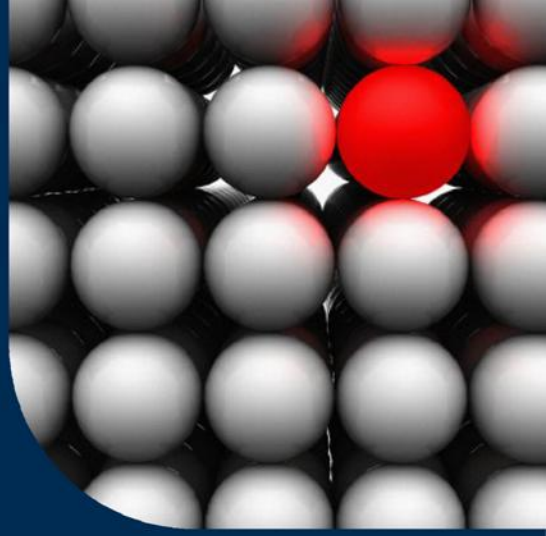

Q2 2008 Presentation

Hörður Arnarson, CEO

August 13, 2008

We are innovative in everything we do and provide outstanding new solutions and services to the food processing industry, in order to create greater value for all our stakeholders

1. **Introduction**
2. Consolidated financial statements
3. Pro forma operations of core business
4. Operations excluding Stork Food Systems
5. Outlook

The acquisition of Stork Food Systems was completed in Q2 2008

Q1 2008 **Q2 2008**

Jan → Feb → Mar → Apr → May → Jun

Pre-acquisition

From 1 January to 8 May, Stork Food Systems is not part of the accounts

Post-acquisition

Stork Food Systems entered the accounts on 8 May

Guide to the accounts

Consolidated financial accounts

- Stork Food Systems entered the accounts on 8 May in the second quarter of 2008
- Includes both core and non-core business

Pro forma operations of core business

- Operations of Marel Food Systems and Stork Food Systems for the whole period
- Excludes Stork Food and Dairy Systems which is a non-core business

Operations excluding Stork Food Systems

- The results excluding Stork Food Systems
- Published in order to shed light on the results of ongoing integration efforts

Highlights

- **Strong pro forma results of core business in the second quarter**
  - 9.5% EBIT (€15.5 million)
  - 8.2% organic growth (11% in local currency)
- **Operations of Marel Food Systems, excluding Stork Food Systems, have greatly improved in the same period**
  - 8.1% EBIT (€6.9 million)
  - 17% organic growth (20% in local currency)
  - Synergies from previous aquisitions are starting to materialize
- **Operations of Stork Food Systems' core business have been strong and in line with our expectations for the first half of 2008**
  - 11.7% EBIT YTD (€18.7 million)

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Consolidated income statement for the second quarter of 2008

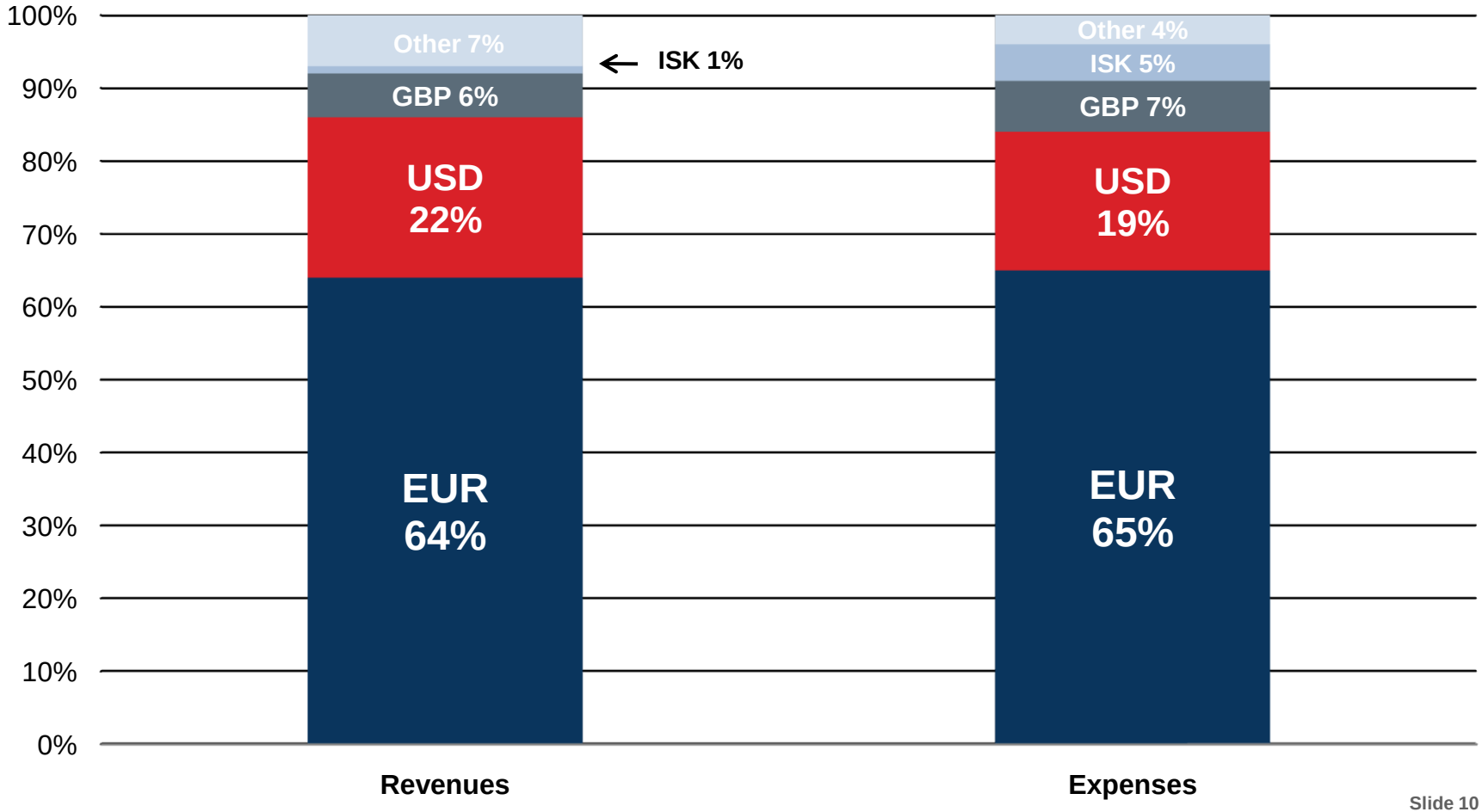
	EUR thousands		% of sales	
	Q2 2008	Q2 2007	Q2 2008	Q2 2007
Sales	144,979	72,617		
Cost of sales	(93,285)	(47,853)		
Gross profit	**51,694**	**24,764**	**35.7%**	**34.1%**
Other operating income	465	770		
Sales and marketing expenses	(18,651)	(11,751)	12.9%	16.2%
Research and development expenses	(7,363)	(3,631)	5.1%	5.0%
Administrative expenses	(14,997)	(6,733)	10.3%	9.3%
Profit from operations (EBIT)	**11,148**	**3,419**	**7.7%**	**4.7%**
Finance cost - net	564	(1,752)		
Share of results of associates	0	6,598		
Profit before tax	11,712	8,265		
Income tax expenses	(1,655)	(824)		
Net profit	**10,057**	**7,441**		
EBITDA	**16,368**	**5,881**	**11.3%**	**8.1%**
Depreciation & amortisation	**5,220**	**2,462**	**3.6%**	**3.4%**

Consolidated income statement for the first half of 2008

	EUR thousands		% of sales	
	H1 2008	H1 2007	H1 2008	H1 2007
Sales	219,015	144,861		
Cost of sales	(141,935)	(94,674)		
Gross profit	**77,080**	**50,187**	**35.2%**	**34.6%**
Other operating income	771	1,145		
Sales and marketing expenses	(30,159)	(22,259)	13.8%	15.4%
Research and development expenses	(11,141)	(7,272)	5.1%	5.0%
Administrative expenses	(23,226)	(15,139)	10.6%	10.5%
Profit from operations (EBIT)	**13,325**	**6,662**	**6.1%**	**4.6%**
Finance cost - net	(613)	(2,920)		
Share of results of associates	473	6,313		
Profit before tax	13,185	10,055		
Income tax expenses	(2,389)	(1,605)		
Net profit	**10,796**	**8,450**		
EBITDA	**21,442**	**11,525**	**9.8%**	**8.0%**
Depreciation & amortisation	**8,117**	**4,863**	**3.7%**	**3.4%**

Currency risk has been minimized through natural hedging

Pro forma share of currencies in the first half of 2008

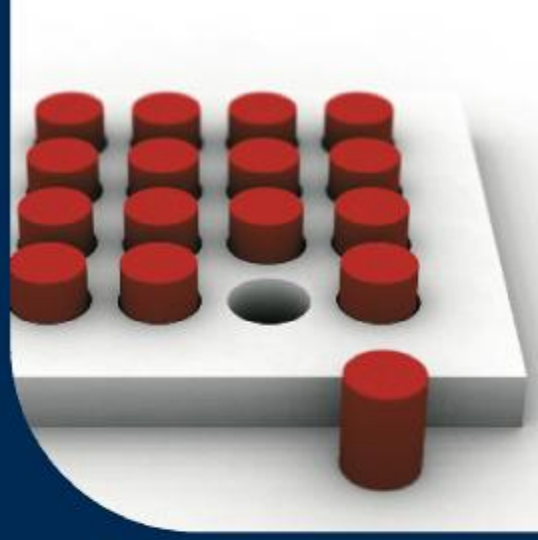


Consolidated balance sheet

	EUR thousands	
	30.6.2008	**31.12.2007**
Non-current assets	627,128	194,166
Inventories	129,771	61,587
Production contracts	35,710	15,168
Trade and other receivables	98,702	52,871
Other receivables and prepayments	23,699	20,427
Loan to associate	0	49,607
Derivative financial instruments	1,501	3,041
Cash and cash equivalents	26,010	30,437
Total assets	**942,521**	**427,304**
Shareholders' equity	**306,214**	**181,835**
Borrowings	405,511	160,973
Other non-current liabilities	25,711	6,391
Trade and other payables	190,976	75,487
Current liabilities	14,109	2,618
Total liabilities	**636,307**	**245,469**
Current ratio	**1.0**	**1.9**
Equity ratio	**32.5%**	**42.5%**

Consolidated statement of cash flow

	EUR thousands	
	H1 2008	H1 2007
Working capital from operations	18,329	7,850
Cash generated from operations	13,904	14,412
Acquisition of subsidiary, net of cash acquired	(430,504)	0
Loans to associates	49,607	0
Other investment activities	(16,218)	(18,107)
Proceeds from issue of ordinary shares	112,720	3,490
Proceeds from borrowings	266,781	7,608
Other financing activities	(1,935)	(21,124)
Net increase /(decrease) in cash	**(5,645)**	**(13,721)**
Cash at beginning of period	**30,438**	**63,079**
Currency fluctuations affecting cash	**1,217**	**251**
Cash at end of period	**26,010**	**49,609**



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Pro forma income statement of core business for Q2 of 2008

Excluding Food and Dairy

In thousands of EUR	Q2 2008	Q2 2007	Ch. in %
Sales	162,655	150,333	8.2%
Cost of sales	(105,527)	(96,854)	9.0%
Gross profit	**57,128**	**53,479**	6.8%
Other operating income	465	770	
Sales and marketing expenses	(19,972)	(21,201)	
Research and 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**	
EBIT % of sales	**9.5%**	**7.6%**	
EBITDA % of sales	**12.7%**	**11.0%**	

Pro forma income statement of core business for H1 of 2008

Excluding Food and Dairy

In thousands of EUR	H1 2008	H1 2007	Ch. in %
Sales	317,810	292,813	8.5%
Cost of sales	(201,146)	(186,716)	7.7%
Gross profit	**116,664**	**106,097**	10.0%
Other operating income	770	1,145	
Sales and marketing expenses	(40,036)	(39,607)	
Research and development expenses	(16,670)	(16,329)	
Administrative expenses	(32,996)	(28,565)	
Profit from operations (EBIT)	**27,732**	**22,741**	
EBITDA	**38,123**	**32,471**	
EBIT % of sales	**8.7%**	**7.8%**	
EBITDA % of sales	**12.0%**	**11.1%**	

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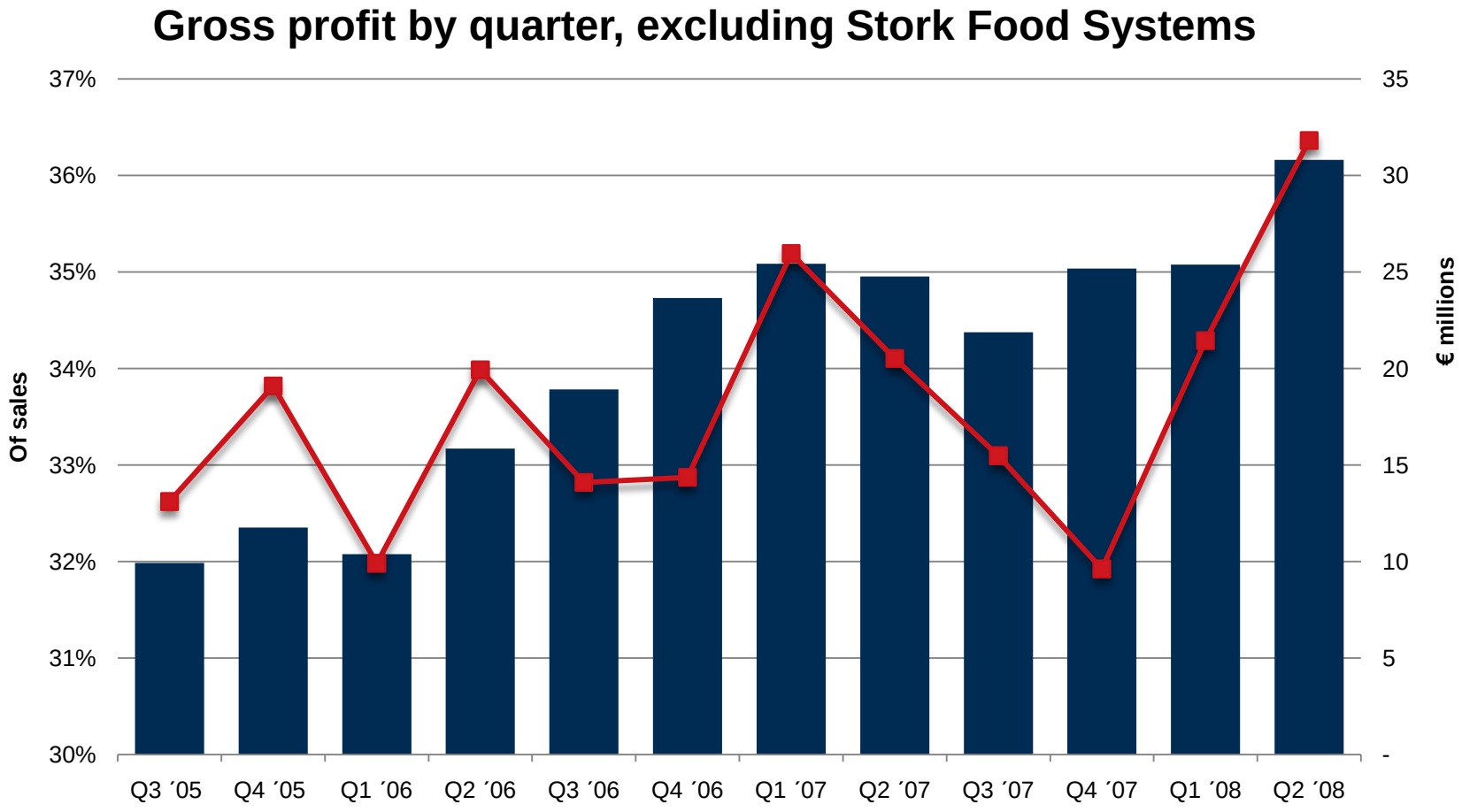
Income statement for Q2 2008, excluding Stork Food Systems

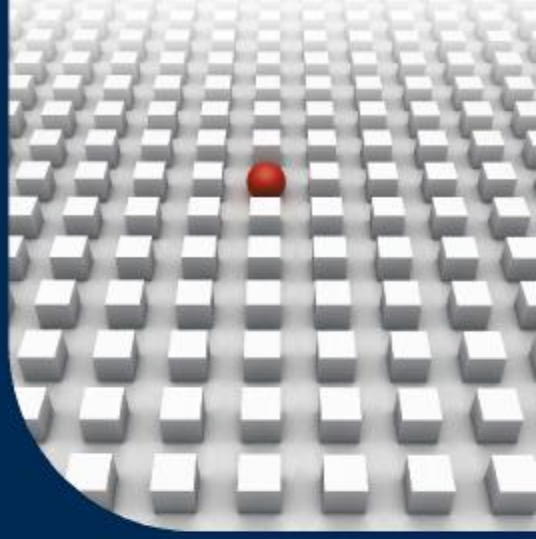
	EUR thousands		% of sales	
	Q2 2008	Q2 2007	Q2 2008	Q2 2007
Sales	84,714	72,617		
Cost of sales	(53,911)	(47,853)		
Gross profit	**30,803**	**24,764**	**36.4%**	**34.1%**
Other operating income	465	770		
Sales and marketing expenses	(11,690)	(11,751)	13.8%	16.2%
Research and development expenses	(3,806)	(3,631)	4.5%	5.0%
Administrative expenses	(8,869)	(6,733)	10.5%	9.3%
Profit from operations (EBIT)	**6,903**	**3,419**	**8.1%**	**4.7%**
Finance cost - net	2,975	(1,752)		
Share of results of associates	0	6,598		
Profit before tax	9,878	8,265		
Income tax expenses	(1,257)	(824)		
Net profit	**8,621**	**7,441**		
EBITDA	**10,203**	**5,881**	**12.0%**	**8.1%**
Depreciation & amortisation	**3,300**	**2,462**	**3.9%**	**3.4%**

Income statement for H1 2008, excluding Stork Food Systems

	EUR thousands		% of sales	
	H1 2008	H1 2007	H1 2008	H1 2007
Sales	158,749	144,861		
Cost of sales	(102,561)	(94,674)		
Gross profit	**56,188**	**50,187**	**35.4%**	**34.6%**
Other operating income	771	1,145		
Sales and marketing expenses	(23,198)	(22,259)	14.6%	15.4%
Research and development expenses	(7,584)	(7,272)	4.8%	5.0%
Administrative expenses	(17,097)	(15,139)	10.8%	10.5%
Profit from operations (EBIT)	**9,080**	**6,662**	**5.7%**	**4.6%**
Finance cost - net	1,798	(2,920)		
Share of results of associates	473	6,313		
Profit before tax	11,351	10,055		
Income tax expenses	(1,992)	(1,605)		
Net profit	**9,360**	**8,450**		
EBITDA	**15,277**	**11,525**	**9.6%**	**8.0%**
Depreciation & amortisation	**6,197**	**4,863**	**3.9%**	**3.4%**

The contribution margin has shown good improvement in 2008





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Leading global provider of advanced food processing solutions

Number 1 globally ✓

- In advanced poultry processing solutions

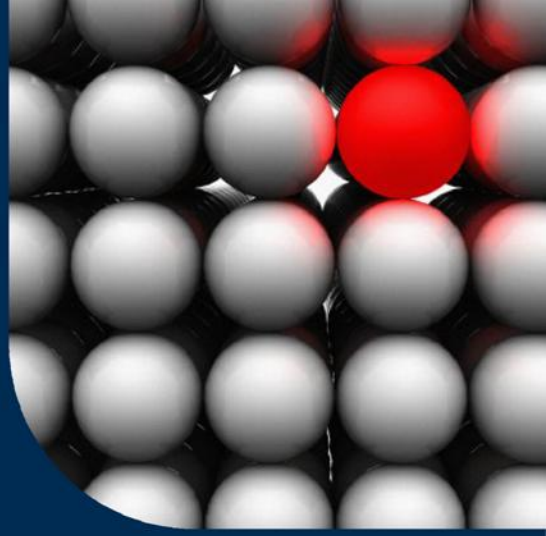
Number 1 globally ✓

- In advanced salmon processing solutions

Major global provider of advanced food processing solutions in meat

Looking ahead

- **Target to reach pro forma 9% EBIT in 2008 remains unchanged**
- **Focus on organic growth and improved profitability**
  - Synergies being harvested from previous acquisitions
- **Further integration of Marel/Scanvaegt/AEW/Delford/Carnitech**
  - Marel and Scanvaegt fully merged their operations in Q2 2008
- **Integration of Marel Food Systems and Stork Food Systems starting**
- **Rising prices of raw materials**
  - Constitutes both an opportunity and a threat for the company
  - Importance of being active in fish, meat and poultry
- **Turbulance in finance markets**
  - Has had a limited effect on the company



marel
food systems

Thank you / Takk fyrir / Bedankt

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