



PRESS RELEASE

4 November 2008

Marel Food Systems Q3 2008 results

Robust 16.2% proforma sales growth and 9.9% EBIT from core business in third quarter

- Sales for the third quarter totalled EUR 170.6 million, compared with 66.1 million for the same period the year before, representing an increase of 158.1%. Proforma sales of Marel Food System and Stork Food Systems core business (excluding the Food and Dairy division of Stork) in the third quarter of 2008 totalled EUR 157.4 million, which is an increase of 16.2% compared with the same period in 2007.
- Profit from operations (EBIT) for the third quarter was EUR 14.5 million, which is 8.5% of sales, compared with EUR 1.8 million (2.7% of sales) for the same period the year before. Proforma profit from operations (EBIT) from the core business was EUR 15.7 million, which is 9.9% of sales, compared with 7.3 million (5.4%) the year before.

Good 11% proforma sales growth for the first nine months with 9.1% EBIT from core business

- Sales for the first nine months of 2008 totalled EUR 389.6 million compared with 210.9 million for the same period the year before, which is an increase of 84.7%. Proforma sales of Marel Food Systems and Stork Food Systems core business for the first nine months of the year amounted to EUR 475.2 million, which is an increase of 11% compared with the same period in 2007.
- Profit from operations (EBIT) for the period January to September 2008 was EUR 27.9 million, which is 7.1% of sales, compared with EUR 8.4 million (4.0% of sales) the year before. Proforma profit from operations (EBIT) for the first nine months of the year was EUR 43.4 million, which is 9.1% of sales, compared with 30.0 million (7.0% of sales) for the same period the year before, representing an increase of 45%.
- Net profit for the first nine months of 2008 was EUR 15.3 million compared with 2.7 million in 2007.
- Net interest bearing debt amounted to EUR 384.4 million at the end of September 2008.
- Equity totalled EUR 307.5 million and the equity ratio was 32.5% at the end of September 2008.
- A successful private placement for approximately EUR 10 million, mainly to pension funds, completed on 16 October.

Hörður Arnarson, CEO:

"We are pleased with the operational results for the third quarter and the first nine months of the year. Proforma results of the company's core business for the third quarter are characterised by strong 16% internal growth. At the same time, sales and administration costs remain unchanged resulting in a 45% increase in proforma profit from operations (EBIT) from core business for the first nine months of the year, which corresponds to 9.1% of sales. This is fully in line with the company's goals.

In the third quarter, we continued to focus on the integration of the companies that we bought in the past three years and which have transformed us into the leading producer of equipment and systems for the food processing industry worldwide. The rationalisation measures we have undertaken have delivered the improved operational results that we see today, with Marel Food Systems' profit from operations having steadily grown during the course of the year.

Conditions in the financial markets are unusual, to say the least. The financial crisis will affect all industries to some degree but we believe that the food industry, where we operate, will not be as affected as most other industries. Consumers will without a doubt cut expenditures on travel, new cars or luxury goods but they will continue to eat, even if their consumption habits will change. The food industry has always adapted very quickly to changes in the environment and that is why we believe that a possible slowdown in the industry will not last as long as in most other sectors."

Prospects

The operational results are fully in line with expectations at the beginning of the year that performance would improve considerably during the course of the year. The past three years have been characterised by rapid external growth but in the last two quarters the emphasis has been placed on internal growth and increased profitability. The integration and reorganisation of the companies that were acquired has gone well and the expected synergies and increased efficiency are beginning to materialise. At the beginning of the year, it was expected that the measures undertaken – which included integration of the companies' sales networks and product lines, as well as a reduction in the number of employees – would begin to materialise fully in the third and especially fourth quarters. Proforma profit from operations (EBIT) for the third quarter is 9.9% of sales (9.1% for the first nine months of the year) and the company's stated goal of 9% for the year as a whole remains unchanged.

The substantial drop in raw material prices in recent weeks will have a positive effect on the company, both directly through reduced production costs related to the decrease in the price of stainless steel, and indirectly through lower corn prices, which will improve the operational results of our customers.

The effects of the international financial crisis on the company's operations have so far been minimal and the results for the year are expected to be more or less in line with expectations at the beginning of the year. There has not been a material change in sales activity. However, it is beginning to take more time for the company's customers to secure financing and this could result in reduced order intake as projects are delayed. The company's growth in coming quarters can therefore be expected to be reduced compared to what it has been in past quarters. Actions have already been taken to achieve further economies of scale by harnessing the synergies between the companies.

Nevertheless, the food industry is relatively well placed and the effects of the financial crisis are expected to be smaller in magnitude and shorter in duration than in other sectors. In fact, the downturn of the international economy will create opportunities for companies in the food processing industry in the months ahead. Consumer habits will change and they have already begun to do so. The consumption of less expensive proteins, primarily poultry and fish, is likely to increase substantially. Consumers will also eat out less in fine restaurants and shop more for "ready-made meals". Moreover, the drop in base interest rates will make it easier for food processing companies to make the investment required to be able to respond to changing consumer demands. The long-term prospects of the company are therefore good and our long term expectations about the future remain unchanged.

Performance summary for Q3 2008

The Interim Financial Statement for Marel Food Systems hf for the first nine months of 2008 was approved by the company's Board of Directors at a meeting on 4 November 2008.

Operations for Q3 – main results in thous. of euros

Operating results	2008	2007
Sales	170,633	66,087
Cost of goods sold	(111,666)	(44,215)
Gross profit	58,967	21,872
Other operating income	134	124
Sales & marketing expenses	(21,092)	(10,398)
Development expenses	(8,552)	(3,122)
Administrative expenses	(14,929)	(6,711)
Profit from operations EBIT	14,528	1,765
Finance costs – net	(9,194)	(1,894)
Profit of associates	0	(6,836)
Profit before tax	5,334	(6,965)
Tax expense	(805)	1,208
Profit for period	4,529	(5,757)
EBITDA	20,755	4,614

Percent of sales

Contribution margin	34.6%	33.1%
Sales & marketing expenses	12.4%	15.7%
Development expenses charged	5.0%	4.7%
Administrative expenses	8.7%	10.2%
EBITDA	12.2%	7.0%
EBIT	8.5%	2.7%
Profit for period	2.7%	(8.7%)

Operations for January to September, in thous. of euros

Operating results	2008	2007
Sales	389,648	210,948
Cost of goods sold	(253,601)	(138,889)
Gross profit	136,047	72,059
Other operating income	905	1,269
Sales & marketing expenses	(51,251)	(32,657)
Development expenses	(19,693)	(10,394)
Administrative expenses	(38,155)	(21,850)
Profit from operations EBIT	27,853	8,427

Finance costs – net	(9,807)	(4,814)
Profit from associates	473	(523)
Profit before tax	18,519	3,090
Tax expense	(3,194)	(397)
Profit for period	15,325	2,693
EBITDA	42,197	16,139

Percent of sales

Contribution margin	34.9%	34.2%
Sales & marketing expenses	13.2%	15.5%
Development expenses charged	5.1%	4.9%
Administrative expenses	9.8%	10.4%
EBITDA	10.8%	7.7%
EBIT	7.1%	4.0%
Profit for period	3.9%	1.3%

Financial position at end of period	30.09.08	31.12.07
Total assets	946,050	427,304
Equity	307,454	181,835
Working capital	12,870	109,887

Cash flow January to September	2008	2007
Working capital from operations	39,811	10,969
Cash generated from operations	18,016	9,558
Increase/(decrease) in net cash	(13,502)	(53,914)
Net cash at end of period	14,811	9,248

Highlights at end of September	2008	2007
Return on owners' equity	8.4%	2.4%
Current ratio	1.0	1.2
Quick ratio	0.5	0.6
Equity ratio	32.5%	38.5%
Earnings per share in euro cents for the past 12 months with Stork Food Systems	11.2	-
Market cap. in millions of euros based on exchange rate at end of period	330.5	424.2

Sales in the first nine months of 2008 totalled EUR 389.6 million, compared with EUR 210.9 million for the same period the year before. Sales have therefore increased by 84.7%.

Profit from operations (EBIT) was EUR 27.9 million, or 7.1% of sales, compared with EUR 8.4 million (4.0% of sales) for the same period in 2007.

Net financial costs amounted to EUR 9.8 million, compared with EUR 4.8 million for the same period a year ago.

Net profit of Marel Food Systems in the first nine months of 2008 totalled EUR 15.3 million, compared with EUR 2.7 million the year before.

Net interest bearing debt, i.e. interest bearing debt less net cash, amounted to EUR 384.4 million at the end of September 2008.

Total assets of the company at the end of September 2008 were entered at EUR 946.0 million, having increased by EUR 518.7 million, or 121.4%, from the end of 2007.

Cash generated from operations totalled EUR 39.8 million. At the end of the third quarter of 2008, net cash was EUR 14.8 million, compared with EUR 9.2 million at the end of September 2007.

Proforma performance

Performance of Marel Food Systems and core business of Stork Food Systems (excluding Food and Dairy).

Proforma operations for Q3 – main results in thous. of euros

Operating results	2008	2007	Change %
Sales	157,380	135,405	16.2%
Cost of goods sold	(101,370)	(87,602)	15.7%
Gross profit	56,010	47,803	17.2%
Other operating income	135	124	
Sales & marketing expenses	(18,446)	(19,402)	
Development expenses	(7,984)	(7,225)	
Administrative expenses	(14,061)	(14,016)	
Profit from operations EBIT	15,654	7,284	
EBITDA	21,814	12,362	

Percent of sales

Contribution margin	35.6%	35.3%
Sales & marketing expenses	11.7%	14.3%
Development expenses charged	5.1%	5.3%
Administrative expenses	8.9%	10.4%
EBITDA	13.9%	9.1%
EBIT	9.9%	5.4%

Proforma operations January to Sept. – main results in thous. of euros

Operating results	2008	2007	Change %
Sales	475,190	428,218	11.0%
Cost of goods sold	(302,516)	(274,318)	10.3%
Gross profit	172,674	153,900	12.2%
Other operating income	905	1,269	
Sales & marketing expenses	(58,482)	(59,009)	

Development expenses	(24,654)	(23,554)
Administrative expenses	(47,057)	(42,581)
Profit from operations EBIT	43,386	30,025
EBITDA	59,937	44,833

Percent of sales

Contribution margin	36.3%	35.9%
Sales & marketing expenses	12.3%	13.8%
Development expenses charged	5.2%	5.5%
Administrative expenses	9.9%	9.9%
EBITDA	12.6%	10.5%
EBIT	9.1%	7.0%

Proforma sales in the first nine months of the year totalled EUR 475.2 million, compared with EUR 428.2 million the year before, which reflects an increase of 11.0% between years. On the basis of a fixed EUR/USD exchange rate, the increase is 13.0%.

Proforma profits from operations before depreciation and amortization (EBITDA) was EUR 59.9 million, or 12.6% of turnover.

Proforma profit from operations before finance costs and taxes (EBIT) for the third quarter was EUR 15.7 million, or 9.9% of turnover, and for the first nine months of the year EUR 43.4 million, or 9.1% of turnover. The company's goal for the year 2008 is 9% EBIT, which remains unchanged.

Key events during the period

Integration activities

In the past two quarters, the main emphasis has been placed on internal growth and increase profitability. In the third quarter, work continued on the integration of the companies' sales networks and product lines in order to reduce fixed costs and increase economies of scale. The increase in profit from operations for the quarter is confirmation of the fact that the integration efforts are producing the intended synergies. The rationalisation of operations are expected to be even more fully felt in the fourth quarter. There are still more untapped rationalisation opportunities available, especially through further integration of product lines and improved efficiencies in production.

In the first quarter of next year, Marel, AEW Delford and Carnitech will be merged under the name of Marel Food Systems. This will further increase efficiency, as well as strengthen the company's image. All the names will continue to be used as brand names in connection with the marketing of individual product categories.

The integration of Marel Food Systems and Stork Food Systems, which began in the second quarter, continues. The focus is on achieving synergies through the integration of financial procedures, information systems, procurement, production and marketing activities.

Private placement

In view of the turbulence in the financial markets, Marel Food Systems decided to issue new shares in the company in a private placement, which was successfully completed on 16 October 2008. The purpose of the share offering was to further strengthen the Company's finances and to increase free float of its shares. Subscriptions for shares amounted to ISK 20,074,615 nominal value at 70 ISK per share, equivalent to ISK 1,405,223,050 (approximately EUR 10 million). The Board of Directors decided to accept all subscriptions for shares, the vast majority of which were from pension funds.

5 year comparison

Key figures from Marel's operations, January to Sept. in thous. of EUR

	2008	2007	2006	2005	2004
Sales	389,648	210,948	136,754	94,254	83,179
Profit from operations (EBIT)	27,853	8,427	6,449	8,446	9,218
EBIT as a % of sales	7.1%	4.0%	4.7%	9.0%	11.1%
Net profit	15,325	2,693	674	5,136	6,089
Net profit as a % of sales	3.9%	1.3%	0.5%	5.4%	7.3%
EBITDA	42,197	16,139	11,949	12,050	12,527
EBITDA as a % of sales	10.8%	7.7%	8.7%	12.8%	15.1%
Total assets at end of period	946,050	389,336	366,070	107,028	92,074
Equity at end of period	307,454	149,972	144,198	37,231	32,035
Working capital at end of period	12,870	30,899	95,874	16,972	18,084
Cash generated from operations	18,016	9,558	(6,385)	5,850	9,513
Net cash at end of period	14,811	9,248	63,907	5,407	5,459
Current ratio	1.0	1.2	2.0	1.4	1.6
Quick ratio	0.5	0.6	1.3	0.7	0.8
Equity ratio	32.5%	38.5%	39.4%	34.8%	34.8%
Market cap. in millions of EUR based on exchange rate at end of period	330.5	424.2	316.6	211.8	151.1

Presentation of results 5 November 2008

Marel Food Systems will present performance results at a meeting on Wednesday, 5 November 2008, at 8:30 a.m., at the company's headquarters at Austurhraun 9, Gardabaer

Publication days of the Consolidated Financial Statements in 2008 and the Annual General Meeting 2008

Publication dates of the Financial Statements for 2008:

4th quarter 10 February 2009

Annual General Meeting of Marel Food Systems hf 10 March 2009

For further information, contact:

Hörður Arnarson, CEO

Tel: (+354) 563-8000