

## Q4 2009 Presentation

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## Theo Hoen

CEO of Marel Food Systems hf.



**1** Introduction

**2** Pro forma operations of core business

**3** Consolidated financial statements

**4** Prospects



## ”New” Marel ready for 2010

- Net interest bearing debt significantly reduced with strong operating cash flow, successful equity issues and sale of non-core assets
- Marel continued to strengthen its competitive position with a focus on integration and significant cost reductions
- Marel maintains its technological leadership with new products being developed based on joint technology
- The order book has been growing throughout the year and is at a much better level today than it was one year ago



## Focus on integration

- The integration of Marel and Stork was set into motion when the two companies joined forces in 2008
- During the year the integration process focused on
  - Vision
  - Branding
  - Integrated products
  - Distribution channels
- We are now one company, with one name, based on the four core industry segments we serve – fish, meat, poultry and further processing
- At recent exhibitions we have launched the first integrated products, which combine technologies of our companies



## Operating with a new and substantially lower cost base

- Profitability and cash flow have improved as a result of our ongoing cost reduction and working capital programmes
- Annual savings amount to €25 mln
- Marel continues to keep focus on rationalization and cost control
- The number of employees has now stabilized



## Divestment of non-core operations

- Agreement has been reached with the Dutch private equity firm Nimbus on the sale of the Food & Dairy Systems division of Stork Food Systems, excluding its operations in Spain
- The sale is part of Marel's strategy to sharpen the focus on the profitability and organic growth of its core business
- Finally, negotiations on the sale of the non-core Carnitech A/S are in the final stages



**Erik Kaman**

CFO of Marel Food Systems hf.





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## Consolidation vs. pro forma core operations

In € mln	2009			Q4 2009		
	EBIT	Revenues	Share	EBIT	Revenues	Share
Pro forma core business	24.8*	434.8	82%	6.9	112.5	83%
Non-core operations	(13.2)	96.9	18%	(26.5)	23.2	17%
<b>Consolidated operations</b>	<b>8.0</b>	<b>531.7</b>	<b>100%</b>	<b>(19.6)</b>	<b>135.7</b>	<b>100%</b>

\* Includes normalization of €3.5 mln in Q1

### Non core operations

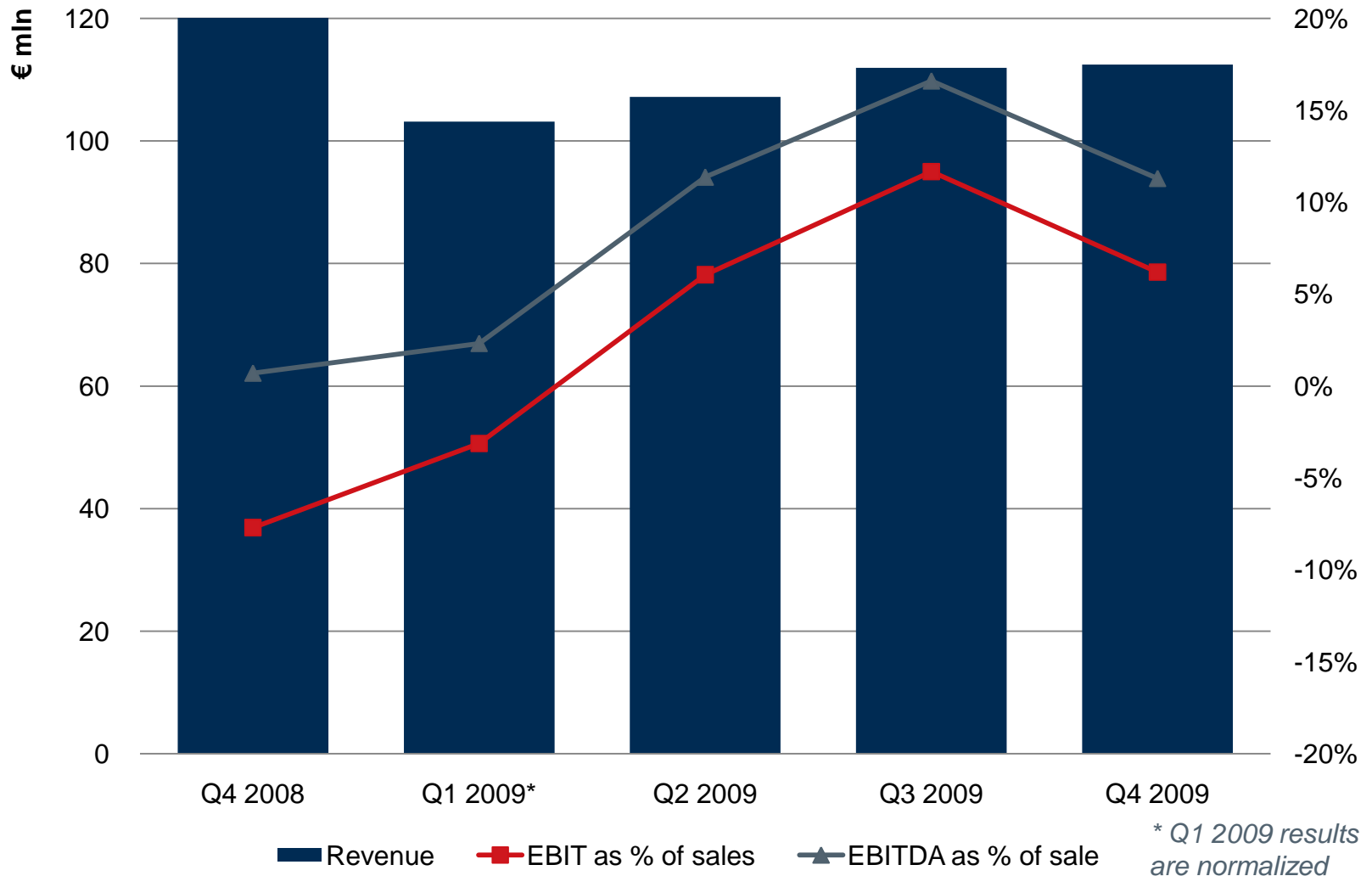
- Stork Food & Dairy Systems
  - SPA is signed, closing is expected in 1-2 months
  - Impairment of the assets sold leads to a loss of € 16.4 mln
  - Revenues € 61 mln, 230 employees (excludes operations in Spain)
- Carnitech A/S
  - Also in a sales process, ongoing negotiations
  - Impairment of the assets to be sold leads to a loss of € 8.0 mln
  - Revenues € 20 mln, 170 employees
- Scanvaegt Nordic
  - Part of the consolidated operations until May 2009

## Pro forma income statement of core business\*

<u>In EUR thousands</u>	<b>2009</b>	<b>Q4 2009</b>	<b>Q3 2009</b>	<b>Q2 2009</b>	<b>Q1 2009</b>
Sales .....	434,796	112,492	111,922	107,208	103,174
Cost of sales .....	<u>(268,637)</u>	<u>(68,810)</u>	<u>(66,168)</u>	<u>(64,584)</u>	<u>(69,075)</u>
<b>Gross profit</b>	166,160	43,682	45,754	42,624	34,099
Other operating income .....	(602)	(246)	(79)	(324)	47
Selling and marketing expenses .....	(59,289)	(14,072)	(14,116)	(14,890)	(16,211)
Research and development expenses .	(28,402)	(7,775)	(6,496)	(6,269)	(7,835)
Administrative expenses .....	<u>(56,608)</u>	<u>(14,669)</u>	<u>(11,999)</u>	<u>(14,619)</u>	<u>(15,320)</u>
<b>Profit from operations (EBIT)</b>	21,260	6,920	13,064	6,496	(5,220)
EBIT, excluding one-off restructuring costs	24,760				(1,720)
Gross profit margin	38%	39%	41%	40%	33%
EBITDA	43,932	12,763	18,587	12,192	391
EBITDA, excluding one-off restructuring costs	47,432				3,891

\* Marel's core business is to provide equipment and systems for the poultry, fish and meat processing industries worldwide. The salmon and freezing parts of Carnitech, as well as its U.S. operations, are operated under the Marel name and management. Defined as non-core business are Food and Dairy Systems, and the remaining operations of Carnitech, as well as Scanvaegt Nordic up till May 2009.

## Development of core business results



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## Consolidated income statement

	EUR thousands		% of sales	
	2009	2008	2009	2008
Revenue .....	531,680	540,149		
Cost of sales .....	(340,006)	(361,218)		
<b>Gross profit</b>	191,674	178,931	36.1%	33.1%
Other operating income (expenses) .....	(9,169)	716		
Selling and marketing expenses .....	(73,443)	(71,838)	13.8%	13.3%
Research and development expenses .....	(31,149)	(27,337)	5.9%	5.1%
Administrative expenses .....	(69,866)	(60,038)	13.1%	11.1%
<b>Result from operations</b>	8,047	20,434	1.5%	3.8%
Finance costs - net .....	(25,845)	(32,194)		
Share of results of associates .....	0	473		
<b>Result before income tax</b>	(17,797)	(11,287)		
Income tax .....	5,987	2,882		
<b>Net result</b>	(11,810)	(8,405)	(2.2%)	(1.6%)
EBITDA .....	58,752	42,109	6.4%	7.8%
Depreciation and amortization .....	25,887	21,675	4.9%	4.0%
Impairments (non-core activities €24.5 mln) .....	24,818			

## Consolidated balance sheet

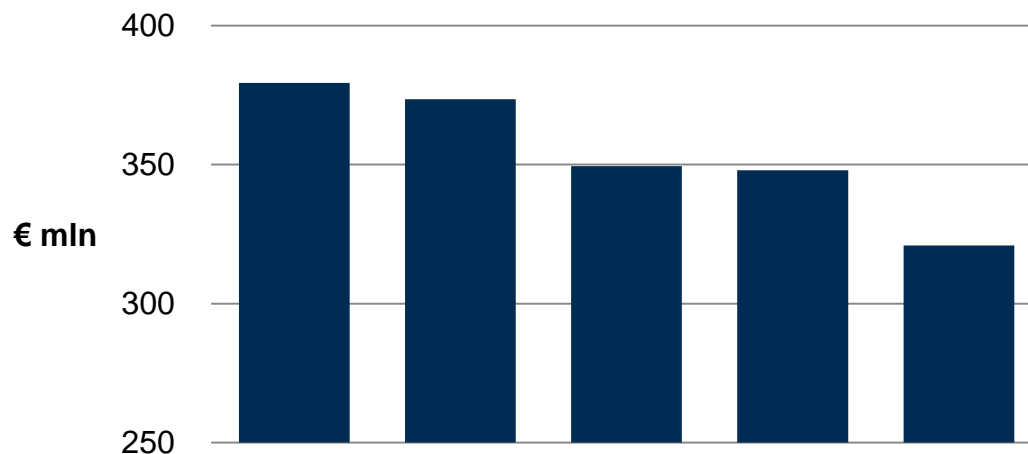
	EUR thousands	
	31/12 2009	31/12 2008
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment .....	115,331	145,420
Goodwill .....	377,959	394,978
Other intangible assets .....	85,433	85,459
Investments in associates .....	97	333
Receivables .....	150	2,683
Deferred income tax assets .....	14,850	5,620
	<u>593,821</u>	<u>634,493</u>
<b>Current assets</b>		
Inventories .....	81,055	113,636
Production contracts .....	11,992	26,473
Trade receivables .....	67,184	85,603
Assets held for sale. ....	33,330	0
Other receivables and prepayments .....	23,596	34,652
Derivative financial instruments .....	0	4,364
Restricted cash .....	25,882	0
Cash and cash equivalents .....	46,022	21,038
	<u>289,061</u>	<u>285,766</u>
<b>Total assets</b>	<u><u>882,882</u></u>	<u><u>920,259</u></u>

## Consolidated balance sheet (continued)

	EUR thousands	
	31/12 2009	31/12 2008
<b>EQUITY</b>		
Total equity	323,797	288,279
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings .....	351,508	265,807
Deferred income tax liabilities .....	7,765	10,362
Provisions .....	8,797	8,563
Derivative financial instruments .....	11,065	35,542
	<u>379,135</u>	<u>320,274</u>
<b>Current liabilities</b>		
Trade and other payables .....	116,281	156,204
Liabilities held for sale .....	43,693	0
Derivative financial instruments .....	0	8,261
Current income tax liabilities .....	1,584	6,703
Borrowings .....	15,409	134,636
Provisions .....	2,983	5,902
	<u>179,950</u>	<u>311,706</u>
<b>Total liabilities</b>	559,085	631,980
<b>Total equity and liabilities</b>	<u>882,882</u>	<u>920,259</u>

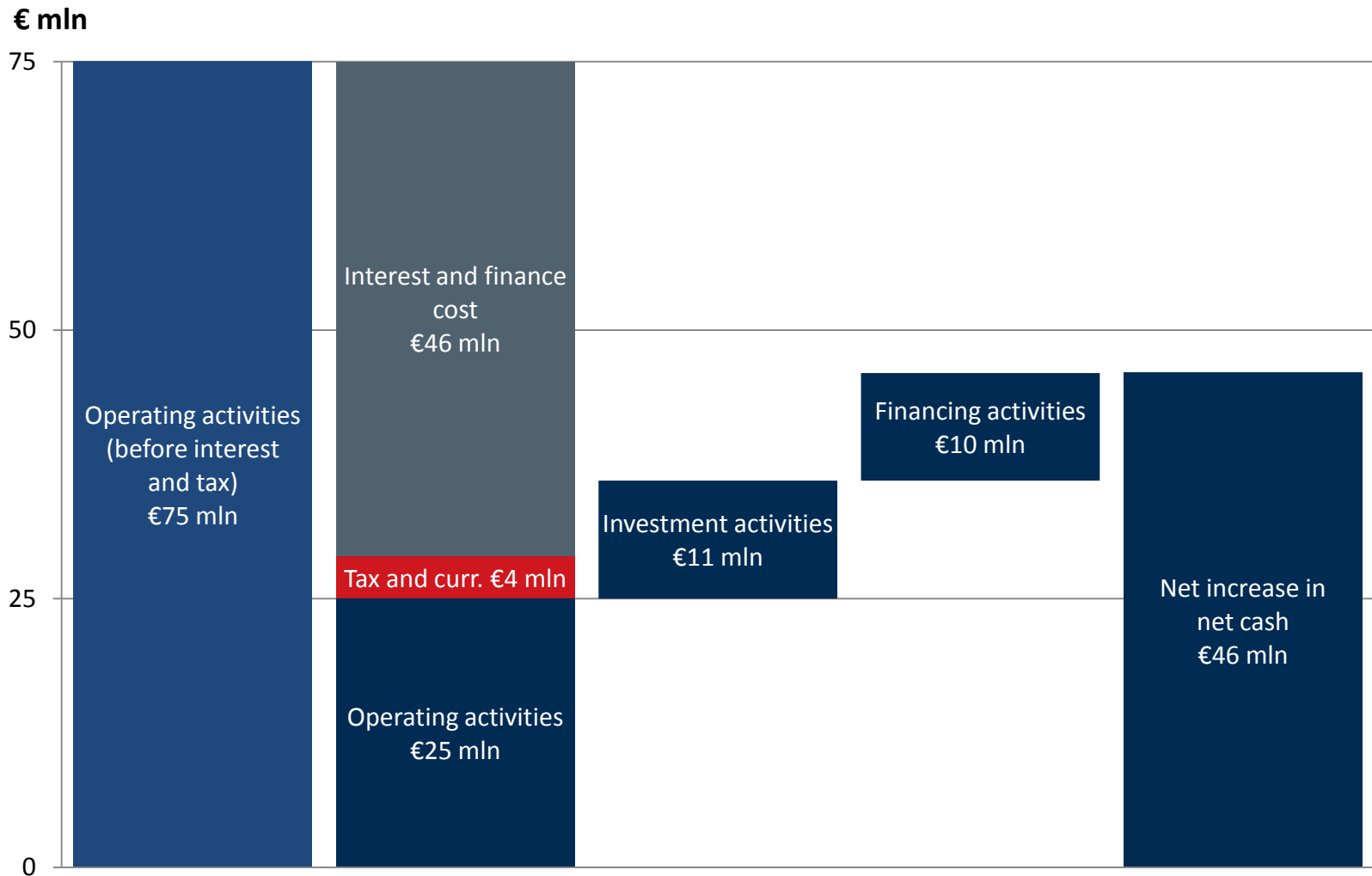


## Development of net interest bearing debt

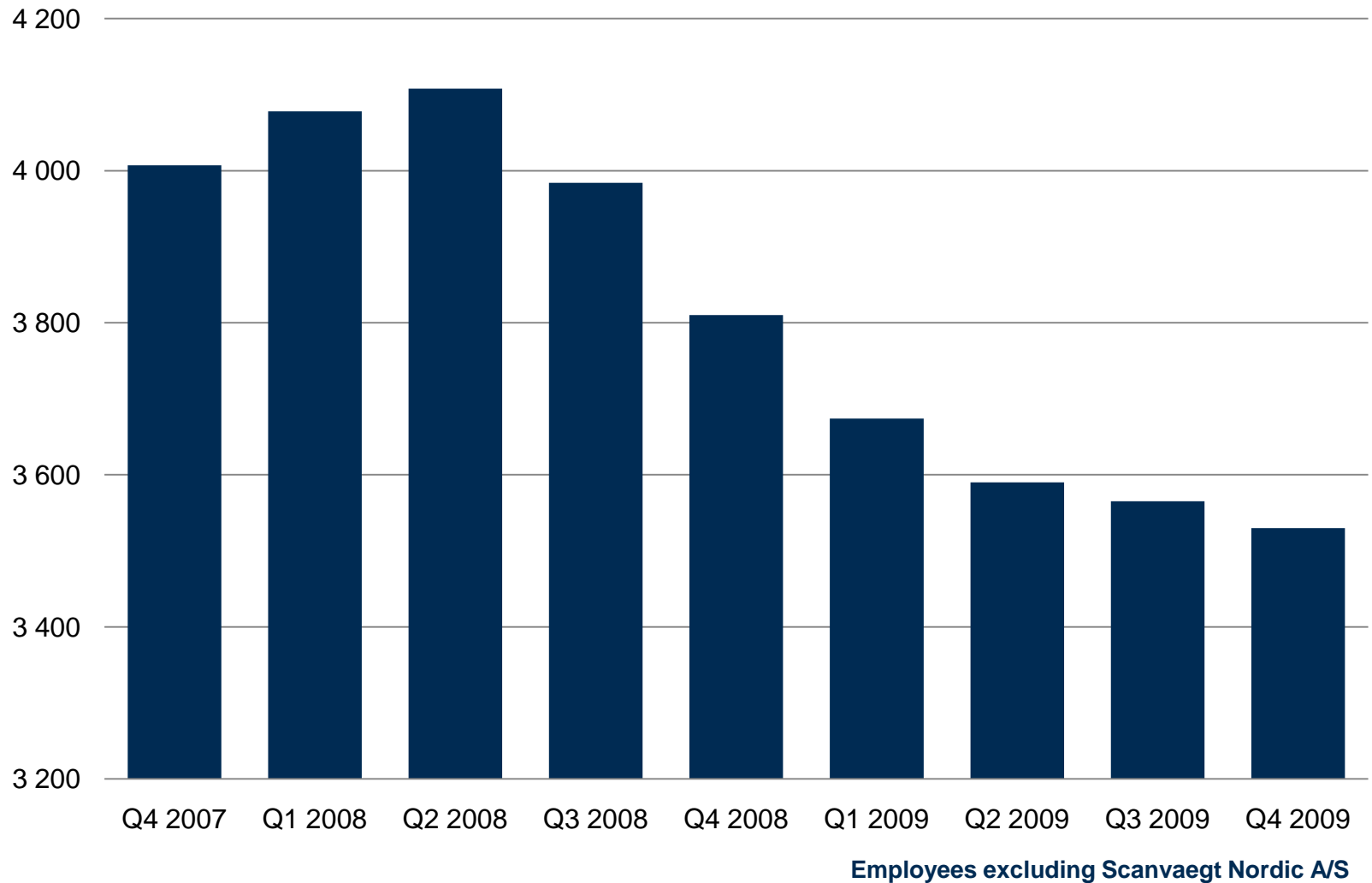


At end of quarter in € mln	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Change from Q4 2008
Non-current borrowings	265.8	272.9	373.9	366.8	351.5	85.7
Current borrowings	134.6	133.6	41.3	36.3	15.4	(119.2)
	<b>400.4</b>	<b>406.5</b>	<b>415.2</b>	<b>403.1</b>	<b>366.9</b>	<b>(33.5)</b>
Cash and equivalents	21.0	33.0	65.7	55.1	71.9	50.9
<b>Net interest bearing debt</b>	<b>379.4</b>	<b>373.5</b>	<b>349.5</b>	<b>348.0</b>	<b>295.0</b>	<b>(84.4)</b>

## 2009 cash flow composition



## 14% reduction in the number of employees from peak in 2008



## Financial highlights

- Focus kept on cash flow
- Asset sales target of €30-50 mln in 2009 achieved
- Net interest bearing debt is down to €295 mln compared to €379 mln at the end of 2008
- Working capital programme generated €30-35 mln
- Operating activities generated €75 mln
- New equity amount to close to €50 mln
- Furthermore, interest cost and currency risk have decreased as ISK debt of €32 mln has been paid down and €66 mln converted into euros



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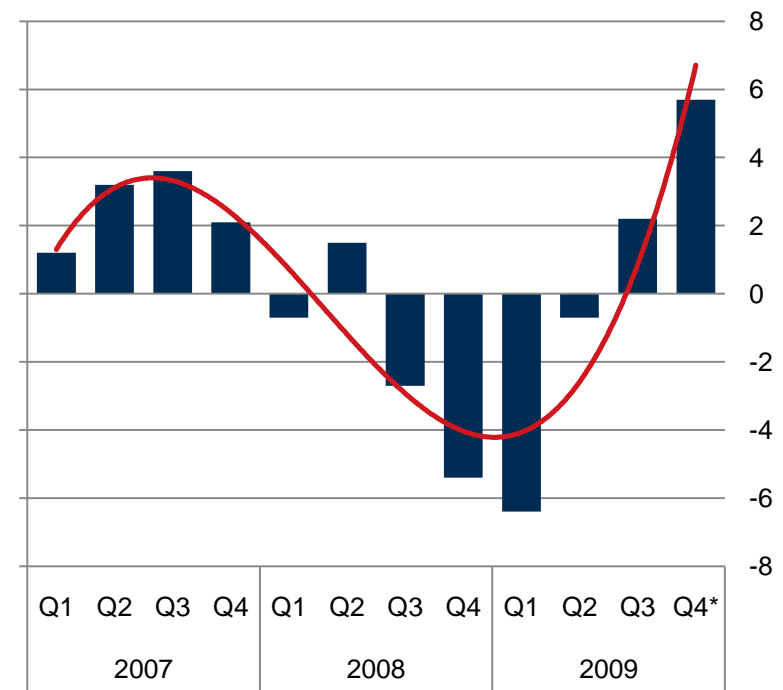


## Activity continues to increase slowly in all industry segments

- The North American market is performing well and South America is showing activity again
- The sale of medium-size projects continues to improve and some larger projects have also been sold recently
- Order intake in Q4 remained at the level of the previous quarter, but well above the orders booked off for the fourth quarter in a row
- As a result, 2010 begins with the order book at a solid level and much better than at the start of 2009

The US is leading the way to economic recovery

**US GDP annual growth by quarter**



Source: US Bureau of Economic Analysis (BEA)  
\* According to BEA's advance report

## Large greenfield projects beginning to emerge in poultry

- Significant number of large orders, including greenfield projects, in Q4
- Breakthrough technology has had great success, particularly in the U.S.
- Current projects are capitalizing on synergies from the merger and clearly demonstrating the added value for customers
- An integrated system which combines a Stork deboning line with a Marel bone detection system launched at IPE in January



*Sales to the poultry industry have rebounded well during the year*



## Consolidation is fuelling continued investments in fish

- Consolidation in the fish industry has led to an increased focus on efficiency
- Processors are investing in equipment to improve yields and product quality
- Salmon prices remain high with demand outstripping supply, due to the collapse of the Chilean salmon industry
- New regulations in the EU are creating opportunities for Marel's Innova production management software



*Demand for wild-caught whitefish is rising again*

## Medium-sized companies are leading the way in meat

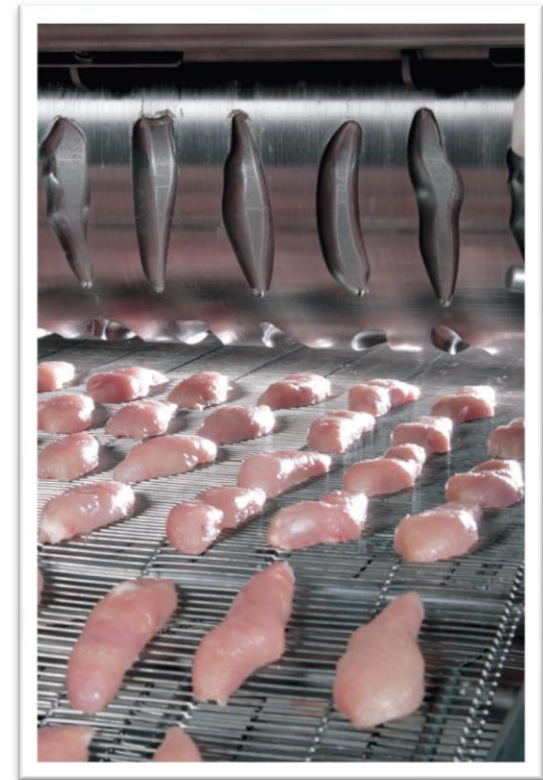
- Investment levels remained stable in Q4
- Medium-size projects show good potential while larger processors are still hesitant
- Marel's integrated meat processing solutions continue to receive a favourable response
- At AMI in October, Marel exhibited a new integrated system that featured a Townsend injector combined with a Marel injection monitoring system



*Processors are gaining a competitive edge with effective monitoring of their processes*

## Further processing continues to capitalize on home dining trend

- Added value processors are profiting from the change in consumer habits resulting from the recession
- Consumers are eating out less and have returned to cooking and eating at home
- Shoppers are trading down from red meat to less expensive proteins like poultry, turkey and pork
- Enhancements such as marinades, sauces and seasonings creating opportunities
- However there is a continuing reluctance to invest in larger projects



*Shoppers are trading down to less expensive proteins, both in fresh and fully cooked products*

## Customer focus: IPE exhibition Atlanta

- IPE is the world's largest display of technology, equipment, supplies, and services used in the production and processing of poultry
- Marel introduced an innovative new system that integrates a Stork FHF-XB front-half deboning and trimming line with a Marel SensorX bone detection system
- Marel will be introducing several other new integrated products during the course of 2010



## IPE video



Click picture to start video

## ”New” Marel is ready for 2010!

- Marel has strengthened its financial position
  - The cost base is considerably lower and fully sustainable
  - This has been done without compromising either R&D or the sales network
  - With non core operations being divested, Marel will be able to focus fully on its core business
  - Synergies are materializing, bringing cost savings and opportunities for cross-selling
  - The outlook is much more favourable than a year ago
- **Management is confident that with our committed workforce, the company will strongly benefit, once the markets have fully recovered**



## Q & A

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