

Earnings release

Reykjavik, 26 April 2007

Bakkavör Group's Q1 results 2007:**Shareholders' Earnings £9.6 million****Business Highlights Q1 2007**

- Turnover £349.4 million
- Growth in like-for-like sales in underlying business 13.8%
- Shareholders' earnings £9.6 million, up 66%
- Operating profit (EBIT) £25.4 million, up 37%
- EBITDA £35.1 million, up 28%
- EBITDA ratio 10.0%
- EBITDA ratio, net of agency sales change 10.7%
- Pro-forma EBITDA up 12.3%
- Cash generated from operations £38.2 million, up 36%
- Free cash generated by operating activities £16.9 million, up 36%
- Equity £246.9 million compared with £241.4 million at year end 2006, up 2%
- Equity ratio 18.6%, up from 18.2% at year end 2006
- Earnings per share 0.45 pence, up 24%
- Return on equity 16.2% compared with 18.1% in 2006
- Dividend paid on 24 April which corresponds to 50% of issued share capital
- Refinancing completed in Q1 providing new £700 million banking facility on favourable terms

Ágúst Gudmundsson, Chief Executive Officer, said:

"We are pleased to report an encouraging start to the year. Group UK sales remain robust in the fresh prepared foods and the produce markets. As well as strengthening our operations in Continental Europe we are taking pioneering steps in product innovation in the region. We are committed to further strengthening our position as a global fresh prepared foods provider, focusing on growth in new markets. The fresh prepared foods market in Western Europe is expected to grow by 20% in the next four years and by 30% in China. We are well positioned in our target geographical markets to benefit from these opportunities."

Quarterly Overview - Key figures		Amounts in £'000				
	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	
Net sales	349,354	329,161	332,939	298,483	258,606	
Cost of sales	(265,587)	(239,047)	(244,430)	(219,154)	(190,281)	
Gross profit	83,767	90,114	88,509	79,329	68,325	
Operating expenses	(58,431)	(59,933)	(56,266)	(46,362)	(49,465)	
Share of profit (loss) in associates	25	470	(208)	(178)	(402)	
EBIT	25,361	30,651	32,035	32,789	18,458	
Net finance costs	(12,367)	(10,098)	(13,922)	(12,888)	(10,452)	
Profit before tax	12,994	20,553	18,113	19,901	8,006	
Income tax	(3,094)	(4,714)	(2,866)	(5,681)	(1,976)	
Profit from continuing operations.....	9,900	15,839	15,247	14,220	6,030	
Discontinuing operation, net of tax.....		16,910				
Profit for the period	9,900	32,749	15,247	14,220	6,030	
Shareholders' earnings	9,648	32,753	15,012	14,041	5,811	
Minority interest	252	(4)	235	179	219	
Earnings per share (GBP pence)	0.45	1.54	0.70	0.78	0.36	
EBITDA	35,077	39,324	40,411	40,720	27,307	
EBITDA ratio	10.0%	11.9%	12.1%	13.6%	10.6%	
EBITDA ratio, net of agency sales change.....	10.7%	12.7%	13.2%	13.6%	10.6%	

Consolidated Balance Sheet - Key figures		Amounts in £'000		
	31.3 2007	31.12 2006	Change	%
Non-current assets	1,030,720	1,028,878	0.2%	
Current assets	297,060	296,929	0.04%	
Total assets	1,327,780	1,325,807	0.1%	
Equity	246,880	241,447	2%	
Non-current liabilities	722,689	715,677	1%	
Current liabilities	358,211	368,683	-3%	
Total equity and liabilities.....	1,327,780	1,325,807	0.1%	

Consolidated Cash Flow - Key figures		Amounts in £'000		
	3M 2007	3M 2006	Change	%
Cash generated from operations	38,162	28,153	36%	
Cash flow from operating activities	28,065	19,432	44%	
Investing activities	(19,293)	(7,063)	173%	
Financing activities	(3,530)	(32,396)	-89%	
Net increase (decrease) in cash	5,242	(20,027)	126%	
Free cash generated by operating activities	16,891	12,400	36%	

Operating results for Q1 2007

Accounting Policies

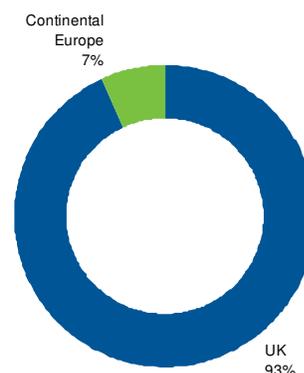
The accounting policies adopted are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2006.

Consolidated Financial Statement - Key figures		Amounts in £'000	
	3 months 2007	3 months 2006	Change %
Net sales	349,354	258,606	35%
Cost of sales	(265,587)	(190,281)	40%
Gross profit	83,767	68,325	23%
Operating expenses	(58,431)	(49,465)	18%
Share of profit (loss) in associates	25	(402)	106%
Operating profit	25,361	18,458	37%
Net finance costs	(12,367)	(10,452)	18%
Profit before tax	12,994	8,006	62%
Income tax	(3,094)	(1,976)	57%
Profit for the period	9,900	6,030	64%
Shareholders' earnings	9,648	5,811	66%
Minority interest	252	219	15%
Earnings per share (GBP pence)	0.45	0.36	24%
EBITDA.....	35,077	27,307	28%
EBITDA ratio.....	10.0%	10.6%	-
EBITDA ratio, net of agency sales change.....	10.7%	10.6%	-
Free cash generated.....	16,891	12,400	36%
Return on equity.....	16.2%	18.1%	-

Group sales in Q1 2007 totalled £349.4 million with 13.8% like-for-like sales growth in the underlying business. UK sales represented 93% of Bakkavör Group's turnover, amounting to £324.6 million. Sales in Continental Europe grew by 13%, amounting to £24.8 million in the quarter. See more detailed information on sales in the sales and market review on page 5.

Operating profit amounted to £25.4 million in the quarter, increasing by 37%, from £18.5 million in Q1 2006. Performance in Continental Europe improved between quarters with operating profit amounting to £0.2 million compared with an operating loss of £0.2 million in the first quarter 2006.

EBITDA amounted to £35.1 million in the first quarter 2007 compared with £27.3 million in Q1 2006, increasing by 28%. Pro-forma EBITDA increased by 12.3% in the quarter.



EBITDA ratio was 10.0% compared with 10.6% in Q1 2006. As previously reported changes were made to a supply strategy agreement with one of the Group's customers in July 2006. As a result, part of produce sales from Q3 2006 and onwards have been reported on a full sale basis instead of agency sales basis as before. Although the Group's sales growth and margins are affected, there is no impact on operating results. Had this change not occurred, sales in Q1 2007 would have amounted to £328.3 million instead of the reported £349.4 million and EBITDA ratio would have been 10.7% instead of 10.0%.

The Group's share of profit in associates in Q1 2007 was £25k compared to £0.4 million share of loss in the first quarter 2006.

Net finance costs were £12.4 million in Q1 2007 compared with £10.5 million in Q1 2006. Taxes totalled £3.1 million in Q1 2007 compared with £2.0 million in Q1 2006. The effective tax rate was 23.8% for the quarter.

Balance Sheet at 31 March 2006

Assets

The Group's total assets at 31 March 2007 amounted to £1,327.8 million compared with £1,325.8 million at 31 December 2006.

Non-current assets totalled £1,030.7 million compared with £1,028.9 million at year end 2006. Goodwill and other intangible assets remained virtually unchanged from year end 2006, amounting to £713.6 million. The assessment of fair value of the net assets of Laurens Patisseries and New Primebake (acquired in April 2006 and July 2006, respectively) and Rye Valley Patisserie and Fresh Cook (both acquired in November 2006) is provisional and will be completed within 12 months of the acquisition date.

Current assets remained virtually unchanged from year end 2006, amounting to £297.1 million at 31 March 2007. Current liabilities decreased from £368.7 million at year end 2006 to £358.2 million in Q1 2007. The current and quick ratios remained unchanged from year end 2006 at 0.8 and 0.7, respectively.

Liabilities and Equity

Non-current liabilities increased from £715.7 million at year end 2006 to £722.7 million at 31 March 2007.

Equity increased from £241.4 million at year end 2006 to £246.9 million at the end of March 2007. The equity ratio at the end of the quarter was 18.6%, increasing from 18.2% at year end 2006. Earnings per share were 0.45 pence in the first quarter compared with 0.36 pence in Q1 2006, an increase of 24%.

Cash Flow

Bakkavör Group's cash flow generation remained strong in Q1, amounting to £38.2 million compared with £28.2 million in Q1 2006, an increase of 36%. Cash flow after deducting payments of interest and tax amounted to £28.1 million compared with £19.4 million in Q1 2006, an increase of 44%.

Investing activities in property, plant and equipment amounted to £11.2 million in the first quarter of the year compared with £7.0 million in Q1 2006. Capital expenditure during the quarter was in excess of depreciation due to considerable facility expansion in one of the Group's factories.

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 £16.9 million in Q1 2007, compared with £12.4 million in Q1 2006, which is a 36% increase.

Activities in Q1 2007

Refinancing

Bakkavör Group has signed a new £700 million facility with a group of banks, refinancing its previous acquisition facilities on favourable terms. This does not only increase operational flexibility, but also reduces the cost of funds significantly, reflecting the current conditions in the loan market and the Group's improving credit profile.

Dividends

The Annual General Meeting of Bakkavör Group, held on 23 March 2007, resolved to pay a dividend to shareholders which corresponded to ISK 0.50 per share or 50% of issued share capital. Dividends were paid on 24 April 2007.

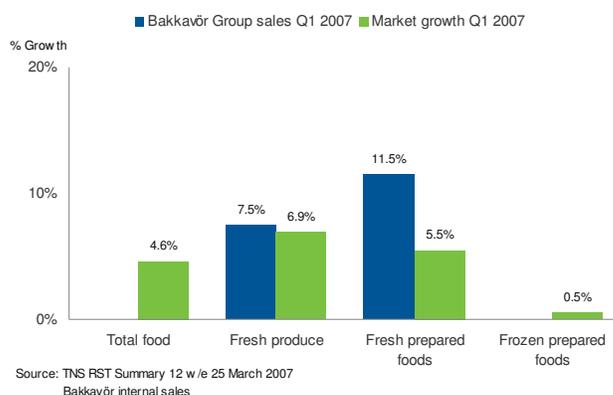
Product recall

In February 2007 the precautionary step was taken of recalling a range of houmous products after routine testing found the presence of salmonella in a small number of products made for one of the Group's customers. The ability to track all products and ingredients throughout the supply chain meant that it was possible to quickly isolate the problem, identify the products for recall and immediately ensure that all the potentially affected products were removed from sale, in co-operation with the Group's customers. The responsible handling of this incident meant that it was possible to safely resume production within a matter of days. This did affect the Group's short term sales and profit performance, but both market and Group sales have now stabilised. The incident is not expected to have a material effect on the Group's earnings for the full year.

Sales and market review – first quarter 2007

United Kingdom

Bakkavör Group's growth target for UK fresh prepared foods is to achieve sales growth that is above market growth. This objective was achieved with a strong sales growth of 11.5% against a 5.5% market growth.



The Group's like-for-like fresh produce sales growth on agency sales basis was 7.5% against a sector growth of 6.9%. However, due to the fact that part of produce sales is now reported on a full sales basis instead of agency sales basis as before, the Group's actual produce sales growth was 45.5%.

Overall, inflationary pressures continued to affect consumer confidence in the quarter with the CPI rising to over 3% in March and interest rates remaining high at 5.25%. The Bank of England has given various reasons for the CPI increase such

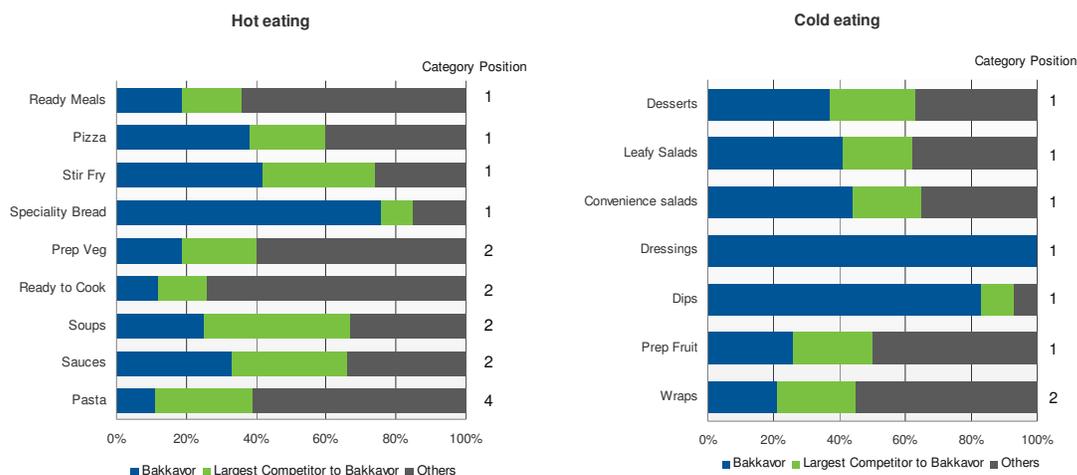
as the sharp rise in domestic energy prices during the second half of last year, an increase in oil prices and food inflation caused by unseasonable weather conditions affecting supply.

Despite these conditions, growth in the fresh prepared foods and produce markets remained robust and continues to outpace total food growth. Consumers still have to make daily decisions about what and when they are going to eat and continue to look for foods that are convenient, naturally healthy and made from high quality ingredients.

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 quarter was 54:46. Bakkavör Group is the market leader in 10 of 16* categories which it operates:

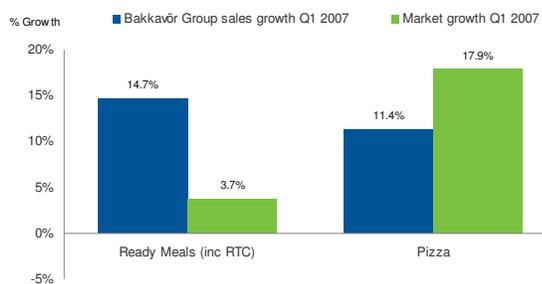
% product market share



Source: Source: Bakkavör market estimates 52 weeks ending March 2007.
*Excludes Ethnic Snacks.

Hot-Eating Product Overview

The fresh **ready meals** market (including ready to cook meals) is estimated to be worth £1.8 billion¹ a year and is one of the largest fresh prepared foods categories in which Bakkavör Group operates. During the first quarter the market grew by 3.7% by value, driven by strong sales in naturally balanced and oriental ranges.



Source: TNS FST Summary 12 w /e 25 March 2007
Bakkavör internal sales

Bakkavör Group has worked hard over the past 15 months to rebuild sales growth following business rationalisation at the beginning of 2006. The Group is in a strong position at the beginning of this year, outperforming the market with sales growth of 14.7% in Q1. This has been achieved through targeted product development and promotional activity in segments such as naturally balanced and ready to cook meals.

The chilled **pizza** market experienced strong growth during the quarter with sales by value up 17.9%. Bakkavör Group is market leader in chilled prepacked pizza with core business in the Italian, premium and deep-based segments, which are the segments that are driving the strong growth of the chilled pizza market. Bakkavör Group’s pizza sales growth remained steady during the quarter at 11.4% despite being up against an exceptional growth comparative in the previous year when a number of products were launched into the premium segment.

¹ TNS

During the first quarter, the Group also performed well in other markets in the hot-eating sector, including **fresh sauces** (12.5% growth year-on-year) and chilled **speciality bread** (7.6% growth year-on-year).

Cold-Eating Product Overview



Bakkavör Group estimates the **leafy salads** market to be worth £463 million² a year at retail sales value. During the first quarter the market grew by 4.9% with sales benefiting from warmer, sunnier weather compared to the same period last year. The trend continued for consumer preference towards stronger flavoured leaf and organic varieties and these segments grew by 14% and 37% respectively.

Group sales growth was behind the market during the quarter with sales somewhat affected by manufacturing price deflation and

aggressive competitor activity. However, Bakkavör Group achieved growth rates of 18% and 68% in the key segments of 'strong' and organic leafy salads.

The **convenience salads** market – dressed salads and meal salads - grew by 9.7% in the first quarter. Bakkavör Group sales growth was 8.8% for the quarter. Performance is expected to increase further over the coming months due to new product launches planned in May. In dressed salads, market growth continues to be driven by the premium and premium healthy ranges as consumers are willing to pay more for products that contain high quality, healthy ingredients. In meal salads, non-leaf based salads, such as chicken or tuna meals with rice or pasta, are performing well supported by consumers demand for convenient and healthy light meals and snacks.

The **chilled desserts** market achieved encouraging growth in the first quarter, with sales up 8.3% at retail sales value. Chilled desserts continue to successfully meet the growing trend towards pleasure or indulgence. This quarter, cream cakes and hot-eating desserts performed particularly well from both a market and Group sales perspective. Bakkavör Group's sales growth continued to outpace the market with sales up 14.8%.

Bakkavör Group estimates the fast-growing **prepared fruit** market to be worth £190 million a year at retail sales value and in the first quarter the market grew by 35%. The success of this market stems from the fact that it provides consumers with a fresh, convenient, healthy snack or light meal, helping them to achieve their '5 a day' fruit and vegetable target. Over the last two years the Group has focused on expanding its prepared fruit business and launched a number of new products into the market. In the first quarter the Group achieved exceptional sales growth of 124% and we have now become the number one player in the market.

UK Fresh Produce

The fresh produce market is estimated to be worth over £7.6 billion a year at retail sales value. In the first quarter the market grew by 6.9% with seasonal vegetables and salad vegetables performing well. Bakkavör Group's like-for-like fresh produce sales growth was 7.5% on agency sales basis. However, due to the fact that part of produce sales is now reported on a full sales basis instead of agency sales basis as before, the Group's actual produce sales growth was 45.5%.

Continental Europe

The Group's European sales grew by 13% during the quarter. The Group's French and Spanish operations continue to perform well with combined sales growth of 18%. These businesses are investigating a number of opportunities which will allow them to expand both their customer and product base in the growing European fresh prepared foods market. The Group's Belgium operation continues to experience a decline in sales revenue as expected.

² Bakkavor market estimates

Bakkavör Asia

In China, the chilled foods market is relatively small (£400 million) but growing at an encouraging rate of 15.4% a year. Creative Foods, in which Bakkavör Group holds a 40% share with Glitnir Bank, performed well in the quarter with pro-forma sales up 15%. In China, the chilled foods sector is forecast to grow by 30% in the next four years. Bakkavör Group aims to achieve significant market share in the Chinese food market and gain strong foothold in the various other high-growing markets across Asia.

New Product Development

Bakkavör Group's knowledge and understanding of key food trends and ability to translate these into successful products is paramount to the future development of the Group. In the first quarter over 1,000 products were launched or refreshed into the fresh prepared foods and produce markets.

Traditionally in the UK, the Group focuses its development at the start of the year on hot-eating seasonal products and healthy ranges as consumers are looking for products to 'warm them up' in the winter months as well as hot-eating or cold-eating healthy products to start the year on a positive note following the excesses of the Christmas period. During the first quarter a strong focus has remained on developing products that are naturally healthy, using high quality ingredients such as Chantenay roast carrot soup, mackerel and rice lunchtime salads and fresh wholewheat pasta.

In Continental Europe there has always been a great passion for food and cooking, however lifestyles are changing and people are finding they have less time to prepare and eat food. People are increasingly starting to move towards quick and easy-to-prepare fresh foods. This first quarter marked an intense period of product development for the Group's European businesses. The Group took a pioneering step with the launch of a complete prepared vegetable range and vegetable snacking range into the French grocery retail market and began producing salads for Ikea in France. In Spain, a range of prepared fruit products was launched into the retail market as well as new salad products for a foodservice customer.

In China, rapid social and economic changes are making a significant impact on consumer shopping and eating habits. Chilled foods are increasingly providing the Chinese consumer with convenient, healthy meal solutions. Creative Foods is well placed to take advantage of these trends and launched a range of bean salads, vegetable dips and soup ingredients into the Chinese retail market in the quarter.

As the year progresses Bakkavör Group has an array of new product launches planned to meet consumer demand for health, convenience and pleasure wherever the Group operates in the world.

Future Prospects

Bakkavör Group will continue to pursue an ambitious growth strategy, further strengthening its position in the UK and Continental Europe as well as focusing on growth in new markets. The global mega trends of health, convenience and pleasure are prevalent around the world and growing stronger. The fresh prepared foods market in Western Europe, for example, is expected to grow by 20%³ in the next four years and by 30%⁴ in China. The Group is well positioned in its target geographical markets to benefit from these favourable market and consumer trends.

³ Leatherhead

⁴ Access Asia

Presentation of Results in London

A meeting for shareholders and market participants will be held in London on Friday 27 April at 10:30 GMT London (9:30 Icelandic time). At the meeting, Ágúst Gudmundsson, CEO of Bakkavör Group will present the Q1 results and answer questions.

Venue: The Garrick Room, Barbican Centre, Silk Street, London EC2Y 8DS
Date and time: Friday, 27 April, at 10:30 am GMT London (9:30 Icelandic time)

Webcast and Conference Call

A webcast from the meeting will commence at 10:30 GMT London (9:30 Icelandic time) and will be accessible on Bakkavör Group's website, www.bakkavor.com. It is also possible to participate in the meeting via conference call. Dial-in number: +44 (0)20 8817 9301

Information will be available after the meeting on the Group's website (www.bakkavor.com), the website of the OMX Nordic Exchange in Iceland (www.omxgroup.com/nordicexchange) and on 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 three months 2007 at a Board Meeting on 26 April.

Scheduled publication of the Group's interim and annual financial statements for 2007 is as follows:

Q2 results 2007	26 July 2007
Q3 results 2007	25 October 2007
Q4 results 2007	31 January 2008

Further Information:

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Five Year Summary

Five Year Summary		Amounts in £'000				
	1.1 - 31.3 2007	2006	2005	2004	2003	2002
Operating revenues.....	349,354	1,219,189	722,065	149,584	137,867	133,684
Operating expenses.....	(314,302)	(1,071,109)	(636,061)	(124,803)	(115,444)	(110,876)
Share of profit (loss) in associates.....	25	(318)	75	3,176		
EBITDA.....	35,077	147,762	86,079	27,957	22,423	22,808
Depreciation and amortization.....	(9,716)	(33,829)	(19,429)	(3,799)	(4,108)	(3,414)
EBIT.....	25,361	113,933	66,650	24,158	18,315	19,394
Net finance costs.....	(12,367)	(47,360)	(28,269)	(7,092)	(4,043)	(3,957)
Net income from operating activities.....	12,994	66,573	38,381	17,066	14,272	15,437
Income tax.....	(3,094)	(15,237)	(6,048)	(3,962)	(3,882)	(4,062)
Profit from continuing operations.....	9,900	51,336	32,333	13,104	10,390	11,375
Discontinuing operation, net of tax.....		16,910			3,123	(434)
Profit for the year.....	9,900	68,246	32,333	13,104	13,513	10,941
Shareholders' earnings.....	9,648	67,617	31,986	13,104	13,513	10,941
Minority interest.....	252	629	347			
Working capital from operations.....	25,487	142,764	66,939	18,582	15,825	15,274
Capital expenditure.....	11,174	37,902	16,413	3,529	5,691	15,879
Balance sheet						
Non-current assets.....	1,030,720	1,028,878	840,400	217,285	129,805	137,081
Current assets.....	297,060	296,929	294,207	55,108	84,965	36,324
Total assets.....	1,327,780	1,325,807	1,134,607	272,393	214,770	173,405
Equity.....	246,880	241,447	127,352	88,214	72,056	58,611
Subordinated convertible loan.....	0	0	12,868	12,868	15,923	15,923
Non-current liabilities.....	722,689	715,677	691,355	151,950	96,068	63,256
Current liabilities.....	358,211	368,683	303,032	19,361	30,723	35,615
Liabilities.....	1,080,900	1,084,360	1,007,255	184,179	142,714	114,794
Total equity and liabilities.....	1,327,780	1,325,807	1,134,607	272,393	214,770	173,405
Key ratios						
Quick ratio.....	0.7	0.7	0.9	2.6	2.6	0.7
Current ratio.....	0.8	0.8	1.0	2.8	2.8	1.0
Equity ratio.....	18.6%	18.2%	12.4%	37.1%	41.0%	43.0%
EBITDA ratio.....	10.0%	12.1%	11.9%	18.7%	16.3%	17.1%
EBITDA ratio, net of agency sales change.....	10.7%	12.6%	11.9%	18.7%	16.3%	17.1%
EBIT ratio.....	7.3%	9.3%	9.2%	16.1%	13.3%	14.5%
EBIT ratio, net of agency sales change.....	7.7%	9.7%	9.2%	16.1%	13.3%	14.5%
Return on equity.....	16.2%	37.0%	30.0%	16.4%	20.7%	20.7%
Earnings per share (GBP pence).....	0.45	3.38	1.98	0.82	0.89	0.72

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 46 factories and employs over 16,000 people in seven countries. The Group's Head Office is in Reykjavík, Iceland, and the business is listed on the OMX Nordic Exchange in Iceland, formerly Iceland Stock Exchange which was acquired by the OMX Nordic Exchange in October 2006, (www.omxgroup.com/nordicexchange Ticker: BAKK). Bakkavör Group was founded in 1986 and during its 20-year history the business has grown significantly and today Bakkavör Group is a leading provider of fresh prepared foods and produce.

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 and China and is well-positioned for further expansion.

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

www.bakkavor.com/subscribe