

Q1 2009 Presentation

Sigsteinn Grétarsson,
Managing Director of Marel ehf.

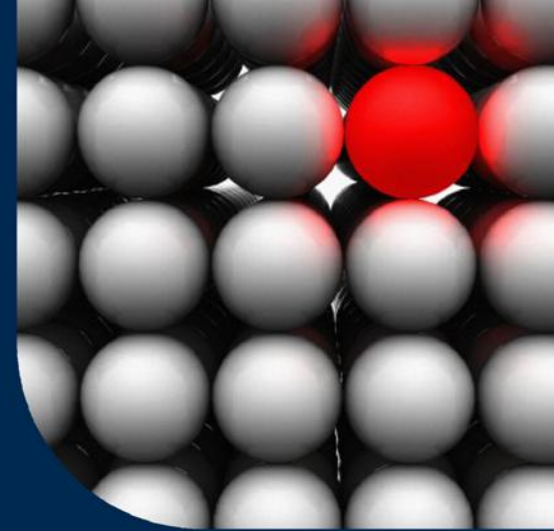
Erik Kaman,
CFO of Marel Food Systems hf.

May 7, 2009



Sigsteinn Grétarsson

Managing Director of Marel ehf.



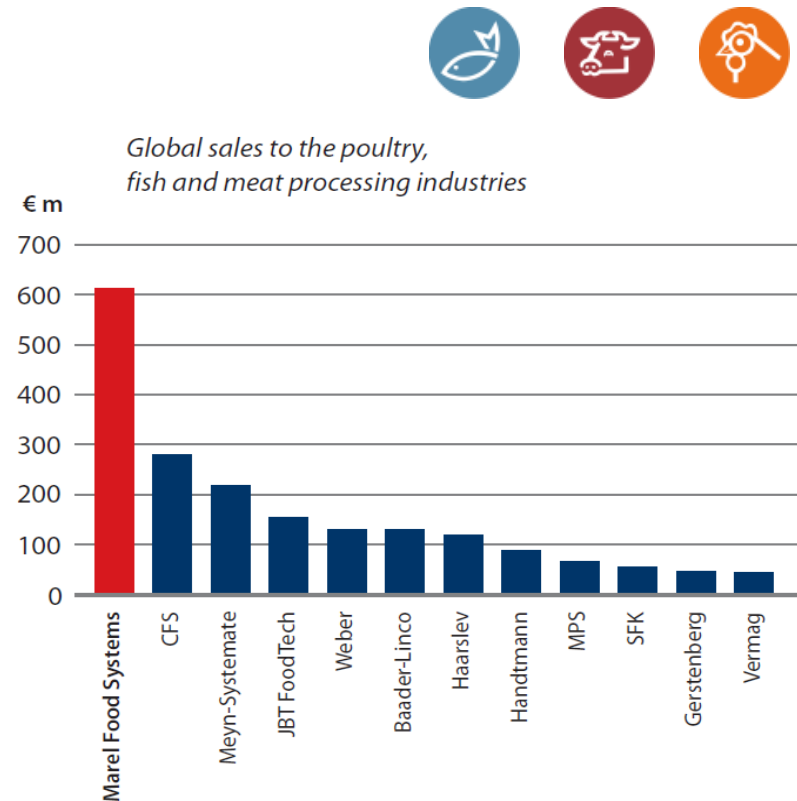


- 1** Introduction
- 2 Pro forma operations of core business
- 3 Consolidated financial statements
- 4 Prospects

Attractive and fast growing market

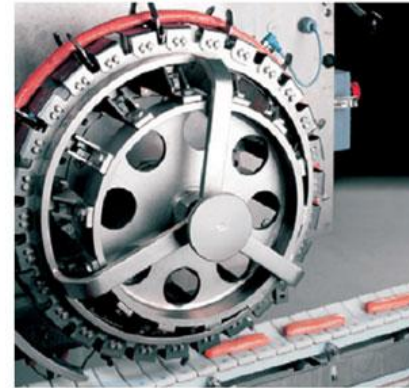
- We operate in a **€4 billion market**, where the company leads with a **marketshare of 15%**
- The market has steadily been growing by **5-6%** a year for the last two decades
- While developed markets are expected to grow on average by **4%** emerging markets are expected to grow by **6-8%**

→ **Marel Food Systems has established itself as the market leader**



Proforma turnover of MFS core business in 2008. Turnover of other companies based on estimates by MFS management.

Global leader in advanced equipment and systems



**Number 1
globally**

In advanced
equipment and
systems for
poultry
processing

**Number 1
globally**

In advanced
equipment and
systems for
seafood
processing

**Number 1
globally**

In advanced
equipment and
systems for
further
processing

**Major
global**

provider of
advanced
equipment and
systems for meat
processing

Redefined core operations and related organizational changes

- Marel Food Systems' core business is to provide equipment and systems for the poultry, fish and meat processing industries worldwide
- The salmon and freezing parts of Carnitech, as well as its U.S. operations, have now been put under Marel's name and management
- The remaining operations of Carnitech, as well as the activities of Stork Food & Dairy Systems and Scanvaegt Nordic, which is booked as "asset-for-sale", are now defined as non-core business
- According to the redefinition, turnover of core business in 2008 would be €548m, compared to €613m by our former definition



Stork's FHF-XB front-half deboning line is at the core of our business and impressed visitors at the 2009 IPE in Atlanta

→ **New definition in tune with Company's strategy**

Financial highlights

- **Good cash flow despite postponement of large projects by customers**

- €103.2 million in revenues from core activities
 - Decrease of 27% compared to a record Q1 2008
 - The drop is a consequence of low order intake at the height of the financial crisis in the second half of 2008
- €1.7 million operational loss (EBIT) from core business before restructuring charges
 - €3.5m in one-off costs related to restructuring

- **Strong operating cash flow of €16.8 million**

- €33 million in cash at end of quarter, compared to €21 million at the end of Q4 2008
- Due to strong operating cash flow and limited capital expenditure



Standard equipment such as Marel's SensorX has been largely unaffected by the financial crisis

Sale of Scanvaegt Nordic and real estate in Amsterdam

- **Sale proceeds of €37.5 million**

- Divestments in line with corporate strategy
- Proceeds will be used to reduce short term debt
- Realized profits in excess of €10 million

- **Scanvaegt Nordic operations**

- Operates outside of the food industry
- Bought back by the founders
- Accounted for €31.2 million in revenues and EBIT of €2.9 million in 2008

- **Real estate in Amsterdam**

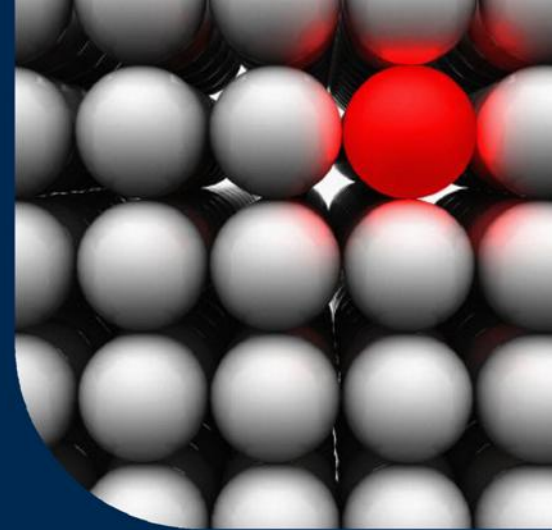
- Previously housed Stork Food & Dairy Systems
- The operations have already been relocated to another location in Amsterdam

→ **Successful sale of non-core assets which falls under Q2 2009**



Erik Kaman

CFO of Marel Food Systems hf.





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Consolidation vs. pro forma core operations

Revenues in € millions	Q1 2009	Share
Consolidated revenue	130.3	100%
Non-core operations	(27.2)	21%
Pro forma core business	103.2	79%

Non core operations

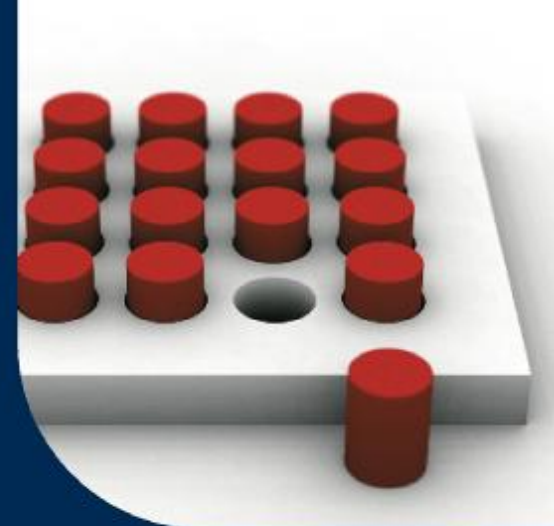
- Stork Food & Dairy Systems
 - The company has defined it as non-core operations since acquisition
- Carnitech A/S
 - Carnitech Salmon and Carnitech US have been moved under Marel's management
- Scanvaegt Nordic
 - Sale has been agreed

Pro forma income statement of core business* for Q1 of 2009

In EUR thousands

	Q1 2009	Q1 2008	Ch. in %
Sales	103,174	140,536	-27%
Cost of sales	(69,075)	(85,408)	
Gross profit	34,099	55,128	
Other operating income	47	101	
Selling and marketing expenses	(16,211)	(19,231)	
Research and development expenses .	(7,835)	(8,435)	
Administrative expenses	(15,320)	(14,139)	
Profit from operations (EBIT)	(5,220)	13,423	
EBIT, excluding one-off restructuring costs	(1,720)		
Gross profit margin	33%	39%	
EBITDA	391	18,420	
EBITDA, excluding one-off restructuring costs	3,891		

* Marel Food Systems' core business is to provide equipment and systems for the poultry, fish and meat processing industries worldwide. The salmon and freezing parts of Carnitech, as well as its U.S. operations, are now operated under the Marel name and management. Defined now as non-core business are Food and Dairy Systems, Scanvaegt Nordic and the remaining operations of Carnitech.



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Consolidated income statement for the first quarter of 2009

	EUR thousands		% of sales	
	Q1 2009	Q1 2008	Q1 2009	Q1 2008
Revenue	130,334	74,035		
Cost of sales	(88,354)	(48,650)		
Gross profit	41,980	25,385	32.2%	34.3%
Other operating income	32	306		
Selling and marketing expenses	(19,733)	(11,508)	15.1%	15.5%
Research and development expenses	(9,029)	(3,778)	6.9%	5.1%
Administrative expenses	(19,007)	(8,228)	14.6%	11.1%
Result from operations	(5,757)	2,177	-4.4%	2.9%
Finance costs - net	(3,407)	(1,177)		
Share of results of associates	0	473		
Result before income tax	(9,164)	1,473		
Income tax expense	2,198	(734)		
Net result	(6,966)	739		
EBITDA	754	5,074	0.6%	6.9%
Depreciation and amortization	6,510	2,897	5.0%	3.9%

Consolidated balance sheet

	EUR thousands	
	31/3 2009	31/12 2008
ASSETS		
Non-current assets		
Property, plant and equipment	132,354	145,420
Goodwill	396,625	394,978
Other intangible assets	88,378	85,459
Investments in associates	305	305
Available-for-sale investments	28	28
Receivables	2,134	2,683
Deferred income tax assets	6,457	5,620
	<u>626,281</u>	<u>634,493</u>
Current assets		
Inventories	105,646	113,636
Production contracts	17,042	26,473
Trade receivables	83,891	85,603
Assets held for sale	23,620	0
Other receivables and prepayments	31,737	34,652
Derivative financial instruments	2,477	4,364
Cash and cash equivalents	33,041	21,038
	<u>297,454</u>	<u>285,766</u>
Total assets	<u><u>923,735</u></u>	<u><u>920,259</u></u>

Consolidated balance sheet (continued)

	EUR thousands	
EQUITY	31/3 2009	31/12 2008
Total equity	<u>279,268</u>	<u>288,279</u>
LIABILITIES		
Non-current liabilities		
Borrowings	272,870	265,807
Deferred income tax liabilities	5,771	10,362
Provisions	10,608	8,563
Derivative financial instruments	<u>38,068</u>	<u>35,542</u>
	327,317	320,274
Current liabilities		
Trade and other payables	153,332	156,203
Liabilities held for sale	9,783	0
Derivative financial instruments	13,767	8,261
Current income tax liabilities	895	6,703
Borrowings	133,604	134,636
Provisions	<u>5,768</u>	<u>5,902</u>
	317,150	311,706
Total liabilities	644,467	631,980
Total equity and liabilities	<u><u>923,735</u></u>	<u><u>920,259</u></u>

Net interest bearing debt

In € millions	31.03.09	31.12.08
Non-current debt	272.9	265.8
Lease obligations, non-current		0.2
Current debt	133.6	134.6
Lease obligations, current		0.2
	406.5	400.8
- Cash and cash equivalents	33.0	21.0
Net interest bearing debt	373.5	379.8

Strong cash flow

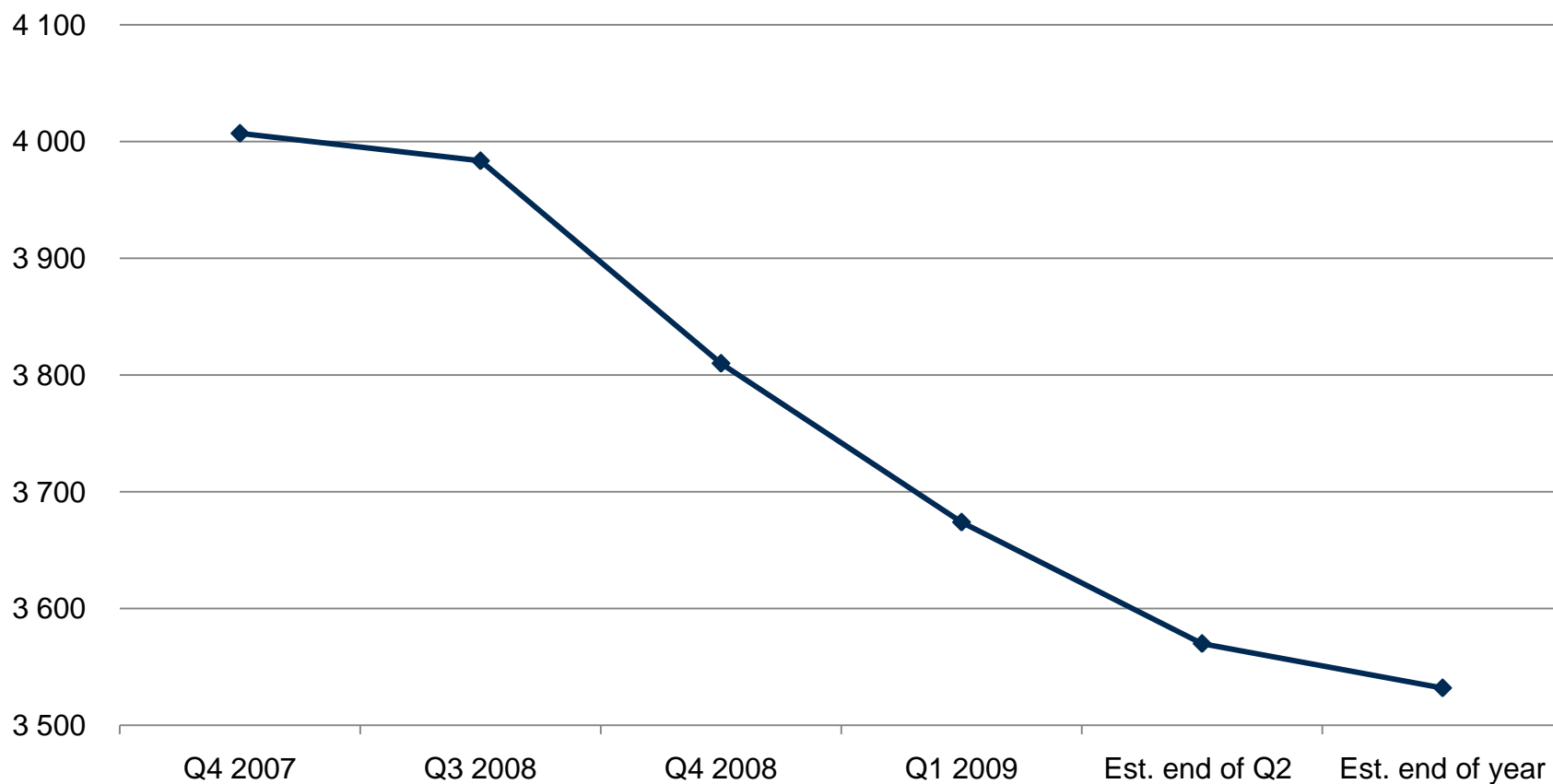
	EUR thousands	
	Q1 2009	Q1 2008
Net cash from operating activities	16,816	1,762
Net cash used in investing activities	(6,231)	44,755
Net cash from financing activities	1,117	4,706
Net increase /(decrease) in cash	11,702	51,224
Cash at beginning of period	21,038	30,437
Currency fluctuations affecting cash	301	(217)
Cash at end of period	33,041	81,444

Operational highlights

- Economic downturn creates uncertainty in the short term
- Contraction in sale of large systems (1/3 of sales) in Q4 2008, which is also expected in Q1-Q3 for 2009, although probably to a lesser extent
- Diversified revenue base creates protection in the downturn
- Actions have been taken to respond to a different environment
 - 12% reduction in the number of employees from a year ago
 - Rationalization measures in Q1 will begin to be reflected in lower costs in Q2 and fully reflected by year end
 - €25 million in annualised savings to be achieved
- Focus on cash flow
 - Target to reduce working capital by €25-30 million in 2009
 - Limited need for CAPEX – company is very well invested
- Asset sales of €37.5 million achieved, €10-20 million asset sales in progress
 - The target for 2009 was set at €30-50 million

12% reduction in employees from a year ago

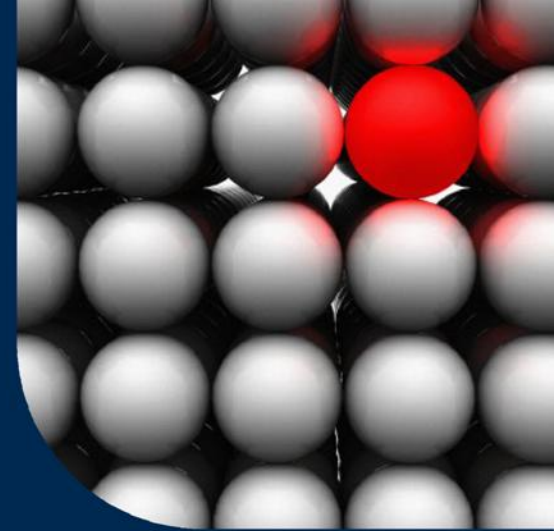
Employees of Marel and Stork





Sigsteinn Grétarsson

Managing Director of Marel ehf.





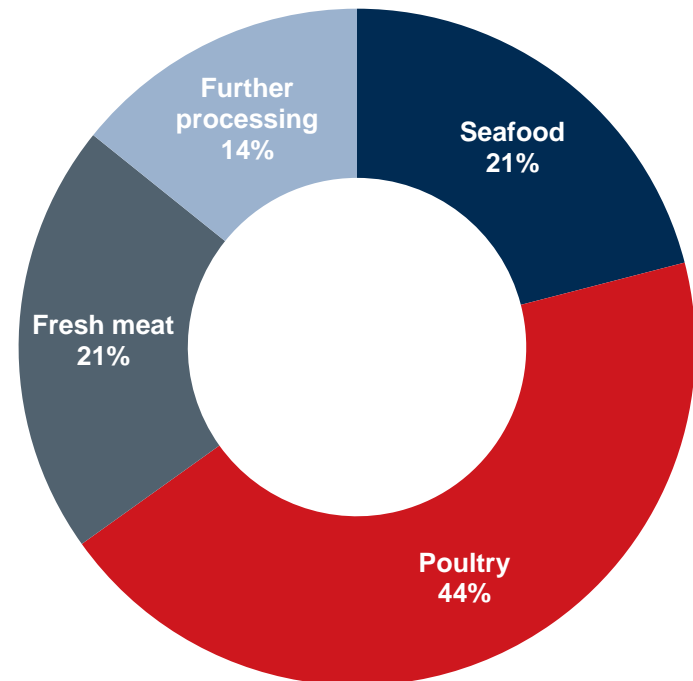
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We are well positioned to deal with crisis in the industry

- Marel Food Systems is active in all the major business segments of the protein processing industry
- This is in line with the company's strategy, set in early 2006
- Reduced demand in one segment has immediate and positive effects on other segments, as proteins are an essential part of people's diet
- The recent outbreak of influenza will probably mean reduced demand for pork but it also carries with it opportunities, as processors are pressed to install systems with complete traceability

Core business in Q1 2009



Industry report

● Poultry

- Sales of larger systems have slowed down as a result of the global financial crisis
- In Europe poultry processors are making money
- In US poultry processors have been writing black figures since March
- First orders have been scored in US (Pilgrim's Pride and Fosters)



● Seafood

- Fish processors are in good shape
- Big salmon project has been signed in Norway



Industry report

● Fresh Meat

- After a tough year in 2008 the situation for our meat customers has improved significantly
- The Mexico flu has limited impact on us (7%), it could even create opportunities

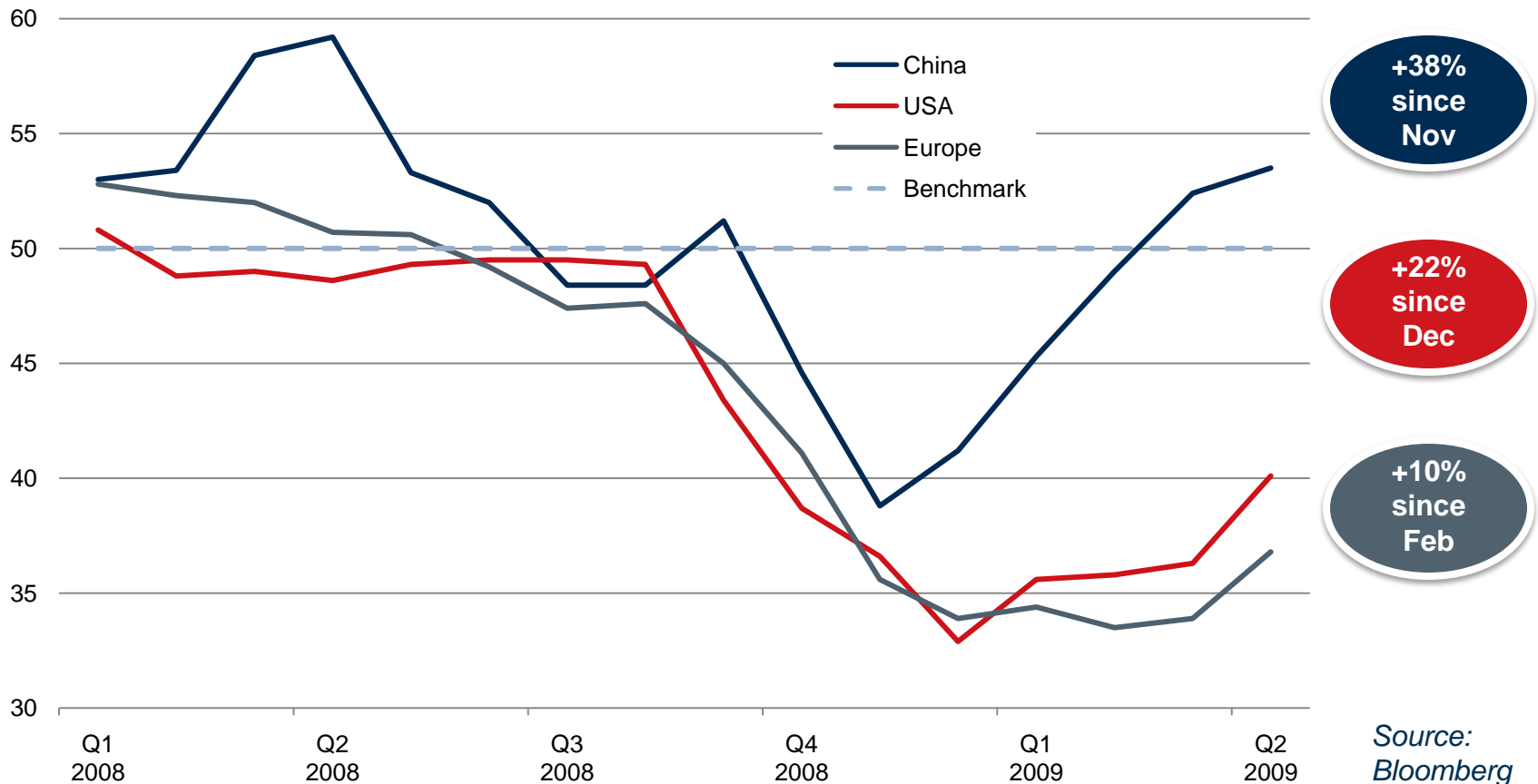
● Further Processing

- Fast food chains are doing very well in the global financial crisis
- Our equipment is producing for the Fast food restaurants
- The introduction of the RevoPortioner is still on track and very successful



Key economic indicators suggest that the bottom has been reached

PMI (Purchasing Managers Index)



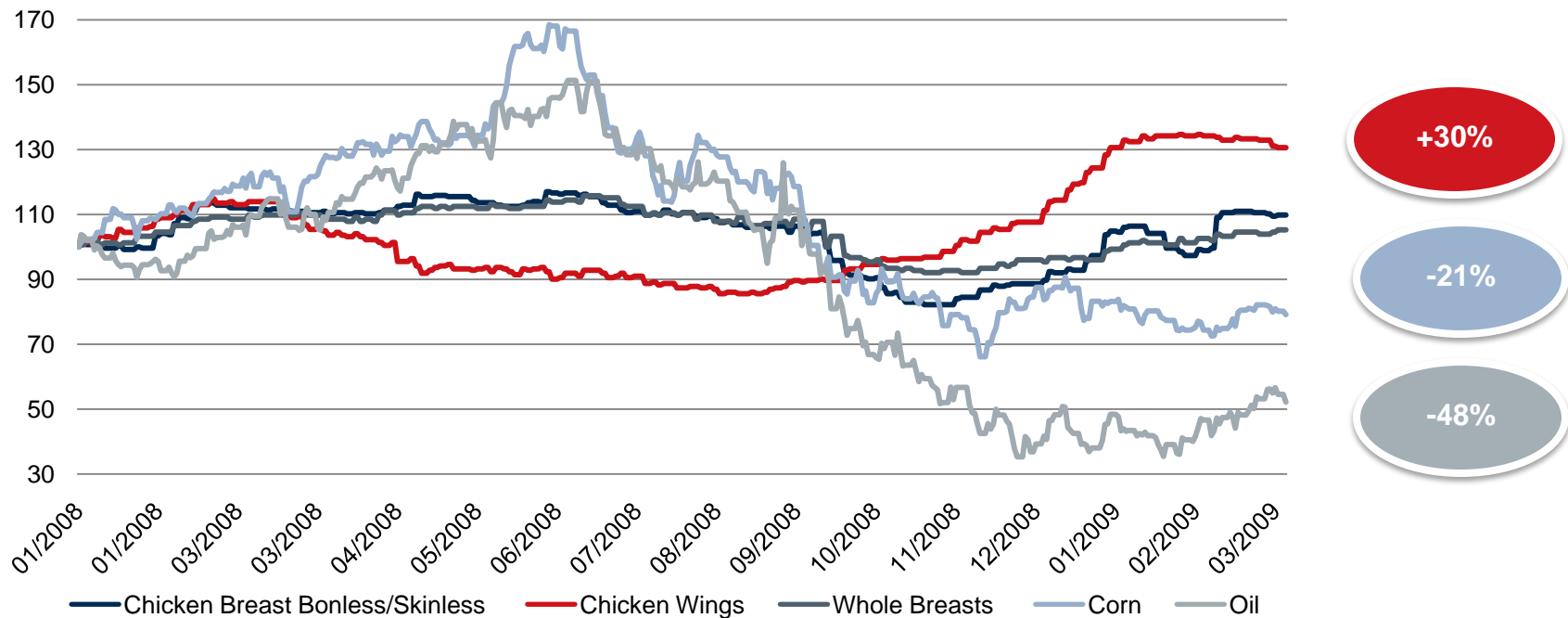
We have a lot going for us

- Consumers are shifting to less expensive proteins
 - These are our stronghold (poultry, salmon, hamburgers and sausages)
- Consumers are shopping more at discount stores
 - Ready meals are a growing market
- Consumers are flocking to fast food outlets
 - Processors are being pressured for boneless meat
- The prices of major cost inputs of our customers are going down
 - Lower corn prices are starting to kick in
- The prices of our customers' products have not fallen
 - Many of our major customers are making good money

And finally...

→ People have to eat and proteins are here to stay!

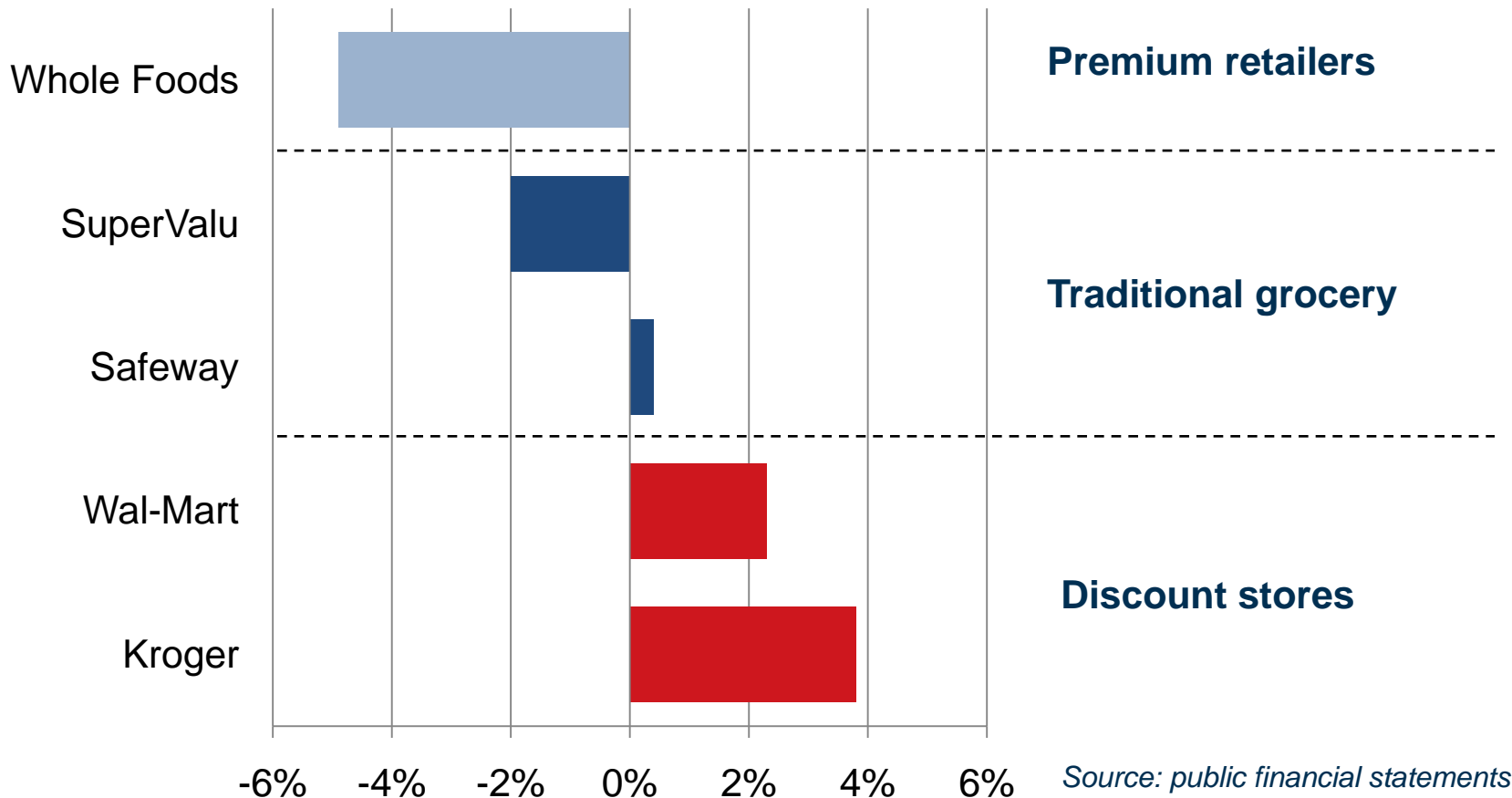
Major cost inputs are in a favourable trend for key customers



- Major inputs – corn, oil, interest rates and wages – at favourable levels
- Consumers are demanding chicken instead of beef!
 - Producers are expecting profitable operations in Q2 2009

Discount stores are thriving in the recession

Same-store 12M sales growth in Q1 2009



Many customers are performing well in the current environment!



Consumers are going
for cheaper proteins

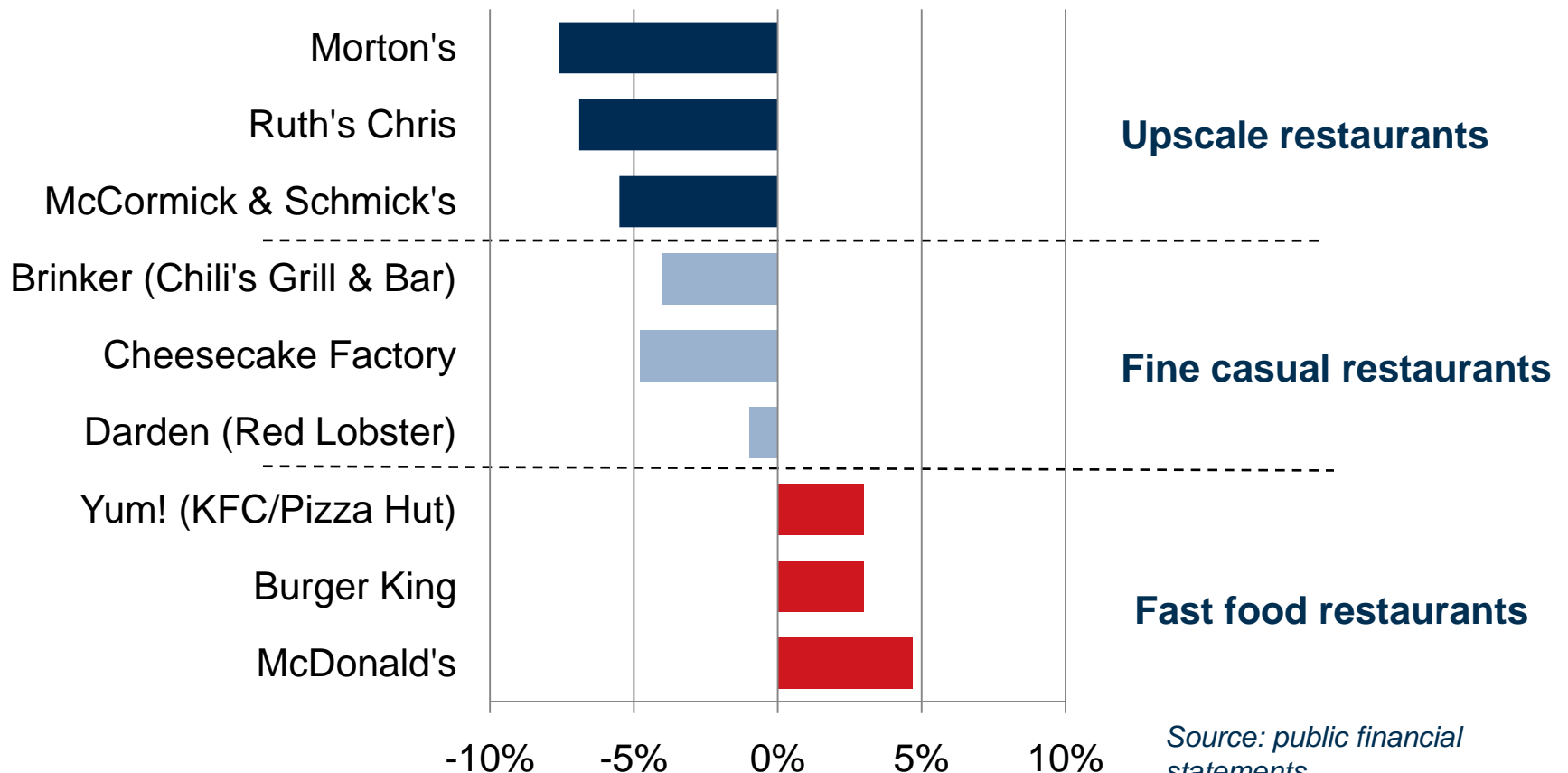


2009: Q1 sales of
McDonald's rose **4.3%**
due to strong sales of
chicken products as well
as the quarter pounder

- For the first time in McDonald's history, chicken sales in the US have exceeded sale of beef burgers!

The same goes for the fast food industry

Same-store 12M sales growth in Q1 2009



Outlook is positive

- Poultry and fish prices are rising at the same time as major cost items such as corn and oil prices are falling and interest rates are at historical lows
 - Sales of standard equipment in April at record high levels
 - Takes 4-8 months for sales to translate into revenues
 - Finally, the company has successfully disposed of non-core business assets for a total of €37.5 million
 - Revenues in 2010 are expected to be back at the same level as they were in 2008
- Long-term prospects of the industry and Marel Food Systems remain strong



Orders are pouring in for Marel's I-Cut 10 portion cutter, unveiled last week at SPE in Brussels



Q & A

Erik Kaman, CFO

Sigsteinn Grétarsson, MD of Marel hf

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