



10. August 2007

PRESS RELEASE

- Sales for Marel Food Systems in the second quarter of 2007 totaled EUR 72.6 million compared with 46.6 million for the same period the year before. The sales increase is 56%.
- Net profit in the second quarter was EUR 7.4 million compared with EUR 0.8 million in the previous year.
- Profit from operations EBIT during the second quarter 2007 was EUR 3.4 million, which is 4.7% of income, compared with EUR 4.3 million last year.
- Shares in the Dutch company Stork NV are entered at market value and appear as EUR 6.6 million profit in an associated company.
- Sales in the first 6 months of the year totaled EUR 144.9 million compared with EUR 79.1 million in the previous year, which is an 83% increase. Pro-forma growth in sales for the period was 3.4%.
- Profit from operations EBIT for the first six months of 2007 was EUR 6.7 million, which is 4.6% of income compared with EUR 4.8 million or 6% in the last year.
- Charged one-time expenses resulting from integration totaled about EUR 5 million in the first six months. Profit from operations EBIT, before one-time expenses, was EUR 11.6 million (8% of sales).
- Net profit in the period from January till June 2007 was EUR 8.5 million compared with EUR 1.3 million in 2006.
- Cash generated from operations was EUR 14.4 million in the first half of 2007, but was negative of EUR 6.7 million for the same period in 2006.
- Net cash at end of the period totaled EUR 49.6 million.
- Equity totaled EUR 158.3 million, and the equity ratio was 40.8 % at the end of June 2007. The company is well financed to enable it to continue developing opportunities for external growth.

Hörður Arnarson, CEO:

"The company's performance is acceptable in light of the extensive integration work that has caused both direct one-time expenses and decreased productivity due to focus on internal work. Taking into consideration one-time-expenses, the EBIT for the first half of the year is 8% which is concurrent with the company's goal of achieving a 10% EBIT next year. It is satisfying to see that the company's cash flow has improved significantly from the previous year.

Integration of the operations of Marel, Carnitech, Scanvaegt and AEW/Delford are progressing according to schedule. The successful restructuring of the companies' sales and marketing networks was mostly concluded in the last quarter. The new organization measures will be polished and assimilated in the coming months. Even if the integration of the companies has been very successful so far, further work will be done to fully utilize the underlying potential for further synergy within the companies.

Marel Food Systems is a well financed company capable of seizing the opportunities available in the near future. Turbulence on the financial markets might create opportunities for external growth for listed companies that are well financed.

Prospects

The prospects on the company's largest markets are good and the largest customers have several significant investments planned in the coming year. There are some uncertainties surrounding important markets in fish in Iceland due to the decrease in Icelandic catch quota and meat in the UK due to foot and mouth disease concerns.

Integration work has gone well. The merging of AEW Delford, Carnitech, Marel and Scanvaegt has created a company with an extensive product portfolio, strong sales and marketing, a first-class service network and a unique position in certain product groups. Extensive integration work will nevertheless continue to impact productivity in the coming months.

It is projected that the integration will result in at least EUR 15 million profit from operation due to lower costs and increased productivity. An EBIT of at least 10% is the goal.

Increased inner growth is anticipated due to improvements in the utilization of research and development investment and strengthening of marketing. Initial plans estimated the integration work to take 2-3 years but currently the estimate is 1.5 to 2 years, with full integration being achieved mid-year 2008. The positive impact of integration will be evident in the latter part of 2007. Income statement and performance in the third quarter will, as before, be in part influenced by the summer holidays.

The interim financial statement for Marel Food Systems for the first 6 months of 2007 was approved at Marel Food Systems' Board of Directors meeting today, 10 August 2007.

Marel Food Systems consists of 32 companies operating in 22 countries.

Following are the main results from the interim financial statement:

Q2 in thousands of euros		
Operating results	2007	2006
Sales	72,617	46,639
Cost of goods sold	(47,853)	(30,788)
Gross profit	24,764	15,851
Other operating income	770	290
Sales & marketing expenses	(11,751)	(5,852)
Development expenses	(3,631)	(2,501)
Administrative expenses	(6,733)	(3,464)
Profit from operations EBIT	3,419	4,324
Finance costs - net	(1,752)	(2,013)
Share of results of associates	6,598	(715)
Profit before taxes	8,265	1,596
Calculated income tax	(824)	(799)
Net profit for period	7,441	797
EBITDA	5,881	5,979
Percent of sales		
Gross profit	34.1%	34.0%
Sales & marketing expenses	16.2%	12.5%
Development expenses charged	5.0%	5.4%
Administrative expenses	9.3%	7.4%
EBITDA	8.1%	12.8%
EBIT	4.7%	9.3%
Net profit for period	10.2%	1.7%

Operations for the first 6 months of 2007 in thousands of EUR

Operating results	2007	2006
Sales	144,861	79,106
Cost of goods sold	(94,674)	(52,872)
Gross profit	50,187	26,234
Other operating income	1,145	564
Sales & marketing expenses	(22,259)	(10,708)
Development expenses	(7,272)	(4,168)
Administrative expenses	(15,139)	(7,144)
Profit from operations EBIT	6,662	4,778
Finance costs - net	(2,920)	(1,872)
Share of results of associates	6,313	(715)
Profit before taxes	10,055	2,191
Calculated income tax	(1,605)	(843)
Net profit for period	8,450	1,348
EBITDA	11,525	7,855

Percent of sales		
Gross profit	34.6%	33.2%
Contribution margin	15.4%	13.5%
Sales & marketing expenses	5.0%	5.3%
Development expenses charged	10.5%	9.0%
Administrative expenses	8.0%	9.9%
EBITDA	4.6%	6.0%
EBIT	5.8%	1.7%

Financial position at end of period	30.06.07	31.12.06
Total assets	387,816	364,793
Equity	158,260	144,423
Working capital	85,518	87,989

Cash flow for the first six months	2007	2006
Working capital provided by operating activities	14,412	(6,654)
Cash generated from/(to) operations	7,850	(2,800)
(Decrease)/Increase in net cash	(13,721)	32,077
Net cash at end of period	49,609	35,681

Highlights at end of June	2007	2006
Return on owners' equity	11.2%	6.6%
Current ratio	1.9	2.0
Quick ratio	1.1	1.2
Equity ratio	40.8%	20.9%
Earnings to Price	0.02	0.02
Price to Earnings	51.4	55.4
Earnings per share in euro cents	2.31	0.57
Market cap. in EUR millions based on exchange rate at end of June	373.2	174.5

Sales in first six months of 2007 totaled EUR 144.9 million compares to EUR 79.1 million the year before. Sales thus increased 83%. Pro forma sales increase was 3.4%.

The gross profit of product sales during the period was EUR 50.2 million, or 34.6% of sales, compared with EUR 26.2 million or 33.2% of sales during the same period in 2006.

Revenue in ISK was about 1% of the company's total sales, but expenses were about 11% particularly because of employee wages in Iceland. The company has entered into forward exchange rate contracts to offset all estimated costs in ISK until March 2008.

Operating expenses other than the cost of goods sold totaled EUR 44.7 million and were 30.8% of sales, compared with 27.8% the previous year. Sales & marketing expenses were EUR 22.3 million, which is about 108% higher than last year. Charged development expenses, including depreciation of product development costs from previous years, were about EUR 7.3 million, an increase of about 74.5%. Development costs became 5.0% of sales compared with 5.3% the year before. Administrative costs were EUR 15.1 million, compared with EUR 7.1 million the year before, a 112% increase.

Charged one-time expenses in the first half of the year was approximately EUR 5 million and was mostly entered as sales & marketing costs and administrative costs.

Profit from operations (EBIT) was EUR 6.7 million or 4.6% of sales, compared with 6% in 2006. The decrease is in part due to charged one-time expenses.

Net finance costs totaled EUR 2.9 million compared with EUR 1.9 million the previous year. The increase is in part due to business expansion and investments in new operations.

Marel Food Systems' share in the operational profit of associated companies totaled EUR 6.313 thousand, which may be attributed to investment by LME ehf in Stork NV, but Marel Food Systems owns 20% in LME. The profit was generated in the second quarter of 2007.

Profit of Marel Food Systems in the first quarter 2007 totaled EUR 8.5 million, compared with EUR 1.3 million the previous year.

Total assets of Marel Food Systems at the end of June 2007 were EUR 388 million, an increase of EUR 23 million or 6.3% since the New Year. New share capital counts for EUR 3.5 million.

Investment in property, plant and equipment in the first six months of 2007 was EUR 4.3 million, compared with EUR 4.7 million during the same period last year.

Net cash from operation was EUR 14.4 million. This is mostly due to less capital being tied up in current assets and an increase in trade payables. At the end of June 2007, the company's net cash totaled EUR 49.6 million, compared with 35.7 million at the end of June 2006.

The number of employees averaged 2,091 in the first half of 2007 compared with 1,179 in the same period the year before. Of the 2,091, 357 were in Iceland and 1,734 abroad, working in 31 companies in 21 countries. At the end of June 2007 employees totaled 2,118.

Key events during the period

Integration projects

The integration of AEW/Delford and Scanvaegt with Marel is running successfully according to the objectives set. The process of integration covers all aspects of operation and is estimated to reach completion by August 2008. One of the most extensive projects has been merging the sales and marketing operations of the companies. Offices will be reduced from 45 to approximately 20. This will strengthen the company's sales and reduce operational cost. The merger of the sales and marketing operations was completed during the last quarter. However, developing a new organization process and reaching maximum productivity will take some time. Earlier this year the integration of the product lines and product development projects started. It is estimated that this process will take 12-18 months and will lead to a significant rationalization, a decrease in cost and an increase in the supply of new products.

The integration in the service, production and purchasing systems is also taking place within the companies. One-time expenses in relation to the changes, was approximately EUR 4.0 million in 2006. It is now estimated that the one-time expenses in 2007 will be approximately EUR 5 million, of which 1.8 million were generated in the second quarter.

It is predicted that the influence of the integration process will increase the annual operating income of the organization by EUR 15 million and will become visible in the latter part of 2007 and be fully realized mid-year 2008.

External growth

In line with the company's strategy announced at the AGM in February 2006 it intends to become a market leader and to achieve 15-20% market share compared to the 4% it had when the strategy was announced. Current market share is 8%. The company's growth is equally focused on external growth and vigorous inner growth.

Marel Food Systems has both the marketing and technological strength to enable it to create opportunities for significant synergistic effects through external growth. The company is well financed, which enables it to develop opportunities in the coming months with robust support from its largest shareholders. Last year the company had a successful share offering that is intended to finance its future growth. Alongside that Marel Food Systems also issued long term bonds which make the company well financed for continued external growth. Turbulence on the financial markets might create opportunities for external growth for listed companies that are well financed.

The company is presently looking at 2-4 substantial merger prospects. Marel Food Systems has been engaged for some time in extensive discussions with the management of Stork NV about the purchase of Stork Food Systems, without their having led to formal negotiations.

LME ehf, jointly owned by Marel Food Systems, Eyrir Invest and Landsbankinn Bank is currently the largest single shareholder in Stork NV the parent company of Stork Food Systems. Marel Food Systems holds 20% in LME. Please refer to the press release dated July 5 2007 regarding LME's investment in Stork NV.

Shares listed in euros

At Marel hf's (now Marel Food Systems) AGM on 8 March, authorization was approved for the Board to list company shares in euros. Preparations are in progress with the objective of listing them in euros.

5 year comparison

Figures from Financial Statements for the period January to June

In thousands of EUR	2007	2006	2005	2004	2003*)
Sales	144,861	79,106	63,838	56,358	54,077
Profit from operations (EBIT)	6,662	4,778	6,310	6,385	3,711
EBIT as % of sales	4.6%	6.0%	9.9%	11.3%	6.9%
Net profit	8,450	1,348	3,905	4,332	2,400
Net profit as % of sales	5.8%	1.7%	6.1%	7.7%	4.4%
EBITDA	11,525	7,855	8,649	8,587	5,447
EBITDA as % of sales	8.0%	9.9%	13.5%	15.2%	10.1%
Total assets at end of period	387,816	193,007	104,774	94,936	87,237
Equity at end of period	158,260	40,378	37,048	32,366	24,199
Working capital at end of period	85,518	57,630	18,028	18,816	11,654
Net cash from/(to) operating activities	14,412	(6,654)	2,712	6,152	4,010
Net cash at end of period	49,609	35,681	3,990	6,278	6,043
Current ratio	1.9	2.0	1.5	1.6	1.3
Quick ratio	1.1	1.2	0.6	0.8	0.8
Equity ratio	40.8%	20.9%	35.4%	34.1%	27.7%

Marel Food Systems' market cap. in EUR millions based on exchange rate at end of June	373.2	174.5	179.2	132.4	51.5
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*) Previous presentation that is not in conformity with IFRS

Presentation of Results

Marel Food Systems will present performance results at a meeting on Monday 13 August 2007 at 8:30 in the company's headquarters at Austurhraun 9 in Garðabær, Iceland.

Publication days of the Consolidated Financial Statements in 2007 and the Annual General Meeting 2008

Marel Food Systems will publish the Financial Statements for 2007 on the following days:

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| • Interim Financial Statement – 3rd quarter 2007 | 7 November 2007 |
| • Annual Financial Statements and 4th quarter 2007 | 12 February 2008 |
| • AGM Marel Food Systems hf | 7 March 2008 |

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