



6 May 2008
Press Release

Marel Food Systems Q1 2008 results

Marel/Stork Food Systems

- European and other competition authorities have agreed to the acquisition of Stork Food Systems without conditions. Marel Food Systems will take full control of the company on 8 May 2008.
- Proforma sales of Marel/Stork Food Systems core business for Q1 2008 totalled EUR 155.2 million an increase of 8.9% or 12% on a fixed currency basis. EBIT was EUR 12.2 million which corresponds to 7.9% of sales and net profit amounted to EUR 9.4 million.

Marel Food Systems

- Sales for Q1 2008 totalled EUR 74.0 compared with 72.2 million during the same period the previous year. Sales therefore increased by about 2.5% year on year. On a fixed exchange rate this is an increase of 5.3%.
- Profit from operations (EBIT) during the period January to March 2008 was EUR 2.2 million, which is 2.9% of sales compared with 3.2 million (4.5% of sales) last year. Net profit for the period totalled EUR 0.7 million compared with a EUR 1.0 million profit in 2007.
- Working capital from operations totalled EUR 4.3 million. During 2007, this was EUR 4.5 million.
- Equity totalled EUR 180.6 million and equity ratio was 42.7%. Net cash at the end of the period totalled EUR 81.4 million, but was EUR 30.4 million at the end of 2007. The change may in particular be attributed to LME's sale of shares in Stork NV, which returned EUR 53 million to Marel Food Systems after debt repayment.

Hörður Arnarson, CEO:

"With the merger of Stork and Marel, the company will have grown nearly fivefold, and attained the goal of rapid external growth that was set at the beginning of 2006 in a much shorter time frame than originally projected. The focus now is on organic growth and improved performance.

Performance in the first quarter was shaped by extensive integration activities. Number of employees has been reduced in the first half of 2008, which will lead to an annual reduction of fixed costs of about EUR 8-9 million. Price increases implemented at the end of 2007 to meet major raw-material increases will materialize in Q2 and Q3.

Stork Food Systems showed impressive operational results and strong internal growth. Profit from operations (EBIT) from core activities was 12.1% in the first quarter, which exceeded expectations, and proforma EBIT from core activities of the combined companies totaled about 7.9%."

Prospects

Marel's performance is expected to improve considerably later in the year, in particular for three reasons. Integration of the companies that have been acquired in recent years will have a significant synergistic effect as the year progresses. Secondly, price increases were implemented late last year to meet considerable increases in raw materials. The change will begin being felt in Q2, and will impact fully in Q3. Thirdly, efforts were focused on significantly reducing fixed costs in the second quarter. Staff was reduced by about 110, and fixed costs will decline by EUR 8 - 9 million on an annual basis.

Stork Food Systems' operations performed well during the first quarter, and profit from operations (EBIT) was 12% of turnover, which is somewhat above expectations. Prospects for Stork's operations continue to be good.

The company's goal of achieving at least a 10% profit from operations (EBIT) remains unchanged, and is expected to be reached in 2009. It is projected that proforma net profit for 2008 of the combined companies will be about 9% of turnover.

Exciting times are ahead as primary emphasis will be placed on improved profitability and strong internal growth built on product development and marketing efforts in new markets. After the merger activities of the past two years, Marel Food Systems has become the world's leading manufacturer of high-tech equipment for the food processing industry. The combined turnover of the companies is about EUR 650 million, while employees number over four thousand. Marel Food Systems now has the size and strength to vigorously enter new markets, and is better prepared to service major, international customers.

Performance summary for Q1 2008

The Interim Financial Statement for Marel Food Systems hf for Q1 2008 was approved at Marel's Board of Director's meeting today 6 May 2008.

Marel Food Systems comprises 32 companies with operations in 22 countries. The following are the main results from the consolidated financial statements for Marel Food Systems:

Operations for Q1 – main results in thous. of euros

Operating results	2008	2007
Sales	74,035	72,244
Cost of goods sold	(48,650)	(46,821)
Gross profit	25,385	25,423
Other operating income	306	375
Sales & marketing expenses	(11,508)	(10,508)
Development expenses	(3,778)	(3,641)
Administrative expenses	(8,228)	(8,406)
Profit from operations EBIT	2,177	3,243
Finance costs - net	(1,177)	(1,168)
Profit/(loss) of associates	473	(285)
Profit/(loss) before tax	1,473	1,790
Tax expense	(734)	(781)
Profit for period	739	1,009
EBITDA	5,074	5,644

Percent of sales		
Contribution margin	34.3%	35.2%
Sales & marketing expenses	15.5%	14.5%
Development expenses charged	5.1%	5.0%
Administrative expenses	11.1%	11.6%
EBITDA	6.9%	7.8%
EBIT	2.9%	4.5%
Profit for period	1.0%	1.4%

Financial position at end of period	31.03.08	31.12.07
Total assets	423,374	427,304
Equity	180,606	181,835
Working capital	109,108	109,887

Cash flow for the year	2008	2007
Working capital from operations	4,302	4,488
Cash generated from operations	1,762	5,156
Increase/(decrease) in net cash	51,244	(4,844)
Net cash at end of period	81,444	58,268

Highlights at end of March	2008	2007
Return on owners' equity	0.5%	0.7%
Current ratio	1.9	1.9
Quick ratio	1.3	1.2
Equity ratio	42.7%	39.2%
Earnings per share in euro cents	0.19	0.27
Market cap. in millions of euros based on exchange rate at end of period	304.5	315.4

Sales in the first quarter of 2008 totalled EUR 74.0 million, compared with EUR 72.2 million the previous year. Sales have therefore increased by about 2.5%, or about 5.3% based on a fixed exchange rate between the euro and USD.

Gross profit of product sales was unchanged year on year, or about EUR 25.4 million, which is 34.3% of sales compared with 35.2% of sales year on year.

Operating expenses other than cost of goods sold totalled EUR 23.5 million, and were 31.8% compared with 31.2% of sales the previous year. Sales & marketing expenses were EUR 11.5 million, which is about 9.5% higher than last year. Charged development expenses, including depreciation of product development costs from previous years, were about EUR 3.8 million, an increase of about 3.8%. As a ratio of revenue, product development expenses were 5.1% compared with 5% the previous year. Administrative expenses were EUR 8.2 million compared with 8.4 million the previous year, or a decrease of about 2.4%, which may be attributed to one-time expenses in 2007.

Profit from operations (EBIT) was EUR 2.2 million or 2.9% of sales, compared with 4.5% in 2007. Excluding one-time expenses in Q1 2007, profit from operations totaled about 8.9% of income.

Net finance costs totalled EUR 1.2 million, which is unchanged from the previous year.

Marel Food Systems' share in profits in associated companies totalled EUR 0.5 million, which may be attributed to investment by LME ehf in the Dutch company Stork NV. Marel Food Systems owned 20% of LME ehf. LME's share in Stork was sold last January, which returned EUR 53 million to Marel Food Systems after debt repayment.

Net profit of Marel Food Systems in the first quarter totalled EUR 0.7 million, compared with EUR 1.0 million the year before.

Total assets of the company at the end of March 2008 were entered at EUR 423,4 million, compared with EUR 427.3 million at year-end 2007. Investment in property, plant and equipment in the first quarter 2008 totalled EUR 5,0 million, compared with EUR 1.0 million year on year. Most was earmarked for building new production facilities in Slovakia.

Working capital from operations totalled EUR 4,3 million, compared with 4.5 million in 2007. At the end of Q1 2008, net cash totalled EUR 81,4 million, an increase of 51,0 million since the New Year. The main reason for the change is the sale of shares in Stork NV, which returned about EUR 53 million.

On average, 2,268 employees worked for Marel companies in the first quarter 2008, compared with 2,069 at same time last year. Of these 2,268 employees, 386 were in Iceland while 1,882 worked outside Iceland in 31 companies in 21 countries.

Key events during the period

Stork Food Systems

Last 21 April, European competition authorities agreed without conditions to the acquisition by Marel Food Systems of Stork Food Systems, which becomes effective on 8 May. The purchase was announced on 28 November 2007 with the following provisions:

- That the takeover bid by London Acquisition N.V. for all shares in Stork N.V. would be unconditional;
- That the Stork Works Council provide a statement;
- That European competition authorities agree.

The takeover bid by London Acquisition N.V. for the purchase of all shares in Stork N.V. was declared without conditions on 17 January 2008. The purchase also received a positive response from the Stork Works Council. With the consent of the competition authorities, all provisions in the purchase contract were lifted.

Marel Food Systems hf. has fully financed the purchase with loans and the issuance of new shares, underwritten by Landsbanki Íslands hf., with the support of the company's largest shareholders. A stock offering of new shares in Marel Food Systems hf. to shareholders with pre-emptive rights is planned for the second quarter 2008.

External growth

When all provisions regarding Marel Food Systems' purchase of Stork Food Systems had been lifted, it became clear that Marel had achieved its goals of significant growth driven by external growth in a much shorter time than projected just over two years ago. At Marel's Annual General Meeting in February 2006, the company 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. With the merger of Stork Food Systems, the company's turnover doubled to about EUR 650 million and the number of employees is over 4,000.

Discussions with Stork Food Systems had been ongoing for two years, ending with contract signing last November. Stork Food Systems and Marel Food Systems have enjoyed good cooperation for many years. There is no overlapping of the companies' products, which is believed will make for a simple merger without considerable one-time costs.

Stork's core operation has in the past four years grown at a rate of about 26%, of which about 13% is organic. Profit from operations (EBIT) was on average over 10%. Turnover of core operations last year was about EUR 300 million and EBIT 10.6%. Merging Marel Food Systems and Stork Food Systems will double the company's turnover, and operating profit as a percent of turnover will increase.

When the decision was taken to undertake this growth process in February 2006, it was based on the assessment that the company's market was at a crossroads, that it was necessary to merge companies working within the field in order to achieve economy of scale, thereby rationalizing product-development utilization to continue meeting the rapidly expanding needs of customers.

The first steps were taken in 2006 with the acquisition of AEW/Delford and Scanvaegt, which more than doubled company turnover. These companies were in relatively similar operations, which led to complex integration activities that included significant changes to the sales networks and integrating the companies' product mix, for example the sales and service companies in 22 countries spanning five continents were merged.

The company has now achieved its goals by acquiring companies that fit well with Marel Food Systems' operations and vision. Exciting times are ahead where the primary emphasis will be on improving profitability and strong organic growth based on product development and marketing activities in new markets.

Integration activities

The decision has been made to merge Scanvaegt and Marel under the name Marel Food System, and in the first quarter of next year, AEW/Delford and Carnitech will also merge under the name Marel Food System. All names are expected to continue being used as brand names in connection with the marketing of various product categories. Primary emphasis will focus on consolidating the companies' product lines, which will create opportunities and reduce fixed costs (without adversely impacting the company's future revenue creation) and increase economy of scale. In Q2, employees will be reduced by about 110, and fixed operating costs will be reduced by about EUR 8-9 million on an annual basis.

The integration of Stork Food Systems and Marel is quite different from the integration of Marel and Scanvaegt. There is no overlapping in the companies' product mix and therefore one-time costs during integration are minimal. Their company cultures are similar and the companies have worked in close cooperation for almost 10 years. Initially, efforts will focus on achieving synergistic effects through combined information systems, purchasing, production and marketing activities.

5-year comparison

Key figures from Marel's operations (first quarter pr. year) in thous of EUR

	2008	2007	2006	2005	2004
Sales	74,035	72,244	32,467	29,928	25,072
Profit from operations (EBIT)	2,177	3,243	454	3,056	2,309
EBIT as a % of sales	2.9%	4.5%	1.4%	10.2%	9.2%
Net profit	739	1,009	551	1,801	1,516
Net profit as a % of sales	1.0%	1.4%	1.7%	6.0%	6.0%
EBITDA	5,074	5,644	1,876	4,180	3,403
EBITDA as a % of sales	6.9%	7.8%	5.8%	14.0%	13.6%
Total assets at end of period	423,374	372,902	154,325	99,477	87,976
Equity at end of period	180,606	146,361	40,496	34,539	28,242
Working capital at end of period	109,108	89,039	41,575	0,389	16,750
Cash generated from operations	1,762	5,156	(8,171)	1,486	3,849
Net cash at end of period	81,444	58,268	30,131	4,933	6,538
Current ratio	1.9	1.9	1.8	1.7	1.6
Quick ratio	1.3	1.2	1.0	0.7	0.8
Equity ratio	42.7%	39.2%	26.2%	34.7%	32.1%
Market cap. in millions of euros based on exchange rate at end of period	304.5	315.4	207.5	174.0	98.7

Presentation of results 7 May

Marel Food Systems will present performance results at a meeting on Wednesday 7 May 2008 at Hilton Reykjavik Nordica, Suðurlandsbraut 2, in Room A on the first floor. Hörður Arnarson, CEO, will present the results of Marel Food Systems and Stork Food Systems for the first quarter 2008, as well as discuss the merger of the two companies. Árni Oddur Þórðarson, Chairman of the Board, will then introduce the vision of the combined companies.

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

Publication dates of the Financial Statements for 2008:

2 nd quarter	12 August 2008
3 rd quarter	4 November 2008
4 th quarter and Annual Financial Statements	10 February 2009
Annual General Meeting Marel Food Systems hf	10 March 2009

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