

Food review EUROPE

Food Europe, which comprises the Lifestyle Food businesses in Ireland, the UK and France, as well as Shamrock Foods, increased revenue by 13.1 per cent to €836.3m reflecting underlying sales growth of 6.7 per cent. Operating profit* in Food Europe increased by 12.9 per cent to €71.2m in 2006.

Ireland

Shamrock Foods is home to two of Ireland's leading food brands - Shamrock and Roma. The business encompasses marketing, brand management and state of the art ambient logistics capabilities, based from a 225,000 square foot, temperature-controlled facility in South West Dublin. Key to Shamrock Foods' success is the Group's Enterprise Resource Planning (ERP) system which enables efficient, integrated customer relationship management, warehouse management, distribution and market intelligence gathering.

The company performed satisfactorily, notwithstanding the loss of the Weetabix agency contract in the second half of the financial year. This loss was partially offset by continued growth in both the Roma and Shamrock brands and ongoing strength from its other agency business.

Roma continues to experience excellent growth in market share for key product categories such as pasta, tomatoes, puree and olive oil. Roma had a number of significant new product launches in the year

including new bolognese sauces, a new Hot & Spicy Bruschetta, Stir Fry Oils, a new pasta shape in the Kidz Pasta range as well as a new look for Roma Boil in the Bag and Premium Pasta Sauces.

Shamrock is Ireland's leading home baking brand, and while it is evolving into a more diverse range of product categories, the brand retains a strong consumer base within home baking. It remains the number one brand in this category and continues to experience year on year growth.

A number of new products were launched in the year in response to increasing consumer demand for healthier snacking and baking options, reflecting growth in the Shamrock dried fruit, nuts and snacking range. The business has also expanded distribution of its snacking range into the foodservice arena, securing sales with several large contract catering groups during the year.

** Operating profit is stated here before intangible amortisation and exceptional items.*





S H A M R O C K F O O D S

Every year, Shamrock sponsors a national baking competition in secondary schools in association with the RTE Guide. This is designed to bring new users to the category and encourage younger people to have fun in the kitchen, while realising the satisfaction of creating food from scratch. Students nationwide are encouraged to enter a baking recipe for their favourite Irish celebrity. Five finalists were chosen this year to attend the final "Bake Off" in Dublin in March 2006.

Food review EUROPE

"The Company has been granted planning permission for a new, world-class facility on a greenfield site in Grangecastle, Co. Dublin...The investment will underpin the future growth of our business, not only in Ireland but internationally."

Ireland (continued)

Our Lifestyle Food business in Ireland provides a complete food offering for convenience stores. This incorporates the Cuisine de France branded full in-store bakery solution, Pierre's branded hot food products and the Carroll Cuisine full deli counter offering of cold meats and salads, as well as ready prepared meals.

The Irish Lifestyle Food business performed well in 2006, recording good sales growth in a very competitive marketplace. Successful development of new products in partnership with our key customers continues to drive our sales, while the strong Irish economic performance has helped generate increased demand from more consumers for convenience foods.

Our Cuisine de France business had another successful year, recording growth and maintaining our market leadership position. New product offerings that were particularly successful included, the "Taste of Italy" range, 'Traditional Irish Breads' and 'Speciality Gourmet Breads'.

The consumer trend towards higher value premium products was supported with a new range from our association with Hiestand.

Market trials of La Brea Bakery artisan breads in Ireland were completed in the year. The market trials were successful and we have begun rolling out the brand to a select number of retail and foodservice accounts.

Our chilled Food To Go manufacturing facility and Centre of Excellence in Tullamore was officially opened during the year. We are very pleased with the performance of this business, in particular the continued growth in our Carroll's Premium Cooked Ham range and the extension of our Carroll Cuisine Food To Go offering.

Due to our continued growth in Ireland, the Lifestyle Food business will soon be capacity constrained at its current site in Tallaght, Dublin. The Company has been granted planning permission for a new, world-class facility on a greenfield site in Grangecastle, Co. Dublin. This new facility will encompass research and development, manufacturing, distribution, an innovation centre and a training academy amongst many other functions. The investment will underpin the future growth of our business, not only in Ireland but internationally.

The total spend on the Grangecastle project is expected to be €180m. To offset the cost of the development, the Group has entered into an option to dispose of its current operating site in Tallaght in 2009, following the relocation of operations to Grangecastle, for a minimum consideration of €48m.



CUISINE DE FRANCE

Cuisine de France and transition year school students in Dublin successfully launched 'Muffin Week' and helped raise over €30,000 for Temple Street Children's Hospital. The students from 28 Dublin based secondary schools set up their own mini-companies selling hundreds of cases of Cuisine de France wrapped muffins at every roadside, DART and LUAS station in Dublin. The funds were donated to Temple Street to help buy a new heart monitor for premature babies in the Intensive Care Unit. Cuisine de France would like to thank all those involved especially the Department of Transport for helping to make this fundraising initiative so successful.



Food review EUROPE

United Kingdom

The Lifestyle Food business in the UK is the leading provider of innovative, continental, ready-to-bake specialities, sourced from select suppliers across Europe. The UK business, which serves customers in both the foodservice and retail channels through the Delice de France and Cuisine de France brands, achieved a very satisfactory performance in 2006.

This year saw significant investment in Lifestyle Food UK as we completed the integration of the food businesses and the rollout of the Group's Enterprise Resource Planning (ERP) system.

The implementation of the ERP system was successfully completed across the UK Food operation in July 2006. In addition, a new Management Information System was introduced, complementing the ERP project, designed to provide real time management information. The UK business is now using technology and processes developed in our Irish business which have a proven track record.

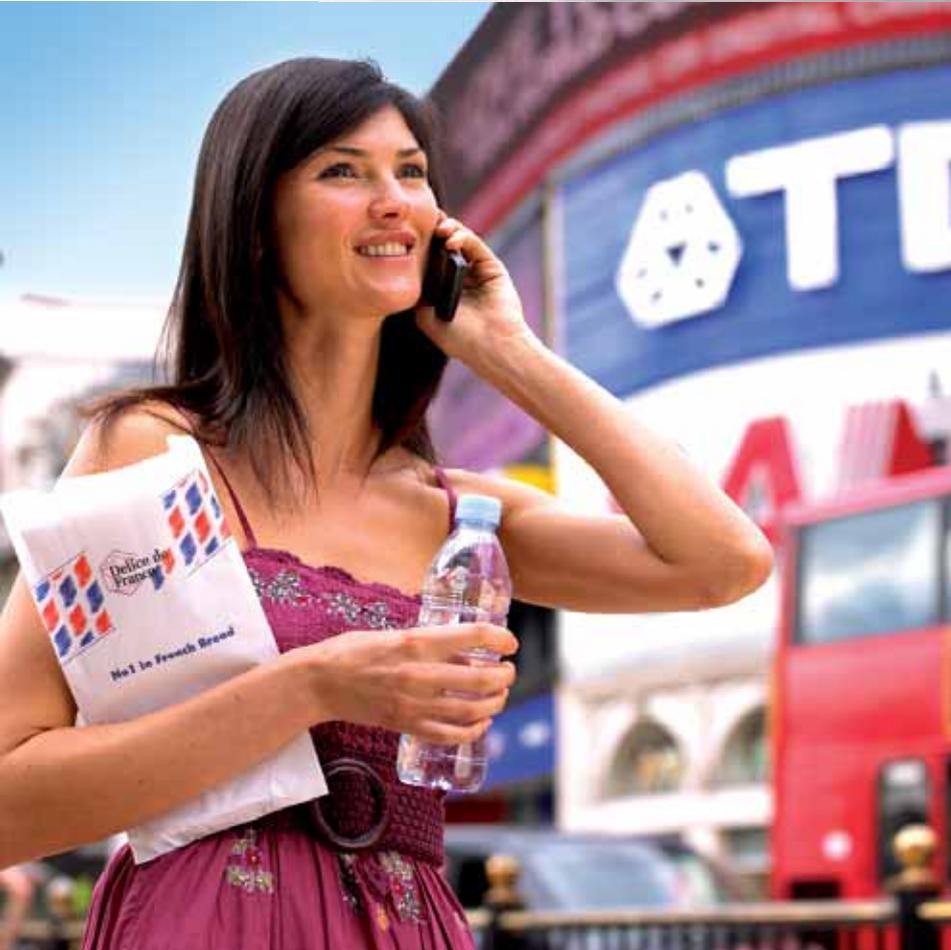
Our baking academies have been upgraded throughout the year, and now provide unparalleled facilities for our customers to experience our market leading products, and for their staff to understand how to deliver this quality to the end consumer.

Foodservice continues to show good growth, benefiting from improved consumer confidence and opportunities

outside the London area. Delice de France is now offering its customers around 500 different products: speciality continental bread, patisserie, viennoiserie, savoury and dessert products. This represents a much stronger range of products and solutions for customers who are increasingly attracted by the combination of high quality product and significantly reduced preparation times.

Sales growth potential to the UK convenience retail market is dependent on further investment by shop owners in upgrading their existing convenience stores. Competition is strong in the UK retail market, and the challenge for convenience retailers is to reposition themselves to appeal to an ever more discerning consumer. We expect this repositioning to lead to consolidation in the UK retail convenience market with fewer, larger and higher quality stores replacing the proliferation of smaller outlets. As convenience retailers decide to take this step forward, IAWS Food UK offers them solutions to support their repositioning.





DELICE DE FRANCE ACADEMIES

The Delice de France Baking Academies have been developed to provide a support network for all customers. The academies are equipped with “best in class” foodservice equipment to make training easy and contemporary. The Academies provide job specific training days to improve food safety knowledge, drive sales and help deliver quality products every time. The Academies are also used for product development and food workshops, and to fully train the Delice de France sales support teams. This gives them expert knowledge and enables them to assist customers with product and equipment queries at their premises.



Food review EUROPE

“Groupe Hubert’s passion for and excellence in research and development and product innovation are providing invaluable additional momentum to IAWS in these areas.”

France

In France, Groupe Hubert delivered an excellent performance in its first full financial year as part of IAWS Group, plc.

Groupe Hubert, which was acquired by IAWS in December 2004, is a leading supplier of customised, innovative viennoiserie, traiteur, reception and patisserie solutions to the craft and foodservice sectors in France.

The strength of this business is derived from excellence in quality product innovation. Management and staff in Groupe Hubert take great pride in their ability to create a stream of outstanding new products each year. The company’s passion for and excellence in research and development and product innovation are providing invaluable additional momentum to IAWS in these areas. Groupe Hubert also has strong working relationships throughout France with specialist convenience food manufacturers.

The business’ founding objective was to deliver frozen par-baked products to the craft sector that could match the quality of their in-store, baked from scratch equivalent. The success of the business is testament to the company’s ability to deliver convenient products requiring dramatically reduced preparation time, whilst maintaining the highest levels of quality. This allows chefs and artisan bakers to ensure they always have the finest product available. Research and development became the cornerstone of the company’s success as the French market is highly demanding in terms of consumer tastes and food expectations.





COUP DE PATES

Coup de Pates is the market leader in driving innovation in bakery and food to go solutions in France. Key to their success is their focus on new product development. Twice a year Coup de Pates launches a new product catalogue, which features a number of new products. In the last year over 120 new products have been developed and incorporated into these new catalogues. The research and development team primarily focus on quality, innovation, recipe improvements, ease of use of product, product differentiation and overall eating pleasure. In developing new products Coup de Pates focuses on customers' key needs and wishes, making themselves a "business partner" of their customers.



Food review EUROPE

"Groupe Hubert experienced strong sales growth during the year as demand from the craft and foodservice markets for convenience product continues to increase."

France (continued)

Today, Groupe Hubert has a quality customer base consisting of over 20,000 independent food retailers, representing France's leading convenience food destination. We believe these independent retailers are among the most discerning food merchants in the world, with exceptional standards of product presentation. The business has an extensive sales, telesales and logistical network allowing it to service its customers across France on a daily basis.

Groupe Hubert experienced strong sales growth during the year as demand from the craft and foodservice markets for convenience product continues to increase. Growth in this market is being driven primarily by new product development.

Associate – Hiestand

Hiestand Holding AG, listed on the Zurich Stock Exchange, is a leading international manufacturer of Swiss gourmet bakery products.

For the full year 2005, Hiestand had total sales of CHF 449.6m, an increase of 13.1 per cent on the previous year. Hiestand achieved a further 9.9 per cent sales growth in the first six months of 2006, with total sales of CHF 236.0m during that period.

In December 2005, IAWS Group, plc announced it had increased its shareholding in Hiestand to 32 per cent from 22 percent, at a cost of €35.1m.

Hiestand's main markets are in Europe (Switzerland, Germany, Poland and Austria) and Asia (Malaysia and Japan), both of which are experiencing sales growth. IAWS and Hiestand are continuing to unlock benefits from working more closely together.





Food review

NORTH AMERICA

"During the year, the Group completed a €50m investment programme, the third phase of expansion at the La Brea Bakery facility in New Jersey, increasing capacity to satisfy what we believe will be the La Brea Bakery growth demands over the next two years."

In North America the Group continues to make excellent progress. Revenue (excluding the joint venture) grew by 31.4 per cent to €139.1m reflecting underlying sales growth of 26.1 per cent. Operating profit * increased by 30.6 per cent to €16.6m. This business supplies into the retail and foodservice channels, both of which are experiencing good growth.

La Brea Bakery is now the established premium artisan bread brand in the US based on research conducted by AC Nielsen. It is the only branded artisan bread offering with nation-wide distribution in the United States, bringing distinctive breads and exciting sandwich ideas to the market.

La Brea Bakery manufactures its artisan breads in our own unique bakery facilities in New Jersey and Los Angeles, replicating traditional artisan craft baking techniques with meticulous attention to detail on a large scale. La Brea Bakery places huge importance on ensuring it always has the best recipes, ingredients and resources, enabling it to set the highest standards for its category. The business also continues to benefit from the inspiration of Nancy Silverton, founder of the original La Brea Bakery retail store in

Los Angeles, and, in common with all of our Food businesses, La Brea Bakery's success is underpinned by category leading innovation and new product development.

During the year, the Group completed a €50m investment programme, the third phase of expansion at the La Brea Bakery facility in New Jersey, increasing capacity to satisfy what we believe will be the La Brea Bakery growth demands over the next two years. This investment brings the total expenditure on the New Jersey site to €100m. Enhanced production facilities on the East and West Coasts ensure that the business has a distinct competitive advantage in a climate of rising fuel and transport costs.

Given the scale of La Brea Bakery's production capability, business performance and margins are influenced by volumes and efficiency in the manufacturing process. During the year the impact of rising fuel and energy costs was absorbed by increased volumes and effective production management.

Over the past year the business has focussed heavily on continuing to build a nation-wide sales force. The La Brea Bakery business now has an established sales force throughout the USA to drive further growth. This is a key part of our partnership model, assisting customers in ensuring that products are baked off and presented in the correct manner. The sales team is crucial to communicating the benefits and opportunities generated by our products directly to stores.

** Operating profit is stated here before intangible amortisation and exceptional items.*



LA BREA

La Brea Bakery continued to launch new products during the year, including the new La Baccia roll. It's not Focaccia or Ciabatta. It's La Baccia. Something brand new to artisan bread lovers everywhere! La Baccia has a delicate rustic crust with a rich taste and soft, smooth texture. The artisan roll is versatile from every angle. Whether served open, closed, toasted, or cold, the interior remains airy and light. La Baccia's rich, slightly sweet flavour complements a variety of sauces, dressing, and other fillings.



Food review NORTH AMERICA

La Brea Bakery brand awareness was boosted during the year through a number of initiatives. These included the opening of two new La Brea Bakery branded café kiosks. With a new location in downtown Chicago's historic Marshall Fields Watertower building and in Marshall Fields of Southdale, MN, customers can enjoy La Brea Bakery's signature sandwiches and salads. In addition, the La Brea Bakery Café in Downtown Disney was able to join in Disneyland's 50th Anniversary celebrations which brought in large numbers of visitors from all over the world.

Joint Venture – Tim Hortons

Tim Hortons is the largest quick service restaurant chain in Canada specialising in always fresh coffee, baked goods and homestyle lunches. In 2001, IAWS and Tim Hortons launched the Maidstone Bakery joint venture in Brantford, Ontario. This consists of a world-class, 300,000 square foot par baking facility. The Maidstone Bakery supplies the entire estate of Tim Hortons restaurants with donuts, timbits and a number of bread products, enabling them to produce freshly baked goods in just a few minutes at all Tim Hortons restaurants under the "Always Fresh" bakery concept. The joint venture also supplies par baked products to our Cuisine de France business in Chicago.

IAWS and Tim Hortons continue to work closely together, developing new products and opening up new market opportunities.

The performance of the joint venture was satisfactory in 2006. The Group's share of profit from the Maidstone Bakery was boosted due to favourable currency movements in the year.

On 24 March 2006, Tim Hortons completed its IPO of 17.25 per cent of the Company, with trading commencing on the Toronto and New York Stock Exchanges. Wendy's International, Inc. maintains an 82.75 per cent ownership in the Company and has announced that it is targeting 29 September 2006 to spin off its remaining Tim Hortons shareholding.



Owen Killian
Chief Executive Officer
25 September 2006





TIM HORTONS AND IAWS JOINT VENTURE

IAWS Group plc and Tim Hortons, formed a 50/50 joint venture in 2001, to build and operate a bakery plant, in Brantford, Ontario. The Maidstone Bakery produces par-baked donuts and baguettes for the Tim Hortons estate of restaurants. Cuisine de France Inc., based in Chicago, also sources its baguette requirement from the facility. The Maidstone Bakery supplies all 2,890 stores in the Tim Hortons estate of restaurants.

