

# Bakkavör Group Annual and Q4 Results 2009

31 March 2010



Lýður Guðmundsson, Chairman  
Ágúst Guðmundsson, CEO  
Richard Howes, CFO

## 1 Business Highlights

- 2 Financial Results
- 3 Operational Review
- 4 Looking Ahead



## Annual Results 2009

“The Group has been fully refinanced following an agreement with the lenders to the Icelandic holding company with around half of the debt converted into equity and the remaining debt extended until 2014.

Results demonstrate a strong improvement in profit delivery, good sales growth in core UK fresh prepared foods business and return to significant cash generation.”

## BUSINESS HIGHLIGHTS – Annual Results 2009

	2009	Chg from 2008	Like-for-like % Chg from 08	
<b>EBITDA</b>	£135.1m	25%		Significant improvement in EBITDA following extensive restructuring activities and improved trading
Underlying EBITDA ratio	8.2%	150 bps		
<b>Free cashflow</b>	£68.3m	+£102.3m		Reflects improved profitability, greater working capital control and focused approach to investments
<b>UK FPF sales</b>	£1,231m	4.3%	5%**	Sales growth driven by volume uplifts due to promotional activity, increased market share and successful new launches
<b>Operating profit ...</b>	£90.6m	+£26.9m		Reflects improved operational efficiencies and control of operating expenses

\*Excluding restructuring costs

\*\*Excluding low margin product lines withdrawn as part of restructuring

\*\*\* Before one-off items

- 1 Business Highlights
- 2 Financial Results**
- 3 Operational Review
- 4 Looking Ahead



## 5% SALES GROWTH IN CORE UK MARKET

Despite tough trading climate

Total sales and like-for-like sales, 12M

Sales in £ million	Actual 2009	Actual 2008	Like-for-like % Chg
UK Prepared	1,232	1,181	5%
UK Produce	156	207	(29%)
Europe	211	184	(7%)
Rest of World	52	46	1%
<b>Total</b>	<b>1,651</b>	<b>1,618</b>	<b>(2%)</b>

UK prepared sales include foodservice and exclude resigned sales as part of restructuring  
 Like for like % change on a normalised constant currency basis  
 Like-for-like sales exclude all new businesses and turnover relating to JVs  
 Some figures in the tables may not correspond exactly owing to rounding

## UK PREPARED SALES GROWING

Despite the anniversary of business gains

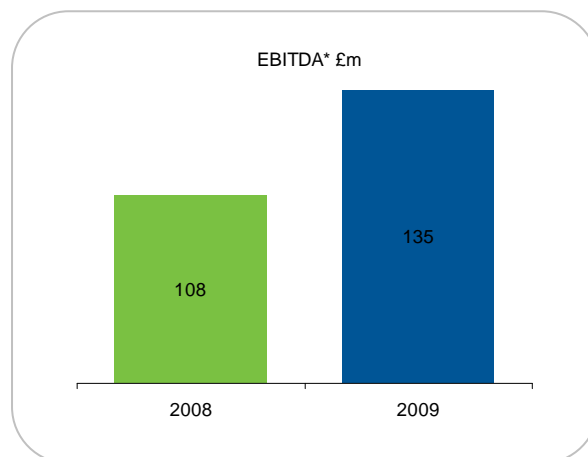
Total sales and like-for-like sales, Q4

Sales in £ million	Actual Q4 09	Actual Q4 08	Like-for-like % Chg
UK Prepared	302	297	4%
UK Produce	23	45	(37%)
Europe	52	51	(4%)
Rest of World	12	20	(9%)
<b>Total</b>	<b>389</b>	<b>413</b>	<b>(3%)</b>

UK prepared sales include foodservice and exclude resigned sales as part of restructuring  
 Like for like % change on a normalised constant currency basis  
 Like-for-like sales exclude turnover relating to JVs  
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## SIGNIFICANT PROFIT IMPROVEMENT

EBITDA exceeded forecast growing by 25% to £135.1 million

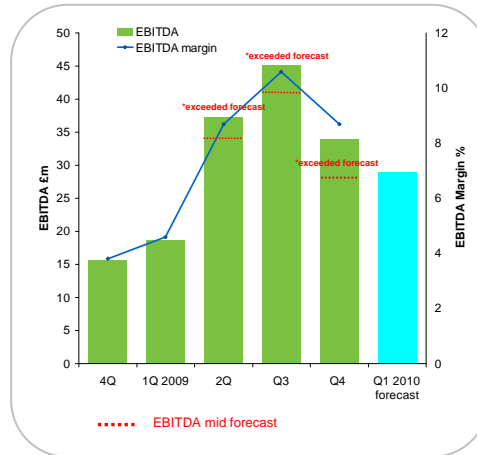


\*EBITDA pre-one off costs

## CONTINUALLY EXCEEDED EBITDA FORECAST

Underlying EBITDA\* and EBITDA margin

- Underlying EBITDA £135.1 million in the year, up 25% with EBITDA margin of 8.2%, up 150 bps yoy
- Underlying EBITDA £33.9 million in Q4, up 116% with EBITDA margin of 8.7%, up 490 bps yoy
- Forecast underlying EBITDA at c.£29m in Q1 2010, up 53%



\*EBITDA pre-one off costs

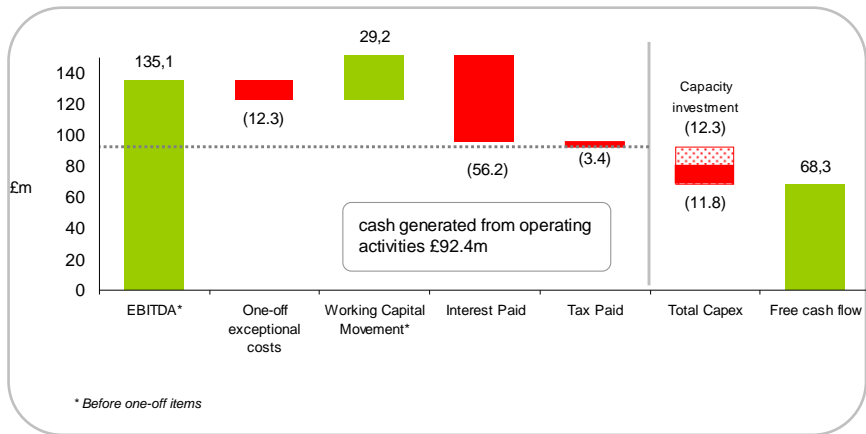
## RETURN TO PROFITABILITY

A £142 million turnaround in the year

£m	Before one-off items & other gains and losses	One-off items & other gains and losses	Total	Variance to 2008
<b>Year to date</b>				
Operating profit	90.6	(5.2)	85.4	63.4
Net finance costs	(82.8)	(17.0)	(99.8)	(35.9)
Other gains and losses	-	3.1	3.1	54.1
Loss on other assets	-	(16.9)	(16.9)	46.1
Profit (loss) before tax	7.8	(36.0)	(28.2)	127.7
Income tax	11.5	4.9	16.4	14.7
<b>Profit (loss) after tax</b>	<b>19.3</b>	<b>(31.1)</b>	<b>(11.8)</b>	<b>142.4</b>

## RETURN TO SIGNIFICANT CASH GENERATION

Cash flow, 12M 2009



Reflects the improved controls over working capital

## NET OPERATING DEBT DECREASES BY £45M

Amounts in £ million	31.12. 2009	31.12.2008	Change %
Non-current assets	1,193.6	1,222.3	(2%)
Current assets	285.8	533.5	(47%)
<b>Total assets</b>	<b>1,479.4</b>	<b>1,755.8</b>	<b>(16%)</b>
Equity	107.6	122.7	(12%)
Non-current liabilities	612.2	830.6	(26%)
Current liabilities	759.6	802.5	(5%)
<b>Total equity and liabilities</b>	<b>1,479.4</b>	<b>1,755.8</b>	<b>(16%)</b>

Amounts in £ million	31.12. 2009	31.12.2008	Change %
Net debt (Operating)	623.8	669.2	(7%)
Net debt (Group)	316.1	281.6	12%
<b>Total net debt</b>	<b>939.9</b>	<b>950.8</b>	<b>(1%)</b>

## REFINANCING OF GROUP DEBT COMPLETED

- // Agreement reached to secure refinancing of £316m debt
- // 46% converted into additional ordinary and preference share capital
- // 54% classified as a Convertible debt instrument with maturity extended to June 2014



- // Significantly deleverages the Group – increased equity
- // Decrease in net finance costs – improved profitability

## PRO FORMA FINANCIAL POSITION

Profit enhancement from reduced finance costs

£m	2009 accounts	Impact of refinancing	Proforma 2009 accounts
<b>Year to date</b>			
Operating profit	90.6		90.6
Net finance costs	(82.8)	15.8	(67.0)
<b>Profit (loss) before tax</b>	<b>7.8</b>	<b>15.8</b>	<b>23.6</b>
Income tax	11.5		11.5
<b>Profit (loss) after tax</b>	<b>19.3</b>	<b>15.8</b>	<b>35.1</b>

\*Before restructuring, refinancing and other gains and losses

## PRO FORMA FINANCIAL POSITION

### Equity increase

Amounts in £ million	accounts 31.12. 2009	Impact of refinancing	Proforma 2009 accounts
<b>Total assets</b>	<b>1,479.4</b>	<b>0.0</b>	<b>1,479.4</b>
Equity	107.6	144.2	251.8
Convertible debt		171.9	171.9
<b>Equity and convertible debt</b>	<b>107.6</b>	<b>316.1</b>	<b>423.7</b>
Other non current liabilities	612.2	(5.9)	606.3
Current liabilities	759.6	(310.2)	449.4
<b>Total equity and liabilities</b>	<b>1,479.4</b>	<b>0.0</b>	<b>1,479.4</b>

Group debt leverage ratio expected below 3.0x by 2012  
Down from 4.6x in 2009 (pro forma) and 4.0x in 2010

- 1 Business Highlights
- 2 Financial Results
- 3 Operational Review**
- 4 Looking Ahead





## OUR UNIQUE ADVANTAGE

Europe 13%  
Rest of World 3%



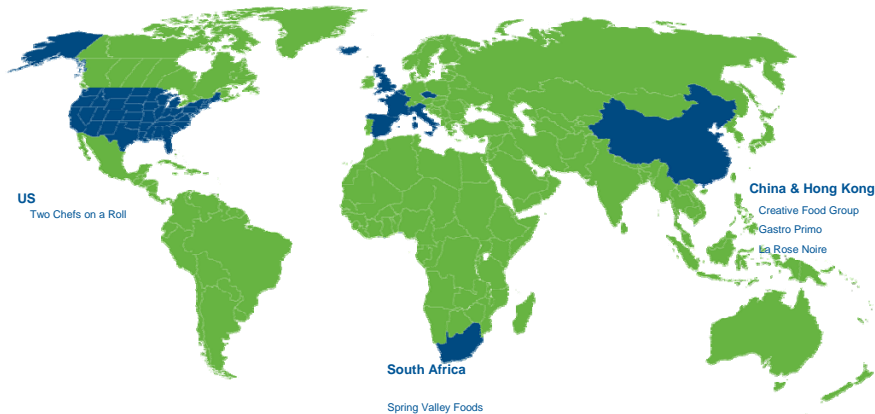
UK  
84%

- /// Only true international fresh prepared foods business
- /// Attained leading market positions in our target markets
- /// Trade with 7 of the top 10 global grocery retailers\*
- /// 57 operations in 10 countries
- /// Diverse product portfolio - over 6,000 fresh prepared food products in 18 categories

\*Source IGD – Grocery Turnover League, 2008

## OPERATIONS IN 10 COUNTRIES

Iceland	UK		Belgium	Italy	France	Spain	Czech Republic
Bakkavör Group	Anglia Crown Bakkavör Logistics Bakkavör Meals Bakkavör Pizza Bakkavör Spalding Caledonian Produce Cucina Sano	English Village Salads Exotic Farm Produce Fresh Cut Produce Freshcook Hitchen Foods Isleport Foods Laurens Patisseries	Meirow Salads New Primebake Tilmanstone Salads Welcome Foods Wingland Foods Yorkshire Fresh Fruit	Vaco Itaipizza	4G Cinquieme Saison Crudi Bakkavor Traiteur	Sogesol	Heli Food Fresh



US  
Two Chefs on a Roll

South Africa  
Spring Valley Foods

China & Hong Kong  
Creative Food Group  
Gastro Primo  
La Rose Noire

OUR CUSTOMERS



TO PUT THIS INTO PERSPECTIVE  
In the UK alone we produce over...



...a year

## LEADERS IN THE UK MARKET

Market	Market Size	Bakkavor share position
Ready Meals	£1,588m	1
Ready to Cook Meals	£315m	1
Pizza	£498m	1
Prepared Vegetables (produce only)	£344m	1
Bread	£132m	1
Soup	£145m	2
Sauces	£103m	1
Stir Fry	£98m	2
Leafy Salads	£462m	1
Dressed Salads (exc. Bulk)	£275m	1
Meal Salads	£238m	1
Dips	£175m	1
Prepared Fruit	£267m	1
Desserts	£684m	1

## UK PREPARED FOODS SALES UP 5%

Despite recessionary climate our sales have remained resilient

### Drivers



#### Private label

Increased demand for private label – offers good value for money – over 35 new PL fresh prepared food ranges launched in last 12 months



#### Solid growth in key markets

Ready meals, desserts, dressed salads



#### Increased promotional activity and new product launches

### Impact

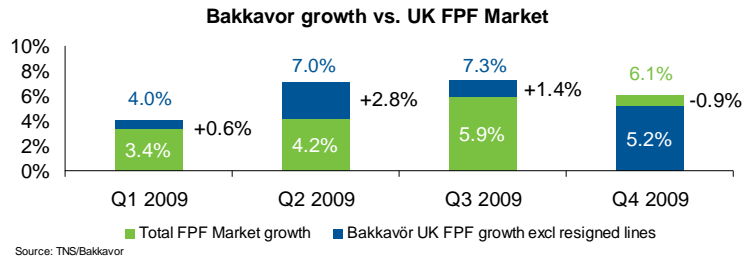
Increased development of private label ranges across our customer base

Matched fresh prepared foods market growth

Stimulating consumer demand and delivering volume increases (but tighter margins)

## MATCHING MARKET GROWTH

UK like-for-like sales performance, quarter by quarter



- Matched market growth in the year, achieving 5% like-for-like growth excluding resigned low margin business (in ready meals, soups, pasta)
- As expected our growth in Q4 slowed as we reach anniversary of business gains
- Fresh prepared foods market growth continues to accelerate

Source: TNS RST Summary  
Bakkavor internal sales

## FOCUSED ON PROFIT PERFORMANCE

Extensive restructuring undertaken

### Impacts on economic returns



#### Higher input and operating costs

Raw materials, utility, distribution, currency costs



#### Recessionary climate

Increased promotional costs, tighter margins

### Action

Completed extensive restructuring programme optimising capacity and reducing costs:

- 11 factories closed
- Transferred c. 300 product lines to other sites
- 2000 employees affected
- £40 million cost savings p.a

## FOCUSED ON PROFIT PERFORMANCE

Overall conditions have stabilised however managing cost pressures remains a priority

### Pressures

#### Commodity and currency price movements

Exposure to higher purchasing costs due to:

- Weak performance of pound sterling – impacted seasonally sourced fresh produce markets
- EU stock intervention – butter prices softened but rebounded to new market highs



### Impact

Whilst certain pressures have eased the business remains vulnerable to inflationary 'spikes'

Managing our exposure to these pressures and cost recovery remains a business priority

## CONTINENTAL EUROPE

Focused on future growth whilst managing tough market conditions

### Performance

Sales impacted by tighter consumer spending and intense competition – particularly in leafy salads

Strong performance in Italian pizza business +11% and expect Czech business to be profit-making 2010

### Outlook

Economic recovery more advanced than that of the UK with signs that most major economies started to come out of recession in Q3 2009

### Action

- Consolidated leafy salads production in France
- Exploiting Group synergies
- Businesses diversifying into new product areas and with new customers e.g. Spanish ready meals



## REST OF WORLD – ASIA & US

Focused on future growth whilst managing tough market conditions

### Performance

In the US sales have increased despite tough conditions, up 5%

In Asia sales down 5%, impacted by tighter consumer spending and discontinuation of low margin product lines – lower sales but greater profitability

### Opportunity

- Exploiting Group synergies
- Businesses diversifying into new product areas and with new customers
- In process of agreeing new business opportunity in North America

M&S Hong Kong



\*Sales on a like-for-like constant currency basis

## DELIVERING GOOD CASH GENERATION

Expect cash generation to remain strong

### Drivers

UK and French restructuring completed

Improved trading and working capital control

Focused capital expenditure



### Impact

- Group generated £152 million cash from operations in 2009
- Improved operational capacity, efficiency and productivity
- Greater control of working capital through good collaboration with suppliers

\* before one-off exceptional costs

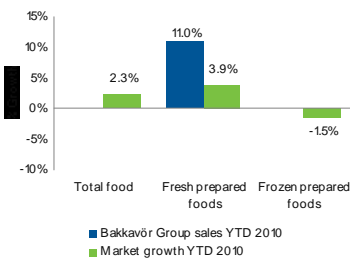
- 1 Business Highlights
- 2 Financial Results
- 3 Operational Review
- 4 **Looking Ahead**



## CURRENT TRADING

### Sales Performance

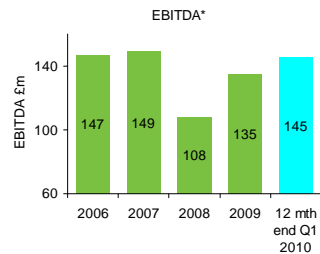
UK fresh prepared food like-for-like sales growth strong, up 11% in first two months



### EBITDA\* Performance

EBITDA forecast of c. £29 million in Q1 2010, +53%

EBITDA ratio 8.5%



## LOOKING AHEAD

“A greatly improved profit profile following extensive restructuring activities, actions to mitigate inflationary costs and smarter utilisation of facilities.

Following the recent refinancing, the Group has a stable financial platform from which to grow.

We will continue to organically build upon the firm positions we have in our target markets internationally whilst maintaining our strong position in the UK.”

# Q & A