restructuring programme has allowed us to focus on strengthening our position in the UK ready meals market through successfully gaining market share in key segments of the category. These gains took effect in Q4 2008, re-establishing us as the UK market leader in this core market. In Q4, we also achieved market share gains in pizza and dips and strong growth rates in ready to cook meals, prepared vegetables, stir fry and bread.

Fresh produce

Our fresh produce sales include categories such as whole head lettuce, tomatoes and cucumbers and represents 15% of our UK turnover.



In 2008 market growth was up 5.3% by value. This was primarily driven by price inflation due to supply shortages caused by poor weather conditions and subsequent increases in raw material costs.

In Q4, the produce market grew by 2.6% by value, with volume declining by 1%. Despite retailers employing price promotions and offering more value lines to drive sales during the quarter, it appears shoppers remained cautious with their spend due to the overall change in consumer sentiment.

The Group's like-for-like[3] fresh produce sales declined by 6.0% in 2008 and by 9.9% in the quarter. Our performance has been largely affected by a gradual loss of business with one of our main retail customers as part of their decision to reassess their sourcing arrangements. This was further impacted by the prolonged unsettled summer weather which impacted the sales of salad vegetables as well as the overall decline in market volume due to current economic conditions. Whilst these developments are challenging to the Group's produce business, it is providing the business with the opportunity to re-evaluate its position in the market and develop a broader customer portfolio going forward.

Continental Europe

Bakkavor Group has operations based in France, Spain, Italy, Belgium and the Czech Republic which manufacture fresh prepared foods such as leafy salads, pizza, ready meals, soups, prepared vegetables and prepared fruit.

Continental European sales represented 11% of the Group's turnover in the year, amounting to £183.9 million, up 43.9%**.** In Q4, sales totalled £50.4 million, up 64.7%**.** Like-for-like[3] sales in Continental Europe grew by 7% in the year and by 6% in Q4 on a constant currency basis.

Our Continental European operations delivered solid sales growth despite aggressive competition from branded manufacturers and cautious consumer spending due to economic uncertainty. As in the UK, our operations have been experiencing challenging trading conditions throughout the year due to

[3] Like-for-like sales includes acquisitions as if owned by the Group since 31 Dec 2006

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inflationary pressures such as higher distribution and raw material costs. In Q4 poor lettuce yields also put an additional strain on profit margins. Despite these conditions our European businesses are making good progress on developing business opportunities with new and existing retail and foodservice customers.

To support and compliment our existing operations in Europe and the UK, we acquired two businesses in 2008, Italpizza and Fram Foods S.A, now Bakkavör Traiteur. Both acquisitions have allowed us to utilise cross-Group synergies, strengthen our competitive advantage and provide good potential for further growth within the global fresh prepared foods market. Through Italpizza for example, we have already introduced unique wood-fired bases into the UK pizza market and at Bakkavor Traiteur, a French dips and bread manufacturer, we recently launched a new chilled pizza range into the French retail market reflecting our strategic plan to diversify into new product categories in France. In addition we acquired the remaining shares of Heli Food Fresh, our Czech ready meals business and continued to build upon our position by refreshing our ready meals range to meet increasing consumer demand for fresh prepared traditional meals in the Eastern European region.

Rest of the World

Bakkavor Group has operations based in Asia and the US. Sales in these other geographical markets represented 3% of our turnover in 2008, amounting to £45.7 million, up 958%. In Q4, sales totalled £2.0 million. Like-for-like[3] sales in Rest of World grew by 46% in the year and by 66% in Q4.

Asia
2008 marked a busy year for the Group in Asia. Our Chinese fresh prepared foods business, Creative Food, broadened both its product and customer portfolios and gained increased distribution. By the end of 2008, the business had also secured new business with one of its foodservice customers which has already started to deliver further growth.

In addition, to strengthen our position in this fast-growing geographical market we constructed a new facility in Xianyang City in China and acquired stakes in Gastro Primo and La Rose Noire in Hong Kong to benefit from increasing consumer demand for fresh, convenient foods. We also acquired two produce providers, Yantai Longshun Foods and Guangzhou Riweijian in China. These new businesses are successfully being integrated and our presence in this region is now delivering direct sourcing benefits for the Group.

North America
At the beginning of 2008 we entered the North American market with the acquisition of Two Chefs on a Roll in California and opened a second facility in Pennsylvania which became profit-making in Q4. In addition, we transferred part of the plant and equipment from our closed UK pasta facility to the US and launched a range of fresh pasta products into the US market. Against the backdrop of a tough economic climate we are pleased with the progress of these operations and anticipate that further opportunities to develop this business will be realised in 2009.

Other Key Developments in 2008 and Post Quarter Activities in 2009

Cash deposit with New Kaupthing bank and debt discussions

Bakkavör announced on 9th December 2009 that, following uncertainty over the timing of recovery of the cash deposit with New Kaupthing, we had entered into discussions with a number of our creditors with a view to amending and extending our credit facilities. Discussions have involved lenders to the main operating subsidiaries of the Group as well as those to the parent company, Bakkavör Group, Hf.

The Directors are very pleased to announce the following:

The Group has retrieved £144m of the original £150 million cash deposit with the New Kaupthing bank. The agreed deposit withdrawal schedule with the Bank will result in the full deposit being retrieved by

[3] Like-for-like includes acquisitions as if owned by the Group since 31 Dec 2006

mid April 2009.The cash will be applied to the repayment of indebtedness in the Group's key credit facilities of the operating business; and

Bakkavör has signed extensions and amendments, sufficient to provide fully committed facilities for the next three years to 30 March 2012 across all of our operating businesses. These provide covenant and liquidity headroom to support the Group's business plan and demonstrates the lenders' faith in the underlying business and their commitment to the ongoing future of Bakkavor.

The Directors believe the progress achieved in both matters sends an important and clear message to our customers, suppliers, employees and other stakeholders as to the financial stability of the operating businesses.

Discussions with the Bondholders and other creditors of Bakkavör Group Hf are constructive and ongoing. Bakkavör has had strong indications of support for an extension of both the 2003 and 2005 bonds from key bondholders.

Changes to the Board of directors

The Board of Directors of Bakkavör Group announced in February that Non-Executive Directors Antonios Yerolemou and Panikos J. Katsouris decided for personal reasons to step down as Members of the Board of Directors. Antonios Yerolemou, aged 67, and Panikos J. Katsouris, aged 58, joined the Board in 2001 as Executive Directors following the Group's acquisition of Katsouris Fresh Foods in 2001. Mr. Yerolemou retired as CEO of Katsouris Fresh Foods in 2002 and took up the role as Chairman of Katsouris Fresh Foods until 2005. Mr. Katsouris stepped down as Finance Director of Katsouris Fresh Foods in 2002.

Current trading

Even though we are still operating in a challenging trading environment, Bakkavor has started 2009 well with total sales in the first 12 weeks of 2009 up 6% on last year. This has been driven by strong growth in our Continental Europe, Asia and US businesses. In the UK like-for-like sales growth is around 1.6% in the first 12 weeks.

Underlying profitability, which is in line with management expectations, continues to be affected by high promotional costs and input price inflation, particularly in Euro denominated purchases which will impact EBITDA in Q1.

Future prospects

Along with other businesses in our industry, we remain cautious about the short-term trading environment in which we operate due to ongoing inflationary pressures, the impact of economic uncertainty and downturn in consumer confidence.

Against this backdrop we have concentrated on our business priorities to improve operational efficiencies, mitigate inflationary costs and increase market share in core product categories. This process has involved implementing a strategic restructuring programme to address under-performing manufacturing sites and optimise capacity across the businesses. Going forward these business priorities continue to be our key focus.

We believe the Group is now better placed to manage ongoing trading pressures as well as adapt to current and future consumer demand and are therefore confident about the long-term prospects of our business. We anticipate returning to profit growth and good cash generation from operations in 2009 driven by the benefits of the restructuring activity.

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Presentation of annual results

Presentation of Results Wednesday 1 April at 8:30 am (Icelandic time)

A presentation for shareholders and other market participants will be held on Wednesday 1 April, at 8:30 am local time (9.30 am GMT London) at Ármúli 3, 108 Reykjavík. At the meeting Ágúst Gudmundsson, CEO, and Richard Howes, CFO, will present the results and answer questions.

The presentation will be available following the meeting on the Group's website, www.bakkavor.com, and on the website of the Nasdaq OMX Nordic Exchange in Iceland (www.nasdaqomxnordic.com). The webcast facility will however not be available at this time.

Bakkavör Group's Consolidated Financial Statements can also be viewed at the Group's Headquarters at Ármuli 3 in Reykjavík.

The Approval of Results

The Consolidated Financial Statements for 2008 were approved by the Board of Directors and authorised for issue on 31 March 2009. The Consolidated Financial Statements have been audited by the Group's auditors.

Annual General Meeting and Publication of Quarterly Results in 2009

Bakkavör Group will hold its Annual General Meeting on Wednesday 20 May.

The estimated publication of the Group's Annual Report for the year 2008 is on 13 May 2009. The report will be accessible on the Group's website, www.bakkavor.com and the website of the Iceland Stock Exchange, www.nasdaqomxnordic.com.

Scheduled publication of the Group's interim and annual financial statements for 2009 is as follows:

Q1 Results 2009	20 May 2009
Annual General Meeting	20 May 2009
Q2 Results 2009	30 July 2009
Q3 Results 2009	29 October 2009
Q4 Results 2009	4 February 2010

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Quarterly Overview - Key figures

Amounts in £'000

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net sales	412.5	402.8	425.7	377.3	372.3
Cost of sales	(321.8)	(312.6)	(335.5)	(299.0)	(292.4)
Gross profit	**90.7**	**90.2**	**90.2**	**78.3**	**79.9**
Operating expenses	(85.9)	(70.4)	(66.1)	(62.5)	(56.5)
Share of (loss) profit in associates	(0.4)	0.1	(0.6)	0.2	(0.3)
Operating profit/EBIT pre-restructuring costs	**4.3**	**19.9**	**23.6**	**16.0**	**23.1**
Restructuring costs	(37.0)	(1.7)	(3.1)	0.0	0.0
Operating (loss) profit/EBIT post-restructuring costs	**(32.6)**	**18.2**	**20.5**	**16.0**	**23.1**
Net finance costs	(14.4)	(12.4)	(23.6)	(13.6)	(12.0)
Other gains and (losses)	(53.7)	(9.6)	13.9	(1.5)	(2.5)
Loss on other financial assets	(0.4)	(16.3)	(30.4)	(15.8)	0.0
(Loss) profit before tax	**(101.2)**	**(20.1)**	**(19.6)**	**(14.9)**	**8.6**
Income tax	2.8	0.5	(3.8)	2.1	1.8
(Loss) profit for the period	**(98.5)**	**(19.5)**	**(23.4)**	**(12.8)**	**10.4**
Shareholders' (loss) earnings	(97.2)	(20.0)	(23.7)	(13.0)	10.3
Minority interest	(1.3)	0.5	0.3	0.2	0.1
(Loss) earnings per share (GBP pence)	(4.5)	(0.9)	(1.1)	(0.6)	0.5
EBITDA pre-restructuring costs	15.7	31.1	35.3	26.3	33.4
EBITDA post-restructuring costs	(3.8)	29.4	32.2	26.3	33.4
EBITDA ratio pre-restructuring costs	3.8%	7.3%	7.6%	7.0%	9.0%
EBITDA ratio post-restructuring costs	(0.9%)	7.3%	7.6%	7.0%	9.0%

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 with a pro-forma turnover of £1.6 billion in 2008. In addition to our core UK market we have manufacturing operations in 9 other countries: France, Belgium, Italy, Spain, South Africa, China, the Czech Republic and the United States.

Our vision is to be recognised and respected as the world's leading fresh prepared foods and produce provider. We have attained leading market positions in our key market areas and we make over 6,000 products in 18 product categories which are developed and sold predominantly under our customers' own brands.

Bakkavör Group's main offices are in Reykjavík, Iceland, and in Lincolnshire, UK, and the Group is listed on Nasdaq OMX Nordic Exchange in Iceland - wwwnasdaqomxnordic.com (ticker: BAKK).

To subscribe to Bakkavör Group's mailing list, please mail to:
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