
PRESS RELEASE

3 November 2009

Marel Food Systems Q3 2009 results

Good operating performance; new cost base and improved market conditions

- Revenues from core business for Q3 2009 totalled EUR 111.9 mln, an increase of 4.4% compared to the previous quarter (Q3 2008: EUR 143.1 mln).
- EBITDA from core businesses was EUR 18.6 mln, or 16.6% of sales (Q3 2008: EUR 20.9 mln; 14.6% of sales).
- EBIT from core business was EUR 13.1 mln, or 11.7% of sales (Q3 2008: EUR 15.7 mln; 11% of sales).
- International shareholding increased to 16% following Columbia Wanger's acquisition of a 5.2% share in Marel.

Consolidated ¹

- Consolidated revenues for Q3 2009 amounted to EUR 133.7 mln (Q3 2008: EUR 170.6 mln).
- Consolidated EBITDA was EUR 18.0 mln in Q3 2009 (Q3 2008: EUR 20.8 mln) and consolidated operating profit (EBIT) was EUR 11.8 mln (Q3 2008: EUR 14.5 mln).
- Net result was EUR 0.9 mln for Q3 2009 (Q3 2008: EUR 4.5 mln).
- Net interest bearing debt was EUR 348.0 mln.
- Bridge loan for Food and Dairy operation was extended by two years, until October 2011.

Theo Hoen, CEO:

"We are pleased with our quarterly operating results. We remain cost conscious in view of the slow pace of recovery. Orders received in our core business remain stable in the third quarter after good growth in the first two quarters. Our cost discipline has enabled us to increase gross margins and EBIT return on sales. With the

¹ Consolidated figures include the non-core business of Food and Dairy Systems and the operations of Carnitech, excluding its salmon and freezing divisions and its operations in the United States, which are now operated under the Marel name and management.

rationalization measures implemented over the past year, we are now operating with a new and substantially lower cost base.

We are focused on capturing the synergies between Marel and Stork Food Systems. We look forward to presenting our customers with innovative new systems that combine the industry-leading technologies that the merged companies are capable of offering as 'One Company'.

We are proud that Columbia Wanger Asset Management, a subsidiary of Bank of America, has acquired a substantial share in the company. Our shareholders have supported our strategy well in recent years, and it is encouraging to experience that the international investment community has confidence in the future of our market and our company."

Operating environment

- Marel's key markets for the sale of food processing machinery and equipment are gradually improving but more slowly than anticipated.
- Order intake has only slightly decreased, by 4% between quarters, despite the summer holiday season.

Following an increase for two quarters in a row, Marel's order intake decreased only slightly, despite the summer holiday period when business activity is traditionally at a lower level. Order intake may nevertheless vary in coming quarters due to business cycle fluctuations and the timing of large projects.

Financial institutions are still hesitant about financing major investments and transactions, causing delays in order intake for larger systems in some markets, including North America and parts of Eastern Europe. However, there is a noticeable improvement in the sale of medium-sized projects, with a substantial increase in the number of projects in the pipeline. Maintenance and the sale of spare parts as revenue sources remain roughly at the same level as they were in 2008.

The food industry

- Increased activity in all industry segments.
- The poultry industry is leading the way with the biggest growth.
- Investment is on the rise in the fish processing industry, particularly in whitefish and salmon.
- The fresh meat market has improved noticeably, especially for medium-sized projects.
- The level of activity is high in further processing but conversion to sales is slow.

Despite a continuing focus on cost control, Marel gives high priority to research and development to ensure a steady pipeline of innovative new products to our customers in all four industry segments. There is increased activity in all segments, though market conditions vary from one segment to another.

- **Fish:** Sales in the fish industry are close to target. Norway is currently by far the largest market in fish as exemplified by several recent large-scale projects in both the salmon and whitefish industries. While sales in some countries are lagging, other countries are exceeding expectations, such as Lithuania and Canada. In general, the salmon industry is performing well and salmon prices are still high. In January 2010 new regulations will take effect in the EU requiring all fish imports to have validated catch certificates. Companies will have to reform their management procedures in order to keep track of catch origin, which will create opportunities for Marel.

- **Meat:** The meat industry is slowly recovering after a year-long recession. The market has responded very favourably to Marel' integrated meat processing solutions. The decision two years ago to focus in particular on medium-sized projects for medium-sized companies is yielding good results and there are currently many such projects in the pipeline. The U.S. and EU pork markets are improving though prices are still under pressure and margins are tight. Attendance was good at the Worldwide Food Expo/AMI Exhibition in Chicago (28-30 October), where the company exhibited a new integrated system that features a Townsend injector combined with a Marel injection monitoring system.
- **Poultry:** Most markets in the poultry industry have rebounded well and sales activity has picked up. Delayed grain harvests have pushed corn and soybean prices up in North America. However, this has not impacted the conclusion of several large-scale projects with processors in Canada and Latin America. Processors are continuing to invest in Stork's deboning systems, as well as complete poultry processing lines. Nevertheless, it is unlikely that large greenfield projects will materialise until Q1 or Q2 2010. In 2010 it is expected that poultry production will increase by more than 10% in markets like Russia, India, Argentina and Iran.²
- **Further processing:** Added value processors are profiting from the fact that the economic slowdown has caused consumers to increase consumption of less expensive proteins like poultry and processed products like sausages. They have also benefitted from the increase in stay-at-home dining, with consumers choosing to eat more luxuriously at home rather than dining out. Already in spring 2008 close to half of Americans were feeling the effects of higher food prices and some 30% had responded by eating at home more, according to a Gallup poll.³ Processors are responding by adapting and updating their production processes and systems.
- **Customer focus – Sysco Corporation:** Sysco Corporation, a global leader in the foodservice industry, owns and operates 17 meat processing plants in the United States and Canada. When the company decided to replace one of its production facilities in Buckhead, New Jersey, with a new facility, it turned to Marel for a fully integrated meat processing solution. Sysco's goal was to increase production capacity by at least 50% of the current plant capacity, as well as to be able to monitor individual performance and improve process flow. The solution presented by Marel is based on the innovative new StreamLine processing line, which is fully integrated with Innova, the company's state-of-the-art production management software. The system provides Sysco with much better control over their production process and allows the company to monitor the yield, throughput and quality of individual operators throughout the entire processing cycle. Process flow is improved with the ability to pace the line and deliver raw material to each production stage automatically. "The solution offered by Marel will enable us to increase production up to 50% without adding labour and pick up a 2-3 point yield gain. We are excited to be the first meat processing facility in the United States to utilize this state-of-the-art production line," says Gary F. Szura, Sr. Vice President and General Manager of Buckhead Beef NE, A Sysco Company. The success of these integrated systems demonstrates how important innovation and research and development are to Marel' business. That is why the company invests an industry-leading 6-8% of its revenues in its innovation capacity. For further information on Sysco Corporation, visit www.sysco.com.

² According to figures from the U.S. Department of Agriculture (Broiler Meat Summary Selected Countries).

³ "Winning Shoppers in Turbulent Times" – A Unilever Trip Management Report.

Key events during the period

Integration and cost efficiency

The integration process of the Marel and Stork companies has begun with the aim of capturing the potential synergies from the merger. Work has begun on the development of new products that combine the advanced technologies that each company has to offer with the aim of providing the customer with the highest added value possible. Furthermore, the global network of subsidiaries and offices is being integrated in order to present one unified front to the customer and to increase the effectiveness and efficiency of the company's presence in markets around the world. The implementation is being carried out step-by-step in order to minimize disruptions to daily operations.

Marel is maintaining a strict focus on rationalization and cost control. At the corporate level, the total annual savings achieved with the rationalization measures implemented during the course of the year amount to EUR 25 mln. As a result of these measures, the company is now operating with a new and substantially lower cost base. The savings have been mainly driven by reductions in personnel, from 4,108 employees at the end of Q2 2008 to 3,565 at the end of Q3 2009.

Cash flow

One of the main objectives for the year 2009 is to further increase operational cash flows. For that reason, Marel launched a Working Capital Management Programme roughly one year ago with the aim of substantially reducing working capital through reductions in inventories and the number of debtors.

Marel was operationally cash flow positive in Q3 by EUR 5.1 mln, even though the business was growing compared to the previous quarter, which increased the need for working capital. Overall the business remains well invested and investments in capital goods were limited during the quarter.

Marel is committed to continuing the working capital programme at least through 2010 with the aim of achieving further reductions in inventory turnover and debtor days. However, with a growing business, this may not necessarily lead to an increase in operational cash flow.

Financing

On 25 September 2009 it was announced that funds managed by Columbia Wanger Asset Management, a wholly owned subsidiary of Bank of America Corporation, had acquired close to 32.2 million shares in Marel, equivalent to a 5.2% ownership, at the price of ISK 59.0 per share. The payment actually took place at the beginning of October. The transaction increases Marel's foreign ownership from 11% to 16%, which is in line with the company's stated goal to strengthen and internationalize its shareholder base.

Marel has now refinanced a facility provided originally in relation to the acquisition of Food and Dairy Systems. The new maturity date is October 2011. After the refinancing, Marel has no short-term maturities.

The liquidity position of EUR 51.1 million remains relatively strong and the business remains well equipped to deal with the current market environment.

Non-core assets

One of two manufacturing sites in Denmark belonging to the non-core operations of Carnitech was closed. The activities were consolidated at the remaining site.

As previously announced, two transactions for the sale of non-core assets were completed in Q2 involving real estate formerly belonging to the Food & Dairy part of Stork Food Systems, and the company Scanvaegt Nordic A/S. The divestment of other non-core activities is still under consideration.

Performance summary for Q3 2009

Please note that YTD 2008 numbers include Stork Food Systems and Stork Food & Dairy Systems as of 1 May 2008 .

Key figures from Marel's consolidated operations in thousands of EUR

	Q3 2009	Q3 2008	YTD 2009	YTD 2008
Revenue	133,659	170,633	395,995	389,648
Result from operations (EBIT)	11,771	14,528	27,604	27,853
EBIT as a % of sales	8.8%	8.5%	7.0%	7.1%
Net result	858	4,529	11,233	15,325
Net result as a % of sales	0.6%	2.7%	2.8%	3.9%
Result before depreciation and amortisation (EBITDA)	17,986	20,755	46,738	42,196
EBITDA as a % of sales	13.5%	12.2%	11.8%	10.8%
Operational cashflow	5,065	2,746	24,669	13,885

Highlights at end of period	30-09-2009	31-12-2008
Return on owners' equity	5.1%	-3.6%
Current ratio	1.5	1.0
Quick ratio	1.1	0.5
Equity ratio	34.8%	31.3%
Earnings per share in euro cents	1.91	(1.71)
Market cap. in millions of euros based on exchange rate at end of period	210.3	265.8
Net Debt	347,958	379,405

Performance of the core business

Core business excludes Stork Food & Dairy Systems and Carnitech A/S.

Key figures from Marel's core operations, normalised in thousands of EUR

	Q3 2009	Q3 2008	YTD 2009	YTD 2008
Revenue	111,922	143,065	322,304	426,787
Result from operations (EBIT)	13,064	15,695	17,840	44,172
EBIT as a % of sales	11.7%	11.0%	5.5%	10.3%
Net result	2,241	5,876	3,909	30,203
Net result as a % of sales	2.0%	4.1%	1.2%	7.1%
Result before depreciation and amortisation (EBITDA)	18,587	20,931	34,669	59,212
EBITDA as a % of sales	16.6%	14.6%	10.8%	13.9%

Outlook

Market activity is expected to remain at the current level or to slightly improve in coming months. The expectation is that the year 2010 will have a better start than 2009. Operational results will improve in accordance with market developments, supported by the company's continued focus on cost control. Results could vary quarter by quarter but long-term prospects are good.

Presentation of results, 4 November 2009

Marel will present its results at a meeting on Wednesday, 4 November, at 8:30 a.m., at the company's headquarters at Austurhraun 9, Gardabaer.

Publication days of the Consolidated Financial Statements in 2009 and the Annual General Meeting 2010

Publication dates of the Financial Statements for 2009:

- 4th quarter 4 February 2010
- Annual General Meeting of Marel Food Systems hf 3 March 2010

Publication dates of the Financial Statements for 2010:

- 1st quarter 2010 28 April 2010
- 2nd quarter 2010 28 July 2010
- 3rd quarter 2010 27 October 2010
- 4th quarter 2010 2 February 2011
- Annual General Meeting of Marel Food Systems hf 2 March 2011

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About Marel

Marel is the leading global provider of advanced equipment and systems for the fish, meat and poultry processing industry. Our internationally renowned brands include AEW Delford, Carnitech, Dantech, Marel, Scanvaegt, Stork and Townsend. With offices and subsidiaries in over 30 countries and a global network of 60 agents and distributors, we work side-by-side with our customers to extend the boundaries of food processing performance.