



## Investor Presentation

June 2009



- 1** Executive Summary
- 2 Industry and Operations
- 3 Financials and Prospects
- 4 Issue of new shares

## Executive Summary I

- With an issue of new shares Marel aims to:
  - Strengthen the company's liquidity position
  - Further decrease operational risk
  - Increase free float and thereby improve pricing of the shares
  
- Marel has achieved important milestones in the recent weeks
  - Secured new club loan facility of EUR 116 million (of which EUR 10 million is an undrawn revolver)
  - Closed financing related to derivative contracts
  - Raised financing through issue of new bonds
  - Announced asset sales of EUR 37.5 million

## Executive Summary II

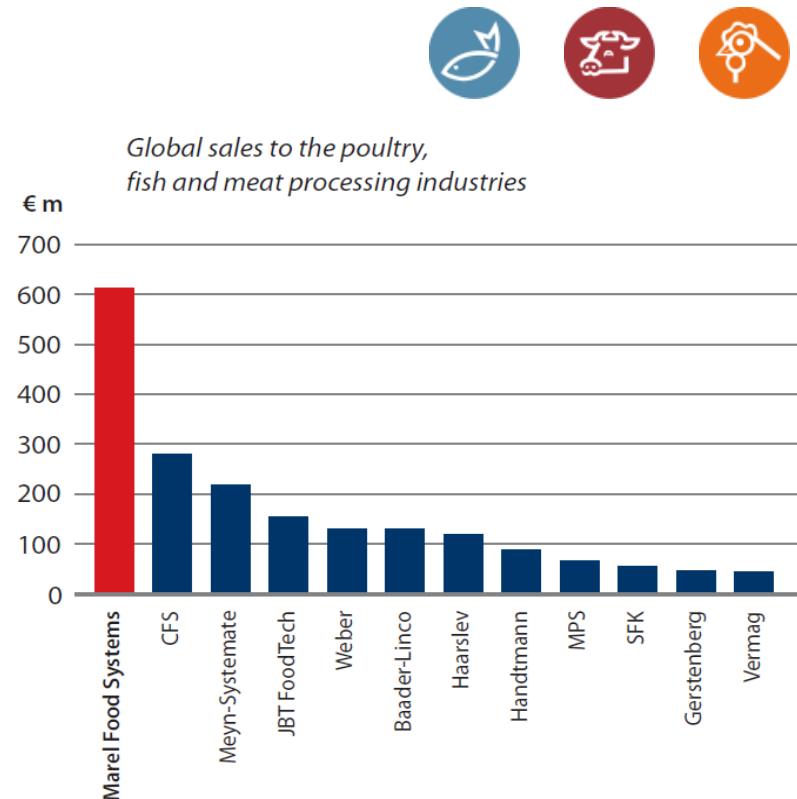
- Marel Food Systems is well positioned to take advantage of opportunities in a growing market
  - Strategic acquisitions have strengthened the company's position in attractive segments, and increased diversification across geographies and products
  - Favorable market trends such as increased urbanization and changing consumption patterns underpin the overall growth potential in the market
- Current market conditions represent certain challenges for the business
  - Spare parts and service, and standard products account for about 2/3<sup>rd</sup> of total revenues and has been relatively unaffected by the current economic environment
  - Large systems equipment sales, which account for about 1/3<sup>rd</sup> of total revenues have been affected by the uncertainty in the market and overall liquidity concerns
  - Due to continued strong demand in the end user market the underlying demand remains the same



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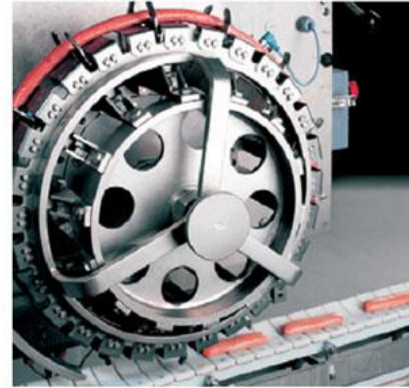
## Market leader in an attractive and fast growing industry

- Marel operates in a highly fragmented **€4 billion market**, where the company leads with a **market share of 15%**
- The market has been growing steadily by **5-6%** annually for the last two decades
- While developed markets are expected to continue to grow by 4% the industry is seeing **6-8%** growth in emerging markets



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



## Strong product offering

Processing segment	Primary processing	Secondary processing	Further processing	Estimated market size
 Poultry	 Stork Food Systems	 Stork Food Systems	 Stork Food Systems	
 Meat		 Stork Food Systems	 Stork Food Systems	
 Fish				
Estimated market size				€4,000 millions

***50% of revenues come from poultry – which is the most efficient and fastest growing protein category***



## Growth forecast for the food processing equipment market

**North America**

4%

**STORK®**  
Stork Food Systems

**Central and  
Eastern Europe**  
6-8%

**Western and  
Southern  
Europe**  
4%

**Asia Pacific**  
6-8%

**Latin America**  
6-8%

**Middle East**  
6-8%

Following the acquisition of Stork Food Systems, the company's sales network is unrivalled by competitors



**We are innovative in everything we do and provide outstanding new solutions and services to the food processing industry, in order to create greater value for all our stakeholders**

## Broad base of customers

- Diverse customer base, sales to a single customer represents no more than 4% of turnover each year
- The customers of Marel's customers are performing very well in the current environment, especially suppliers to discount retailers and convenience food suppliers
  - McDonalds reported good growth in the first months of this year
  - The likes of Aldi and Lidl are performing very well in the current environment



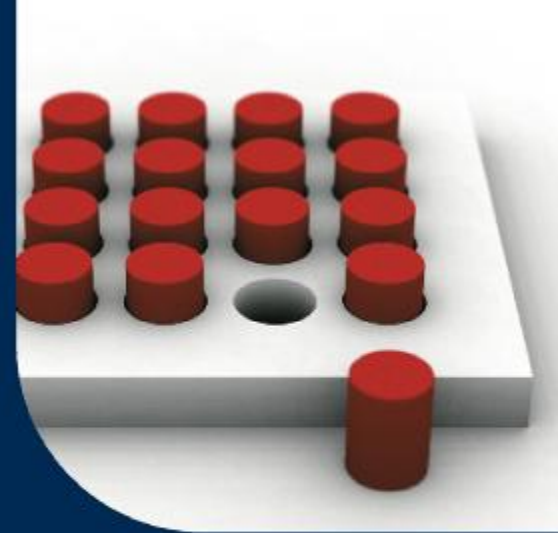
PROCESSOR



RETAILER



CUSTOMER



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## The global financial crisis has limited effect on 2/3 of turnover

### 1. Spare parts and service

- Not affected in a negative way by the financial crisis

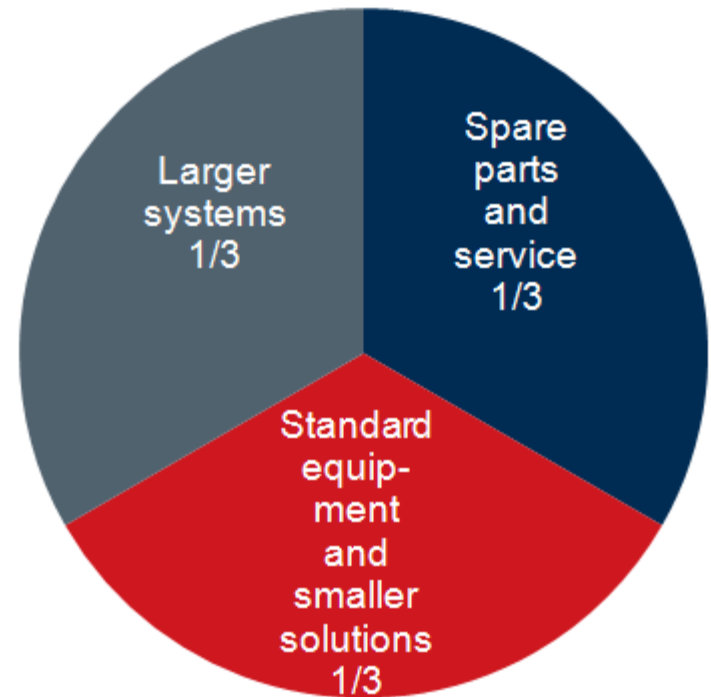
### 2. Standard equipment and smaller solutions to existing factories

- Limited effect of the financial crisis

### 3. Larger systems

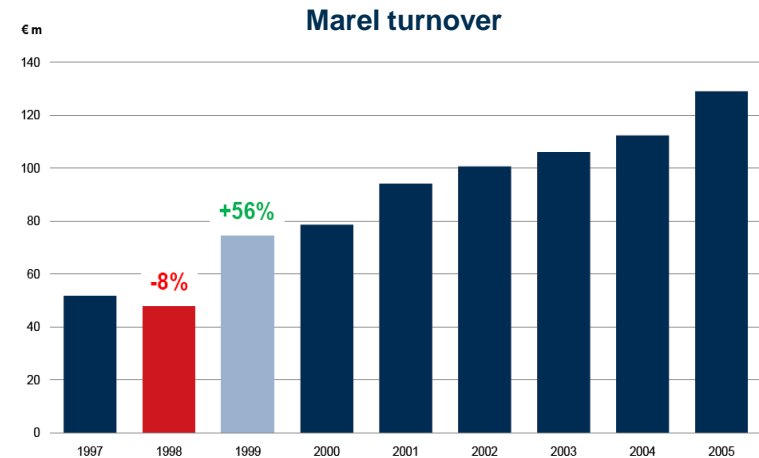
- Significant drop in Q4 2008 and Q1 2009
- Postponement rather than cancellations in most cases
- Demand is therefore building up

**Sales by category**



## Demand in our industry builds up in an economic downturn

- Historically demand builds up when sale decrease is experienced
  - The demand is delayed as customers postpone purchases of equipment
- In 1998 Marel's sales decreased by 8% as a result of:
  - Economic collapse in Russia
  - The Asian financial crisis
  - El Niño affected the food markets
- The built-up demand resulted in a 56% growth in revenue the following year



**Marel is now more diversified and better equipped to deal with the circumstances**

The current downturn is expected to be more severe than previous downturns. Nonetheless catch-up effect is expected resulting in growth above market growth when markets return to normal



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

EUR '000

	<u>Q1 2009</u>	<u>Q1 2008</u>	
Sales	103.174	140.536	<i>27% year on year decrease in sales is principally due to lower large equipment orders</i>
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)	<i>Note that admin costs for Q1 include one off restructuring items</i>
Administrative expenses	(15.320)	(14.139)	
Profit from operations (EBIT)	(5.220)	13.424	<i>Low equipment sales have had significant effect on bottom line</i>
EBIT, excluding one-off restructuring costs	(1.720)		
Gross profit margin	33%	39%	<i>Low Gross profit margin the result of underutilized fixed production costs</i>
EBITDA	391	18.420	<i>Pro-forma EBITDA was EUR 71 million for full year 2008</i>
EBITDA, excluding one-off restructuring costs	3.891		

Note: Marel Food Systems' core business is to provide equipment and systems for the poultry, fish and meat processing industries worldwide.



## Action taken

### ● Cost reductions

- Marel has reduced the number of employees by 12% compared to one 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

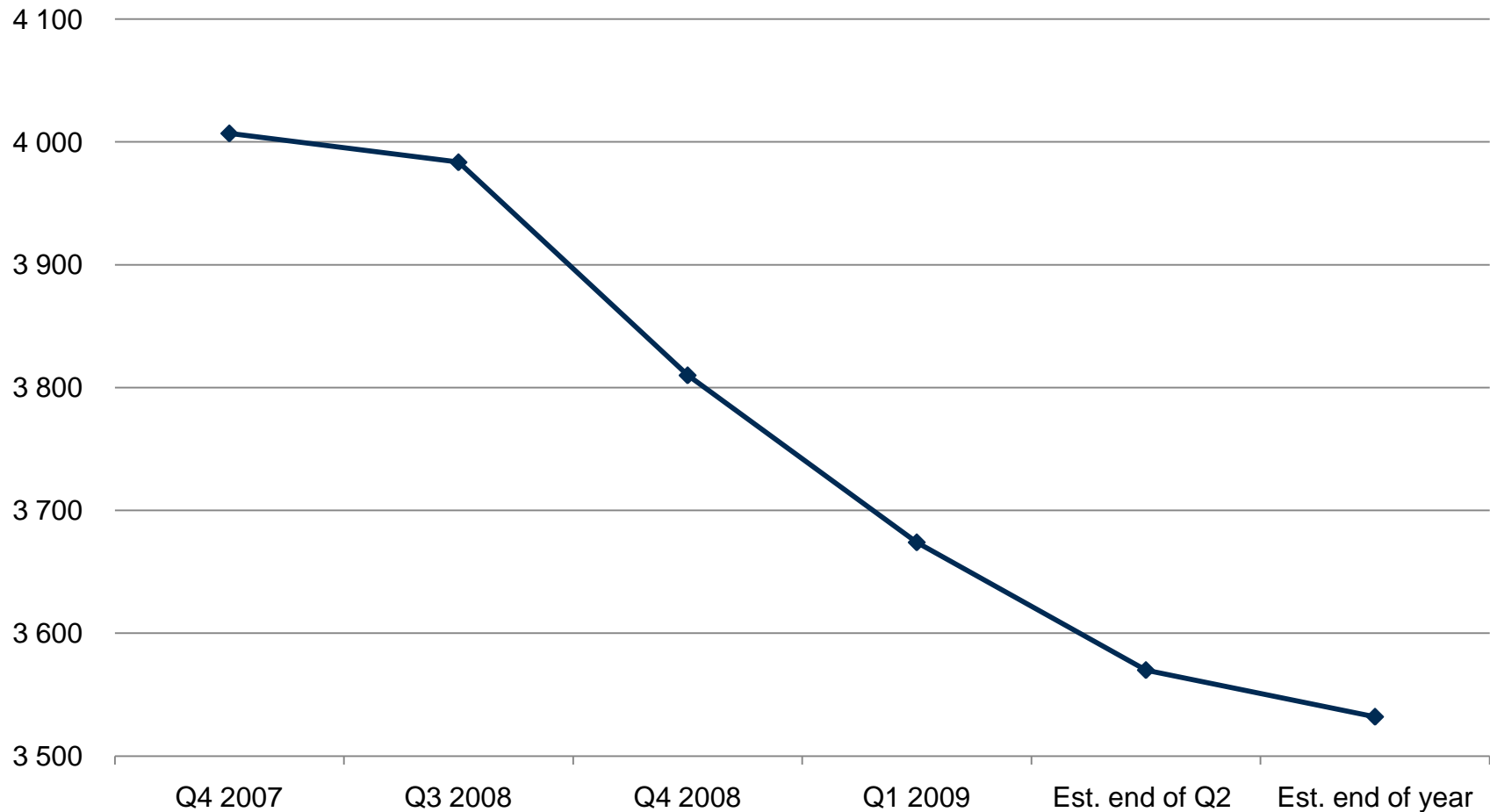
### ● Asset sales

- Target to sell assets for up EUR 50 million in 2009
- Asset sales of EUR 37.5 million have already been announced

### ● Cash flow

- Target to reduce working capital by €25-30 million in 2009
- Limited need for CAPEX – company is very well invested

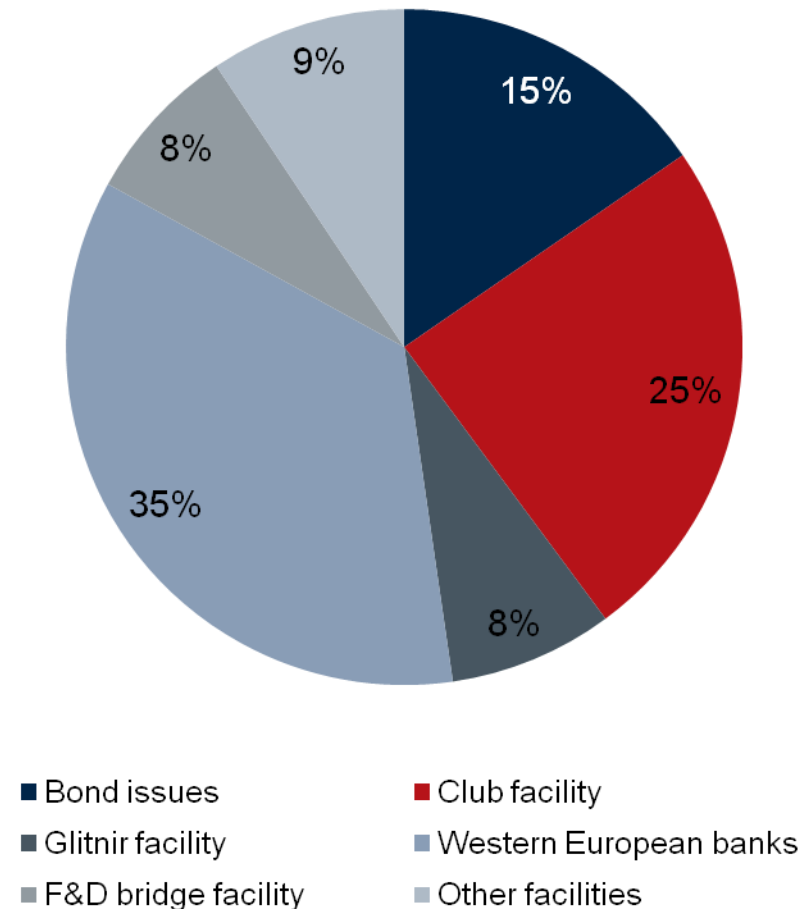
## 12% reduction in employees from a year ago



## Financing overview

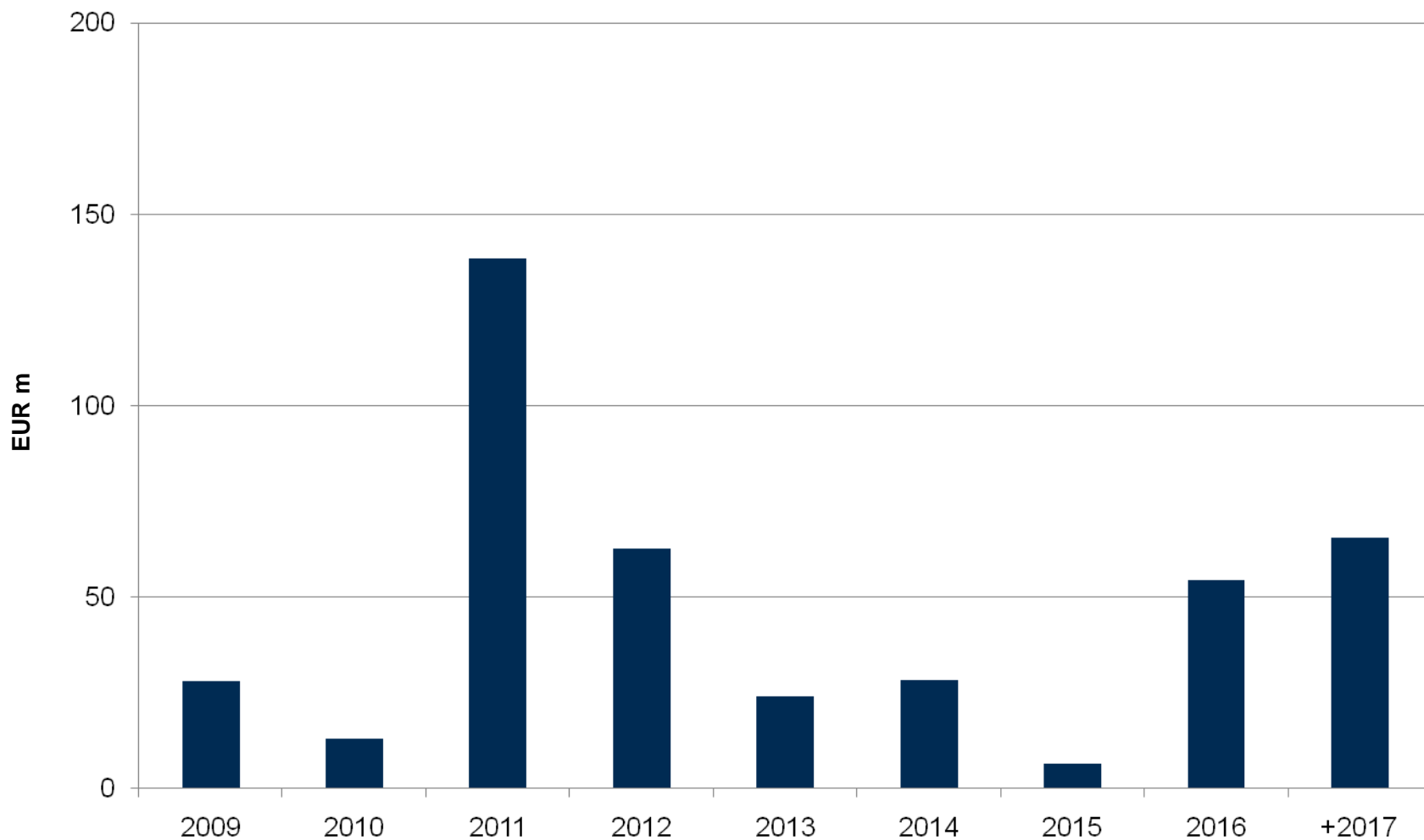
- Refinancing completed in May
  - New club facility of EUR 116 million (of which EUR 10 million revolver undrawn) with the support of Kaupthing, Landsbanki and Islandsbanki
  - All derivative contracts have been closed and a 5-year loan in the amount of EUR 34 million has been provided by Glitnir
  - A new class of bonds with maturity in November 2011 has been issued in the amount of 3.6 billion ISK, equivalent to EUR 21 million
- The refinancing was completed without any use of cash from Marel's balance sheet, and there is no increase in the company's net debt position

Overview of debt facilities



Note: "Club facility" was arranged by New Kaupthing, New Landsbanki and Islandsbanki

## Financing overview – Post refinancing maturity profile

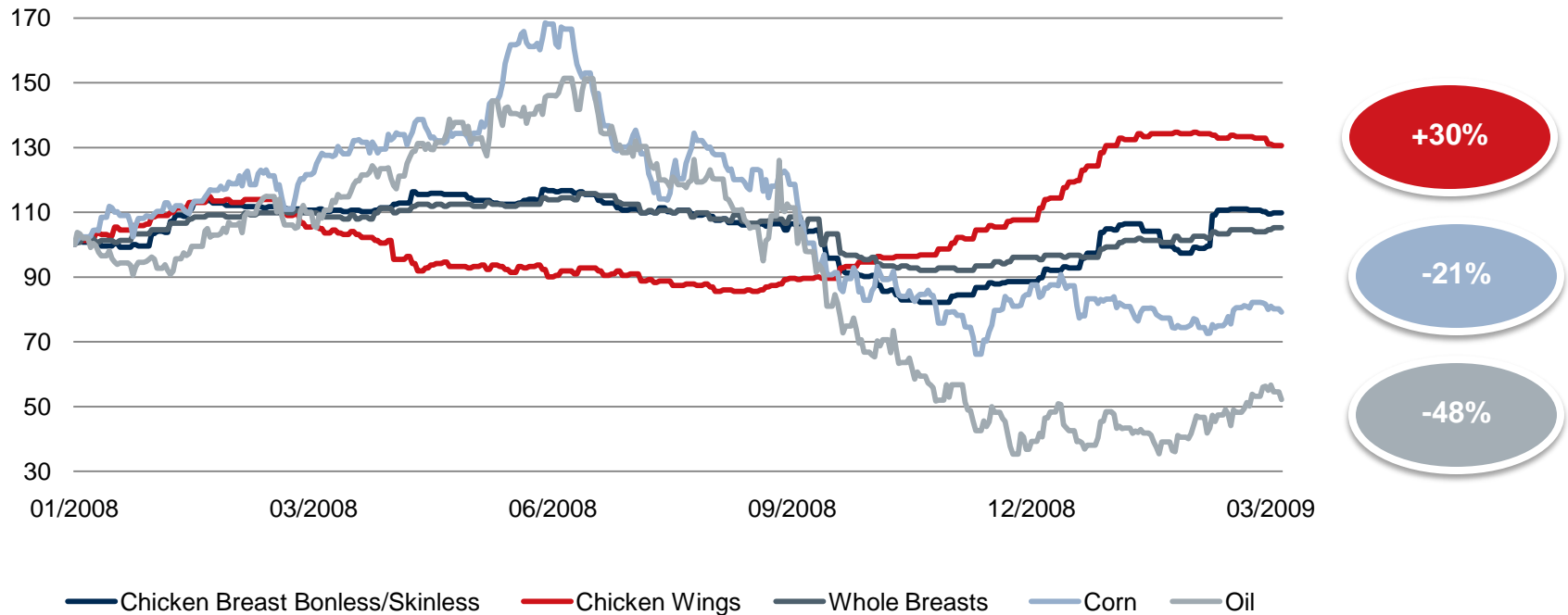


Note: 2009 Maturity relates mostly to F&D bridge loan

## Prospects

- Management expects continued challenges in the environment for Q2 and Q3 of 2009
- There are however several signs of pick up in activity
  - The key customers of Marel are performing well in the current environment
  - General investment sentiment is rising
- Continued positive demographic drivers
  - Consumers are shifting to less expensive food like poultry
  - Consumers are shopping for more convenience food
  - Increase demand at fast food outlets
- “Back on track” in 2010
  - Revenues in 2010 are expected to be back at the same level as they were in 2008

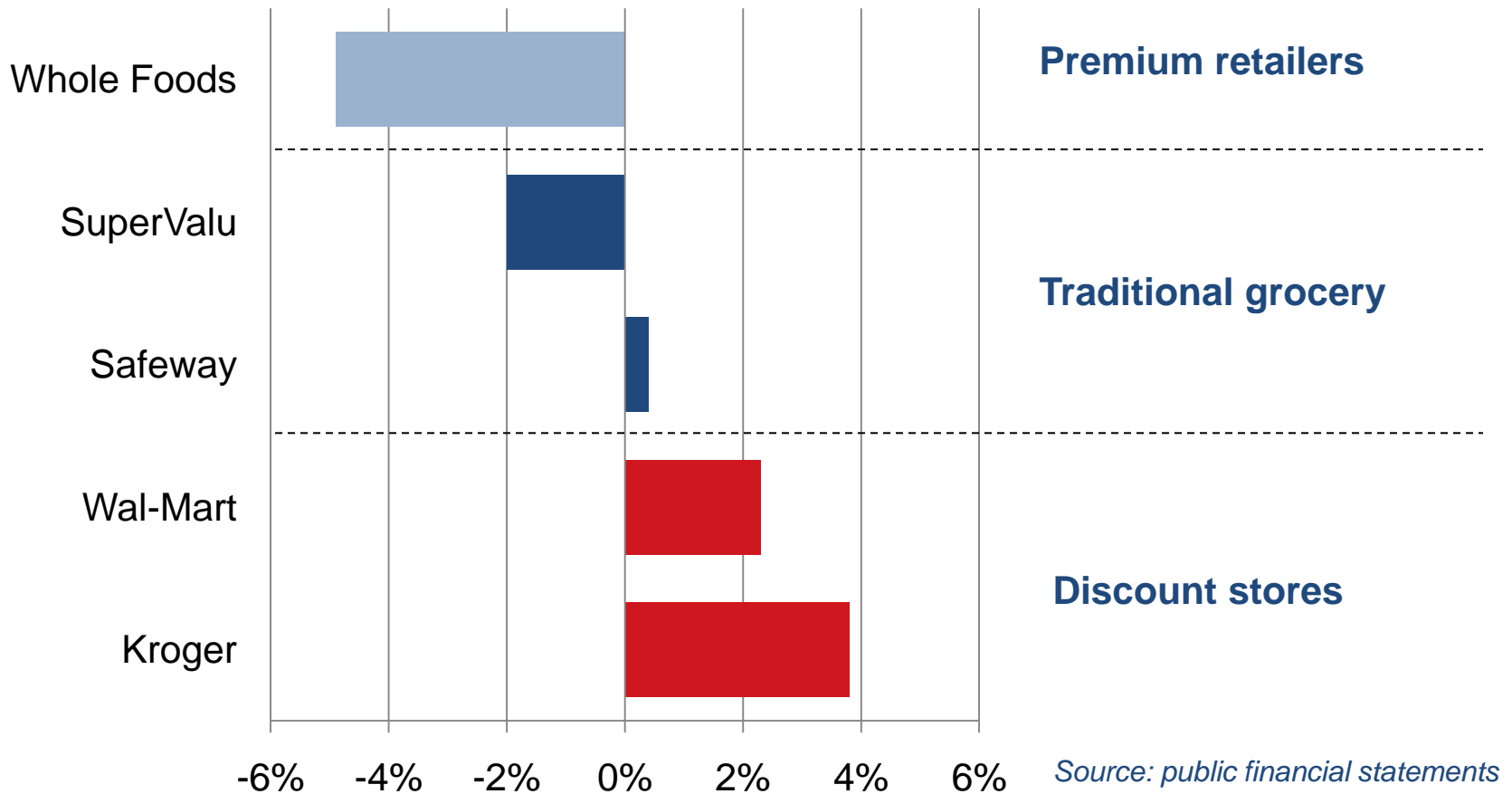
## Major cost inputs in a favorable trend for key customers



- Major inputs – corn, oil and wages – at favorable levels

## Discount stores are thriving in the recession

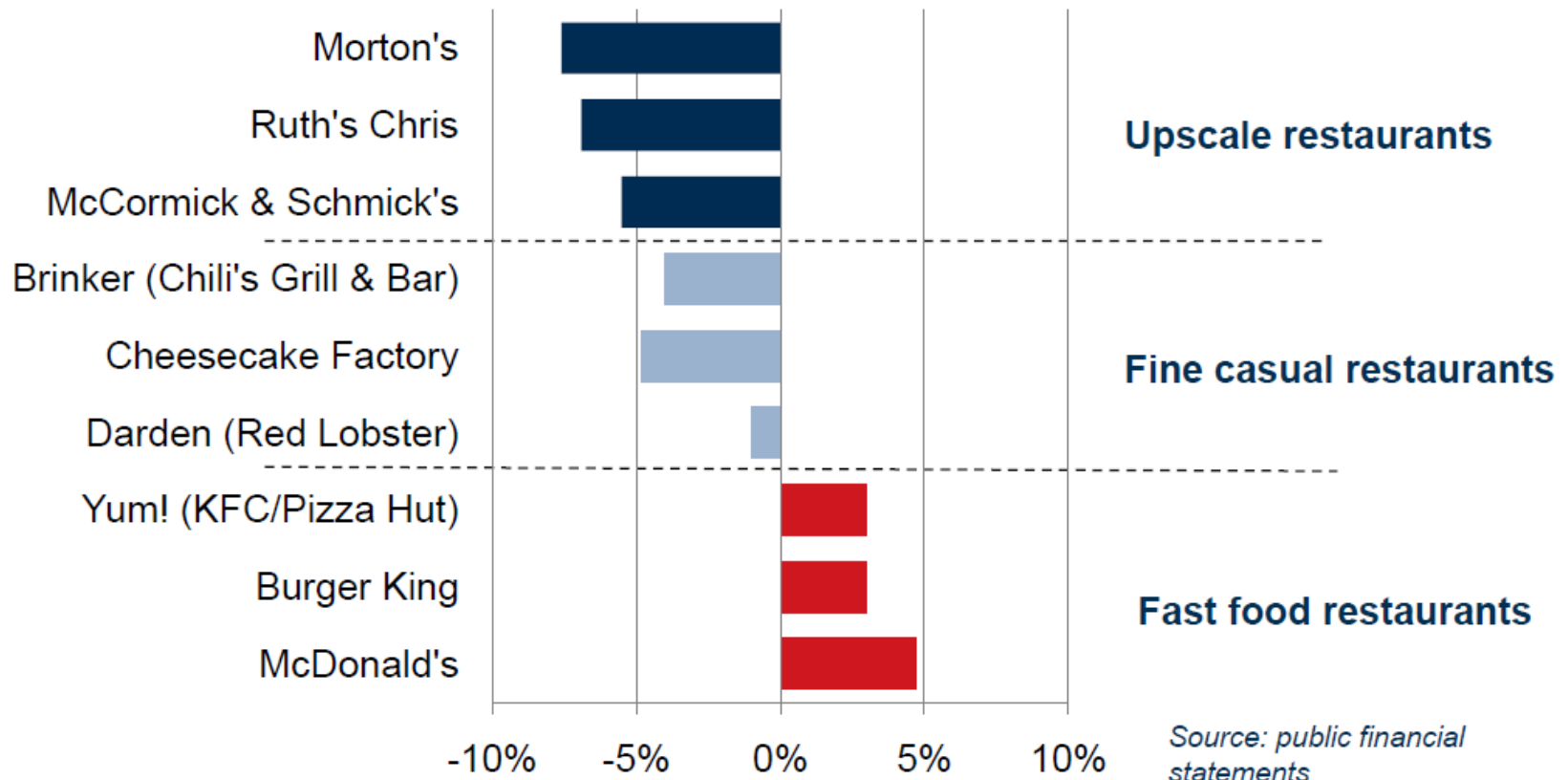
### Same-store 12M sales growth in Q1 2009





## The same goes for the fast food industry

### Same-store 12M sales growth in Q1 2009





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## Overview of share issue

- Marel Food Systems hf. (Marel) is holding a private placement to institutional investors.
- The purpose of the offering to further strengthen the company's liquidity, increase flexibility and reduce operational risk.
- New Kaupthing Bank hf. (Kaupthing) is managing the offering which will be conducted through a book-building process.

## Main terms of the offering

- Size

Marel intends to offer 20-35 million new shares for sale to investors.

- Price

The offering price is expected to be between ISK 54-60 a share. This price takes into account the average listed closing price in trading in the shares since the publication of the company's 2009 first quarter results. The average closing price on the stock exchange was 59.5 for this period of 16 trading days and the closing price on 2 June 2009 was 63.

- Sale period

Kaupthing – Capital Markets will receive offers until 4:00 p.m. on Friday 5 June 2009. Offers are not standardised. The board of directors of Marel reserves the right at any time during the sale period to shorten or extend the period.

- Minimum subscription

The offering is being extended to a restricted group of institutional investors. Investors can subscribe for a minimum of ISK 5 million.

## Main terms of the offering

- Final subscription

At the end of the sale period the board of directors of Marel will determine the size of the offering, the offering price and allot subscriptions in the proposed offering. All subscriptions will be allotted at the same price.

When allotting binding subscriptions the board of directors will base its decisions on the price and the amount that investors are prepared to subscribe for, how promptly they registered their interest in subscribing, and the reliability of the investors. The board of directors will also take into account the fact that it is important for the company to attract shareholders who are able and willing to support the company in the future. The board of directors of Marel reserves the right to accept or reject any offers it chooses, partly or entirely, and it may reject all offers.

The manager of the offering will inform investors of how many shares they have been allotted and the send them a special form in order to confirm their binding subscriptions. This form contains all information on deadlines for subscriptions, due dates for paying subscriptions, the delivery of new shares and other terms of the offering.

## Main terms of the offering

- The proposed offering was resolved by the board of directors of Marel on this date, 3 June 2009. The board of directors bases its decision on the authorisation to increase share capital as granted at the company's annual general meeting on 10 March 2009. Marel will subsequently request that the new shares be admitted for trading on Nasdaq OMX Iceland (OMX ICE).

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