

Bakkavör Group

Q1 2009 Results

20 May 2009



Lýður Guðmundsson, Chairman
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- 2 Financial Results
- 3 Operational Review
- 4 Looking Ahead



Q1 2009

SALES

“We have achieved good sales growth in the quarter.

This demonstrates the defensive nature and sustainability of our business in times of global recession.”

Q1 2009

PROFIT

“We expect Q1 to mark the last period of year-on-year decline in EBITDA.

By the end of 2009 we expect our EBITDA* to grow by around 15% to £125 million.”

BUSINESS HIGHLIGHTS – Q1 2009

	Q1 09	% Chg from Q1 08	Like-for-like % Chg from Q1 08	
Net sales	£409.8m	+9%	+1%	Steady UK sales growth in recessionary climate of falling GDP. Sales outside the UK remain strong
EBITDA Underlying EBITDA ratio	£18.7m 4.6%	(29%) (240bps)		Q1 marks the last period of year-on-year decline in EBITDA
Forecast EBITDA* for 2009	£125m	+15%		Underpinned by the completion of restructuring activities, operational efficiencies and capacity utilisation
Cash generated from operating activities**	£1.3m	(80%)		A consequence of reduced EBITDA and continued impact of industry-wide credit insurance withdrawal

*Excluding restructuring costs

**Cash inflow excluding one-off cash outflow relating to restructuring activities

Like-for-like % chg on constant currency basis

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9% SALES GROWTH

Despite tough trading climate

Total sales and like-for-like sales, Q1

Sales in £ million	Actual Q1 09	Actual Q1 08	Actual % Chg	Like-for-like % Chg
UK Prepared	286	281	2%	1%
UK Produce	53	53	0%	(3%)
Europe	56	37	50%	2%
Rest of World	15	7	132%	9%
Total	410	377	9%	1%

UK prepared sales include foodservice

Like for like % change on a constant currency basis

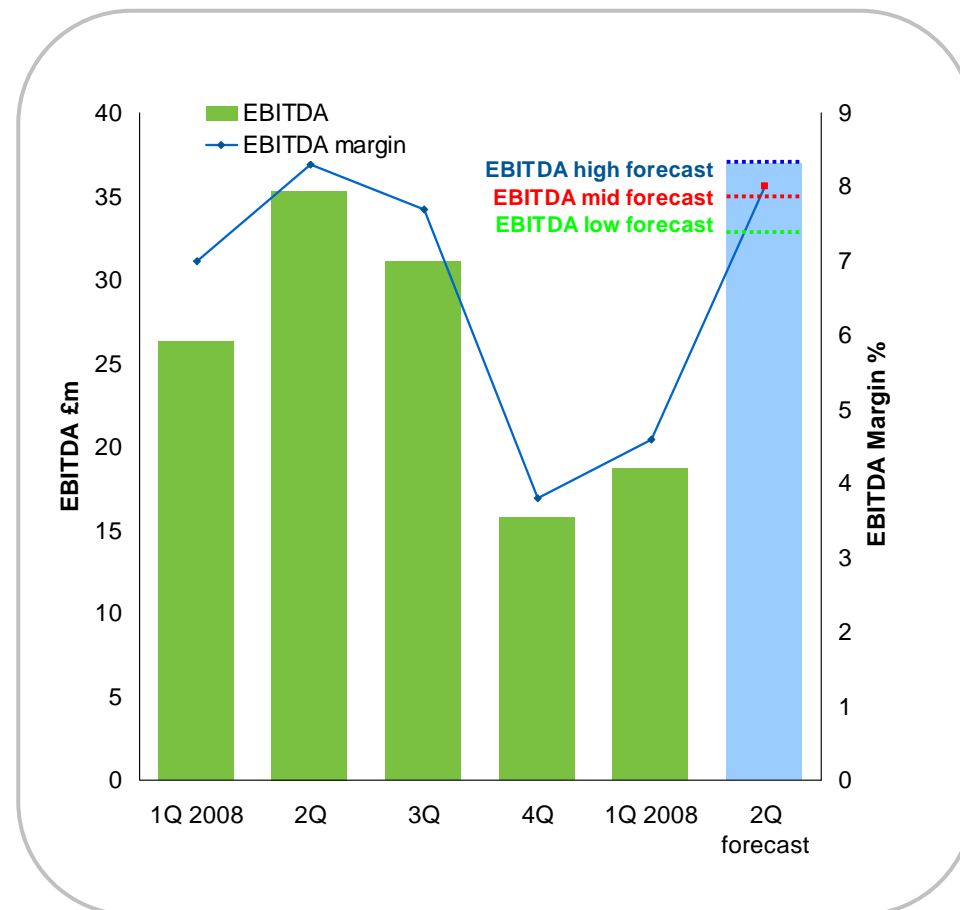
Like-for-like sales include all new businesses and turnover relating to JVs

Some figures in the tables may not correspond exactly owing to rounding

EXPECT EBITDA TO GROW SIGNIFICANTLY

Underlying EBITDA* and EBITDA margin

- // Underlying EBITDA £18.7 million in Q1, down 29% on Q1 2008
- // EBITDA margin 4.6%, down 240 bps yoy
- // Expect to achieve c.£35 million in Q2 in line with Q2 2008
- // Expect EBITDA to grow by 15% by end of year to £125 million



*EBITDA excludes restructuring costs

LOSS FOR PERIOD REDUCED DESPITE FURTHER ONE-OFF COSTS

	Q1 2009 £m	Q1 2008 £m	yoy difference
Operating profit	7.7	16.0	(8.3)
Net finance costs	(20.2)	(13.6)	(6.6)
Other gains and losses	(6.9)	(1.5)	(5.4)
Loss on financial assets	-	(15.8)	15.8
(Loss) before tax	(19.4)	(14.9)	(4.5)
Income tax	11.3	2.1	9.2
(Loss) for the period	(8.1)	(12.8)	4.7

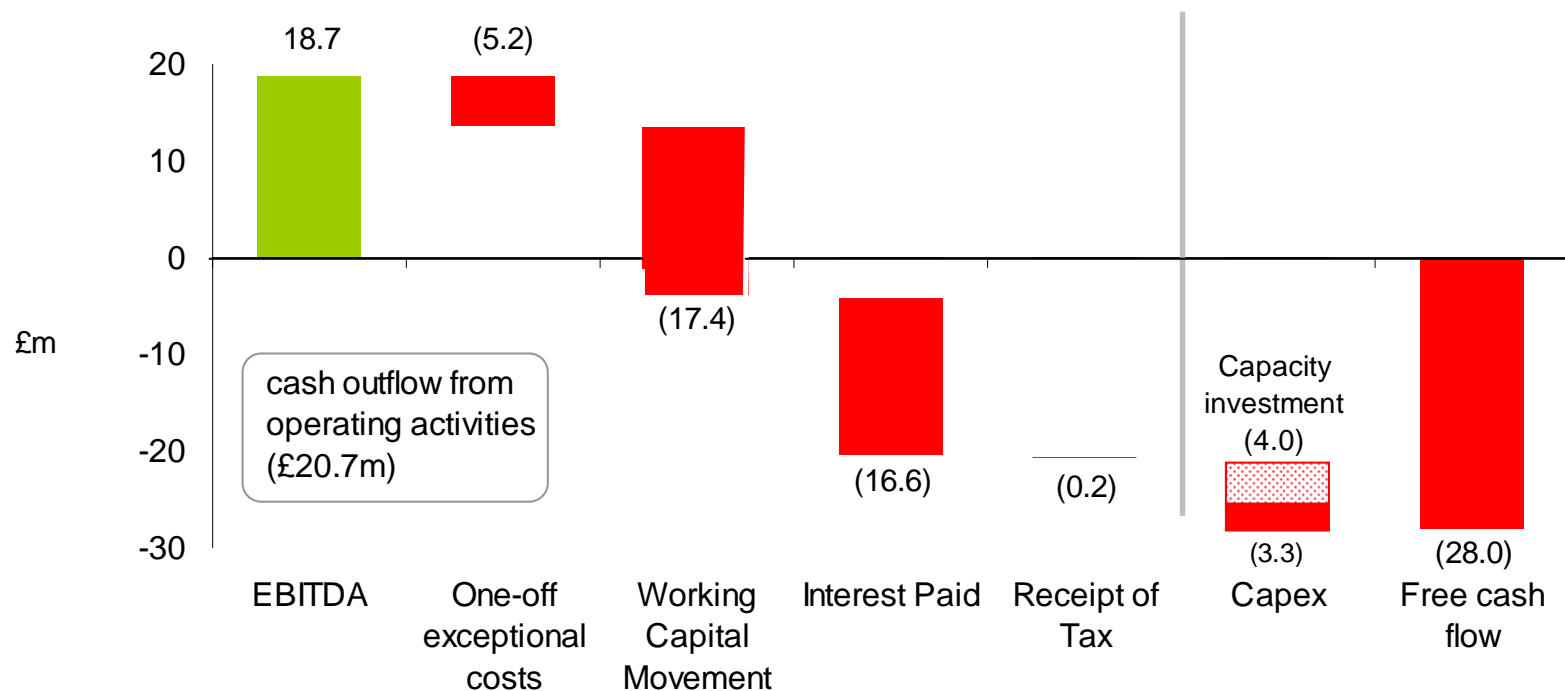
EQUITY

Balance sheet


Amounts in £ million	31.3.2009	31.12 2008	Change %
Non-current assets	1,216.1	1,222.3	(0%)
Current assets	447.3	533.5	(16%)
Total assets	1,663.4	1,755.8	(5%)
Equity	105.6	122.7	(14%)
Non-current liabilities	966.2	830.6	16%
Current liabilities	591.6	802.5	(26%)
Total equity and liabilities	1,663.4	1,755.8	(5%)

CASH GENERATION

Cash flow, Q1 2009



// Marks the low point of the year

- 
- A close-up photograph of a wooden bowl filled with a variety of fresh green leafy vegetables. The bowl is made of light-colored wood and is filled with a mix of spinach, arugula, and other leafy greens. Some of the leaves have small water droplets on them, suggesting they are freshly washed. The background is a plain, light color.
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FOOD – A DEFENSIVE SECTOR

UK GDP output contracted by 1.9% in Q1

Resilient



UK food value sales



Up 6%

Rented property

2nd hand furniture and electrical goods

Quick service restaurants

Suffering



UK new car production



Down 57%

Furniture

Fashion and footwear

Upmarket restaurants

UPHOLDING OUR UK SALES PERFORMANCE

Responding to changing consumer demand through strengthened operations

Actions

Market share gains

Ready meals, dips, pizza, prep veg



Participation in increased promotions and new product launches



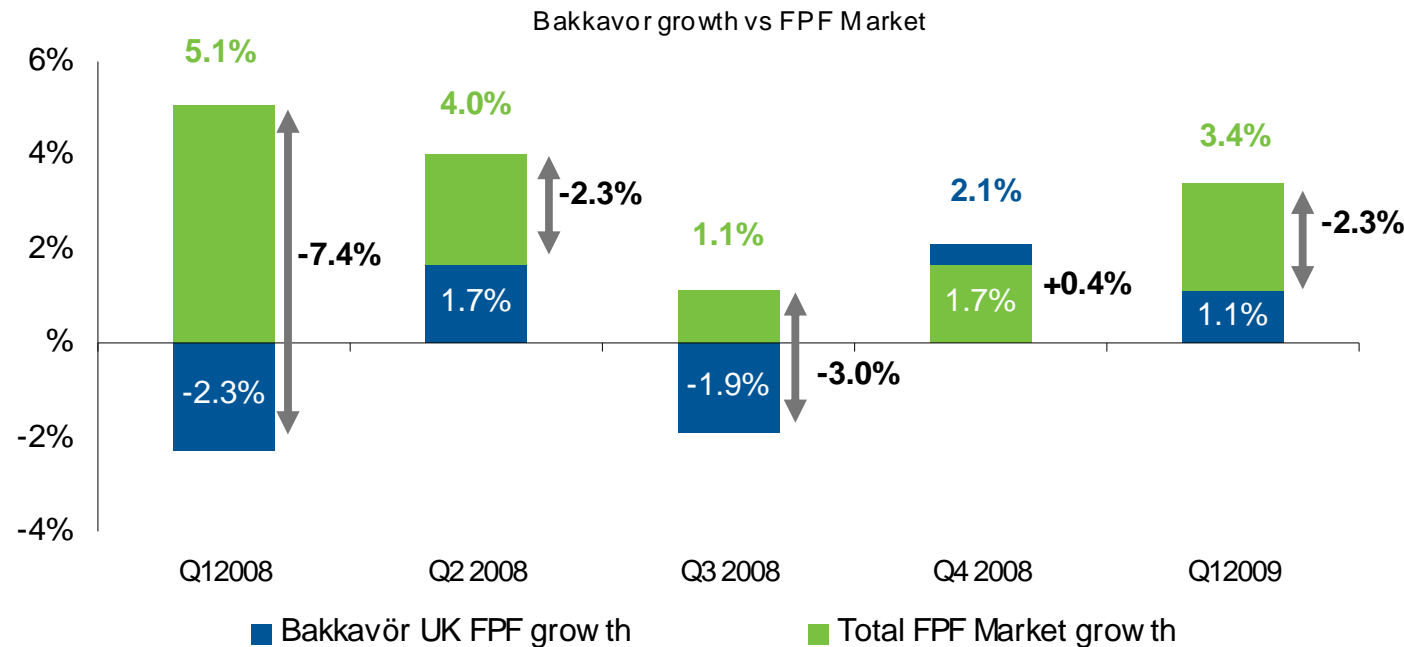
Impact

Drives our UK growth target to outpace FPF market growth

Delivers additional sales in the short term and builds market penetration in the long term – number of households buying up 3% in ready meals and 4% in desserts in Q1

PREPARED FOODS MARKET GROWTH

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



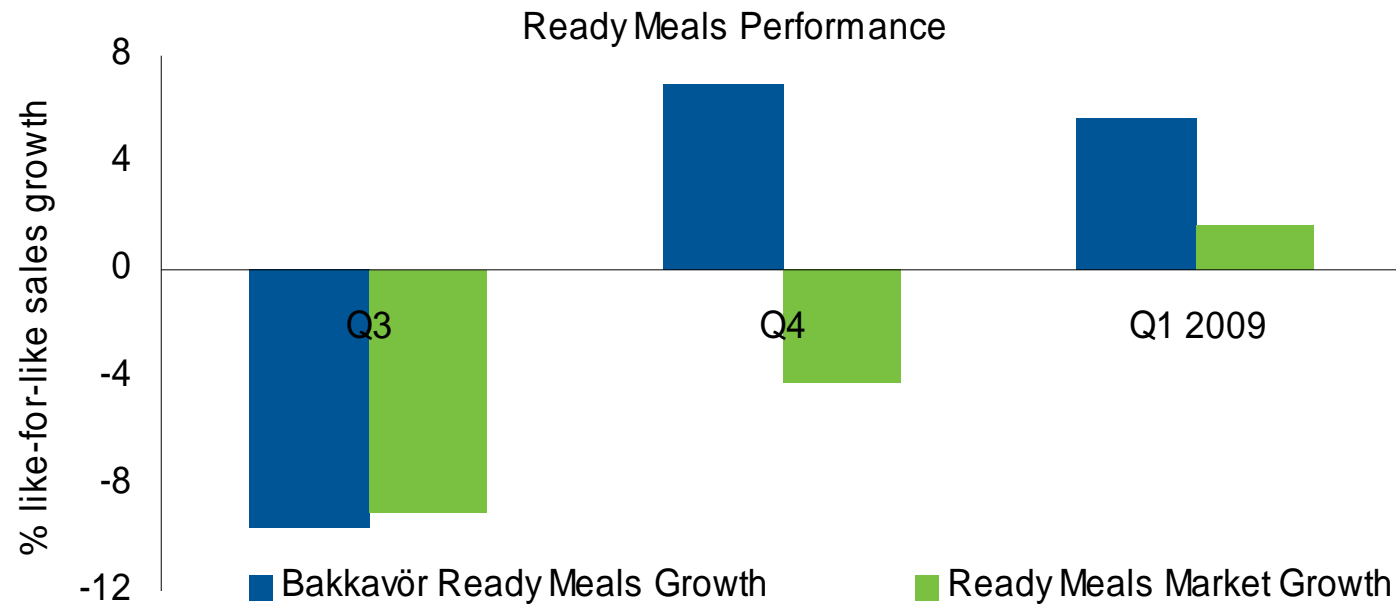
- // Fresh prepared foods growth has accelerated over past three quarters
- // 1.1% like-for-like growth in the quarter, however would have been on a par with the fresh prepared foods market if we had retained resigned low margin business (ready meals, soups, pasta)

Source:

TNS RST Summary
Bakkavor internal sales

READY MEALS UPTURN

Market and Bakkavör



- // Ready meals a £1.5 billion market in the UK
- // Our ready meals sales now up by 6% against 2% market growth
- // Strong performance considering sales in Q1 impacted by strategic resignation of supply of certain ready meals lines as part of restructuring process
- // We have also secured additional business at end of Q1

Source:

TNS RST Summary
Bakkavör internal sales

STRONG PERFORMANCE OUTSIDE UK

European, Asia and US operations continue to gain ground

Like-for-like sales



Europe +2%

Operations in France, Spain, Belgium, Italy, Czech Republic



Rest of World +9%

Operations in Asia (China and Hong Kong)

The US (California and Pennsylvania)

Progress

In Europe we are achieving sales growth despite challenging market conditions

In Asia we continue to strengthen foodservice business entering new fresh prepared product categories

In the US our 2nd factory now profit making and actively pursuing new business opportunities

MITIGATING INFLATIONARY COSTS

Still a priority due to high purchasing costs in certain key areas

Pressure



High raw material costs

Currency exchange rates and poor harvests drive up market prices of imported fresh produce - £4 million cost impact

Increasing consumer demand and limited availability holds meat and poultry prices firm



High utility costs

Long-term hedging contracts expired

Prices still running at a higher rate than previous year

£2 million cost impact

Our action

Continual price negotiations

Strategic purchasing

Capacity optimisation

Energy initiatives

RESTRUCTURING COMPLETED

Expected to start delivering significant cash benefits

Recap

Restructuring programme:

Closures

- 2008 to date closed 6 factories and transferred business to sites where spare capacity

Production transfers

- Q1 2009 transferred parts of production from 3 factories to other sites to optimise capacity
- Resigned supply of low margin lines

Forthcoming

- Q2 2009 planned closure of one further factory and other cost savings in 2009

Outcome

Strengthened ready meals and other operations

- Capacity utilisation
- Operational efficiency

Resignation of low margin lines to affect sales volumes in the short term

Reduced the number of redundancies wherever possible

- Over 300 jobs saved in South Lincolnshire



CASH BENEFITS WILL START IN Q2 AND WILL GROW SIGNIFICANTLY IN THE YEAR

SECURED FUNDING FOR OPERATING BUSINESSES

Bakkavor Group hf

Constructive discussions with bondholders ongoing

Bakkavor Estates

Bakkavor Holdings

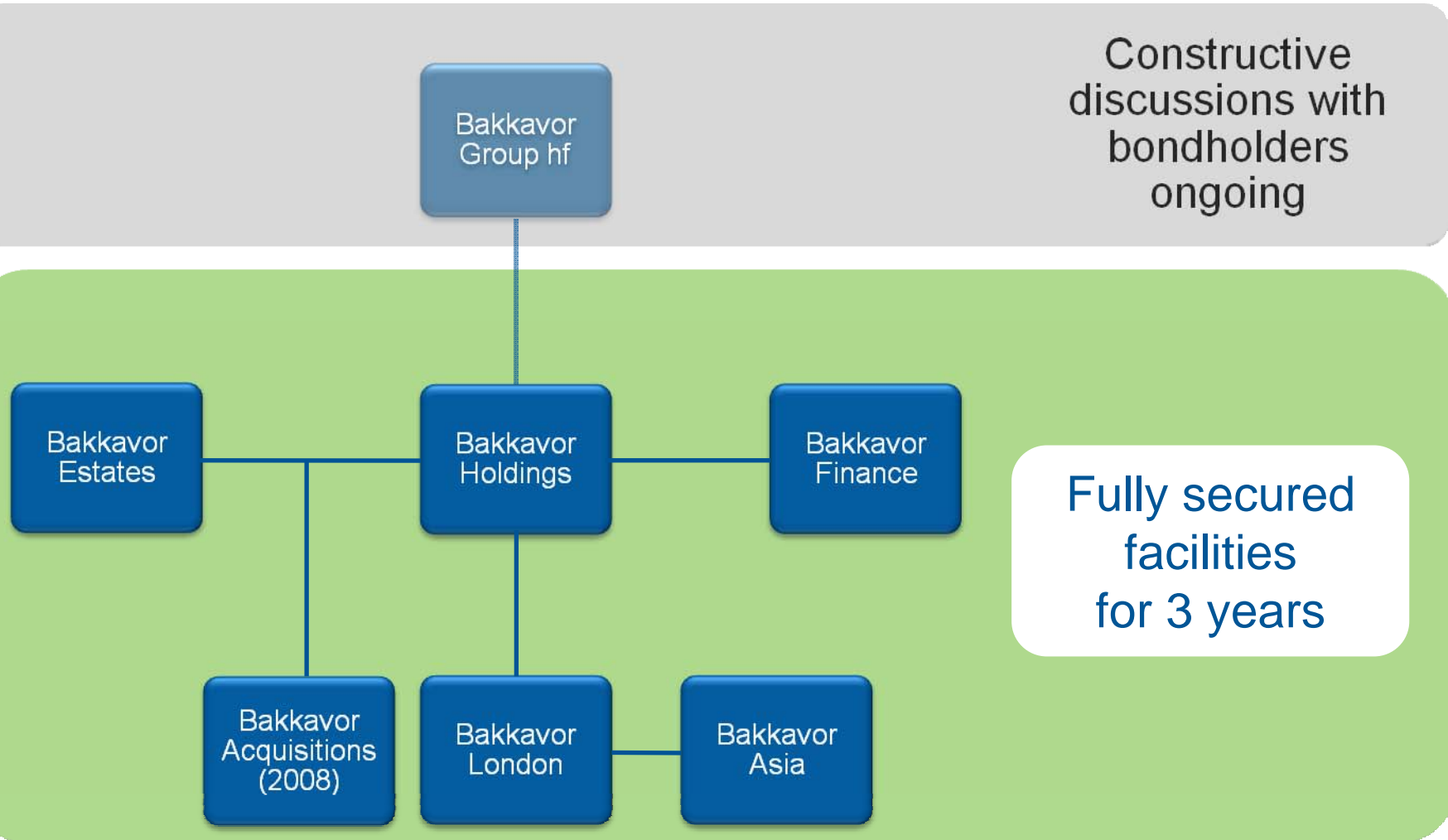
Bakkavor Finance

Bakkavor Acquisitions (2008)

Bakkavor London

Bakkavor Asia

Fully secured facilities for 3 years



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CURRENT AND FUTURE TRADING

Q2 expectations

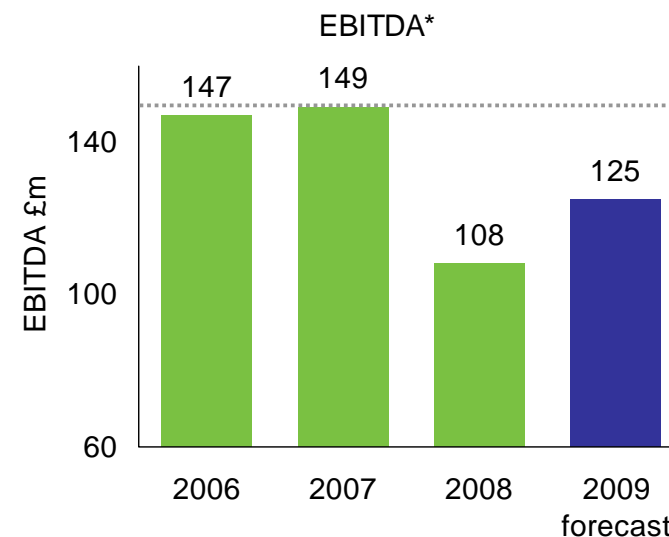
SALES:

Q2 sales already started well with total like-for-like sales up 2%

EBITDA:

Expect to achieve EBITDA* of c.£35 million in Q2 in line with 2008

Year end expectations



Forecast EBITDA* to be around £125 million at the end of 2009, up around 15%

LOOKING AHEAD

“Underpinned by the restructuring activity and other actions we have taken, we expect cash generation from operations to grow significantly due to improved profitability and reduction in investing activities in 2009.”

Q & A