PRESS RELEASE
12 August 2008

Marel Food Systems Q2 2008 results

Good sales growth and operational results meet company´s goals

9.5% EBIT (proforma) in second quarter

- **Marel Food Systems' acquisition of Stork Food Systems took effect on 8 May 2008 and Stork Food Systems is included in the company's accounts as of that date.**
- **Sales for the second quarter totalled EUR 145.0 million, compared with 72.6 million for the same period the year before, representing an increase of 99.8%. Proforma sales of Marel Food Systems and Stork Food Systems core business (excluding the Food and Dairy division of Stork) in the second quarter of 2008 totalled EUR 162.6 million, which is an increase of 8.2% compared with the same period in 2007, or about 11% on a fixed exchange rate.**
- **Profit from operations (EBIT) for the second quarter was EUR 11.1 million, which is 7.7% of sales, compared with EUR 3.4 million (4.7% of sales) for the same period the year before. Proforma profit from operations (EBIT) was EUR 15.5 million, which is 9.5% of sales.**
- **Net finance costs for the period were positive. Marel issued bonds in this quarter amounting to ISK 6 billion. Marel's operational currency is the Euro. The company's obligations related to the bond offering were changed to Euro commitments at a favorable point in time totalling EUR 47 million, creating a one-time exchange rate profit.**
- **Net profit in the period from April to June 2008 amounted to EUR 10.1 million, compared with EUR 7.4 million in 2007.**

Highlights of the first six months of 2008

- **Proforma sales of Marel Food Systems and Stork Food Systems core business for the first six months of the year totalled EUR 317.8 million, which is an increase of 8.5% compared with the same period in 2007, or 11.5% on a fixed exchange rate.**
- **Profit from operations (EBIT) for the period was EUR 13.3 million, which is 6.1% of sales, compared with EUR 6.7 million (4.6% of sales) for the same period last year. Proforma profit from operations (EBIT) was EUR 27.7 million, which is 8.7% of sales.**
- **Net interest bearing debt amounted to EUR 379.2 million at the end of June 2008.**
- **Equity totalled EUR 306.2 million and the equity ratio was 32.5% at the end of June 2008.**

Hörður Arnarson, CEO:

"We completed the formal merger of Marel and Stork Food Systems on the 8th of May, marking a very important milestone in the company´s history. United, the company has the critical mass and strength to follow the growth of its clients into emerging markets in Eastern Europe, South America and Asia.

Following three strategic acquisitions in the last two years, we have this year focused on integration, organic growth and improving performance. In the second quarter, Marel Food Systems' profit from operations (proforma) amounts to 9.5% of sales from core businesses, and the company is showing strong internal growth. For the first six months of the year, profit from operations (proforma) as a percentage of sales is 8.7%, with an improvement between quarters, which is in line with our goal of 9% for the year as a whole and over 10% for next year."

Prospects

Marel Food Systems' performance is in line with stated expectations at the end of the first quarter when performance was expected to improve considerably during the course of the year. As stated, synergies are beginning to emerge as a result of the integration of the companies acquired in preceding years. Proforma profit from operations (EBIT) for the second quarter is 9.5% of turnover (8.7% for the first six months of the year), which is in line with the company's stated goal of 9% for the year as a whole. The benefits of the Scanvaegt and Marel merger under the Marel name, announced in the first quarter, will begin to materialize in the third quarter and will not impact fully until the fourth quarter.

The integration of Marel Food Systems and Stork Food Systems is just beginning and, as has been previously stated, is quite different in nature to the integration of Marel and Scanvaegt. There is no overlap in the companies' product lines and one-time costs associated with the integration will therefore be minimal. Initially, the focus will be on achieving synergies through the merger of the companies' information systems, procurement, production and marketing activities. These efforts have already begun.

As in years past, seasonality will impact the company's performance in the third quarter.

The company's operating environment has been marked by significant increases in raw material prices, as well as instability in global financial markets. So far, the effects have been minimal. These developments present both threats and opportunities. It is difficult to predict what effects these conditions will have on the company's operations if they persist.

Performance summary for Q2 2008

The Interim Financial Statement for Marel Food Systems hf for the period January to June 2008 was approved by the company's Board of Directors at a meeting 12 August 2008.

The following are the main results from the consolidated financial statements for Marel Food Systems:

Operations for Q2 – main results in thous. of euros		
Operating results	**2008**	**2007**
Sales	144,979	72,617
Cost of goods sold	(93,285)	(47,853)
Gross profit	51,694	24,764
Other operating income	465	770
Sales & marketing expenses	(18,651)	(11,751)
Development expenses	(7,363)	(3,631)
Administrative expenses	(14,997)	(6,733)
Profit from operations EBIT	11,148	3,419

Finance costs - net	564	(1,752)
Profit of associates	0	6,598
Profit before tax	11,712	8,265
Tax expense	(1,655)	(824)
Profit for period	10,057	7,441
EBITDA	16,368	5,881
Percent of sales		
Contribution margin	35.7%	34.1%
Sales & marketing expenses	12.9%	16.2%
Development expenses charged	5.1%	5.0%
Administrative expenses	10.3%	9.3%
EBITDA	11.3%	8.1%
EBIT	7.7%	4.7%
Profit for period	6.9%	10.2%

Operations for January to June, in thous. of euros

Operating results	**2008**	**2007**
Sales	219,015	144,861
Cost of goods sold	(141,935)	(94,674)
Gross profit	77,080	50,187
Other operating income	771	1,145
Sales & marketing expenses	(30,159)	(22,259)
Development expenses	(11,141)	(7,272)
Administrative expenses	(23,226)	(15,139)
Profit from operations EBIT	13,325	6,662
Finance costs - net	(613)	(2,920)
Profit of associates	473	6,313
Profit before tax	13,185	10,055
Tax expense	(2,389)	(1,605)
Profit for period	10,796	8,450
EBITDA	21,442	11,525
Percent of sales		
Contribution margin	35.2%	34.6%
Sales & marketing expenses	13.8%	15.4%
Development expenses charged	5.1%	5.0%

Administrative expenses	10.6%	10.5%
EBITDA	9.8%	8.0%
EBIT	6.1%	4.6%
Profit for period	4.9%	5.8%

Financial position at end of period	**30.06.08**	**31.12.07**
Total assets	942,521	427,304
Equity	306,214	181,835
Working capital	12,332	109,887

Cash flow January to June	**2008**	**2007**
Working capital from operations	18,328	7,850
Cash generated from operations	13,903	14,412
Increase/(decrease) in net cash	(5,645)	(13,721)
Net cash at end of period	26,010	49,609

Highlights at end of June	**2008**	**2007**
Return on owners' equity	17.7%	11.2%
Current ratio	1.0	1.9
Quick ratio	0.5	1.1
Equity ratio	32.5%	40.8%
Earnings per share in euro cents	2.57	2.31
Market cap. in millions of euros based on exchange rate at end of period	399.5	373,2

Stork Food Systems‘ results are included in the accounts as of 8 May, when Marel Food Systems‘ acquisition of the company took effect. Goodwill allocation of individual intangible items in Stork Food System‘s financial statement has not yet been completed. This may possibly have the effect of increasing amortization of intangible assets but will have no effect on the company‘s cash flow.

Sales in the first six months of 2008 totalled EUR 219.0 million, compared with EUR 144.9 million for the same period the year before. Sales have therefore increased by 51.2%

Profit from operations (EBIT) was EUR 13.3 million, or 6.1% of sales, compared with EUR 6.7 million (4.6% of sales) for the same period in 2007.

Net financial costs amounted to only EUR 0.6 million, compared with EUR 2.9 million for the same period last year. This favorable outcome is a result of exchange rate profits on forward contracts related to the company‘s bond offering in May and share offering in June.

Net profit of Marel Food Systems in the first half of 2008 totalled EUR 10.8 million, compared with EUR 8.5 million the year before.

Net interest bearing debt, i.e. interest bearing debt less net cash, amounted to EUR 379.2 million at the end of June 2008.

Total assets of the company at the end of June 2008 were entered at EUR 943 million, having increased by EUR 515 million, or 121%, from the end of 2007.

Cash generated from operations totalled EUR 13.9 million. At the end of the second quarter of 2008, net cash was EUR 26 million, compared with EUR 49.6 at the end of June 2007.

Proforma performance

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

Proforma operations for Q2 – main results in thous. of euros

Operating results	2008	2007	Change %
Sales	162,655	150,333	8.2%
Cost of goods sold	(105,527)	(96,854)	9.0%
Gross profit	57,128	53,479	6.8%
Other operating income	465	770	
Sales & marketing expenses	(19,972)	(21,201)	
Development expenses	(8,127)	(8,010)	
Administrative expenses	(13,969)	(13,543)	
Profit from operations EBIT	15,525	11,495	
EBITDA	20,594	16,575	

Percent of sales		
Contribution margin	35.1%	35.6%
Sales & marketing expenses	12.3%	14.1%
Development expenses charged	5.0%	5.3%
Administrative expenses	8.6%	9.0%
EBITDA	12.7%	11.0%
EBIT	9.5%	7.6%

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

Operating results	2008	2007	Change %
Sales	317,810	292,813	8.5%
Cost of goods sold	(201,146)	(186,716)	7.7%
Gross profit	116,664	106,097	10.0%
Other operating income	771	1,145	
Sales & marketing expenses	(40,036)	(39,607)	
Development expenses	(16,670)	(16,329)	
Administrative expenses	(32,996)	(28,565)	
Profit from operations EBIT	27,733	22,741	
EBITDA	38,123	32,471	

Percent of sales		
Contribution margin	36.7%	36.2%
Sales & marketing expenses	12.6%	13.5%
Development expenses charged	5.2%	5.6%
Administrative expenses	10.4%	9.8%
EBITDA	12.0%	11.1%
EBIT	8.7%	7.8%

Proforma sales in the first half of the year totalled EUR 317.8 million, compared with EUR 292.8 million the year before, which reflects an increase of 8.5% between years. On the basis of a fixed EUR/USD exchange rate, the increase is 11.5%.

Proforma profit from operations before depreciation and amortization (EBITDA) was EUR 38.1 million, or 12% of turnover.

Proforma profit from operations before finance costs and taxes (EBIT) for the second quarter was EUR 15.5 million, or 9.5% of turnover, and in the first six months of the year EUR 27.7 million, or 8.7% of turnover. The company‘s goal for the year 2008 is 9% EBIT, which remains unchanged.

Results of Marel Food Systems without Stork Food Systems

- **Sales for the second quarter amounted to EUR 84.7 million, compared with EUR 72.6 million for the same period the year before. Sales therefore increased by 16.7%. On a fixed exchange rate the increase is 19.8%.**
- **Profit from operations (EBIT) for the period was EUR 6.9 million, which is 8.1% of sales, compared with EUR 3.4 million (4.7% of sales) in 2007.**
- **Cash generated from operations in the first half of the year was EUR 19.9 million but had been negative by EUR 3 million the year before.**

Operations for Q2 without SFS – main results in thous. of euros

Operating results	2008	2007
Sales	84,714	72,617
Cost of goods sold	(53,911)	(47,853)
Gross profit	30,803	24,764
Other operating income	465	770
Sales & marketing expenses	(11,690)	(11,751)
Development expenses	(3,806)	(3,631)
Administrative expenses	(8,869)	(6,733)
Profit from operations EBIT	6,903	3,419
Finance costs - net	2,975	(1,752)
Profit of associates	0	6,598
Profit before tax	9,878	8,265
Tax expenses	(1,257)	(824)
Profit for the period	8,621	7,441

EBITDA	10,203	5,881

Percent of sales		
Contribution margin	36.4%	34.1%
Sales & marketing expenses	13.8%	16.2%
Development expenses charged	4.5%	5.0%
Administrative expenses	10.5%	9.3%
EBITDA	12.0%	8.1%
EBIT	8.1%	4.7%
Profit for period	10.2%	10.2%

Cash flow January to June	**2008**	**2007**
Working capital from operations	13,828	7,850
Cash generated from operations	19,887	14,412
Increase/(decrease) in net cash	(12,943)	(13,721)
Net cash at end of period	17,362	49,609

Sales in the second quarter totalled EUR 84.7 million, compared with EUR 72.6 million in the same period the year before, which reflects an increase of 16.7% between years. Based on a fixed EUR/USD exchange rate, the increase is 19.8%.

Gross profit for the period is 36.4% of sales, which is an increase compared with preceding quarters. The increase is a result of price increases that were implemented at the end of 2007 in response to a significant rise in raw material prices. The effects of these actions are already being felt but will not have full effect until the second half of 2008.

Operating expenses other than cost of goods sold totalled EUR 24.4 million and 28.8% of sales, compared with EUR 22.6 million (31.2% of sales) in the first quarter. The effects of the organizational changes that were implemented in the first quarter will not begin to be felt to any significant degree until the third quarter and will not have full effect until the last quarter.

Profit from operations (EBIT) for the second quarter was EUR 6.9 million, which is 8.1% of sales, compared with EUR 3.4 million (4.7% of sales) last year. The improvement can mostly be traced to initiatives aimed at streamlining the company‘s operations.

Net profit for the period was EUR 8.6 million, compared with EUR 7.4 million in 2007.

As a result of forward contracts that the company has entered into to hedge costs in ISK, the weakening of the ISK in the last few months had a minimal effect on the company‘s profit from operations. The average rate of exchange of the EUR versus the ISK in the first half 2008 was 100 ISK/EUR. The average exchange rate of forward contracts to hedge costs in ISK up until 30 June 2009 is 102 ISK/EUR.

Trade receivables have decreased since the end of 2007 from EUR 52.9 million to EUR 47.2 million at the end of June 2008, or by 11%, at the same time that sales have increased by 16.7%.

Working capital from operations was EUR 13.8 million, compared with EUR 7.8 million the year before. Cash generated from operations was EUR 19.9 million.

Key events during the period

External growth
Marel Food Systems‘ acquisition of Stork Food Systems took effect on 8 May, after European competition authorities had approved the deal without reservations on 21 April.

Marel Food Systems financed the entire purchase price with loan financing and the issue of new share capital, underwritten by Landsbanki Íslands hf., with the support of the company’s largest shareholders. The company had a bond offering, which took place 22 and 23 May, where bonds amounting to ISK 6 billion (EUR 52 million) were sold. Participation was also good in the company's share offering, which ended on 6 June. In total there were 446 subscriptions with a sales value of ISK 14,893,950,640 or 167,347,760 shares, equaling 7% oversubscription.

The conclusion of the share offering marked the end of Marel Food Systems' financing of the acquisition of Stork Food Systems. In two years, Marel Food Systems has raised over ISK 34 billion with the sale of new shares and bonds. The support of investors and Icelandic pension funds has been critical.

When the acquisition of Stork Food Systems took effect, a period of rapid external growth was concluded. Marel Food Systems has achieved its goal of rapid growth through acquisitions in a much shorter period of time than originally expected. At its Annual General Meeting in February 2006, the company had introduced its ambitious goal of tripling turnover over the following 3-5 years, in particular through strong external growth. The goal has now been reached in slightly more than two years and turnover has increased nearly fivefold. The first steps were taken in 2006 with the acquisition of AEW/Delford and Scanvaegt, which more than doubled company turnover. With the merger with Stork Food Systems, turnover doubled again and is now around EUR 650 million and the number of employees is over 4,000.

Now a new era beings where the focus will be on internal growth and increased profitability.

Integration activities
In accordance with a decision that was introduced in March 2008, Scanvaegt and Marel ehf were merged under the name of the latter. The number of employees was reduced by 110 during the quarter, which is expected to reduce fixed operating costs by EUR 8-9 million on an annual basis. Emphasis has also been placed on consolidating the companies' product lines, which also creates opportunities to reduce fixed costs and increase economies of scale.

Although the increase in profit from operations is an indication that the integration of the companies acquired in the past is beginning to have synergistic effects, the organizational changes are not expected to have full effect until in the fourth quarter.

In the first quarter of next year, Marel AEW/Delford and Carnitech will be merged under the name Marel Food Systems, which will further increase efficiency. All the names will continue to be used as brand names in connection with the marketing of various product categories.

The integration of Marel Food Systems and Stork Food Systems is now underway. Initially, emphasis will be placed on achieving synergies by merging the companies' information systems, procurement, production and marketing activities. This work has already begun.

Increased production capacity
On 26 June, Marel Food Systems opened a new 9,500 square metre production facility in Nitra, Slovakia, which will significantly strengthen the company's production capacity. Marel Food Systems currently employs some 120 people in Nitra but once production reaches its peak, the new facility is expected to employ as many as 300. The 40,000 sq. metre plot of land, on which the plant stands, leaves plenty of space to accommodate a future extensions. The facility mainly produces standardized parts for the high tech equipment that Marel Food Systems produces for the food processing industry. The company's presence in Slovakia dates back to August 2005 when it first established a plant there in a rented facility. The new plant will expand Marel Food Systems' production capacity significantly, in addition to serving as the company's gateway to Central and Eastern Europe.

AEW Delford also opened a new 11,000 square metre production facility in Colchester, UK, on 25 June, which employs some 120 people. The new facility provides the necessary technology for the company to design, develop and produce machines and systems to higher standards with greater productivity.

5 year comparison

Key figures from Marel's operations, January to June, in thous. of EUR	2008	2007	2006	2005	2004
Sales	219,015	144,861	79,106	63,838	56,358
Profit from operations (EBIT)	13,325	6,662	4,778	6,310	6,385
EBIT as a % of sales	6.1%	4.6%	6.0%	9.9%	11.3%
Net profit	10,796	8,450	1,348	3,905	4,332
Net profit as a % of sales	4.9%	5.8%	1.7%	6.1%	7.7%
EBITDA	21,442	11,525	7,855	8,649	8,587
EBITDA as a % of sales	9.8%	8.0%	9.9%	13.5%	15.2%
Total assets at end of period	942,521	387,816	193,007	104,774	94,936
Equity at end of period	306,214	158,260	40,378	37,048	32,366
Working capital at end of period	12,332	85,518	57,630	18,028	18,816
Cash generated from operations	13,903	14,412	(6,654)	2,712	6,152
Net cash at end of period	26,010	49,609	35,681	3,990	6,278
Current ratio	1.0	1.9	2.0	1.5	1.6
Quick ratio	0.5	1.1	1.2	0.6	0.8
Equity ratio	32.5%	40.8%	20.9%	35.4%	34.1%
Market cap. in millions of EUR based on exchange rate at end of period	399.5	373.2	174.5	179.2	132.4

Presentation of results 13 August 2008

Marel Food Systems will present performance results at a meeting on Wednesday, 13 August 2008, at the company's headquarters at Austurhraun 9, Gardabaer.

Publication days of the Consolidated Financial Statements in 2008 and the Annual General Meeting 2009

Publication dates of the Financial Statements for 2008:

3rd quarter	4 November 2008
4th quarter	10 February 2009
Annual General Meeting Marel Food Systems hf	10 March 2009

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