Condensed Consolidated Interim Financial Statements

30 June 2009

Bakkavör Group hf.
Ármúla 3
108 Reykjavík
Reg.no. 410886-1629

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Endorsement by the Board of Directors and CEO

The Condensed Consolidated Interim Financial Statements of Bakkavör Group hf. for the period 1 January to 30 June 2009 consist of the Condensed Consolidated Interim Financial Statements of Bakkavör Group hf. and its subsidiaries, together referred to as the Group. The Condensed Consolidated Interim Financial Statements are unaudited and are prepared in accordance with International Financial Reporting Standard for Interim Financial Statements, IAS 34.

The total sales of the Group amounted to GBP 836.4 million. The profit of the period amounted to GBP 18.3 million. According to the Statement of Financial Position the Group's assets amount to GBP 1,529.2 million and the end of period book value of equity is GBP 114.5 million.

During March 2009 Bakkavör refinanced its banking facilites and secured funding through to 30 March 2012 across all of the operating subsidiaries.

The Group was unable to repay the 2003 bonds on the 15 May when they fell due. The Group is in advanced talks to extend not only the 2003 bonds but also the 2005 bonds that fall due in December 2010 and other unsecured debt which is now due in Bakkavör Group hf. The discussions with our institutional creditors are constructive and the Directors hope to reach a conclusion shortly.

The Condensed Consolidated Interim Financial Statements for the Period from 1 January to 30 June 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. It is our opinion that these Condensed Consolidated Interim Financial Statements present all the information necessary to give a true and fair view of the Group's assets and liabilities, financial position as at 30 June 2009 and operating performance of the period ended 30 June 2009.

In our opinon the Condensed Consolidated Interim Financial Statements and the report by the Board of Directors and CEO give a fair view of the developement and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

Endorsement by the Board of Directors and CEO, cont.

The Board of Directors and the CEO of Bakkavör Group hf. have today discussed the Condensed Consolidated Interim Financial Statements for the period from 1 January to 30 June 2009 and confirmed with their signature.

Reykjavík, 27 August 2009

Board of Directors and CEO

Lýdur Gudmundsson Chairman	Ágúst Gudmundsson CEO
Ásgeir Thoroddsen	Hildur Árnadóttir
Katrín Pétursdóttir	

Condensed Consolidated Interim Income Statement
for the period 1 January to 30 June 2009

	Notes	Period 1 April - 30 June 2009	Period 1 April - 30 June 2008	Six months 1 January - 30 June 2009	Six months 1 January - 30 June 2008
Net sales	4	426.6	425.7	836.4	803.0
Cost of sales		(334.7)	(335.5)	(666.0)	(634.5)
Gross profit		91.9	90.2	170.4	168.5
Operating expenses		(65.7)	(66.1)	(136.7)	(128.6)
Restructuring costs	5	(4.6)	(3.1)	(4.6)	(3.1)
Share of profit (loss) in associates		0.2	(0.6)	0.4	(0.4)
		(70.1)	(69.8)	(140.9)	(132.1)
Operating profit		21.8	20.4	29.5	36.4
Net finance costs	6	(24.1)	(23.6)	(44.3)	(37.2)
Other gains and losses	7	31.3	13.9	24.4	12.4
Loss on other assets	8	(3.7)	(30.4)	(3.7)	(46.2)
		3.5	(40.1)	(23.6)	(71.0)
Profit (loss) before tax		25.3	(19.7)	5.9	(34.6)
Income tax		1.1	(3.8)	12.4	(1.7)
Profit (loss) for the period		26.4	(23.5)	18.3	(36.3)
Attributable to:					
Shareholders of Bakkavör Group hf.		26.1	(23.8)	17.6	(36.8)
Minority interest		0.3	0.3	0.7	0.5
		26.4	(23.5)	18.3	(36.3)
Earnings (loss) per share (GBP pence)	9	1.2	(1.1)	0.8	(1.7)

Amounts in GBP millions 4

Condensed Consolidated Interim Statement of Comprehensive Income for the period 1 January to 30 June 2009

	Period 1 April - 30 June		Six months 1 January - 30 June	
	2009	2008	2009	2008
Profit (loss) for the period	26.4	(23.5)	18.3	(36.3)
Other Comprehensive Income				
Translation difference	3.8	(3.0)	(1.8)	(1.3)
Actuarial loss recognised on pension plan	(29.0)	(24.5)	(34.1)	(16.1)
Tax on items taken directly to equity	8.1	6.9	9.5	4.5
	(17.1)	(20.6)	(26.4)	(12.9)
Total Comprehensive income	9.3	(44.1)	(8.1)	(49.2)
Attributable to:				
Shareholders of Bakkavör Group hf.	9.0	(44.4)	(8.8)	(49.7)
Minority interest	0.3	0.3	0.7	0.5
	9.3	(44.1)	(8.1)	(49.2)

Amounts in GBP millions 5

Condensed Consolidated Interim Statement of Financial Position at 30 June 2009

	Notes	30.6.2009	31.12.2008
Non-current assets			
Goodwill and other intangible assets	10	849.7	851.0
Property, plant and equipment	11	341.4	358.3
Investments in associates	12	9.4	12.9
Deferred income tax asset		0.0	0.1
		1,200.5	1,222.3
Current assets			
Inventories	13	52.3	57.5
Trade and other receivables	14	251.8	262.5
Assets classified as held for sale		2.8	2.8
Cash and cash equivalents		21.8	210.7
		328.7	533.5
Total assets		1,529.2	1,755.8
Equity			
Share capital	15	14.9	14.9
Capital reserves		72.6	72.6
Other reserves		18.2	19.6
Retained earnings		7.5	14.5
Shareholders' equity		113.2	121.6
Minority interest		1.3	1.1
Total equity		114.5	122.7
Non-current liabilities			
Deferred income tax liability		22.5	33.9
Borrowings	17	795.4	796.7
		817.9	830.6
Current liabilities			
Borrowings	17	175.2	364.8
Other current liabilities	19	421.6	437.7
		596.8	802.5
Total equity and liabilities		1,529.2	1,755.8
Off Balance Sheet Items:			
Mortgages and commitments	20		

Amounts in GBP millions

Condensed Consolidated Interim Statement of Changes in Equity for 1 January to 30 June 2009

	Shareholders' equity						
	Share capital	Capital reserves	Other reserves	Retained earnings	**Total**	Minority interest	**Total equity**
Equity 1 January 2008	14.9	72.6	3.2	186.6	277.3	1.4	278.7
Translation difference			(1.3)		(1.3)		(1.3)
Actuarial loss recognised on pension plan				(11.6)	(11.6)		(11.6)
Recognition of share-based payments			0.0		0.0		0.0
Dividends				(7.6)	(7.6)		(7.6)
(Loss) profit for the period .				(36.8)	(36.8)	0.5	(36.3)
Change in minority interest						0.3	0.3
Equity 30 June 2008	14.9	72.6	1.9	130.6	220.0	2.2	222.2

	Shareholders' equity						
	Share capital	Capital reserves	Other reserves	Retained earnings	**Total**	Minority interest	**Total equity**
Equity 1 January 2009	14.9	72.6	19.6	14.5	121.6	1.1	122.7
Translation difference			(1.8)		(1.8)		(1.8)
Actuarial loss recognised on pension plan				(24.6)	(24.6)		(24.6)
Recognition of share-based payments			0.4		0.4		0.4
Profit for the period				17.6	17.6	0.7	18.3
Change in minority interest						(0.5)	(0.5)
Equity 30 June 2009	14.9	72.6	18.2	7.5	113.2	1.3	114.5

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Condensed Consolidated Interim Statement of Cash Flows for the period 1 January to 30 June 2009

	Notes	Period 1 January - 30 June 2009	2008
Cash flow from operating activities			
Operating profit		29.5	36.4
Depreciation and amortisation	10, 11	21.9	22.1
Other items		1.1	(0.8)
Changes in current assets and liabilities		(4.8)	(25.0)
Cash generated from operations pre-exceptional creditors		47.7	32.7
Changes in exceptional creditors		(4.6)	0.0
Cash generated from operations		43.1	32.7
Payments of interest		(30.6)	(17.9)
(Payments) receipt of tax		(0.3)	0.7
Cash flow from operating activities		12.2	15.5
Investing activities			
Property, plant and equipment	11	(12.2)	(28.6)
Acquisitions, net of cash acquired		(0.7)	(52.2)
Shareholdings		0.0	(8.6)
Financial assets		0.0	(53.4)
Investing activities		(12.9)	(142.8)
Financing activities			
Dividends		(0.4)	(7.6)
Bank loans		(187.0)	4.6
New borrowings		0.0	102.7
Financing activities		(187.4)	99.7
Net decrease in cash		(188.1)	(27.6)
Effects of foreign exchange adjustments		(0.8)	0.4
Cash and cash equivalents at beginning of year		210.7	70.4
Cash and cash equivalents at the end of the period		21.8	43.2
Other information:			
Free cash generation (deficit) from operating activities		0.0	(13.1)

Amounts in GBP millions 8

Notes to the Condensed Consolidated Interim Financial Statements

1. General information

Bakkavör Group hf. is a company incorporated and domiciled in Iceland. The Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2009 comprise Bakkavör Group hf. (the parent) and its subsidiaries (together referred as the Group).

The Group prepares its Condensed Consolidated Interim Financial Statements in GBP, which is the Group's functional currency.

2. Significant accounting policies

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting, as adopted by the EU.

The Condensed Consolidated Interim Financial Statements have been prepared under the historical cost basis, except for revaluation of certain properties and financial instruments.

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 2008.

These Condensed Consolidated Interim Financial Statements do not include all of the information required for annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2008, except for the impact of the adoption of the Standards and Interpretations described below.

IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009)

IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 4), but has had no impact on the reported results or financial position of the Group.

IAS 1 (revised 2007) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)

The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group.

3. Quarterly statements

	Q2 - 2008	Q3 - 2008	Q4 - 2008	Q1 - 2009	Q2 - 2009
Net sales	425.7	402.8	412.5	409.8	426.6
Cost of sales	(335.5)	(312.6)	(321.8)	(331.3)	(334.7)
Gross profit	90.2	90.2	90.7	78.5	91.9
Operating expenses	(66.1)	(70.4)	(85.9)	(71.0)	(65.7)
Restructuring costs	(3.1)	(1.7)	(37.0)	0.0	(4.6)
Share of (loss) profit in associates	(0.6)	0.1	(0.4)	0.2	0.2
Operating profit (EBIT)	20.4	18.2	(32.6)	7.7	21.8
Net finance costs	(23.6)	(12.4)	(14.4)	(20.2)	(24.1)
Other gains and losses	13.9	(9.6)	(53.7)	(6.9)	31.3
Loss on other assets	(30.4)	(16.3)	(0.4)	0.0	(3.7)
(Loss) profit before tax	(19.7)	(20.1)	(101.1)	(19.4)	25.3
Income tax	(3.8)	0.5	2.8	11.3	1.1
(Loss) profit for the period	(23.5)	(19.6)	(98.3)	(8.1)	26.4
EBITDA pre-restructuring costs	35.3	31.1	15.7	18.7	37.3
EBITDA post-restructuring costs	32.2	29.4	(3.8)	18.7	32.7
EBITDA ratio pre-restructuring costs	8.3%	7.7%	3.8%	4.6%	8.7%
EBITDA ratio post-restructuring costs	7.6%	7.3%	(0.9%)	4.6%	7.7%
Cash flow from (to) operating activities	19.8	28.8	(29.1)	(20.7)	32.9
Free cash generation (deficit) from operating activities	3.0	17.7	(38.6)	(28.0)	28.0

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4. Segment information

The Group operates in ten countries with over 6,000 products in 18 categories. Certain parts of the business are subject to seasonal fluctuations in sales. However, the Group operates a diversed portfolio of products that minimises that effect. No individual element of seasonality is likely to be material to the result of the Group as a whole.

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

In prior years, segment information reported externally was analysed on the basis of the types of the Group's sale by the categories "Hot eating", "Cold eating" and Traded Produce and Rest of the World. However, information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is focussed on four operating divisions: UK Prepared Foods, UK Produce, Continental Europe and Rest of the World.

Principal activities are as follows:

UK Prepared Foods: The preparation and marketing of fresh prepared foods for distribution in the UK.

UK Produce: The marketing and distribution of fresh produce in the UK.

Continental Europe: The preparation and marketing of fresh prepared foods and the marketing and distribution of fresh produce in Europe.

Rest of the World: The preparation and marketing of fresh prepared foods and the marketing and distribution of fresh produce in the rest of the world.

The following table provides an analysis of the Group's segment information for the period 1.1.2009 - 30.6.2009:

	UK Prepared	UK Produce	Continental Europe	Rest of world	Total
Net sales	604.6	97.3	107.0	27.5	836.4
Operating profit pre-restructuring costs	29.7	0.9	1.7	1.4	33.7
Operating profit (loss) post-restructuring costs	29.4	0.9	(2.6)	1.4	29.1
Share of profit in associates					0.4
Operating profit					29.5
Net finance costs					(44.3)
Other gains and losses					24.4
Loss on other assets					(3.7)
Profit before tax					5.9
Income tax					12.4
Profit for the period					18.3

The following table provides an analysis of the Group's segment information for the period 1.1.2008 - 30.6.2008:

	UK Prepared	UK Produce	Continental Europe	Rest of world	Total
Net sales	591.8	112.6	83.5	15.1	803.0
Operating profit (loss) pre-restructuring costs	37.6	2.1	0.6	(0.4)	39.9
Operating profit (loss) post-restructuring costs	34.6	2.0	0.6	(0.4)	36.8
Share of loss in associates					(0.4)
Operating profit					36.4
Net finance costs					(37.2)
Other gains and losses					12.4
Loss on other assets					(46.2)
Loss before tax					(34.6)
Income tax					(1.7)
Loss for the period					(36.3)

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The following table provides an analysis of the Group's assets by operating segment:

	30.6. 2009	31.12. 2008
UK Prepared	1,265.1	1,238.8
UK Produce	50.8	50.4
Continental Europe	167.3	170.9
Rest of the World	68.1	65.5
Unallocated corporate assets	(22.1)	230.2
	1,529.2	1,755.8

5. Restructuring costs

The restructuring costs are the cost of restructuring under-performing manufacturing sites and improve operational efficiencies in order to generate profitable growth in the long term. These costs include the costs of factory closures, staff redundancy and other related costs. The costs incurred relates mainly to restructuring activities on mainland Europe.

	1.1. - 30.6. 2009	1.1. - 30.6. 2008
Restructuring costs	(4.6)	(3.1)
	(4.6)	(3.1)

6. Net finance costs

	1.1. - 30.6. 2009	1.1. - 30.6. 2008
Interest income	1.0	1.3
Interest expenses	(45.3)	(38.5)
	(44.3)	(37.2)

7. Other gains and losses

	1.1. - 30.6. 2009	1.1. - 30.6. 2008
(Decrease) increase in derivative financial instruments	(1.6)	8.2
Exchange rate adjustments	26.0	4.2
	24.4	12.4

8. Loss on other assets

	1.1. - 30.6. 2009	1.1. - 30.6. 2008
Impairment of assets	(5.6)	0.0
Gain recognised on disposal of interest in associates	1.9	0.0
Loss on other financial assets	0.0	(46.2)
	(3.7)	(46.2)

In May the Group disposed of its 30% share in Interfruit (pty) Ltd. and its 45% share in Tropical Fresh Alimentos SA. The Group has impaired some of its stake in Fram Foods hf. and related receivables.

9. Earnings (loss) per share

The calculation of earnings per share is based on the following data:

	1.1. - 30.6. 2009	1.1. - 30.6. 2008
Net profit (loss) for the 6 months ended 30 June attributable to shareholders	17.6	(36.8)
Total average number of shares outstanding during the period (in million)	2,148	2,148
Earnings (loss) per share (GBP pence)	0.8	(1.7)

10. Goodwill and other intangible assets

	Goodwill	Customer contracts	Total
Carrying amount at 1 January 2009	846.6	4.4	851.0
Exchange rate difference during the period	(0.6)	(0.3)	(0.9)
Amortisation during the period	0.0	(0.4)	(0.4)
Carrying amount at 30 June 2009	846.0	3.7	849.7

11. Property, plant and equipment

	30.6. 2009	30.6. 2008
Cost at beginning of period	518.6	446.2
Accumulated depreciation at beginning of period	(160.3)	(108.5)
Book value at beginning of period	358.3	337.7
Acquisitions during the period	0.0	14.8
Additions during the period	12.5	25.2
Disposals during the period	(0.9)	(0.1)
Depreciated during the period	(21.5)	(21.7)
Exchange differences	(7.0)	3.5
Book value at end of period	341.4	359.4

Depreciation and impairment in the Income Statement is specified as follows:

	1.1. - 30.6. 2009	1.1. - 30.6. 2008
Depreciation included in Cost of sales in the Income Statement	12.2	15.3
Depreciation included in Operating expenses in the Income Statement	9.3	6.4
	21.5	21.7

12. Interest in associates

Associates at 30 June 2009:

	Place of registration and operation	Interest	Principal activity
Bakkavor QV Ltd.	United Kingdom	55.0%	Marketing of fresh produce
Fram Foods hf.	Iceland	30.6%	Manufactures consumer packaged seafood
Gastro Primo Ltd.	Hong Kong	48.0%	Food and beverage supplier
La Rose Noire Ltd.	Hong Kong	45.0%	Preparation and marketing of pastry products

13. Inventories

	30.6. 2009	31.12. 2008
Raw material and packaging	40.7	46.0
Work in progress	2.4	5.7
Finished goods	9.2	5.8
	52.3	57.5

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14. Other financial assets

Trade and other receivables:

	30.6. 2009	31.12. 2008
Nominal value of trade receivables	186.2	199.6
Allowance for doubtful accounts	(1.3)	(2.5)
Pension asset	0.0	0.4
Derivative financial instruments	0.0	5.7
Other current receivables	66.9	59.3
	251.8	262.5

Cash and cash equivalents:

Bank balances and cash comprise cash and short-term deposits. The carrying amount of these assets approximate their fair value.

15. Share capital

Share capital is registered in Icelandic króna (ISK) and is 2,157,888,219 ISK as required by the articles of association. At the end of the period, the Group's own shares amounted to 9,836,000 ISK.

Total share capital at the end of the period according to the financial statements was GBP 14.9 million, as follows:

	30.6. 2009	31.12. 2008
Total share capital	15.0	15.0
Own shares	(0.1)	(0.1)
	14.9	14.9

Changes in share capital are as follows:

Share capital at 1 January	14.9	14.9
Changes during the period	0.0	0.0
Share capital at the end of the period	14.9	14.9

16. Dividends

The Annual General Meeting of Bakkavör Group, held on 20 May 2009, resolved that no dividend will be paid out in the year 2009.

17. Non-current borrowings

	30.6. 2009	31.12. 2008
Borrowings in ISK	121.9	0.0
Borrowings in GBP	721.5	1,019.3
Borrowings in USD	48.9	54.7
Borrowings in EUR	71.4	81.0
Borrowings in NOK	5.0	5.1
Borrowings in other currencies	1.9	1.4
Less: borrowings due in less than year	(175.2)	(364.8)
	795.4	796.7

Bonds previously accounted for in GBP are now denominated in ISK due to the maturity of a swap contract in May.

18. Derivative financial instruments

The Group utilises currency derivatives, mainly forward exchange contracts and currency options, to hedge significant future transactions and cash flows. At the balance sheet date, the total notional amount of outstanding forward exchange contracts to which the Group is committed amounts to GBP 28.7 million.

The Group uses interest rate swaps, swaptions and collars to manage its exposures to interest rate movements on its bank borrowings. At the balance sheet date, the total notional amount of outstanding interest rate swaps amounts to GBP 448.5 million.

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19. Other current liabilities

	30.6. 2009	31.12. 2008
Accounts payables	169.3	197.1
Current tax payables	9.1	21.1
Provisions	17.7	17.1
Pension deficit	33.7	0.0
Derivative financial instruments	10.6	35.3
Other current liabilities	181.2	167.1
	421.6	437.7

20. Mortgages and commitments

Operating lease commitments

The future minimum lease payments under non cancellable operating leases are as follows:

	30.6. 2009	31.12. 2008
Not later than 1 year	11.8	13.1
Later than 1 year and not later than 5 years	31.2	26.3
Later than 5 years	59.6	66.5
	102.6	105.9

Capital commitments

Capital expenditure contracted for, but not provided for in these accounts, amounted to GBP 4.6 million.

Purchase commitments

The Group has purchase commitments for the next 12 months to guarantee supply and price in the amount of GBP 33.4 million.

21. Contingent liabilities

There are a number of legal claims or potential claims against the Group, the outcome of which cannot at present be foreseen. Provision has been made for all liabilities which are expected to materialise.

At 30 June the Group has granted its subsidiaries and associates guarantees amounting to GBP 107.2 million.

22. Going concern

In determining the appropriate basis of preparation of the Condensed Consolidated half yearly Financial Statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

On the 15 May 2009 the Group was unable to repay the 2003 bonds as they fell due. The Group is in advanced talks to extend not only the 2003 bonds but also the 2005 bonds that fall due in December 2010 and other unsecured debt which is now due in Bakkavör Group hf. The Directors consider that the bonds and unsecured debt held by Bakkavor Group hf. as an individual company will be restructured in the near future and consider that the restructuring of this debt will not have a material impact on the operating entities in the Group. In the event that restructuring does not materialise as planned, a material uncertainty may arise which could cast doubt about the ability of the Icelandic holding company Bakkavor Group hf. to carry on as a going concern. However this uncertainty, should it arise, would not be expected to impact the operating entities in the Group.

Based on the Group's current trading, forecasts and the current advanced state of the negotiation with the Bakkavör Group hf. debt holders, the Directors believe that the Group will continue to comply with its loan agreements and accordingly have formed a judgement that it is appropriate to prepare the Condensed Consolidated half yearly financial statements upon a going concern basis.

23. Approval of the Condensed Consolidated Interim Financial Statements

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors and authorised for issue on 27 August 2009.

Amounts in GBP millions 14