

## Q1 2010 presentation

Sigsteinn Grétarsson, Managing Director of Marel Iceland  
Erik Kaman, CFO

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# Sigsteinn Grétarsson

Managing Director of Marel Iceland



- 1** Introduction
- 2** Financial results
- 3** Outlook



## Marel capitalizes on improved market conditions

- This was a good quarter for Marel
- Revenues grew once again compared to the previous quarter and the same period in 2009
- The order book has now grown for five quarters in a row and reached a satisfactory level
- Continuous efforts to streamline our operations have improved margins
- We have invested great efforts in making the improved cost structure sustainable



*The 9000 series is Marel's newest generation of weigh price labellers*

## Focus on integration

- We are now one company, with one name, based on the four core industry segments we serve – fish, meat, poultry and further processing
- The four Industry Centers capitalize on the strengths of our key brands
- Priority will continue to be given to the integration process in 2010 and new integrated products will continue to be introduced at every major exhibition during the course of the year



*At VIV Europe 2010 Marel capitalized on the strength of the Stork Poultry Processing brand*

## Going forward with a new and substantially lower cost base

- Marel continues to maintain a strict focus on rationalization and cost control
- In 2009, the total annual savings achieved at the corporate level amounted to EUR 25 mln
- Great effort is now being invested in ensuring that the company's reduced cost base is sustainable

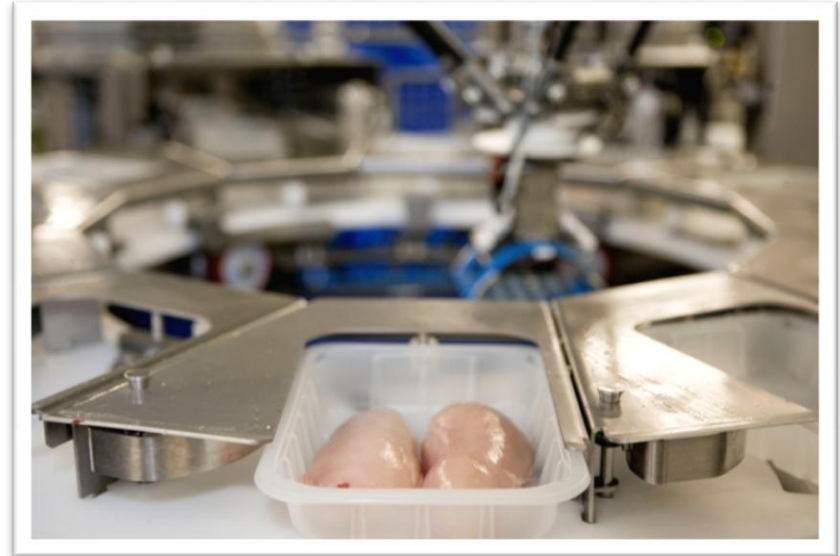


*Marel's sleek, accurate and fast general-purpose grading and packing scales are known throughout the industry*



## Focus is now fully on core activities

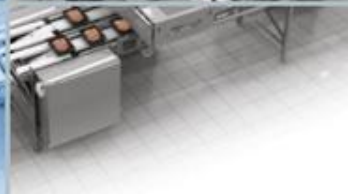
- In the quarter, Marel concluded the sale of two non-core operating units, Food & Dairy Systems and Carnitech A/S
- The impairment of the assets sold, due to the write off of goodwill and revalued assets, was reflected in the 2009 accounts and has no significant effect on the results for Q1 2010
- The sales are part of Marel's strategy to focus on the profitability and organic growth of its core business



*The RoboBatcher automatically sorts and loads products of varying weight - such as chicken pieces, steaks and chops - into predefined fixed-weight trays*

**Erik Kaman**

CFO





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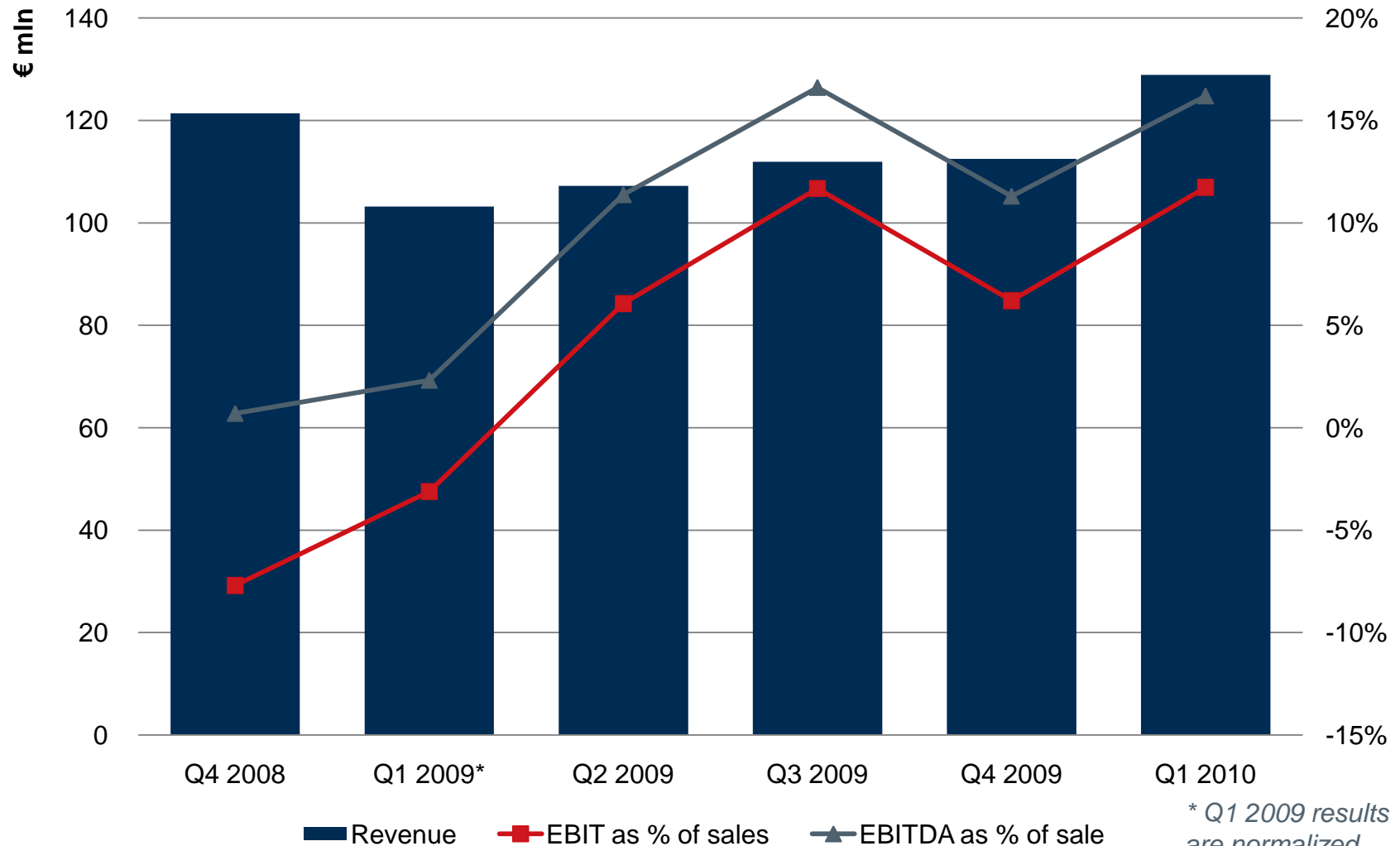


## Core business results

<u>In EUR thousands</u>	<b>Q1 2010</b>	<b>Q1 2009</b>	<b>Full year 2009</b>
Revenues .....	128,875	103,174	434,796
Gross profit .....	51,040	34,099	166,160
<i>as a % of sales</i>	39.6%	33.0%	38.2%
Result from operations (EBIT) .....	15,119	(1,719)	24,760
<i>as a % of sales</i>	11.7%	-1.7%	5.7%
EBITDA .....	20,870	3,891	47,432
<i>as a % of sales</i>	16.2%	3.8%	10.9%
Orders received (including service revenues) ...	135,028	95,452	
Order book .....	113,517	58,829	

Core business results exclude the non-core operations of Stork Food and Dairy Systems and Carnitech A/S, which were sold off in Q1 2010. The operations of the former are included in the consolidated accounts for the whole quarter while the operations of the latter are included for one month. These non-core operations represent revenues of €18.3m and EBIT of €0.8m in the consolidated accounts. Core business results normalized for 2009.

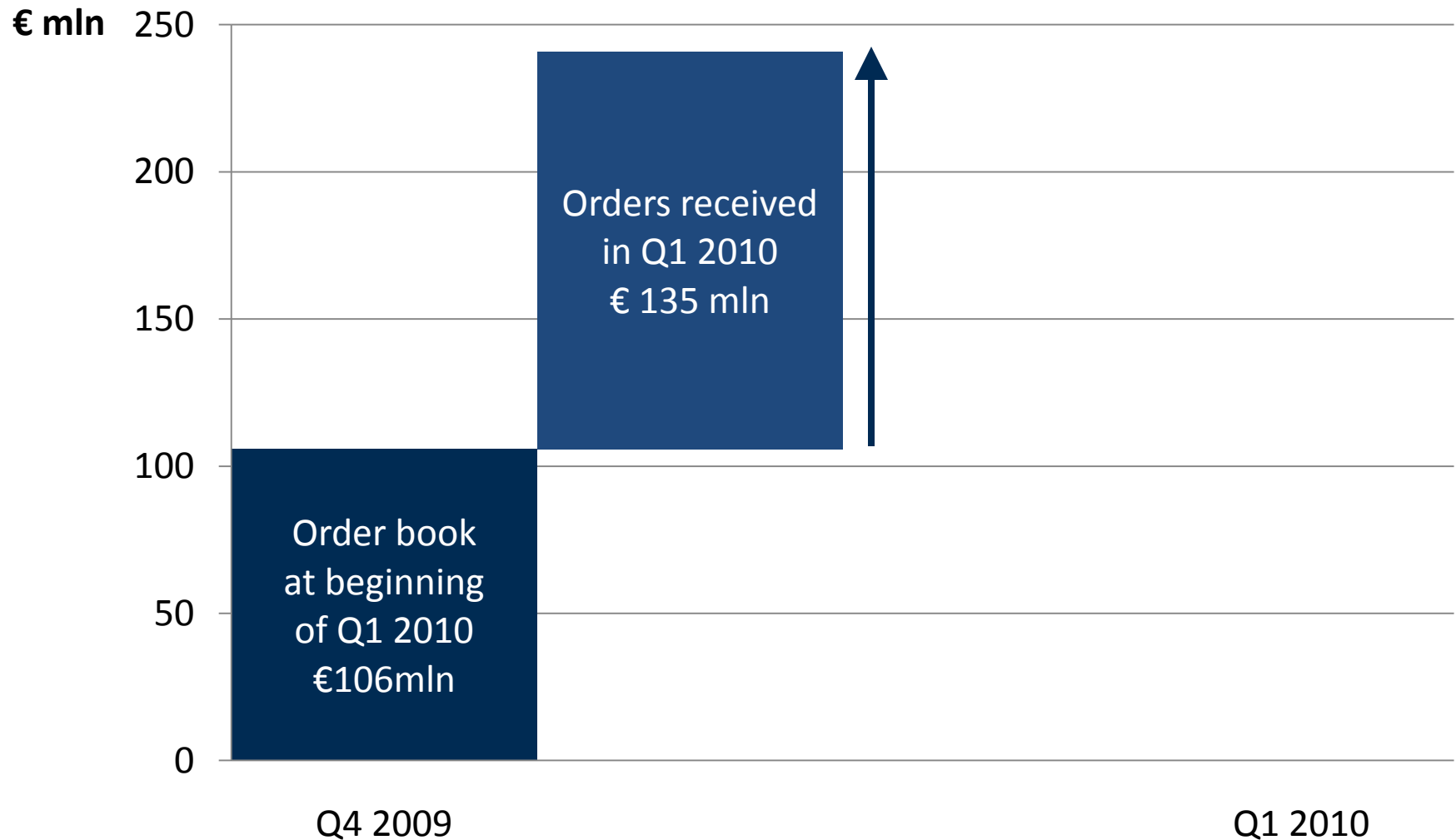
## Development of core business results



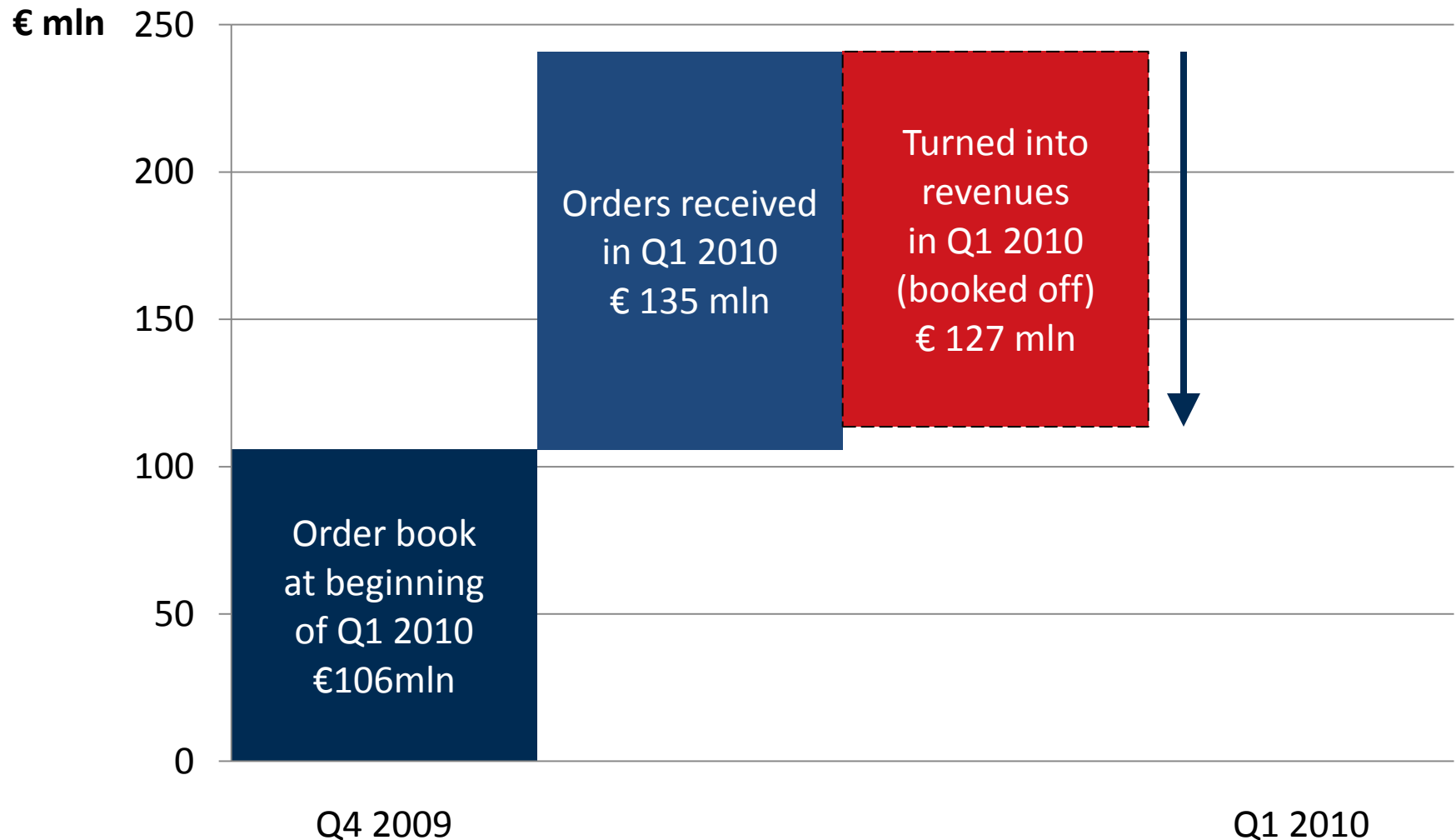
## Orders received exceeded orders booked off in the quarter



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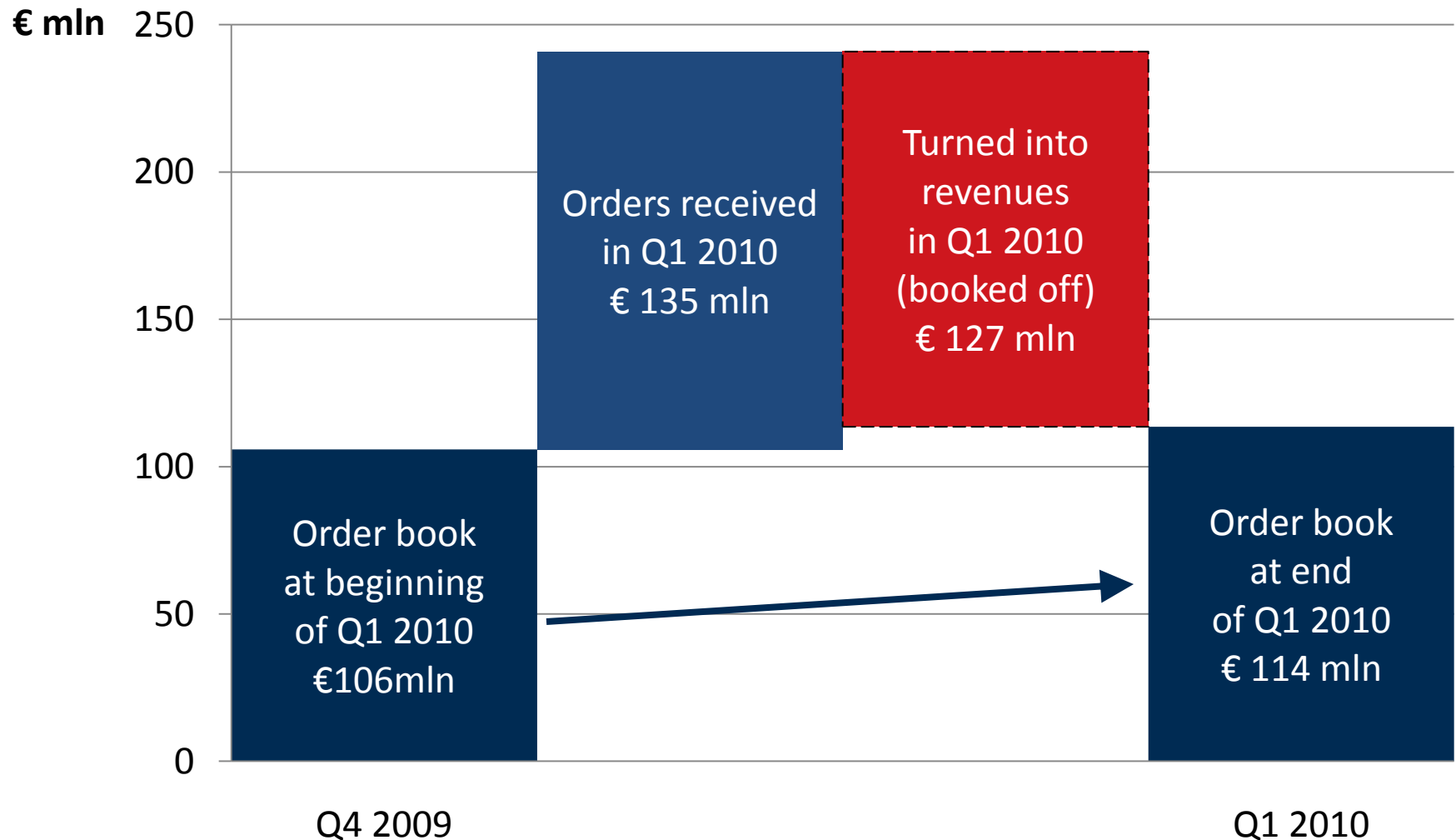


## Orders received exceeded orders booked off in the quarter

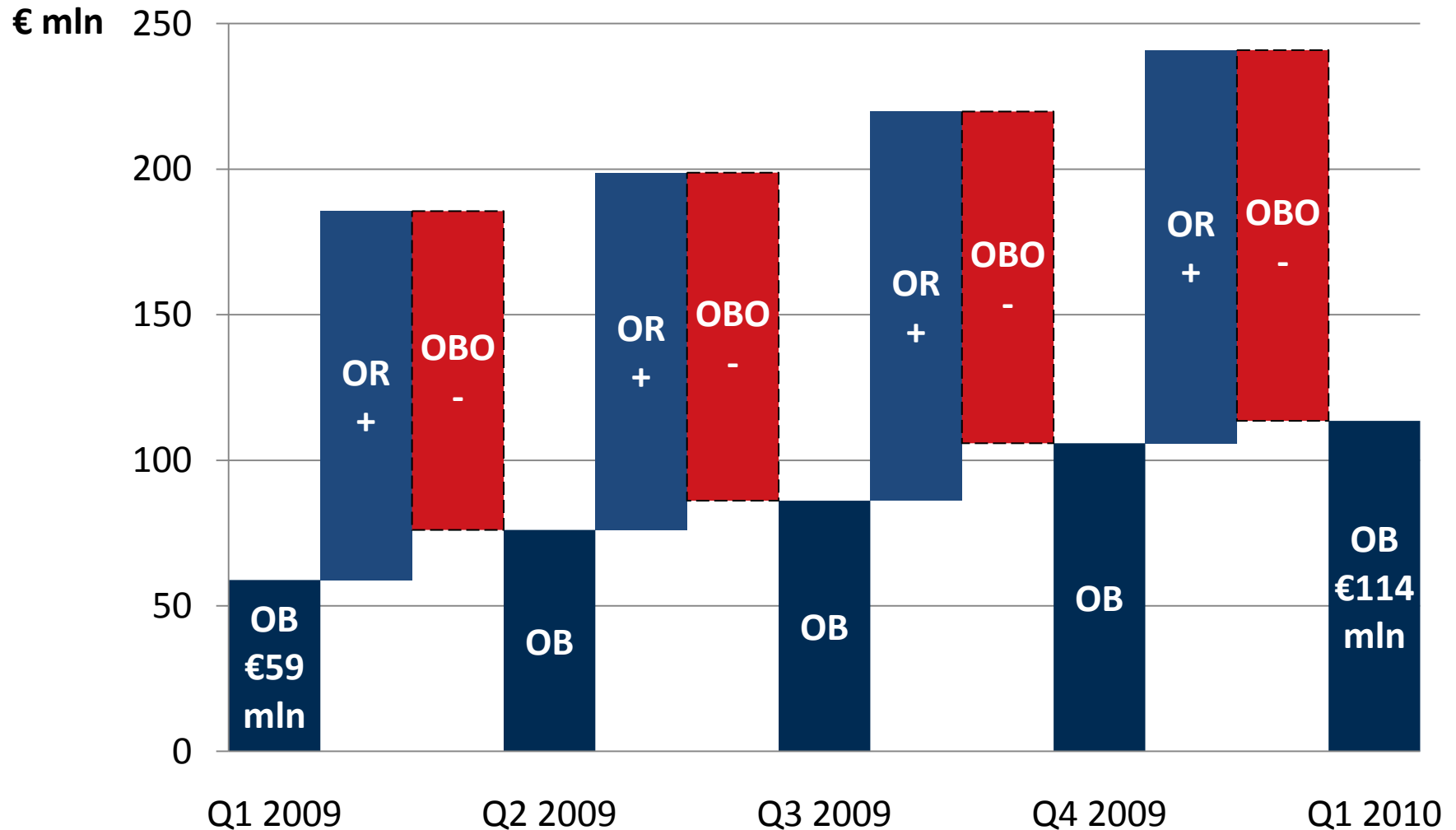




## Orders received exceeded orders booked off in the quarter



## Order book is almost double its Q1 2009 level



## Consolidated income statement

	EUR thousands		% of sales	
	Q1 2010	Q1 2009	Q1 2010	Q1 2009
Revenue .....	147,166	130,334		
Cost of sales .....	(90,462)	(88,354)		
<b>Gross profit</b>	56,704	41,980	38.5%	33.0%
Other operating income (expenses) .....	159	32		
Selling and marketing expenses .....	(18,975)	(19,733)	12.9%	15.1%
Research and development expenses .....	(8,708)	(9,029)	5.9%	6.9%
Administrative expenses .....	(13,308)	(19,007)	9.0%	14.6%
<b>Result from operations</b>	15,873	(5,757)	10.8%	-1.7%
Finance costs - net .....	(8,538)	(3,407)		
Share of results of associates .....				
<b>Result before income tax</b>	7,335	(9,164)		
Income tax .....	(1,721)	2,198		
<b>Net result</b>	5,613	(6,966)	3.8%	-2.4%
EBITDA .....	22,550	754	15.3%	0.6%
Depreciation and amortization .....	6,677	6,511	4.5%	5.0%

## Consolidated balance sheet

### ASSETS

#### Non-current assets

	EUR thousands	
	31/3 2010	31/12 2009
Property, plant and equipment .....	114,874	115,331
Goodwill .....	379,416	377,959
Other intangible assets .....	88,547	85,433
Investments in associates .....	97	97
Receivables .....	5,315	150
Deferred income tax assets .....	11,345	14,850
	<u>599,594</u>	<u>593,821</u>

#### Current assets

Inventories .....	76,570	81,055
Production contracts .....	17,556	11,992
Trade receivables .....	75,275	67,184
Assets held for sale. ....	598	33,330
Other receivables and prepayments .....	27,299	23,596
Restricted cash .....	16,098	25,882
Cash and cash equivalents .....	<u>67,070</u>	<u>46,022</u>
	<u>280,466</u>	<u>289,061</u>

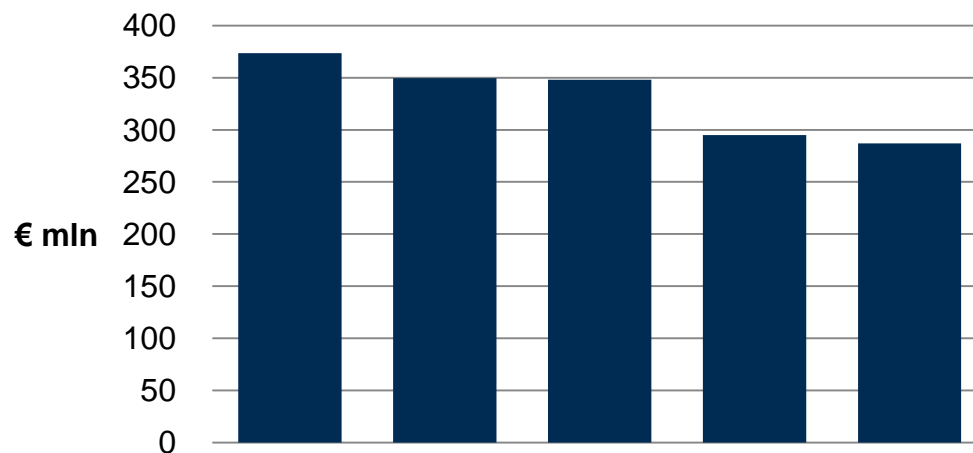
#### Total assets

	<u><u>880,060</u></u>	<u><u>882,882</u></u>
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## Consolidated balance sheet (continued)

	EUR thousands	
	31/3 2010	31/12 2009
<b>EQUITY</b>		
Total equity	330,483	323,797
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings .....	351,570	351,508
Deferred income tax liabilities .....	4,798	7,765
Provisions .....	8,752	8,797
Derivative financial instruments .....	12,696	11,065
	377,816	379,135
<b>Current liabilities</b>		
Production contracts.....	49,220	36,227
Trade and other payables .....	100,153	80,054
Liabilities held for sale .....	0	43,693
Current income tax liabilities .....	1,388	1,584
Borrowings .....	17,934	15,409
Provisions .....	3,066	2,983
	171,761	179,950
<b>Total liabilities</b>	549,577	559,085
<b>Total equity and liabilities</b>	880,060	882,882

## Development of net interest bearing debt

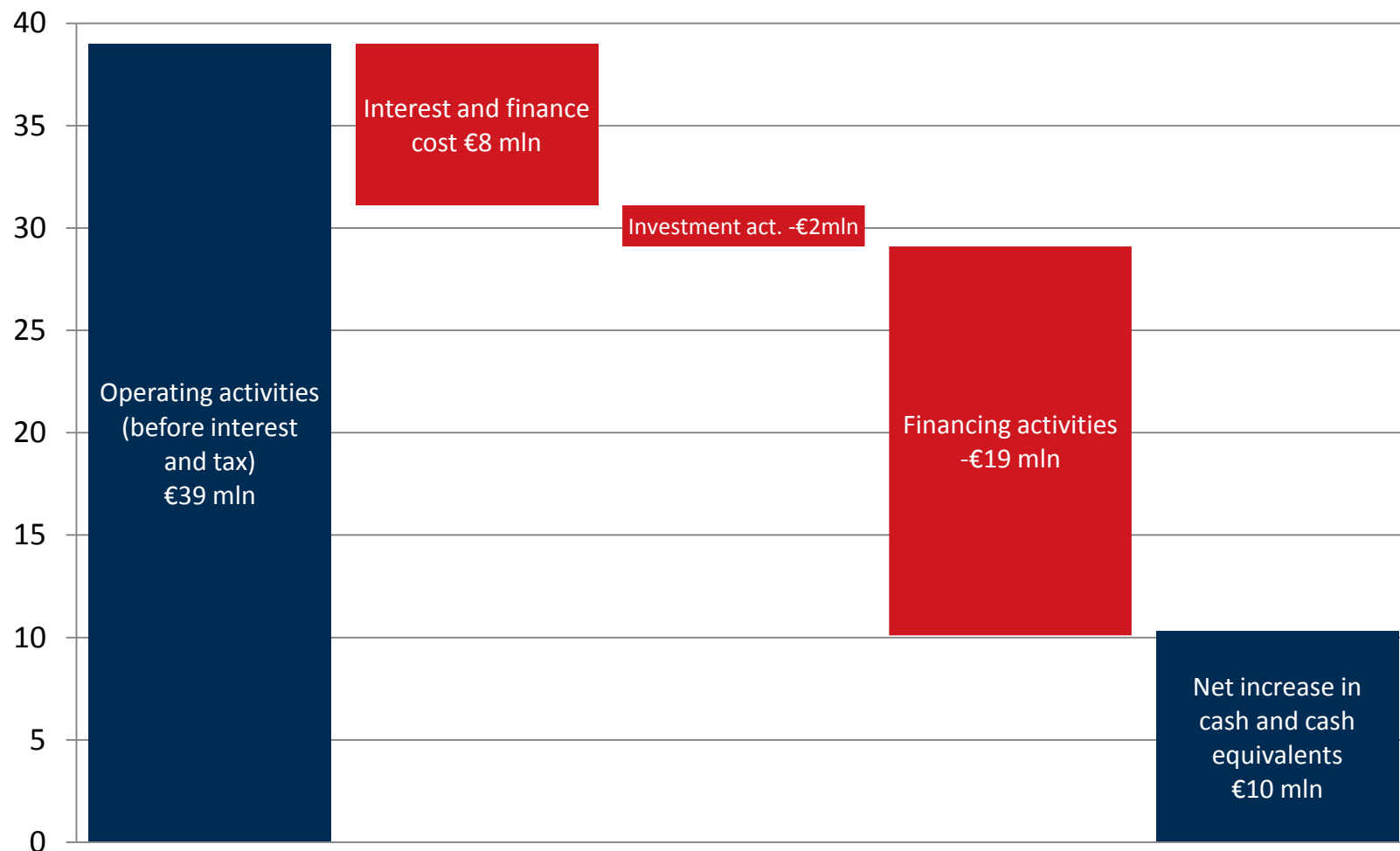


At end of quarter in € mln	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Change from Q1 2009
Non-current borrowings	272.9	373.9	366.8	351.5	351.6	78.7
Current borrowings	133.6	41.3	36.3	15.4	17.9	(115.7)
	<b>406.5</b>	<b>415.2</b>	<b>403.1</b>	<b>366.9</b>	<b>369.5</b>	<b>(37.0)</b>
Cash and equivalents	33.0	65.7	55.1	71.9	83.2	50.2
<b>Net interest bearing debt</b>	<b>373.5</b>	<b>349.5</b>	<b>348.0</b>	<b>295.0</b>	<b>286.3</b>	<b>(87.2)</b>



## Q1 2010 cash flow composition

€ mln



## Financial highlights

- ISK denominated debt amounting to EUR 66 mln changed to EUR, reducing currency risks and interest costs
- Great effort being invested in ensuring that the company's reduced cost base is sustainable
- Working capital programme continued to yield reductions in inventories
- Overall, the business remains well invested and the need for investment in capital goods/fixed assets will remain limited for the coming years



*Marel's skinners are now marketed under the Marel name*

# Sigsteinn Grétarsson

Managing Director of Marel Iceland



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## Poultry: Conquering new markets

- The year began well in terms of sales
- The outlook for next quarter is favourable and the current sales level is expected to be maintained
- Greenfield projects were secured in Eastern Europe, Turkey and Latin America
- The US market was also active and a milestone sale in China was concluded
- Among the major new products introduced was an integrated fillet handling solution, combining a FHF-XB fillet deboning system and the SensorX bone detection system



*Stork Poultry Processing's N-20 RS removes the neck from a carcass without damaging the neck skin*

## Meat: The industry is showing good signs of recovery

- Consumers are seeking out less expensive proteins which is creating opportunities for Marel
- The trend toward increased automation continues
- The European market was the most active during the period; activity in North America and Australasia is expected to pick up in Q2
- Marketing efforts are now focused on the world's number one meat exhibition, IFFA, to be held in Frankfurt in early May, where Marel will launch several new integrated systems



*Building on its success in the poultry industry, the SensorX is being released for meat*



## Fish: Salmon exceeds expectations; whitefish slowly recovering

- Sales to the salmon industry exceeded expectations and the outlook is favourable
- Sales to the whitefish industry continue to take longer to recover, particularly for larger projects
- However, there is a strong continuing growth of the aquaculture industry
- Several new products are being introduced at the Seafood Processing Europe exhibition in Brussels this week, including the revolutionary SuperChiller, which cools fresh fish into a sub-zero state without freezing



*The Silk Cut 180 Multi Angle is the most flexible slicing machine on the market*

## Further processing: Sales on schedule and notable projects

- The convenience and fast food markets continue to grow with the investment climate improving each passing month
- Sales were on schedule in the quarter with notable projects in the US, Europe and Asia
- Marel participated in a number of successful exhibitions during the quarter, promoting its new brand name of Townsend Further Processing
- The launch of several new products is planned for the IFFA exhibition in Frankfurt in May



*RevoPortioner is among the innovative products to be exhibited at the upcoming IFFA show in Frankfurt*



## Customer focus – Baiada Poultry



- ✓ Largest integrated producer of poultry in Australia
- ✓ Recently had a new solution installed at their plant in Adelaide
- ✓ Stork Poultry Processing's **ACM-NT** portioning system and **FHF-XB** filleting system combined with a Marel flowline, graders and **INNOVA** production management software
- ✓ Perfect example of how our products bring it together for our customers



## Favourable outlook for the coming quarters

- Market conditions are gradually improving
  - We expect that Marel will claim its fair share of potential growth in the market, resulting in an increase in revenues
  - Nevertheless, results may vary from quarter to quarter due to fluctuations in orders received and deliveries for larger systems
- ➔ **Marel can now focus fully on its core business**



*Marel's baconlines provide advanced, high volume slicing and packing of bacon and other whole muscle products*

## Q & A

Sigsteinn Grétarsson, Managing Director of Marel Iceland  
Erik Kaman, CFO



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