

BEIG Half Year Update – 30th June 2009

While the broader economy has been in decline across all of our markets, the frozen food market remains resilient albeit that growth has on average slowed down compared to 2008. Against this backdrop BEIG is continuing to make progress against its core objective of creating a firm foundation for faster growth once we pull out of recession. Highlights from the first half of the year include:

- Gross Margin remains strong and in line with last year despite the high input cost inflation at the end of 2008.
- Operating cashflow conversion remains strong. Combined with a significant reduction in non-recurring & restructuring cashflows in 2009, our net cash generation throughout the first half of the year has improved substantially year on year. The headroom on all our financial covenants remains strong and BEIG is fortunate to have a very supportive syndicate of lending banks with ample long term funding facilities in place.
- Net Sales have declined versus last year mainly in our non-core categories. The performance of our core categories, fish, vegetables and poultry is better with poultry in double digit growth.
- The strong pipeline of European NPD plans discussed in our year-end report have started to come through, in particular
 - we have introduced Salmon Fish Fingers across several markets, generating incremental market share and improved mix in our core fish fingers category
 - our entry into the natural fish segment in the UK has shown promising potential in the first months since launch, with the “Bake to Perfection” range performing in line with the top SKUs in the Fish category and enjoying a 30% share of the natural fish segment. Baked to Perfection has since been launched in Austria and Belgium.
- We are continuing to push forward into new European markets. We have started trading in Turkey where we have achieved brand leadership after 3 months, we will be opening in Russia in the second half of the year and we have opened up distribution businesses in Slovakia and Slovenia.
- Although we have seen a recovery in £/€ rates since the year end lows, the rate is still lower than during H1 2008. As we are a Euro denominated company with approximately half our business transacted in GBP our reported sales and profits are reduced when sterling weakens.
- Whilst input cost inflation has been less severe than the second half of 2008 we have continued to suffer inflationary pressure on input costs in the first half of 2009.

Balance of Year outlook

Our planning stance for the balance of 2009 will remain similar in terms of margin protection but H2 will benefit from the increased run rate from our new product development and marketing programmes. All of our major markets will be investing in additional A&P and we expect to see the growth rates accelerate in our core 3 markets.

Cash and Working Capital will continue to improve as we “de-risk” the business through positive cash generation.

Martin Glenn
CEO September 2009