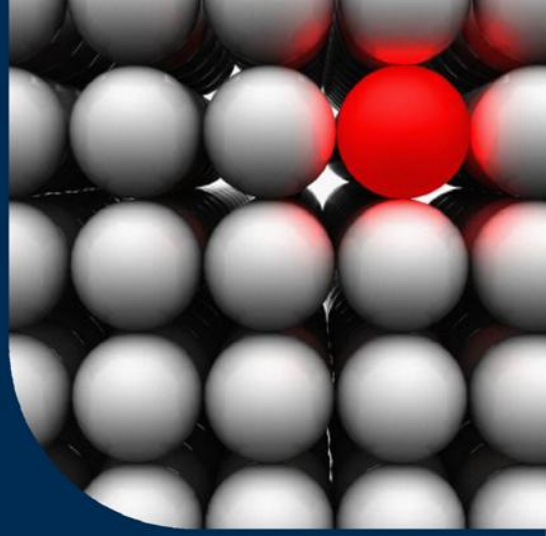
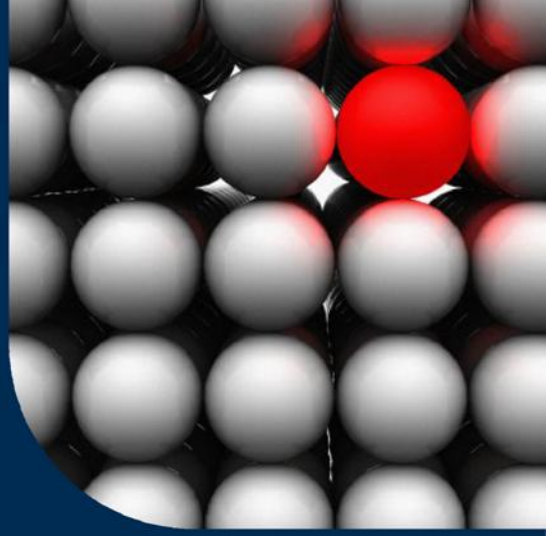


Q4 2008 Presentation

Hörður Arnarson, CEO
Erik Kaman, CFO

February 11, 2009

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



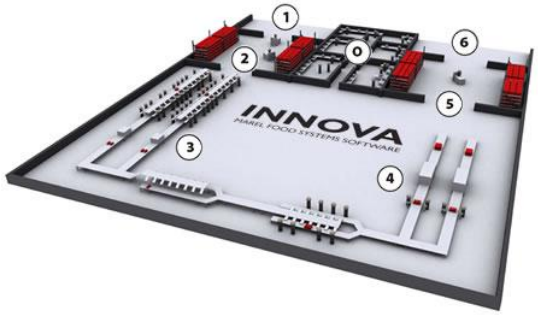
Introduction

Hörður Arnarson, CEO

1. **Introduction**
2. Consolidated financial statements
3. Pro forma operations of core business

Highlights

- **Pro forma results of core business for the whole year**
  - €613 million in sales
  - 4.4% sales growth from the year before
  - 8.5% adj. EBIT (€51.9 million), an increase of 25.1%



- **Proforma results of core business in Q4 2008**
  - €138 million in sales
  - 13.4% decrease from Q4 2007
  - 6.1% adj. EBIT (€8.5 million)

- **One-time costs in Q4 2008**
  - €9.8m in relation to purchase price allocation (PPA) in accordance to IFRS
  - €4m restructuring charges
  - €17.8m charged as financial costs due to the collapse of the Icelandic banks

➔ **Tough end to a good year**

Extensive measures to reduce operational costs

- **Cost reduction**
  - The workforce was reduced by 300 employees (outside Iceland)
    - Fully provided for in Q4 2008
    - Expected annual savings of €12-15m
  - Cost reductions in all other areas of operation

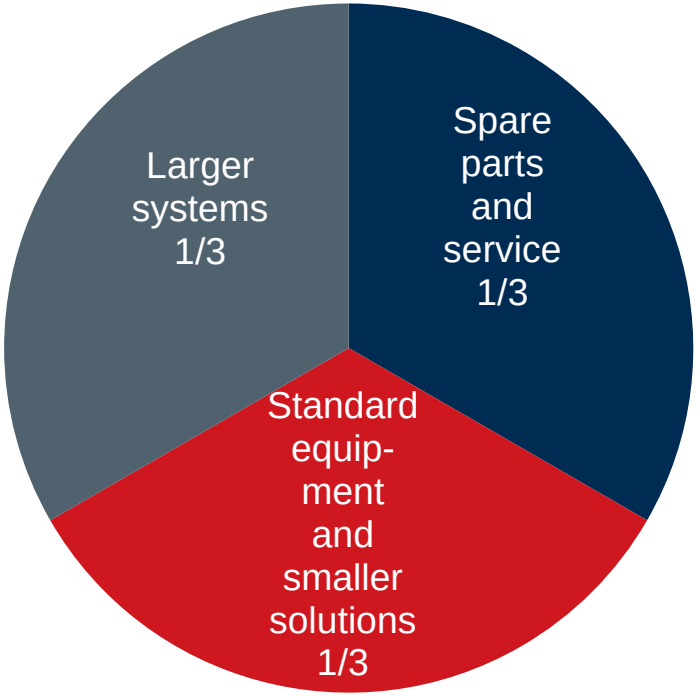
- **Integration efforts**
  - Scanvaegt, AEW Delford and Stork Food Systems acquired in the last three years
  - Synergy has delivered positive results and increased productivity

➔ **Continuing efforts to increase efficiency and reduce costs**

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, often for new factories**
   - Significant drop in Q4
   - Postponement rather than cancellations in most cases
   - Demand is therefore building up

Sales by category



Strong cashflow in 2009

Very limited investing in Tangible Fixed Assets

- Less than €5m

Reduced Working Capital

- Target to reduce by €25-30m in 2009

Sale of Assets

- Sale of 2-3 non-core assets being investigated
- Target to sell assets for €30-50m in 2009

➔ **Generates €50-75 million in addition to cash from operations**

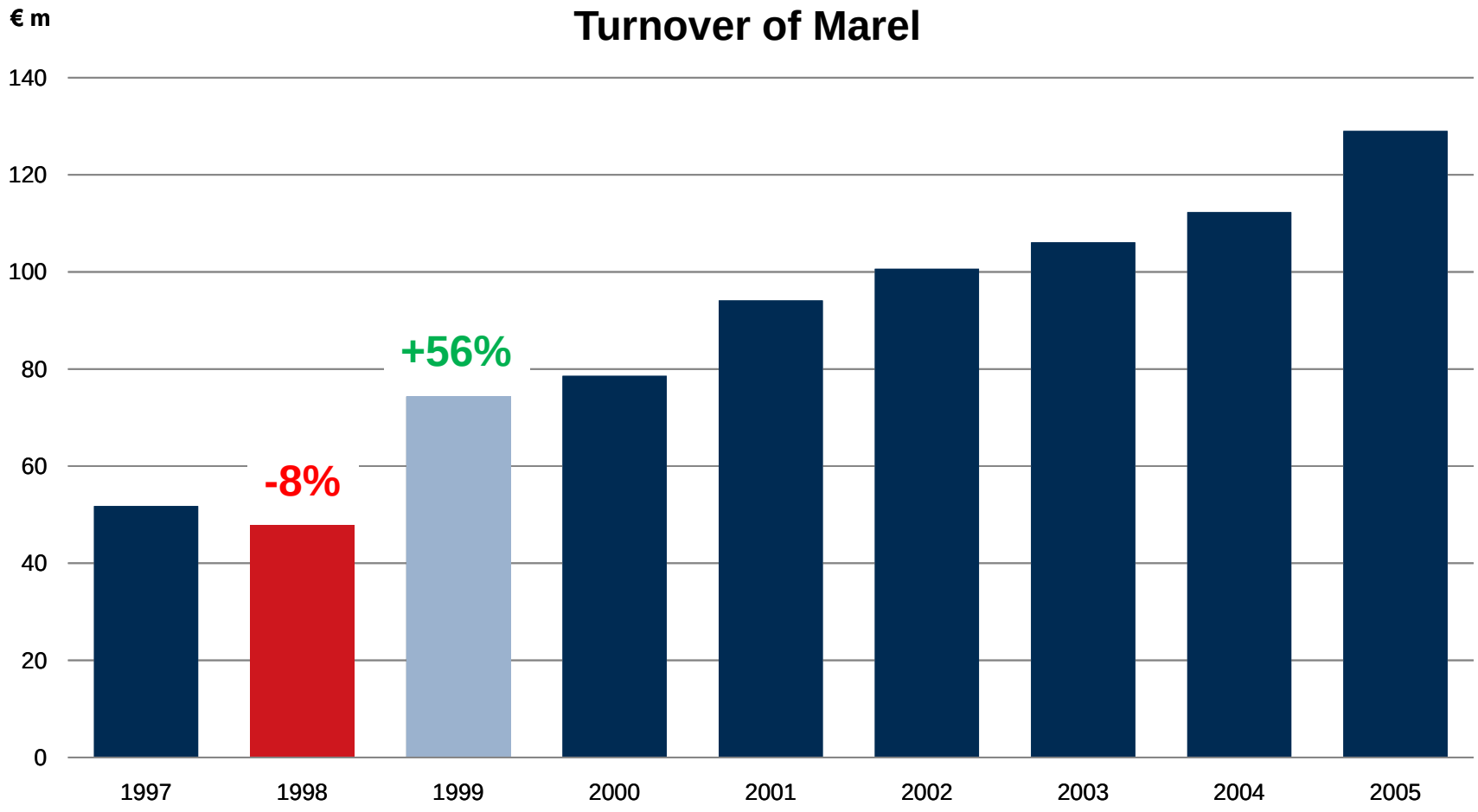
Outlook

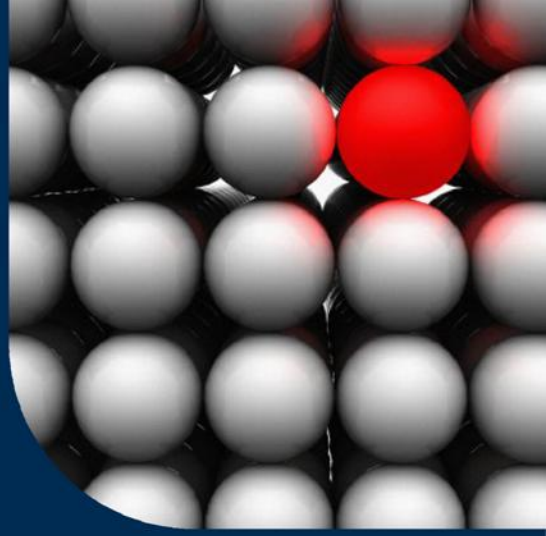
- **Expected results of core business in 2009**
  - 4-6% decrease in revenues compared to the previous year
  - Operations back to normal in Q3 or Q4 at 10-12% EBIT level

- **Positive developments**
  - Order intake in the last two months has improved significantly
  - The price of stainless steel has decreased considerably
  - Base interest rates are at a historical low and the price of corn and energy is going down which benefits our customers
  - Favourable ISK cost will increase margins

➔ **Long-term prospects of the industry remain strong**

Strong underlying growth and rebound after crisis





Financial results

Erik Kaman, CFO

1 Introduction

2 **Consolidated financial statements**

3 Pro forma operations of core business

Consolidated income statement for Q4 2008 and Q4 2007

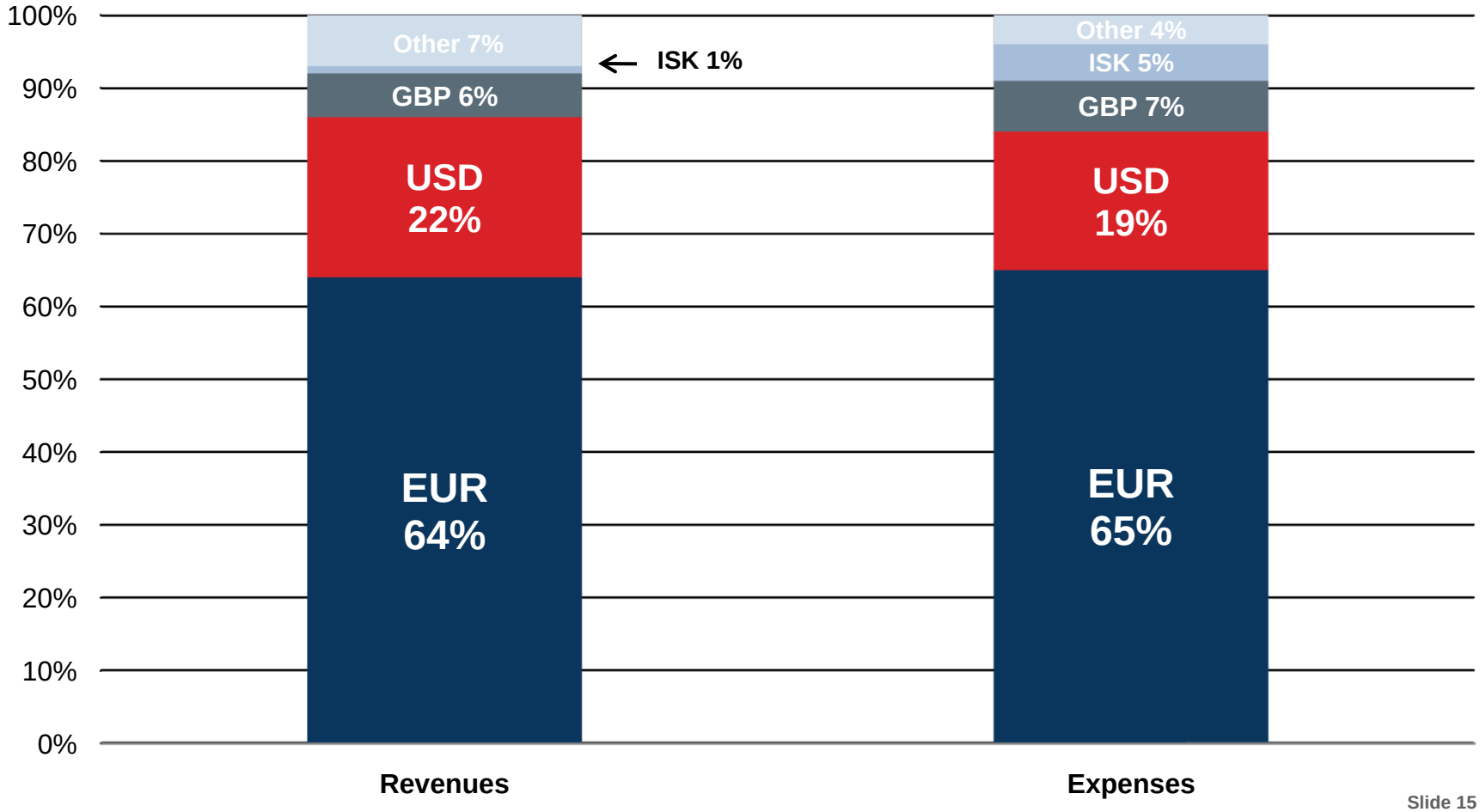
	EUR thousands		% of sales	
	Q4 2008	Q4 2007	Q4 2008	Q4 2007
Sales	150,501	78,869		
Cost of sales	(107,617)	(53,692)		
Gross profit	**42,884**	**25,177**	**28.5%**	**31.9%**
Other operating income	(189)	(66)		
Selling and marketing expenses	(20,587)	(12,172)	13.7%	15.4%
Research and development expenses	(7,644)	(4,237)	5.1%	5.4%
Administrative expenses	(21,883)	(7,100)	14.5%	9.0%
Profit/(loss) from Operation	**(7,419)**	**1,602**	**-4.9%**	**2.0%**
Finance cost - net	(22,387)	(2,277)		
Share of results of associates	0	5,125		
Profit before tax	(29,806)	4,450		
Income tax expenses	6,075	(1,077)		
Net profit/(loss)	**(23,731)**	**3,373**		
EBITDA	**(90)**	**4,841**	**-0.1%**	**6.1%**
Depreciation & amortisation	**7,329**	**3,239**	**4.9%**	**4.1%**

Consolidated income statement for 2008 and 2007

	EUR thousands		% of sales	
	12M 2008	12M 2007	12M 2008	12M 2007
Sales	540,149	289,817		
Cost of sales	(361,218)	(192,581)		
Gross profit	**178,931**	**97,236**	**33.1%**	**33.6%**
Other operating income	716	1,203		
Selling and marketing expenses	(71,838)	(44,829)	13.3%	15.5%
Research and development expenses	(27,337)	(14,631)	5.1%	5.0%
Administrative expenses	(60,038)	(28,950)	11.1%	10.0%
Profit from Operation	**20,434**	**10,029**	**3.8%**	**3.5%**
Finance cost - net	(32,194)	(7,091)		
Share of results of associates	473	4,602		
Profit/(loss)before tax	(11,287)	7,540		
Income tax expenses	2,881	(1,474)		
Net profit/(loss)	**(8,406)**	**6,066**		
EBITDA	**42,107**	**20,980**	**7.8%**	**7.2%**
Depreciation & amortisation	**21,673**	**10,951**	**4.0%**	**3.8%**

Currency risk has been minimized through natural hedging - tailwind from ISK development

Pro forma share of currencies in 2008

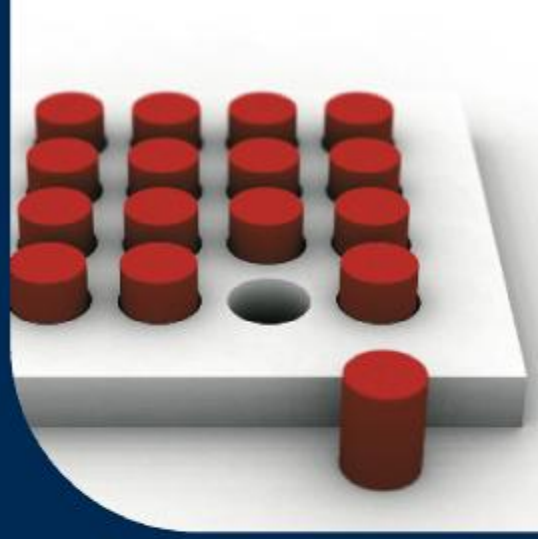


Consolidated balance sheet at the end of Q4 08, Q3 08 and Q4 07

	EUR millions		
	31/12 08	**30/09 08**	**31/12 07**
Non-current assets	636.7	646.2	194.2
Inventories	113.6	122.7	61.6
Production contracts	26.5	36.4	15.2
Trade and other receivables	85.6	99.5	52.9
Other receivables and prepayments	34.6	26.0	20.4
Loan to associate	0.0	0.0	49.6
Derivative financial instruments	4.4	0.4	3.0
Cash and cash equivalents	22.2	14.8	30.4
Total assets	**923.7**	**946.0**	**427.3**
Shareholders´ equity	**286.8**	**307.4**	**181.8**
Borrowings	400.4	399.3	160.4
Other non-current liabilities	54.5	44.8	6.9
Trade payables	39.5	44.2	24.4
Other payables	121.5	119.0	51.1
Other current liabilities	21.0	31.3	2.7
Total liabilities	**636.9**	**638.6**	**245.5**
Current ratio	**0.9**	**1.0**	**1.9**
Equity ratio	**31.0%**	**32.5%**	**42.5%**

Consolidated statement of cash flow

	EUR thousands	
	2008	**2007**
Working capital from operations	5,038	12,987
Cash generated from operations	13,663	2,778
Acquisition of subsidiary, net of cash acquired	(423,170)	0
Loans to associates	49,607	0
Other investment activities	(34,308)	(70,249)
Proceeds from issue of ordinary shares	123,842	32,484
Proceeds from borrowings in excess of repayments	262,638	2,458
Other financing activities	0	(824)
Net increase /(decrease) in cash	**(7,728)**	**(33,353)**
Cash at beginning of period	**30,437**	**63,079**
Currency fluctuations affecting cash	**(496)**	**711**
Cash at end of period	**22,213**	**30,437**



1 Introduction

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3 **Pro forma operations of core business**

Pro forma income statement of core business in the fourth quarter

In thousands of EUR	Q4 2008	Q4 2007
Sales	138,111	159,450
Cost of sales*	(88,680)	(103,627)
Gross profit	**49,431**	**55,823**
	35.8%	35.0%
Other operating income	(189)	(66)
Selling and marketing expenses	(18,845)	(21,361)
Research and development expenses	(6,877)	(7,825)
Administrative expenses	(19,099)	(15,107)
One-off restructuring cost	4,000	0
Adj. EBIT (excluding restructuring cost)	**8,521**	**11,464**
EBITDA	11,473	16,952
EBIT % sales	**3.2%**	**7.2%**
Adj. EBIT % sales	**6.2%**	

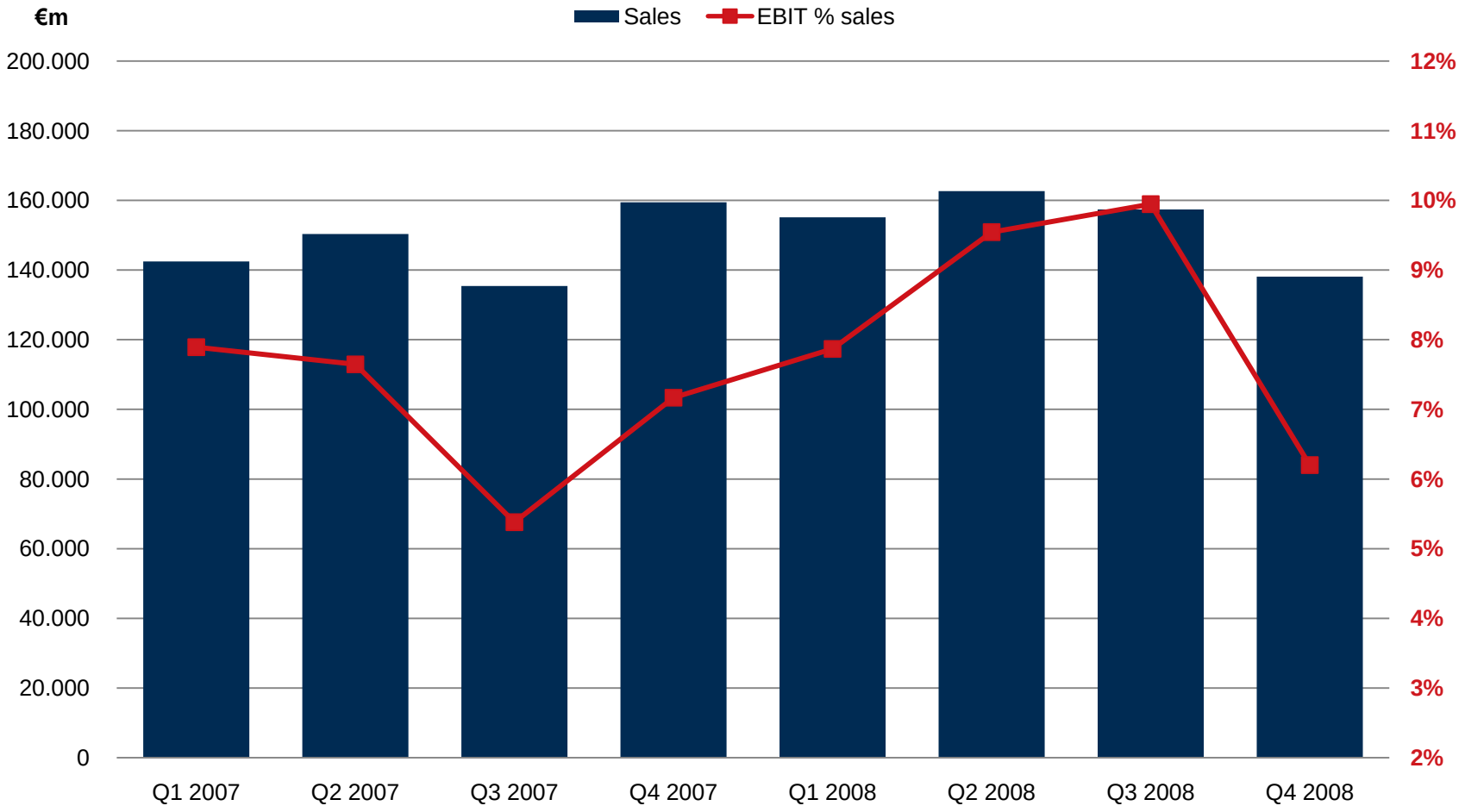
* Excluding one-time costs PPA

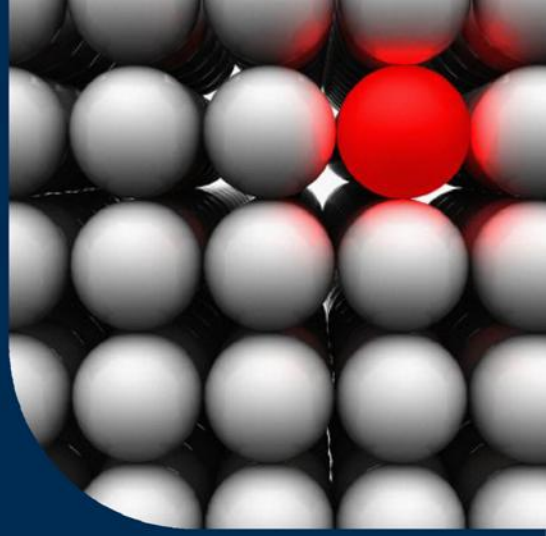
Pro forma income statement of core business for 2008 and 2007

In thousands of EUR	12M 2008	12M 2007
Sales	613,301	587,668
Cost of sales*	(391,196)	(377,945)
Gross profit	**222,105**	**209,723**
	36.2%	35.7%
Other operating income	716	1,203
Selling and marketing expenses	(77,327)	(80,370)
Research and development expenses	(31,531)	(31,379)
Administrative expenses	(66,156)	(57,688)
One-off restructuring cost	4,000	0
Adj. EBIT (excluding restructuring cost)	**51,907**	**41,489**
EBITDA	**71,410**	**61,785**
EBIT % sales	**7.8%**	**7.1%**
Adj. EBIT % sales	**8.5%**	

* Excluding one-time costs PPA

Pro forma sales and EBIT (excluding one-off costs) as % of sales





Q & A

Hörður Arnarson, CEO
Erik Kaman, CFO

Leading global provider of advanced equipment and systems

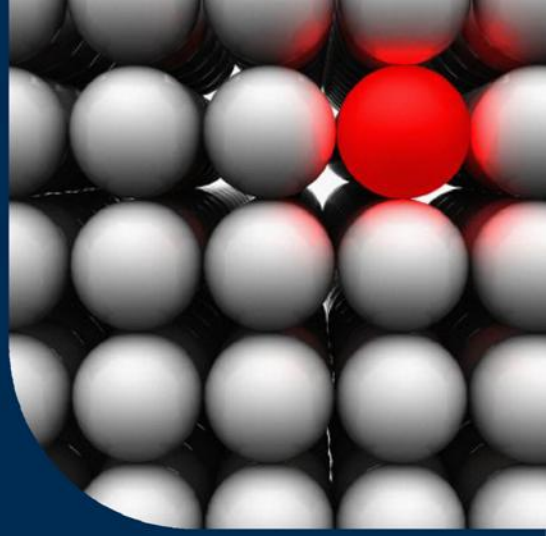
Number 1 globally ✓

- In advanced equipment and systems for poultry processing

Number 1 globally ✓

- In advanced equipment and systems for seafood processing

Major global provider of advanced equipment and systems for meat processing



marel
food systems

Thank you / Takk fyrir / Bedankt

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