



# Prospectus

Marel Food Systems hf.  
June 2008



This Prospectus is published on 4 June 2008.

This Prospectus has been scrutinised and approved by the OMX Nordic Exchange Iceland hf. on behalf of the Financial Supervisory Authority in Iceland.

This Prospectus has been prepared in connection with a share offering of new shares in Marel Food Systems hf. and admission to trading of the new shares on OMX Nordic Exchange Iceland hf. The share offering will take place on 5 and 6 June 2008.

This Prospectus consists of three independent documents; a Summary dated 4 June 2008, a Securities Note dated 4 June 2008 and a Registration Document dated 4 June 2008.

This Prospectus is published in Acrobat Adobe format on [www.marelfoodsystems.com](http://www.marelfoodsystems.com). Additionally a hard copy can be obtained from Marel Food Systems hf. headquarters, Austurhraun 9, Garðabær, Iceland. This Prospectus can be obtained for twelve months from its date.



## Summary

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# 1 Notice to investors

This Summary should be read as an introduction to the Prospectus, consisting of this Summary dated 4 June 2008, a Securities Note dated 4 June 2008 and a Registration Document dated 4 June 2008.

Any investment decision relating to shares in Marel Food Systems should be based on a consideration of the Prospectus as a whole by the investor. Where a claim relating to information contained in the Prospectus is brought before a court, a plaintiff investor may, in accordance with the relevant national legislation of the Contracting Parties to the European Economic Area Agreement, have to bear the costs of translating the Prospectus before legal proceedings are initiated.

Civil liability attaches to those persons who have tabled the Summary, including any translation thereof, and applied for its notification, but only if this Summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus.

## 2 Summary of the share offering

The Summary and the Prospectus concern Marel Food Systems' share offering on 5 and 6 June 2008 and the admission to trading, of new shares sold in the share offering, on OMX Nordic Exchange Iceland hf.

### Issuer

Legal and commercial name:	Marel Food Systems hf.
State Registration No.:	620483-0369
Domicile and headquarters:	Austurhraun 9, 210 Garðabær, Iceland
Telephone number:	+354 563 8000

### Manager

Legal and commercial name:	Landsbanki Íslands hf.
State Registration No.:	540291-2259
Domicile and headquarters:	Austurstræti 11, 155 Reykjavík, Iceland
Telephone number:	+354 410 4000

Landsbanki Íslands hf. is a major shareholder in Marel Food Systems. Landsbanki Íslands hf. is one of Marel Food Systems' principal banks. Marel Food Systems is a customer of Landsbanki's Investment Banking and Corporate Banking divisions. Landsbanki serves as a market maker for Marel Food Systems' shares. Furthermore, Landsbanki has been the advisor to Marel Food Systems in preparation of this Summary, which is part of a Prospectus comprising of a Registration Document dated 4 June 2008, Securities Note dated 4 June 2008 and this Summary.

156,440,000 new shares in Marel Food Systems will be offered at the offering price of ISK 89 per share. Total proceeds from the share offering will be ISK 13,923,160,000. Marel Food Systems' total number of shares will be 560,225,697 after the share offering. However, the Board of Directors of Marel Food Systems reserves the right to increase the number of shares offered by up to 196,555,000 shares. If the Board of Directors decides to do so total proceeds from the share offering will be up to ISK 17,493,395,000 and Marel Food Systems' total number of shares will be up to 600,340,697 shares after the share offering.

## Reasons for the share offering and use of proceeds

On 8 May 2008 the acquisition of Stork Food Systems was finalized. The acquisition price was EUR 415 million on a debt and cash-free basis and with additional transaction costs EUR 22 million. The acquisition was funded by proceeds of the sale of Marel Food Systems' share in LME Eignarhaldsfélag ehf., EUR 53 million, a secured long term debt financing, EUR 237 million, and a share offering of EUR 30 million in November 2007 and the remainder, EUR 117 million, was financed with a bridge loan facility from Landsbanki. The total net proceeds from the share offering on 5 June 2008 and 6 June 2008 will be ISK 13,456,000,000. The total net proceeds of the share offering will be used to repay the aforementioned bridge loan facility.

## Process of the share offering

Shareholders registered in Marel Food Systems share register on 2 June 2008 are entitled to take part in the share offering. Shareholders cannot convey their entitlement to participate in the share offering to other parties.

In addition to shareholders, investors who so specifically request can subscribe for shares in Marel Food Systems' share offering, provided they subscribe for at least 75,000 shares in the Company.

The offer period is from 10:00 GMT on 5 June 2008 until 16:00 GMT on 6 June 2008. During the offer period the new shares will be offered for purchase through the Manager. No subscriptions will be accepted after the offer period has expired. According to Landsbanki's rules, employees of Landsbanki, wishing to take part in the share offering must do so before 16:00 GMT on 5 June 2008.

## Subscriptions

Subscriptions can only be submitted electronically on Landsbanki's website ([www.landsbanki.is](http://www.landsbanki.is)).

Shareholders registered in Marel Food Systems' share register on 2 June 2008 can submit their subscriptions on the website [www.landsbanki.is](http://www.landsbanki.is) and only by identifying themselves using their ID No. and a password sent to them by mail. Shareholders will have the opportunity to contact Landsbanki's Securities and Pension Services department for assistance via phone +354 410 4040 during the offer period.

Investors, subscribing for at least 75,000 shares can submit their subscriptions on the website [www.landsbanki.is](http://www.landsbanki.is). These investors will be allocated a password if they so request on the website [www.landsbanki.is](http://www.landsbanki.is).

Electronic confirmation is required for valid subscriptions in the share offering and this confirmation will appear on completion of the subscription and can be printed out.

There is no maximum amount to each subscription in the share offering. Shareholders are not allowed to subscribe for less than 200 shares in the share offering and other investors, wishing to participate in the share offering, must at least subscribe for 75,000 shares, as discussed above. Subscriptions in the share offering are legally binding and cannot be withdrawn by the subscriber.

## **Allocation**

A decision on allocation of new shares to subscribers will be made by Marel Food Systems' Board of Directors in a meeting following the expiration of the offer period. Should there be an oversubscription in the share offering, the Board of Directors reserves the right to increase the number of new shares on offer by up to 196,555,000 or equivalent to the sales value of ISK 17,493,395,000.

When allocating shares to subscribers the Board of Directors will take into consideration the following criteria:

- a) All eligible shareholders, independent of shareholding in Marel Food Systems, shall be allocated at least 2,500 shares in the share offering, if subscribed for.
- b) Shareholders shall as much as possible keep their shareholding in Marel Food Systems before and after the share offering percentage wise, although keeping in mind the criteria in a) and c).
- c) Investors, who are not or only minimally shareholders in Marel Food Systems, shall have the opportunity to become shareholders in Marel Food Systems in accordance with their requests, although keeping in mind the criteria in a) and b).

## **Notification of offer results, allocation and payment instructions**

The results of the share offering will be made public on 9 June 2008 before 10:00 GMT. The announcement will include the aggregate number of new shares which were subscribed for along with the aggregate number of participants in the share offering. The announcement will also include whether the Board of Directors has decided to increase the number of shares on offer and if this is the case the final total number of shares in the share offering will be made public.

Subscribers can obtain notification of allocation and payment instructions after 10:00 GMT on 9 June 2008 on Landsbanki's website [www.landsbanki.is](http://www.landsbanki.is), using the same login details as when subscribing. Payment notes for the allocated number of shares will be sent to subscribers by mail and will also be available on Icelandic on-line banks. Subscribers are only allowed to pay for new shares with cash.

Landsbanki Íslands hf., Austurstræti 11, 155 Reykjavík, Iceland, is the paying agent regarding all purchases of shares pursuant to the share offering.

The due date for payment for new shares is 13 June 2008. For any shares unpaid after 24:00 GMT on the due date, 13 June 2008, Marel Food Systems' Board of Directors may either collect payment with penalty interest (according to Article 6 of Act No. 38/2001) and costs or cancel the subscription of the shares in question and allocate them to a third party without notice or notification.

## **Admission to trading and delivery of shares**

Application has been made for the new shares to be admitted to trading on the regulated market of OMX Nordic Exchange Iceland, which is an EU regulated market within the meaning of Directive 2004/39/EC. The shares are expected to be admitted to trading on the OMX Nordic Exchange Iceland no later than 18 June 2008.

The new shares will be delivered electronically through the depository agent, the Icelandic Securities Depository, Laugavegur 182, Reykjavík, Iceland. Delivery is only made against payment for the shares pursuant to payment instructions. The aim is to complete the issue of the new shares at the Icelandic Securities Depository no later than 16 June 2008 and to deliver the new shares to participants of the offering on 16 June 2008.



### Expense of the share offering and admission to trading

The total expenses of the share offering and admission to trading of the new shares is expected to amount to ISK 467,000,000. The total net proceeds of the share offering will therefore be around ISK 13,456,000,000.

### Dilution

At the date of this Summary total number of shares in Marel Food Systems is 403,785,697 shares.

The share offering increases Marel Food Systems share capital by 156,440,000 shares. The total number of shares in Marel Food Systems after the share offering will be 560,225,697 shares, given that the Board of Directors will not increase the number of shares in the share offering. Assuming that existing shareholders receive an allocation in accordance with their shareholding, the resulting proportional dilution of their shares in Marel Food Systems will be none. If an existing shareholder does not take part in the share offering at all, the resulting proportional dilution of his shares will be 39%.

If the Board of Directors decides to increase the number of shares offered, the share offering increases Marel Food Systems' share capital by up to 196,555,000 shares. The total number of shares in Marel Food Systems after the increase will be up to 600,340,697 shares after the share offering. Assuming that existing shareholders receive an allocation in accordance with their shareholding, the resulting proportional dilution of their shares in Marel Food Systems will be none. If an existing shareholder does not take part in the share offering at all, the maximum resulting proportional dilution of his shares will be 49%.

### Market making

Landsbanki and Saga Capital Investment Bank hf. are market makers for the issued shares of Marel Food Systems. According to the market making agreements, Landsbanki is obligated to provide liquidity for up to ISK 75 million at market value daily and Saga Capital Investment Bank hf. is obligated to provide liquidity for up to ISK 100 million at market value daily.

## 3 Risk factors

Investing in equities involves risk. The following is a summary of those risk factors the members of the Executive Board and Board of Directors of Marel Food Systems believe are most likely to materially affect the Issuer and any investment made in its shares.

#### Marel Food Systems' operational risks:

Consumer changes in Marel Food Systems' main markets can have an impact on the Company's position and its growth potential

Marel Food Systems offers its customers customized solutions and these projects are complex and can affect the performance of Marel Food Systems, especially in the short term.

The prices of materials Marel Food Systems uses in its manufacturing fluctuate with world market prices, which can have a negative impact on the Company's performance.

Marel Food Systems' customers are located in many countries and higher risk is generally associated with doing business in remote foreign countries than in neighbouring countries.

It is not possible to rule out increased competition or the entry of new, strong players in Marel Food Systems' markets.

One of the main risks associated with research and product development is that it may not be fruitful and the return on investment may not be sufficient.

Marel Food Systems' activities expose it to a variety of operational risks, including foreign exchange risk, credit risk, liquidity risk, cash flow risk and fair value interest rate risk.

Marel Food Systems' investment risk lies in the rate of return on the group's investments in new sales and service companies, and other companies, being less than initially expected.

Marel Food Systems is not in need of further financing based on the Company's current operations; however recent turmoil in world capital markets could have a negative impact on Marel Food Systems, should the need for further financing arise.

Marel Food Systems faces numerous legal risks, e.g. the risk of unsatisfied customers bringing legal suit against the group, litigation resulting from violations of health, pollution or environmental regulations and litigation due to disputes with employees or their organizations.

Marel Food Systems is subject to Icelandic securities laws and regulations and rules adapted by OMX Nordic Exchange Iceland. Should Marel Food Systems seriously violate the aforesaid laws and regulations, the Company's reputation could suffer and its share price could drop, and/or the Company's shares could be removed from trading on OMX Nordic Exchange.

Changes to taxation laws and regulations in the countries where Marel Food Systems operates can influence its performance.

Marel Food Systems believes that its current insurance coverage is reasonable; however there is no guarantee that the Company will be fully compensated should it need to lodge claims.

#### **Risk related to investment in Marel Food Systems' shares:**

General equity risk

Changes in the regulatory framework for financial and equity markets

Liquidity risk

Further share capital increase can dilute shareholdings

Shareholder structure

## **4 Information about Marel Food Systems**

### **Milestones in Marel Food Systems history**

1983	Marel Food Systems established on 17 March 1983.
1991	Marel Food Systems becomes a public limited company.
1992	Marel Food Systems is registered on the Iceland Stock Exchange hf. (now OMX Nordic Exchange Iceland).
1997	Marel Food Systems acquires Carnitech.
2002	Marel Food Systems moves into new headquarters at Austurhraun 9, Garðabær, Iceland.

2004	Marel Food Systems acquires Póls hf. in Iceland and Carnitech purchases part of the German company Röscherwerke GmbH that operates under the brand name "Geba".
2005	Carnitech buys the manufacturing company DanTech in Singapore.
2006	Marel Food Systems acquires the assets and operations of AEW Thurne and Delford Sortaweigh in the UK and the Danish company Scanvaegt. Co-founds LME eignarhaldsfélag ehf. with Eyrir Invest ehf. and Landsbanki.
2007	The group introduces a new name and a new corporate identity, Marel Food Systems.
2008	Manufacturing begins in new manufacturing facility in Slovakia and Marel Food Systems completed the acquisition of Stork Food Systems.

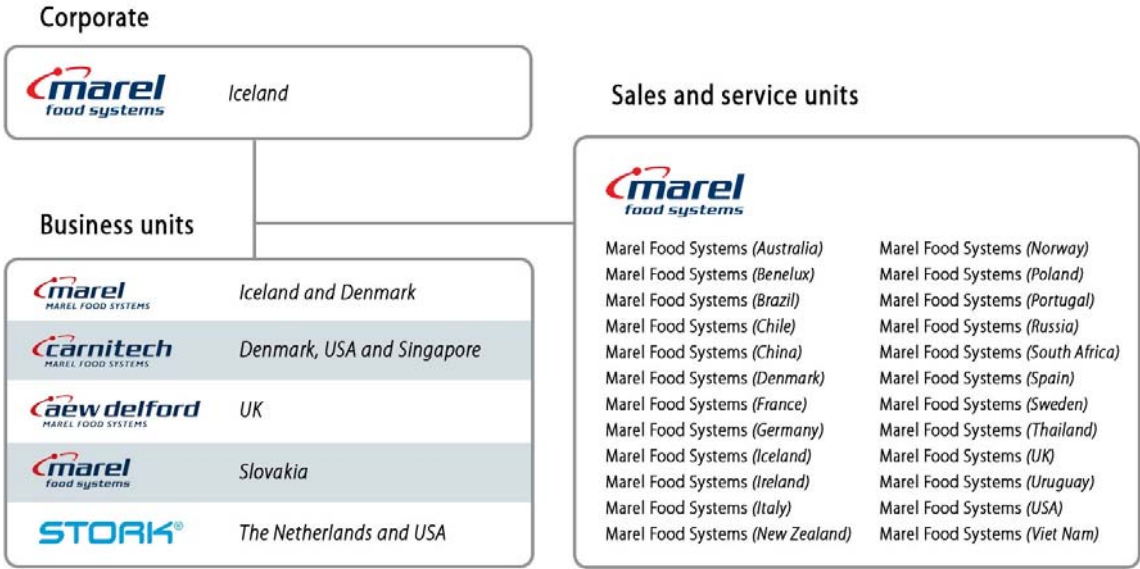
**Organizational structure**

Marel Food Systems is divided into 5 business units and 24 sales and service units. Marel Food Systems' business units are:

- Marel Food Systems Iceland and Denmark – legally Marel ehf. and Scanvaegt International A/S
- Carnitech – legally Carnitech A/S
- AEW Delford – legally AEW Delford Systems Ltd.
- Marel Food Systems Slovakia – legally Marel Food Systems s.r.o.
- Stork Food Systems – legally Marel Holding B V.

As indicated above Marel ehf. and Scanvaegt Internationa A/S have operationally been merged. In the first quarter of 2009 it is also planned to operationally merge AEW Delford Systems Ltd. and Carnitech A/S.

The sales and service units total 24, thereof 14 are subsidiaries of Marel Food Systems and 10 are subsidiaries of Marel Food Systems subsidiaries.



**Business overview**

Marel Food Systems develops high-tech processing equipment to fit current, emerging and projected needs of the three main segments of the food processing industry: poultry, fish and meat. These segments are considered being the Company's core activities. Marel Food Systems offers solutions for numerous aspects of processing, that is; primary processing, secondary processing and further processing. The acquisition of Stork Food Systems strengthens the group's position in primary processing of poultry and further processing of poultry and meat.

Marel Food Systems also offers solutions for cheese processing, liquid food products and prepared foods. These segments are however not part of the Company's core activities.

Marel Food Systems focuses on three pillars in its operations; research and development, manufacturing and sales and service.

### **Research and development**

Marel Food Systems manages strong research and development teams that focus on using new and existing technologies to create innovative solutions to current and emerging manufacturing opportunities. The research and development strategy is supported by an annual investment in innovation of 5-7% of revenue. Marel Food Systems considers its qualified researchers and technicians, a good working relationship with large customers/players in the food processing industry and a pioneering mindset to be the key to the group's successful product development.

#### *Patents and trademarks*

Marel Food Systems operates in a highly competitive, international arena where companies place great emphasis on protecting their proprietary rights. Patent protection is vital to Marel Food Systems, as its value and strong position are to a large degree built on technological innovation and employee experience. The group's investments are primarily in the knowledge and expertise of its employees. For this reason, the group is very involved in protecting the proprietary rights of its product development activities.

After the acquisition of Stork Food Systems, Marel Food Systems has over 60 registered trademarks globally, and close to 1200 patents issued in about 25 countries.

### **Manufacturing**

Marel Food Systems offers a very diverse range of products, intended to span the poultry, fish and meat industries in many countries. Equipment is designed to withstand wet, harsh environments, and meet the stringent demands of the food processing industry and international regulations regarding materials, hygiene, safety and utilization.

Most of Marel Food Systems' products are manufactured in Iceland, Denmark, the Netherlands, Slovakia, the US and the UK. Smaller manufacturing facilities are operated in Singapore, Brazil and France.

### **Sales and services**

Marel Food Systems operates a global network of sales and service units. In 2007, the number of sales and service units was reduced from 35 to 24 and a number of agents and distributor contacts were closed. The main share of Stork Food Systems' sales of processing equipment to customers worldwide originates from its manufacturing facilities in the Netherlands and the US.

Marel Food Systems has customers all over the world and places great emphasis on providing services as close to them as possible. The group also focuses on strengthening the technical and specialized knowledge within subsidiaries and with their partners.

## Market outlook

Marel Food Systems' key markets are in North America and Northern Europe. Marel Food Systems has prioritized Eastern and Central Europe and South America as target markets and increased focus will be put on Asia. The food processing industry is and is expected to continue to be involved in a process of further integration and concentration leading to large multinational companies with operations in various countries of the world. These companies, Marel Food Systems' customers, are increasingly expanding their activities into South America, Eastern Europe and Asia and expect Marel Food Systems to follow them to such countries.

## Employees

Marel Food Systems employs about 4,000 people in 30 countries worldwide, up from 2,268 employees prior to the acquisition of Stork Food Systems. The largest number of employees is located in countries other than Iceland and after the acquisition of Stork Food Systems, the largest numbers of employees, about 1,100, are located in the Netherlands, about 900 are in Denmark, about 800 in the US, 361 in Iceland and there are fewer employees in other countries.

## Board of Directors and Executive Board

	Payroll and benefits for the year 2007	Shareholding in own name	Shareholding of financially related parties
Árni Oddur Þórðarson, Chairman of the Board of Directors	66,000	14,634	144,403,688
Arnar Þór Másson, member of the Board of Directors	24,000	-	-
Friðrik Jóhannsson, member of the Board of Directors	24,000	-	800,000
Helgi Magnússon, member of the Board of Directors	24,000	420,000	4,366,426
Margrét Jónsdóttir, member of the Board of Directors	24,000	63,538	14,470
Lars Grundtvig, member of the Board of Directors	20,000	-	52,200,943
Hörður Arnarson, CEO of Marel Food Systems hf.	459,163	1,669,009	7,235
Theo Hoen, Vice CEO of Marel Food Systems hf.	-	-	-
Erik Kaman, CFO of Marel Food Systems hf.	-	-	-
Lárus Ásgeirsson, Director of Sales and Marketing	248,619	-	1,021,395

Árni Oddur Þórðarson, Chairman of Marel Food Systems, is co-founder and principal owner of Eyrir Invest ehf. In addition, Margrét Jónsdóttir, member of Marel Food Systems' Board of Directors, is Chief Financial Officer of Eyrir Invest ehf.

Lars Grundtvig, a member of Marel Food Systems' Board of Directors, is the owner of Grundtvig Invest ApS, together with his two sons. Lars Grundtvig is the managing director of Grundtvig Invest ApS.

## Statutory Auditor

PricewaterhouseCoopers hf., Icelandic ID No. 690681-0139, Skógarhlíð 12, 105 Reykjavík, Iceland, has been Marel Food Systems hf.'s Statutory Auditor for the period covered in the Prospectus (1 January 2005 – 31 March 2008). On PricewaterhouseCoopers hf.'s behalf, Þórir Ólafsson, ID No. 210657-2159, Kristinn Freyr Kristinsson, ID No. 090873-5049 and Ólafur Þór Jóhannesson, ID No. 130572-3409.

## 5 Financial information

Income Statement	2008	2007	2007	2006	2005
	1.1.-31.3.	1.1.-31.3.	1.1.-31.12.	1.1.-31.12.	1.1.-31.12.
Sales .....	74,035	72,244	289,817	208,700	129,039
Cost of sales .....	(48,650)	(46,821)	(192,581)	(139,897)	(85,414)
Gross profit .....	25,385	25,423	97,236	68,803	43,625
Other operating income .....	306	375	1,203	1,722	1,052
Selling and marketing expenses .....	(11,508)	(10,508)	(44,829)	(29,085)	(15,937)
Research and development expenses .....	(3,778)	(3,641)	(14,631)	(11,744)	(7,828)
Administrative expenses .....	(8,228)	(8,406)	(28,950)	(22,169)	(11,191)
<b>Profit from operations .....</b>	<b>2,177</b>	<b>3,243</b>	<b>10,029</b>	<b>7,527</b>	<b>9,721</b>
Finance costs - net .....	(1,177)	(1,168)	(7,091)	(5,026)	(2,639)
Share of results of associates .....	473	(285)	4,602	(1,449)	0
<b>Profit before income tax .....</b>	<b>1,473</b>	<b>1,790</b>	<b>7,540</b>	<b>1,052</b>	<b>7,082</b>
Income tax expense .....	(734)	(781)	(1,474)	(893)	(1,367)
<b>Profit for the period .....</b>	<b>739</b>	<b>1,009</b>	<b>6,066</b>	<b>159</b>	<b>5,715</b>
<b>Attributable to:</b>					
Equity holders of the Company .....	730	1,006	6,065	146	5,715
Minority interest .....	9	3	1	13	0
	739	1,009	6,066	159	5,715

Amounts in thousands of EUR

Earnings per share for profit attributable to equity holders of the company during the period (expressed in EUR cents per share)

- basic	0.19	0.27	1.65	0.05	2.42
- diluted	0.18	0.26	1.64	0.05	2.38

Balance Sheet	31.03.08	31.12.07	31.12.06	31.12.05
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment .....	69,162	66,305	56,125	33,242
Goodwill .....	98,084	95,450	97,117	9,580
Other intangible assets .....	22,633	24,585	16,510	8,518
Investments in associates .....	240	3,281	939	0
Available-for-sale investments .....	631	631	744	680
Receivables .....	684	245	314	29
Loan to Associate .....	0	0	6,707	0
Derivative financial instruments .....	0	127	37	0
Deferred income tax assets .....	1,911	3,542	1,991	1,231
	<u>193,345</u>	<u>194,166</u>	<u>180,484</u>	<u>53,280</u>
<b>Current assets</b>				
Inventories .....	62,540	61,587	53,263	25,274
Production contracts .....	14,063	15,168	13,118	8,921
Trade receivables .....	53,307	52,871	47,306	20,485
Other receivables and prepayments .....	18,189	20,427	6,697	3,032
Loan to Associate .....	0	49,607	0	0
Derivative financial instruments .....	486	3,041	846	18
Cash and cash equivalents .....	81,444	30,437	63,079	3,880
	<u>230,029</u>	<u>233,138</u>	<u>184,309</u>	<u>61,610</u>
<b>Total assets .....</b>	<b><u>423,374</u></b>	<b><u>427,304</u></b>	<b><u>364,793</u></b>	<b><u>114,890</u></b>
<b>Equity</b>				
<b>Capital and reserves attributable to equity holders of Marel Food Systems</b>				
Ordinary shares .....	4,452	4,452	4,048	2,637
Treasury shares .....	(16)	(38)	(3)	(8)
Share premium .....	149,671	147,584	115,369	12,671
Fair value and other reserves .....	(4,579)	(502)	(88)	225
Retained earnings .....	31,023	30,293	25,052	25,507
	<u>180,551</u>	<u>181,789</u>	<u>144,378</u>	<u>41,032</u>
Minority interest .....	55	46	45	0
<b>Total equity .....</b>	<b><u>180,606</u></b>	<b><u>181,835</u></b>	<b><u>144,423</u></b>	<b><u>41,032</u></b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings .....	99,918	115,327	119,744	24,881
Deferred income tax liabilities .....	4,264	6,380	4,306	3,520
Provision .....	11	11	0	0
Derivative financial instruments .....	17,654	500	0	404
	<u>121,847</u>	<u>122,218</u>	<u>124,050</u>	<u>28,805</u>
<b>Current liabilities</b>				
Trade and other payables .....	67,599	75,487	54,861	24,719
Derivative financial instruments .....	3,105	117	445	0
Current income tax liabilities .....	929	736	709	278
Borrowings .....	45,684	45,029	38,803	19,262
Provisions .....	3,604	1,882	1,502	794
	<u>120,921</u>	<u>123,251</u>	<u>96,320</u>	<u>45,053</u>
<b>Total liabilities .....</b>	<b><u>242,768</u></b>	<b><u>245,469</u></b>	<b><u>220,370</u></b>	<b><u>73,858</u></b>
<b>Total equity and liabilities .....</b>	<b><u>423,374</u></b>	<b><u>427,304</u></b>	<b><u>364,793</u></b>	<b><u>114,890</u></b>

Amounts in thousands of EUR

## Working capital, capitalisation and indebtedness

The Chairman of the Board of Directors and the CEO on behalf of the Issuer declare that in their opinion the Issuer's working capital is sufficient for the next 12 months.

<b>Capitalisation</b>	<b>31 March 2008</b>
Total current debt	120,921
- Guaranteed	0
- Secured	25,845
- Unguaranteed/Unsecured	95,076
Total non-current debt (excluding current portion of long-term debt)	121,847
- Guaranteed	0
- Secured	51,528
- Unguaranteed/Unsecured	70,319
Shareholder's equity:	180,606
a) Share capital	4,436
b) Legal reserves	149,671
c) Other reserves	(4,579)
d) Retained earnings	31,023
e) Minority interest	55
<b>Total</b>	<b>423,374</b>
<b>Net indebtedness</b>	<b>31 March 2008</b>
a) Cash	81,444
b) Cash equivalent	0
c) Trading securities	0
d) Liquidity (a)+(b)+(c)	81,444
e) Current Financial Receivable	71,496
f) Current Bank debt	25,845
g) Current portion of long-term debt	45,029
h) Other current financial debt	95,076
i) Current Financial debt (f)+(g)+(h)	165,950
j) Net Current Financial Indebtedness (i)-(e)-(d)	13,010
k) Non current bank loans	33,563
l) Bonds Issued	66,044
m) Other non-current loans	22,239
n) Non-current Financial Indebtedness (k)+(l)+(m)	121,846
<b>o) Net Financial Indebtedness (j)+(n)</b>	<b>134,856</b>

Amounts in thousands of EUR

## Significant changes from the latest financial statement

In November 2007, Marel Food Systems signed an agreement to acquire the Stork Food Systems division of Stork NV.(now Stork BV.). The acquisition price is EUR 415 million on a debt and cash free basis and with additional transaction costs estimated at EUR 22 million. The acquisition is fully funded by proceeds of sale of shares in LME eignarhaldsfélag ehf. (EUR 53 million), an equity offering underwritten by Landsbanki (EUR 147 million, EUR 30 million sold in an equity offering in November 2007 and EUR 117



million will be sold in an equity offering on 5 and 6 June 2008, secured long-term debt financing (EUR 183 million) and a bond offering and debt financing (EUR 54 million).

The transaction closure, which was subject to clearance from anti-trust authorities, took place at 8 May 2008 and Stork Food Systems was handed over to Marel Food Systems at that date and was therefore entered into Marel Food Systems' accounts on 8 May 2008. A clearance form anti-trust authorities was received on 21 April 2008.

Apart from the above no significant changes have occurred in the trading and financial position of Marel Food Systems since the end of the last interim financial period on 31 March 2008.

## 6 Forecast

On 6 May 2008 Marel Food Systems published a forecast for revenues and operating profit (EBIT) in 2008. This forecast is based on the assumption that Stork Food Systems is a part of Marel Food Systems from 1 January 2008. Stork Food Systems however entered Marel Food Systems accounts on 9 May 2009 and the final results for the year 2008 will as a result differ from the forecast. Marel Food Systems publishes its forecast in this way in order to show effects of Stork Food Systems on Marel Food Systems accounts for a full financial year and make a comparable basis for the merged Company of Marel Food Systems and Stork Food Systems going forward.

Revenues of Marel Food Systems' core businesses in 2008 are forecasted at EUR 650 million. Operating profit (EBIT) is based on the assumption that EBIT will be 9% of forecasted revenues for the year 2008 or EUR 59 million.

## 7 Major shareholders

On 2 June 2008, Marel Food Systems' shareholders numbered 1,906. In the accompanying table is a list of Marel Food Systems' 10 largest shareholders as of the date of this Registration Document.

Largest shareholders 02.06.2008	Number of shares	Holding (%)	Voting rights (%)
Eyir Invest ehf.	144,403,688	35.76%	35.89%
Landsbanki Íslands hf.	92,408,129	22.89%	22.97%
Grundtvig Invest ApS	52,200,943	12.93%	12.97%
Lífeyrissjóður verslunarmanna	9,686,888	2.40%	2.41%
Gildi lífeyrissjóður	9,132,000	2.26%	2.27%
Lífeyrissjóðir Bankastræti 7	6,984,141	1.73%	1.74%
Atorka Group hf.	5,844,463	1.45%	1.45%
Ingunn Sigurðardóttir	5,660,498	1.40%	1.41%
Sameinaði lífeyrissjóðurinn	5,585,750	1.38%	1.39%
Helga Sigurðardóttir	5,348,749	1.32%	1.33%
Total ten largest shareholders	337,255,249	83.52%	83.82%
Other shareholders	66,530,448	16.48%	16.18%
Total number of shares	403,785,697	100.00%	100.00%
Own shares	1,436,009	0.36%	0.00%
Active share capital	402,349,688	99.64%	100.00%

Marel Food Systems owns 1,436,009 treasury shares, which is 0.36% of all issued shares.

## 8 Share capital

Marel Food Systems' total share capital at 31 March 2008 was 403,785,697 shares. All of Marel Food Systems' share capital is of the same class, issued and fully paid. Each share has a par value of ISK 1.00 (one Icelandic króna). No change has occurred in share capital from 31 March 2008 to the date of this Summary.

## 9 Related party transactions

Below are details of related party transactions, that the Company has entered into during the period covered by the historical financial information and up to the date of this Registration Document.

At the date of this Registration Document, there are no loans to members of the Board of Directors or Executive Board that have been granted by the Company. The same applies to the position as at 31 March 2008, year-end 2007, 2006 and 2005. In addition, there have been no transactions carried out (purchases of goods and services) between the group and members of the Board of Directors and Executive Board during the period mentioned above.

During the years 2007 and 2006, a loan amounting to EUR 49.6 million was granted to Marel Food Systems associate, LME eignarhaldsfélag ehf. No loans were granted to LME eignarhaldsfélag ehf. in 2005. Marel Food Systems owned 20% of the shares in LME eignarhaldsfélag ehf. until the first quarter of 2008, when Marel Food Systems sold all its shares in the company. The loan to LME Eignarhaldfélag ehf. was paid up in the first quarter of 2008.

## 10 Articles of association

### The Issuers purpose according to Marel Food Systems' Articles of Association

According to article 1.4 of Marel Food Systems' Articles of Association, the Company's purpose is the development, design, manufacture, purchase, and sale of electronic devices, software, and related equipment, both domestically and internationally, as well as the provision of associated services and operations. Furthermore, the Company undertakes the management of real estate, purchase and sale of securities and ownership of subsidiaries.

### Summary of provisions with respect to the Board of Directors, CEO and the Executive Board

Marel Food Systems' AGM annually elects six people to sit on the Board of Directors. Their suitability is determined by law. Persons intending to put themselves forward for election to the Board of Directors shall declare so in writing to the Company's Board at least five full days prior to the start of the AGM. Information about candidates for the Board of Directors shall be submitted to shareholders for examination at the Company's offices not later than two days prior to the shareholder meeting.

Election of the Board of Directors is determined according to a majority vote among individuals. The election shall as a rule be conducted on written ballots, if proposals are submitted for more people than there are positions. If there are 200 or more shareholders in the Company, then shareholders who control at least 1/10 of the Company's shares can request that a proportional or cumulative election be held when electing members of the Board of Directors. If shareholders are fewer than 200, control of 1/5 of the Company's shares is required to make such a request. A request for a proportional or cumulative

election shall be submitted to the Company's Board of Directors at least five days prior to the shareholder meeting.

The Board of Directors chooses a Chairman from among its members, after which it assigns responsibilities according to need. Meetings shall be held whenever the Chairman deems necessary or at the request of a member of the Board of Directors or the CEO. A Board meeting makes decisions when a majority of the Board of Directors participates in the meeting. Important decisions, however, may not be taken unless all members of the Board of Directors have had the possibility to discuss the matter. A majority of votes determines results at Board meetings. If there is a tied vote, the Chairman's vote counts as double.

The Board of Directors is the highest authority in the Company matters between shareholder meetings. The Board of Directors operates according to working procedures that the Board sets, based on laws on Public Limited Companies. The Board of Directors sets operational goals for the Company in conformance with the Articles of Association. The Board of Directors hires one or more CEOs, determines their remuneration and concludes an employment contract with them. The Board of Directors gives authorization to sign on behalf of the Company. The signatures of a majority of the Board of Directors are required to obligate the Company.

The CEO is responsible for daily operations of the Company in accordance with directives given to him by the Board of Directors. The CEO shall see to that the Company accounts are entered in accordance with law and convention, and that the Company assets are handled in a reliable manner.

#### **Description of rights, preferences and restrictions attaching to each class of shares in the Company**

All shares in the Company are of the same class and confer the same rights. One vote accompanies each share in the Company. Shareholders have pre-emptive rights to increase in share capital in proportion to their registered shareholding provided that they have not waived their pre-emptive rights as provided for in Article 34 of Act No. 2/1995 on Public Limited Companies.

No restraints are placed on the rights of shareholders to sell their shares. No special prerogatives are attached to any shares in the Company. Shareholders are obligated, without their making specific commitments to abide by the Company's Articles of Association in their current form, or as they may be legitimately changed. Shareholders are not obligated, neither by the Company's Articles of Association nor changes to them, to increase their shareholdings in the Company or to accept their shares being redeemed. Shareholders are not responsible for any of the Company's liabilities beyond their share in the Company, unless they accept such responsibility through legal action. This clause can neither be changed nor revoked by any resolution at shareholder meetings.

#### **Description of action necessary to change the rights of shareholders in the Company**

According to article 12.1, the Company's Articles of Association may only be changed at Company shareholder meetings that are duly constituted. Such upcoming changes shall be specifically stated in meeting announcements and include a discussion of the main points. A decision will only be valid if it has been approved by at least 2/3 of votes cast, and approved by shareholders who control at least 2/3 of the shares represented at the shareholder meeting. This article is in conjunction with article 93 of Act No. 2/1995 on Limited Liability Companies.

## **Description of the notification of shareholder meetings and conditions for admission**

Shareholder meetings shall be announced with advertisements in the media or through electronic means. Shareholders meetings shall be announced with a minimum of one week's notice and a maximum of four week's notice. It is preferable that the AGM be announced with two week's notice if the Board of Directors considers it possible, but it is permitted to announce the meeting with one week's notice.

The right to attend a shareholder meeting is granted to shareholders, shareholder proxies, the Company auditors, and the CEO, even if not a shareholder. The Board of Directors can invite specialists to individual meetings if their expertise or assistance is needed.

The Board of Directors is authorized to allow shareholders to participate in proceedings at shareholder meetings through electronic means without being present at the meeting venue. If the Board decides to use this authorization, it shall be specially noted in the announcement for the shareholder meeting. Shareholders intending to participate electronically shall inform the Company's office with five days' notice, and submit written questions regarding the agenda or present documents with questions they would answer at the meeting. Shareholders shall have access to instructions regarding participation in shareholder meetings through electronic means, along with a password and the necessary software for such participation. A password entered into the computer program is equivalent to the signature of the respective shareholder and is considered acknowledgment of his participation in the shareholder meeting.

## **Change in control**

There are no special provisions in the Company's Articles of Association that have an effect of delaying, deferring or preventing a change in control of Marel Food Systems.

## **Disclosure of ownership of shareholders**

There are no special provisions in Marel Food Systems' Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed. However, since Marel Food Systems is listed on the OMX Nordic Exchange Iceland, shareholders must comply with chapter IX of Act No. 108/2007 on Securities Transactions, regarding notification to the Issuer and the Icelandic Financial Supervisory Authority if, as a result of acquisition or disposal, the proportion of voting rights of the holder of shares reaches, exceeds or falls below the thresholds of: 5, 10, 15, 20, 25, 30, 35, 40, 50, 66 2/3 and 90%.

## **Conditions in the Articles of Association regarding changes in share capital**

There are no conditions imposed by Marel Food Systems' Articles of Association governing changes in share capital that are more stringent than is required by law.

# **11 Documents on display**

The following documents are available for viewing:

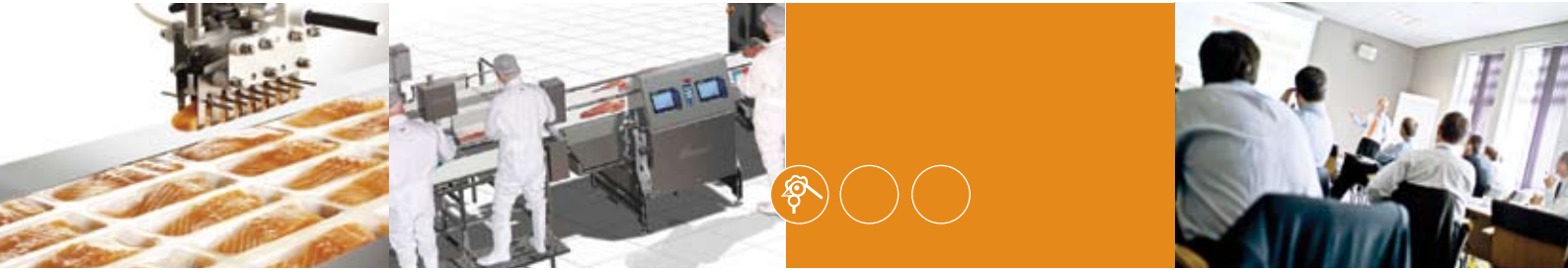
- Marel Food Systems' annual financial statements for the past three years, 2007, 2006 and 2005.
- Marel Food Systems' interim financial statements covering the period 1 January – 31 March 2008 and 2007
- The Issuer's Articles of Association.

- The Report from Marel Food Systems' auditors regarding pro forma information.
- The Report from Marel Food Systems auditors regarding revenue and EBIT forecast for 2008.
- Subtract of Stork Food Systems management information.

The above mentioned documents can be obtained at Marel Food Systems' headquarters and on the Company's website [www.marelfoodsystems.com](http://www.marelfoodsystems.com).

4 June 2008

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## Securities Note

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# 1 Risk factors

Investment in equities involves risks. Prior to making an investment decision regarding shares in Marel Food Systems, investors should acquaint themselves with all the information provided in the Prospectus, including the Registration Document dated 4 June 2008, this Securities Note and the Summary dated 4 June 2008. Investors should in particular acquaint themselves with the risks and uncertainties described below in this section of the Securities Note and the chapter on risk factors in the Registration Document dated 4 June 2008, that could materially affect Marel Food Systems and the value of Marel Food Systems' shares. Investors are advised to undertake their own independent examination of the factors that may apply specifically to their investment in Marel Food Systems. Each investor must furthermore base any decision on investment in Marel Food Systems' shares on his/her own examination and analysis of the information presented in the Prospectus. Investors are also advised to study their legal position, including taxation issues that may be relevant to their investment in Marel Food Systems' shares.

The Company's Board of Directors and members of the Executive Board believe that the following risk factors are material in order for investors being able to assess the market risk associated with shares in Marel Food Systems.

## 1.1 General equity risk

Equities are, generally speaking, a riskier investment than for example bonds. Risk results in particular from the fact that prices of shares fluctuate more than bond prices. Investments in shares, however, are on average more profitable than investments in bonds, over the long term. The return can take two forms: firstly, the value or market price of the shares in question can change and, secondly, owners of limited liability companies can expect to receive dividends on their shareholdings. By diversifying their equity assets through purchases in a number of companies of varying types, investors can substantially reduce the risk involved in investment in individual companies. Various risk factors influencing the equity market as a whole, such as changes in general interest rates, foreign exchange rates, political risk and economic prospects will remain, however.

The financial and equity markets are subject to the business environment created by public authorities. Major changes in the regulatory framework set by public authorities for financial and equity markets can have a negative impact and create market unrest. Such risks should be minimal in Iceland, since there is consensus on key values and the structure of the market economy.

Liquidity risk is defined as the risk that arises from how easy or difficult it is to sell an asset for a price as close to its real value as possible. The measurement of this risk is the spread between bid and ask prices on the market. The risk is both dependent upon the transaction amount, i.e. whether the market will absorb at real value the quantity an investor wishes to sell, and the price, since a large transaction on a company's shares can have a substantial impact on price formation.

Marel Food Systems has made agreements with two financial institutions, Landsbanki and Saga Capital Investment Bank hf., on market making for issued shares in Marel Food Systems. The purpose of the agreements is to improve liquidity and enhance the transparent price formation of Marel Food Systems' shares on the OMX Nordic Exchange Iceland. Further information on the market making agreements can be found in section 6 in this Securities Note.

On 2 June 2008, Marel Food Systems' shareholders total 1,906, 91% of Marel Food System's share capital is owned by 20 investors and 25.7% of the shares are held by general investors. General investors are those that are not insiders or parties financially related to insiders (e.g. spouses, co-habiting partners and

children not legally competent to manage their financial affairs), parent companies or subsidiaries or individual shareholders with stakes of 10% or higher.

Distribution of shares 02.06.2008					
Number of shares	Number of shareholders	Percentage	Number of shares	Percentage	
1-9,999	1,393	73.1%	5,517,072	1.4%	
10,000-99,999	423	22.2%	11,988,932	3.0%	
100,000-199,999	36	1.9%	5,179,294	1.3%	
200,000-799,999	31	1.6%	11,581,266	2.9%	
800,000-1,399,999	3	0.2%	2,705,251	0.7%	
1,400,000-2,999,999	5	0.3%	8,466,759	2.1%	
3,000,000-9,999,999	12	0.6%	69,334,363	17.2%	
10,000,000-99,999,999	2	0.1%	144,609,072	35.8%	
100,000,000 and more	1	0.1%	144,403,688	35.8%	
<b>Total</b>	<b>1,906</b>	<b>100%</b>	<b>403,785,697</b>	<b>100%</b>	

## 1.2 Further share capital increase can dilute shareholdings

If new shares in the Company are issued, the proportional shareholding of those who already own shares in the Company will be reduced accordingly, unless they themselves acquire the new shares pro rata to their existing holdings. The purpose of increasing capital is normally to finance projects with the long-term intention of making a company more valuable. Shareholders may therefore be faced with increased risk to their investment alongside the dilution of their shares.

At the date of the Securities Note Marel Food Systems has an unused authorisation to increase the share capital of the Company by up to ISK 300,000,000 in nominal value through the subscription of up to 300,000,000 new shares.

Marel Food Systems' Board of Directors decided on 6 May 2008 to exercise this authorisation to increase its share capital by issuing new shares with a sales value of EUR 117 million. The Board of Directors decided in the same meeting that it would have the right to increase the value of the share offering to meet with oversubscription and any such decision will be made at a Board of Directors' meeting following the expiration of the offer period.

It is possible that Marel Food Systems will consider increasing its share capital even further in the future in order to finance its continuing growth. However such a decision is made by Marel Food Systems' shareholders meeting.

Additionally Marel Food Systems has an unused authorisation to increase the share capital of the Company by up to ISK 12,000,000 nominal value to fulfil share option agreements made with employees and others in accordance with Marel Food Systems share option plan that is effective at any given time. At the date of this Securities Note, ISK 8,795,035 nominal value remains of this authorization.

## 1.3 Shareholder structure

A company's shareholder structure can be a risk factor for investors. Investors should be aware of the fact that ownership of Marel Food Systems can change rapidly and without any prior warning.

To the knowledge of Marel Food Systems, there are three legal entities which have direct or indirect interests of more than 5% in Marel Food Systems' total share capital and/or voting rights as of 2 June

2008, which is the first notification threshold of major holdings under Act. No. 108/2007 on Securities Transactions. These three largest shareholders, Eyrir Invest ehf., Landsbanki Íslands hf. and Grundtvig Invest ApS own 71.6% of the Company's total issued share capital and 71.8% of voting rights.

These shareholders could exercise significant influence over the Company's operations and business strategy. These shareholders may also have sufficient power to influence all matters requiring shareholder approval and may take actions that could have a material adverse effect on the value of the shares. The Issuer has no knowledge of any agreements between shareholders on the treatment of voting rights or knowledge of any arrangements which may at a subsequent date result in a change of control of the Issuer. However, investors are advised to study the relationship between the largest shareholders and the information provided in section 14 of the Registration Document, dated 4 June 2008.

## 2 Persons responsible

The Board of Directors and the CEO, on behalf of the Issuer, named below, hereby declare that, having taken all reasonable care to ensure that such is the case the information contained in the Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Garðabær, 4 June 2008

On behalf of the Board of Directors of Marel Food Systems hf., Austurhraun 9, 210 Garðabær, Iceland

Árni Oddur Þórðarson,  
Chairman of the Board

Garðabær, 4 June 2008

On behalf of Marel Food Systems hf., Austurhraun 9, 210 Garðabær, Iceland

Hörður Arnarson,  
CEO

## 3 Manager

Landsbanki Íslands hf., Icelandic ID-No. 540291-2259, Austurstræti 11, 155 Reykjavík, Iceland, is the Manager of the share offering of new shares in Marel Food Systems. In its capacity as Manager, Landsbanki Íslands hf., is advisor to the Issuer in relation to the share offering of new shares in the Issuer, admission to trading of the new shares on OMX Nordic Exchange Iceland hf. and in preparation of the Prospectus, comprising of a Registration Document dated 4 June 2008, a Summary dated 4 June 2008 and this Securities Note. The Manager has underwritten the share offering and acts as a paying agent regarding all purchases of shares pursuant to the share offering. The Manager has in consultation with the management and the Board of Directors of Marel Food Systems constructed the Prospectus and is acting in reliance on the information provided by the management and Board of Directors of Marel Food Systems.

## 4 Notice to investors

This Securities Note is made public in connection with the offering of 156,440,000 new shares in Marel Food Systems hf. for the total sales value of ISK 13,923,160,000 and the admission to trading of the new shares on OMX Nordic Exchange Iceland hf. The Board of Directors of Marel Food Systems reserves the right to increase the number of shares in the share offering up to 196,555,000 shares. If the Board of Directors does so the total sales value of the share offering will be up to ISK 17,493,395,000. The share offering will take place on 5 and 6 June 2008. The new shares are expected to be admitted to trading no later than 18 June 2008, which will be the earliest date on which the shares will be admitted to trading on the OMX Nordic Exchange Iceland hf.

This Securities Note is a part of a Prospectus consisting of three independent documents; a Summary, dated 4 June 2008, a Registration Document, dated 4 June 2008 and this Securities Note.

The Prospectus has been scrutinised and approved by the OMX Nordic Exchange Iceland hf. on behalf of the Financial Service Authority in Iceland.

The Prospectus is published in Acrobat Adobe format. The Prospectus can be obtained on Marel Food Systems hf.'s website [www.marelfoodsystems.com](http://www.marelfoodsystems.com). A hard copy can be obtained from Marel Food Systems hf. headquarters, Austurhraun 9, Garðabær, Iceland. The Prospectus can be obtained for twelve months from its date 4 June 2008.

The share offering is only advertised in Iceland and is not deliberately directed at non-residents of Iceland. The share offering and admission to trading is conducted in accordance with Icelandic law and regulations, including Directive 2003/71/EC of the European Parliament and of the Council 4 November 2003 (the "Prospectus Directive") which has been implemented by national law. The Prospectus is prepared pursuant to current legislation and rules for issuers of shares on the OMX Nordic Exchange Iceland hf. that apply to the admission to trading.

The Issuer will notify OMX Nordic Exchange Iceland hf. and publish a Supplement to the Prospectus if there is a significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus which is capable of affecting the assessment of the securities and which arises or is noted between the date of approval of the Prospectus and the admission to trading of the new shares.

The Prospectus shall not be distributed and must not be mailed or otherwise distributed or sent in or into any country in which distribution would require any additional registration measures or other measures to be taken, other than as applicable under Icelandic law and regulations, or would be in conflict with any law or regulation if the respective country.

The distribution of the Prospectus in certain jurisdictions may be restricted by law. Accordingly, persons into whose possession the Prospectus comes are required by the Issuer and the Manager to inform themselves about and to observe any such restrictions. The Issuer and the Manager accept no liability to any person in relation to the distribution of the Prospectus in any jurisdiction.

Marel Food Systems complies with rules regarding on-going information disclosure for issuers listed on the OMX Nordic Exchange Iceland hf. According to these rules all information that could significantly impact the market price of Marel Food Systems' shares must be made public as quickly as possible and in a non-discriminatory manner. The publication shall be made in the European Economic Area and sent to OMX Nordic Exchange Iceland hf. for supervision purposes. Information in accordance with this disclosure will be published on Marel Food Systems hf.'s website [www.marelfoodsystems.com](http://www.marelfoodsystems.com) and investors are

advised to follow announcements and notifications that may be published on the website [www.marefoodsyste.ms.com](http://www.marefoodsyste.ms.com) once the Prospectus has been published.

## 5 Key information

### 5.1 Working capital, capitalisation and indebtedness

The Chairman of the Board of Directors and the CEO on behalf of the Issuer declare that in their opinion the Issuer's working capital is sufficient for the next 12 months.

The following table shows Marel Food Systems' capitalisation and indebtedness based on the Balance Sheet at 31 March 2008. At 31 March 2008 Marel Food Systems had indirect and contingent liabilities arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business, Marel Food Systems has given guarantees amounting to EUR 22.7 million to third parties at 31 March 2008. These are guarantees given to clients against downpayments they make as well as a guarantee given to Barclays Bank PLC due to AEW Delford business with Barclays Bank PLC.

Capitalisation	31 March 2008
Total current debt	120,921
- Guaranteed	0
- Secured	25,845
- Unguaranteed/Unsecured	95,076
Total non-current debt (excluding current portion of long-term debt)	121,847
- Guaranteed	0
- Secured	51,528
- Unguaranteed/Unsecured	70,319
Shareholder's equity:	180,606
a) Share capital	4,436
b) Legal reserves	149,671
c) Other reserves	(4,579)
d) Retained earnings	31,023
e) Minority interest	55
<b>Total</b>	<b>423,374</b>
Net indebtedness	31 March 2008
a) Cash	81,444
b) Cash equivalent	0
c) Trading securities	0
d) Liquidity (a)+(b)+(c)	81,444
e) Current Financial Receivable	71,496
f) Current Bank debt	25,845
g) Current portion of long-term debt	45,029
h) Other current financial debt	95,076
i) Current Financial debt (f)+(g)+(h)	165,950
j) Net Current Financial Indebtedness (i)-(e)-(d)	13,010
k) Non current bank loans	33,563
l) Bonds Issued	66,044
m) Other non-current loans	22,239
n) Non-current Financial Indebtedness (k)+(l)+(m)	121,846
<b>o) Net Financial Indebtedness (j)+(n)</b>	<b>134,856</b>

Amounts in thousands of EUR



## 5.2 Interests of individuals and legal entities involved in the share offering

Attention is drawn to the fact that the Manager, Landsbanki, is one of Marel Food Systems' principal banks. Marel Food Systems is a customer of Landsbanki's Investment Banking and Corporate Banking divisions and net proceeds of this share offering will be used to repay a bridge loan facility provided by the bank. Landsbanki serves as a market maker for Marel Food Systems' shares as discussed in section 6 of this Securities Note and has underwritten the share offering as discussed in section 8 of this Securities Note. Landsbanki holds 92,408,129 shares in Marel Food Systems, which corresponds to 22.9% stake at 2 June 2008.

Attention is also drawn to the fact that Eyrir Invest ehf. and Grundtvig Invest ApS have committed themselves to take part in the share offering as described in section 8. On 2 June 2008, Eyrir Invest ehf. held 144,403,688 shares in Marel Food Systems, which corresponds to 35.8% stake in Marel Food Systems and Grundtvig Invest ApS held 52,200,943 shares in Marel Food Systems, which corresponds to 12.9% stake in Marel Food Systems.

## 5.3 Reason for the share offering and use of proceeds

On 8 May 2008 the acquisition of Stork Food Systems was finalized. The acquisition price was EUR 415 million on a debt and cash-free basis and with additional transaction costs EUR 22 million. The acquisition was funded by proceeds of the sale of Marel Food Systems' share in LME eignarhaldsfélag ehf., EUR 53 million, a secured long term debt financing, EUR 237 million, and a share offering of EUR 30 million in November 2007 and the remainder, EUR 117 million, was financed with a bridge loan facility from Landsbanki. The total net proceeds from the share offering on 5 June 2008 and 6 June 2008 will be ISK 13,456,000,000. The total net proceeds of the share offering will be used to repay the aforementioned bridge loan facility. Landsbanki has underwritten the share offering and Eyrir Invest ehf. and Grundtvig Invest ApS have given a firm commitment to the Manager that they will take part in the share offering as discussed in section 8.6 of this Securities Note.

## 6 Current share capital

All 403,785,697 shares issued by Marel Food Systems are admitted to trading on the OMX Nordic Exchange Iceland. The share's ticker code is MARL and the trading lot, i.e. the smallest number of shares required for consideration in price formation, is 10,000 shares.

The shares in Marel Food Systems have been created under Act No. 2/1995 on Public Limited Companies. All of Marel Food Systems share capital is of the same class, bears the same rights and is issued and fully paid for. Each share has a par value of ISK 1.00 (one Icelandic Króna).

Conforming to Article 2.7 of Marel Food Systems' Articles of Association, the Company's shares are issued electronically through a securities depository in accordance with Act No. 131/1997 on Electronic Registration of Title to Securities. The electronic shares in Marel Food Systems are registered with the Icelandic Securities Depository, Laugavegur 182, Reykjavík, Iceland. The ISIN number of Marel Food Systems' shares is IS0000000388. All shares in the Issuer are registered in the shareholder's name and state identification number (ID No.).

Marel Food Systems' share capital is in ISK. Marel Food Systems AGM, held on 7 March 2008, authorised the Board of Directors to decide to register the share capital of the Company in foreign currency in accordance with the applicable law on public limited companies. If the Board of Directors decides to use this authorisation, the share capital of the Company will be registered in EUR.

### 6.1 Market making

Marel Food Systems has made an agreement with Landsbanki regarding market making for the issued shares of Marel Food Systems. The purpose of the agreement is to improve liquidity and to enhance transparent price formation in the Company's shares on OMX Nordic Exchange Iceland. The agreement is for an unlimited time but can be terminated by either party with one month's termination notice.

As a market maker, Landsbanki is obligated to submit in its proprietary account daily bid and ask orders for shares in Marel Food Systems (MARL) for a minimum of 100,000 shares at a price determined by Landsbanki. The maximum bid/ask spread may not exceed 1.5%. New orders shall be placed within 15 minutes in succession to prior orders getting filled. Under the agreement, Landsbanki is obligated to provide liquidity for up to ISK 75 million in market value daily.

Saga Capital Investment Bank hf. and Marel Food Systems have signed a market making agreement where Saga Capital Investment Bank hf. acts as market maker for shares issued by Marel Food Systems. The purpose of Saga Capital Investment bank hf.'s market making is to facilitate trading in the Company's shares on the OMX Nordic Exchange Iceland. The agreement is for an unlimited time but can be terminated by either party with one month's termination notice.

As a market maker, Saga Capital Investment Bank hf. will make daily bid and ask offers in Marel Food Systems (MARL) for a minimum of 200,000 shares at a price determined by Saga Capital Investment Bank hf. At any time, the maximum bid-ask spread shall not exceed 1.5%, the deviation from the last transaction price shall not exceed 3%, the maximum obligated total trades per day is ISK 100 million at market value.

## 6.2 Authorisations for changes in share capital

Marel Food Systems shareholders' meeting held on 28 February 2006 approved an authorisation to the Board of Directors to increase the Company's share capital in stages or all at once for up to ISK 12,000,000 in nominal value by issuing new shares. Shareholders agreed to waive their pre-emptive rights to the increase in share capital, which will be used to fulfill the share option agreements that are made with employees and others in accordance with the share option plan that is effective at any given time. The offer price and other terms shall be in accordance with those agreements concluded by the Board of Directors or CEO with the respective party. This authorisation is valid for 5 years from the time of its approval. On 10 August 2007 Marel Food Systems utilized ISK 3,204,965 in nominal value of this authorisation. At the date of the Securities Note ISK 8,795,035 nominal value remains of this authorisation.

Marel Food Systems shareholders' meeting held on 7 March 2008 approved an authorisation to the Board of Directors to increase the share capital of the Company by up to ISK 300,000,000 in nominal value through the subscription of up to 300,000,000 new shares. The Board of Directors shall determine more specifically how this increase will be executed, with reference to price and terms of payment. The current shareholders waived their pre-emptive rights to the new shares pursuant to article 34 of Act no. 2/1995, on Public Limited Companies. The Board of Directors may, however, authorise individual shareholders in each instance to subscribe for the new shares in part or in whole. There will be no restrictions on trading in the new shares. The shares shall belong to the same class and carry the same rights as other shares in the Company. The new shares shall grant rights within the Company as of the date of registration of the increase of share capital. The Board of Directors of the Company is authorised to decide that subscribers pay for the new shares in part or in whole with other valuables than cash. This authorisation is valid for 18 months from the date of approval, to the extent that it has not been exercised before that date.

Marel Food Systems' Board of Directors decided on 6 May 2008 to exercise the authorisation under article 15.1.1 of the Company's Articles of Association to increase its share capital by offering new shares in a share offering equivalent to the sales value of EUR 117 million. The terms and conditions of the share offering on 5 and 6 June 2008 are described in chapter 8 of this Securities Note.

Marel Food Systems' AGM held on 7 March 2008 granted the Board of Directors authorisation to issue compensation shares. The Board of Directors of the Company is authorised to increase the share capital of the Company during the current fiscal year, by issuing compensation shares for an amount of up to ten times share capital. Share capital will be up to 4,037,856,970. The new shares shall grant rights in the Company as of the date of their registration. The Company's Board of Directors is authorised, in accordance with the Company's Articles of Association, to convert the above amount into EUR.

## 7 Shareholders' rights

Shares in Marel Food Systems are issued electronically with the Icelandic Securities Depository. Once a shareholder has paid for his shares in Marel Food Systems in full, a securities trading intermediary, for example a bank or a securities company will inform the Icelandic Securities Depository of the transaction. The Icelandic Securities Depository will then issue to the shareholder an electronic share certificate and register ownership of the shares. This is considered to be the Company's share register and is considered valid authentication for ownership of shares in the Company. This will give the shareholder rights in full, in accordance with the Company's Articles of Association.

No restraints are placed on the rights of shareholders to sell their shares. No special prerogatives are attached to any shares in the Company. Shareholders are obligated, without their making specific commitments to abide by the Company's Articles of Association in their current form, or as they may be legitimately changed. Shareholders are not obligated, neither by the Company's Articles of Association nor changes to them, to increase their shareholdings in the Company or to accept their shares being redeemed. Shareholders are not responsible for any Company liabilities beyond their share in the Company, unless they accept such responsibility through legal action. This will neither be changed nor revoked by any resolution at shareholder meetings.

Shareholders have the right to attend a shareholders' meeting. Decisions at shareholders' meetings shall be taken by majority vote unless otherwise specified in the Company's Articles of Association or statutory law. Each shareholder has the right to have a specific matter discussed at a shareholder meeting, if he submits a written request to the Board of Directors with enough notice to enable the matter to be placed on the agenda, which shall be available for examination 7 full days prior to the meeting.

The Board of Directors is authorised to allow shareholders to participate in proceedings at shareholders' meetings through electronic means without being present at the meeting venue. The Board of Directors may deem that equipment is sufficiently secure to enable shareholders to participate in the meeting through electronic means without being at the meeting venue. If the Board of Directors decides to use this authorisation, it shall be specially noted in the announcement for the shareholder meeting.

Shareholders intending to participate electronically shall inform the Company's office with 5-day's notice, and submit written questions regarding the agenda or present documents that they would like answers to at the meeting.

Shareholders shall have access to instructions regarding participation in shareholder meetings through electronic means, along with a password and the necessary software for such participation. A password entered into the computer program is equivalent to the signature of the respective shareholder, and is considered acknowledgment of his participation in the shareholders' meeting.

If the Board of Directors considers it feasible to give shareholders the opportunity to participate in shareholder meetings using electronic means, shareholders shall be given the opportunity to vote on proposals or participate in balloting through the mail. The Board of Directors sets regulations regarding implementing such balloting.

Shareholders may authorise another person to attend shareholder meetings on his behalf. The representative shall submit a written and dated proxy.

## 7.1 Dividend rights

Marel Food Systems' practice has been to pay dividends to those parties, registered as shareholders, in the shareholders' register at the end of the day of the Annual General Meeting, unless the Company has received notification of the assignment of the dividend upon the transfer of shares. Considering clearance procedures on the Icelandic stock market (T+3), trades with the Company's shares need to take place three days prior to the date of the AGM if parties are to be eligible for payment of dividends.

Dividends are deposited in shareholders bank accounts, which they have specified as their accounts for dividends payments and are linked to their custody accounts.

Shareholders can collect their dividends at Marel Food Systems' office within four years after the due date of payment. Four years after the due date, the right to collect the dividend payment lapses in accordance with Act. No. 150/2007, on the Lapse of Debts and other Claim Rights.

Marel Food Systems has no special restrictions or procedures regarding dividend payment for non-resident shareholders.

Marel Food Systems does not have a fixed policy concerning dividends. Marel Food Systems' Annual General Meeting held on 7 March 2008 decided that no dividends will be paid for the operating year 2007. In 2006 and 2005 20% of the nominal value of issued shares was paid as dividends.

## 7.2 Voting rights

One vote accompanies each share in Marel Food Systems. All shareholders in Marel Food Systems have the same voting rights. However, voting rights may not be exercised for shares in Marel Food Systems owned by the Company. According to Article 11.1 of the Company's Articles of Association Marel Food Systems is permitted to own up to 10% of own shares..

## 7.3 Pre-emptive rights

Shareholders have pre-emptive rights to increase in share capital in proportion to their registered shareholding provided for that they have not waived their pre-emptive rights as provided for in Article 34 of Act No. 2/1995, on Public Limited Companies.

## 7.4 Rights to share in the Issuer's profits

Shareholders in Marel Food Systems have no rights to the Company's profits except through dividends payments.

## 7.5 Shareholders' agreements

Marel Food Systems is neither aware of any agreement among Company shareholders regarding the exercise of voting rights, nor that shareholders have obliged themselves not to sell their shares for a specific period.

## 7.6 Mandatory takeover bids

In Chapter X of Act no. 108/2007 on Securities Transactions, it is stated that if a party has directly or indirectly become dominant in a listed company, he shall present other shareholders with a takeover bid. A party is considered dominant if he alone or in collaboration with others has (1) reached at least 40% of

the total voting powers through ownership, (2) reached at least 40% of the total voting powers through agreements with other shareholders, or (3) gained power to appoint or dismiss the majority of the members of a company's Board of Directors.

Marel Food Systems' shareholders have not received any public takeover bid from a third party for their shares in the Company during the current or the preceding financial year. Marel Food Systems is not aware of the existence of any mandatory takeover bid for shares in the Company.

There are no squeeze-out or sell-out rules in place in relation to shares in Marel Food Systems, others than provided by law and discussed below in section 7.8.

## 7.7 Liquidation

Shares are in their nature subordinated claims on the assets of companies. Shareholders rights in case of liquidation are governed by Chapter XIII of Act No. 2/1995, on Public Limited Companies. According to the Act any decision on the dissolution of the Company must be supported by at least 2/3 of the cast votes and the consents of shareholders controlling at least 2/3 of the shares in the Company represented at a shareholders meeting. In the event of the Company's liquidation, shareholders will receive what is remaining when all other claims have been met.

## 7.8 Redemption Provisions

Under Article 24 of Act No. 2/1995 on Public Limited Companies, a shareholder holding more than 9/10 of a Company's capital and controlling an equivalent proportion of its voting rights may decide that other shareholders in the Company shall be subject to mandatory redemption of their shares. In case a shareholder owns more than 9/10 of share capital in a Company and controls corresponding voting powers each individual minority shareholder may require redemption with the shareholder. No single shareholder holds more than 9/10 of the share capital or voting rights of Marel Food Systems.

Shareholders are not obligated, neither by the Company's Articles of Association nor changes to them, to accept their shares being redeemed, except as provided by law.

## 7.9 Taxes

The taxation of Marel Food Systems' shares is governed by Icelandic tax legislation in effect at any given time. Below is a brief discussion of Icelandic tax treatment of shares. This discussion is not exhaustive and investors are advised to seek external tax advice on the tax implications of any investment in the shares. Non Icelandic investors should note that the discussion below only addresses Icelandic tax issues and therefore the shares and income derived from them may be subject to taxation in their country of residence.

### Stamp duty

The Company's shares are subject to Icelandic stamp duty payable by Marel Food Systems upon issuance of the shares. The sale of shares in the Company is not subject to stamp duty.

### Dividends

Residents of Iceland: Marel Food Systems is obliged to retain taxes on dividend payments paid to both natural and legal persons residing in Iceland for tax purposes, as provided for in the second paragraph of Article 3 of Act No. 94/1996 on Capital Income. The tax rate is 10%. This is a final taxation for individuals that are residents in Iceland for tax purposes.

For income tax purposes most taxable legal entities (limited liability companies and certain cooperative companies) may declare a deemed deduction of the same amount as the dividend received and consequently there is no effective taxation of dividend income of such companies. These entities will however be refunded upon assessment of tax return if the withholding tax is higher than the tax levied on the income of a company.

Non-residents: Marel Food Systems is obliged to retain taxes on dividend payments paid to individuals not residing in Iceland. For individuals and foreign legal entities the tax rate is 10%.

### Capital gains

Residents of Iceland: Capital gains from the sale of shares in Marel Food Systems by individuals residing in Iceland are taxable in Iceland. The tax rate is 10%. Individuals can deduct losses from the sale of shares from the profits from the sale of other shares. The profit and loss must however occur within the same fiscal year. Losses from the sale of shares cannot be carried forward and offset against future capital gains from the sale of shares.

Companies defined in Article 2, paragraph 1, no. 1 and 2 of Act No. 94/1996, are allowed to declare a deemed deduction in the same amount as the capital gain received. No effective tax burden therefore arises for these companies. The deemed deductions can however not be used to create tax losses. This applies as of 2008.

For other types of companies, as defined in Article 2, paragraph 1, no. 3, 4, and 5 of Act No. 94/1996, all gains from the sale of shares are taxable and are taxed at a rate of 23.5%.

Non-residents of Iceland: Capital gains from the sale of shares in Marel Food Systems by individuals not residing in Iceland are taxable in Iceland. For individuals and foreign legal entities the tax rate is 10%.

Non-resident companies, that are residing in a country within the European Economic Area or companies that are residing outside the European Economic Area but are subject to income taxation under similar terms as Icelandic companies, receiving capital gains from the sale of shares as defined in Article 3, paragraph 1, no. 7, are allowed to declare a deemed deduction in the same amount as the capital gain received and subsequently no effective tax burden arises in Iceland.

## 8 Terms and conditions of the share offering

### 8.1 Details and process of the share offering

This Securities Note is constructed in connection with the offering of new shares in Marel Food Systems. The shares offered are all of the same class and bear the same rights. The new shares are also identical to existing shares in the Company.

156,440,000 new shares in Marel Food Systems will be offered at the offering price of ISK 89 per share. Total proceeds from the share offering will be ISK 13,923,160,000. Marel Food Systems' total number of shares will be 560,225,697 after the share offering. However, the Board of Directors of Marel Food Systems reserves the right to increase the number of shares offered by up to 196,555,000 shares. If the Board of Directors decides to do so total proceeds from the share offering will be up to ISK 17,493,395,000 and Marel Food Systems' total number of shares will be up to 600,340,697 shares after the share offering. The offer price and the number of shares on offer reflect the EUR/ISK approximate rate of 119.0 at close of business 3 June 2008.

On 26 May 2008 Marel Food Systems announced that shareholders registered in Marel Food Systems share register on 2 June 2008 were entitled to take part in the share offering. Due to clearance procedures on the Icelandic stock market (T+3), trades with the Company's shares needed to take place prior to close of business on Wednesday, 28 May, if parties wished to be eligible in this part of the offering. Shareholders cannot convey their entitlement to participate in the share offering to other parties.

In addition to shareholders, investors who so specifically request can subscribe for shares in Marel Food Systems' share offering, provided they subscribe for at least 75,000 shares in the Company.

The offer period is from 10:00 GMT on 5 June 2008 until 16:00 GMT on 6 June 2008. During the offer period the new shares will be offered for purchase through the Manager. No subscriptions will be accepted after the offer period has expired. The Issuer can cancel the share offering at any time prior to the notification of OMX Nordic Exchange Iceland that the new shares will be admitted to trading. The cancellation may be based on any factor the Issuer may deem appropriate. Should the Issuer decide to cancel the share offering, all subscriptions for the new shares offered in the share offering shall be deemed to be null and void. If this occurs subscribers who have already paid for the new shares will be reimbursed.

According to Landsbanki's rules, employees of the bank, wishing to take part in the share offering must do so before 16:00 GMT on 5 June 2008.

### 8.2 Subscriptions

Subscriptions can only be submitted electronically on Landsbanki's website ([www.landsbanki.is](http://www.landsbanki.is)).

Shareholders registered in Marel Food Systems' share register on 2 June 2008 can submit their subscriptions on the website [www.landsbanki.is](http://www.landsbanki.is) and only by identifying themselves using their ID No. and a password sent to them by mail on 28 May 2008. Shareholders will have the opportunity to contact Landsbanki's Securities and Pension Services department for assistance via phone +354 410 4040 during the offer period.



Investors, subscribing for at least 75,000 shares can submit their subscriptions on the website [www.landsbanki.is](http://www.landsbanki.is). These investors will be allocated a password if they so request on the website [www.landsbanki.is](http://www.landsbanki.is).

Electronic confirmation is required for valid subscriptions in the share offering and this confirmation will appear on completion of the subscription and can be printed out.

There is no maximum amount to each subscription in the share offering. Shareholders are not allowed to subscribe for less than 200 shares in the share offering and other investors, wishing to participate in the share offering, must at least subscribe for 75,000 shares, as discussed above. Subscriptions in the share offering are legally binding and cannot be withdrawn by the subscriber.

### 8.3 Allocation

A decision on allocation of new shares to subscribers will be made by Marel Food Systems' Board of Directors in a meeting following the expiration of the offer period. Should there be an oversubscription in the share offering, the Board of Directors reserves the right to increase the number of new shares on offer by up to 196,555,000 or equivalent to the sales value of ISK 17,493,395,000.

When allocating shares to subscribers the Board of Directors will take into consideration the following criteria:

- a) All eligible shareholders, independent of shareholding in Marel Food Systems, shall be allocated at least 2,500 shares in the share offering, if subscribed for.
- b) Shareholders shall as much as possible keep their shareholding in Marel Food Systems before and after the share offering percentage wise, although keeping in mind the criteria in a) and c).
- c) Investors, who are not or only minimally shareholders in Marel Food Systems, shall have the opportunity to become shareholders in Marel Food Systems in accordance with their requests, although keeping in mind the criteria in a) and b).

### 8.4 Notification of offer results, allocation and payment instructions

The results of the share offering will be made public on 9 June 2008 before 10:00 GMT. The announcement will include the aggregate number of new shares which were subscribed for along with the aggregate number of participants in the share offering. The announcement will also include whether the Board of Directors has decided to increase the number of shares on offer and if this is the case the final total number of shares in the share offering will be made public.

Subscribers can obtain notification of allocation and payment instructions after 10:00 GMT on 9 June 2008 on Landsbanki's website [www.landsbanki.is](http://www.landsbanki.is), using the same login details as when subscribing. Payment notes for the allocated number of shares will be sent to subscribers by mail and will also be available on Icelandic on-line banks. Subscribers are only allowed to pay for new shares with cash.

Landsbanki Íslands hf., Austurstræti 11, 155 Reykjavík, Iceland, is the paying agent regarding all purchases of shares pursuant to the share offering.

The due date for payment for new shares is 13 June 2008. For any shares unpaid after 24:00 GMT on the due date, 13 June 2008, Marel Food Systems' Board of Directors may either collect payment with penalty interest (according to Article 6 of Act No. 38/2001) and costs or cancel the subscription of the shares in question and allocate them to a third party without notice or notification.

## 8.5 Admission to trading and delivery of shares

Application has been made for the new shares to be admitted to trading on the regulated market of OMX Nordic Exchange Iceland, which is an EU regulated market within the meaning of Directive 2004/39/EC. The shares are expected to be admitted to trading on the OMX Nordic Exchange Iceland no later than 18 June 2008.

The new shares will be delivered electronically through the depository agent, the Icelandic Securities Depository, Laugavegur 182, Reykjavík, Iceland. Delivery is only made against payment for the shares pursuant to payment instructions described in section 8.4 of this Securities Note. The aim is to complete the issue of the new shares at the Icelandic Securities Depository no later than 16 June 2008 and to deliver the new shares to participants of the offering on 16 June 2008.

## 8.6 Placing and underwriting

Landsbanki Íslands hf., Austurstræti 11, 155 Reykjavík, Iceland, has underwritten the share offering, and therefore made the commitment to subscribe for all new shares issued by the Issuer in the share offering, not subscribed for by other parties. The underwriting agreement covers the share offering, excluding the authorization to increase the number of shares on offer. The underwriting agreement was reached on 27 November 2007.

The Manager has received a firm commitment from Eyrir Invest ehf. that it will at least subscribe for shares equivalent to EUR 59,000,000. The Manager has also received a firm commitment from Grundtvig Invest ApS that it will subscribe for shares equivalent to EUR 7,000,000.

The placing commission is ISK 118,000,000 and the underwriting commission is ISK 348,000,000.

## 8.7 Expense of the share offering and admission to trading

The total expenses of the share offering and admission to trading of the new shares is expected to amount to ISK 467,000,000. The total net proceeds of the share offering will therefore be around ISK 13,456,000,000.

## 8.8 Dilution

At the date of this Securities Note, the total number of shares in Marel Food Systems is 403,785,697 shares.

The share offering increases Marel Food Systems share capital by 156,440,000 shares. The total number of shares in Marel Food Systems after the share offering will be 560,225,697 shares, given that the Board of Directors will not increase the number of shares in the share offering as described in section 8.3. Assuming that existing shareholders receive an allocation in accordance with their shareholding, the resulting proportional dilution of their shares in Marel Food Systems will be none. If an existing shareholder does not take part in the share offering at all, the resulting proportional dilution of his shares will be 39%.

If the Board of Directors decides to increase the number of shares offered, the share offering increases Marel Food Systems' share capital by up to 196,555,000 shares. The total number of shares in Marel Food Systems after the increase will be up to 600,340,697 shares after the share offering. Assuming that existing shareholders receive an allocation in accordance with their shareholding, the resulting proportional dilution of their shares in Marel Food Systems will be none. If an existing shareholder does

not take part in the share offering at all, the maximum resulting proportional dilution of his shares will be 49%.

## 9 Additional information

### 9.1 References

References to "Marel Food Systems", "the Issuer", "the group" or "the Company" in this Securities Note shall be construed as referring to Marel Food Systems hf., unless otherwise indicated from the wording or context.

References to "Marel Food Systems", "the Issuer", "the group" or "the Company" in this Registration Document after 8 May 2008 shall be construed as referring to Marel Food Systems hf. including Stork Food Systems.

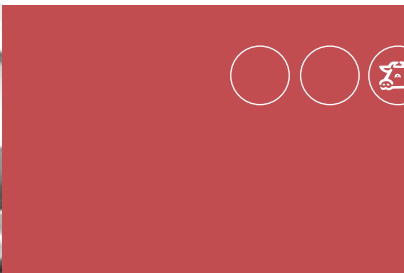
References to "Stork Food Systems" in this Securities Note shall be construed as referring to the Stork Food Systems division of Stork N.V. unless otherwise indicated from the wording or context.

References to "Landsbanki" and "the bank" in this Securities Note shall be construed as referring to Landsbanki Íslands hf., unless otherwise indicated from the wording or context.

References to "OMX Nordic Exchange Iceland" in this Securities Note shall be construed as referring to OMX Nordic Exchange Iceland hf., unless otherwise indicated from the wording or context.

### 9.2 Abbreviations

AGM	Annual General Meeting
CEO	Chief Executive Officer
EUR	Euro, the currency of many European Union countries
ID No.	Identification number
ISK	Icelandic króna, the currency of Iceland



# Registration Document

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# 1 Risk factors

Investment in equities involves numerous risks. Prior to making an investment decision regarding shares in Marel Food Systems, investors should acquaint themselves with all the information provided in this Registration Document. Investors should in particular acquaint themselves with the risks and uncertainties described in this section of the Registration Document, that could materially affect Marel Food Systems and the value of Marel Food Systems' shares.

The information provided in this section of the Registration Document should be read in conjunction with all other information in this Registration Document, especially the pro-forma balance sheet of the merged companies Marel Food Systems and Stork Food Systems in section 7.2 and the financial structure of the acquisition of Stork Food Systems in section 7.1.

It is not possible to give assurances that investing in equity will prove profitable. Marel Food Systems operates in a market where numerous factors can influence the group's activities and operations. The risks and uncertainties described in the Registration Document are those that the Marel Food Systems' management and Board of Directors believe could have a material effect on the business, operation, financial condition or prospects of Marel Food Systems and cause its further results to be materially different from expected results. If any of these events occur, the trading price of the shares could decline and investors might lose a part of their investment or even all of it.

Additional risks and uncertainties that do not currently exist, that are not presently considered material, or of which the Company is unaware may also impair its business and operation. These risks and uncertainties could have a material adverse impact on the business, operation, financial condition, prospects and/or the share price of Marel Food Systems. Marel Food Systems' management and Board of Directors believe that the discussion in this section of the Registration Document covers the risks that are most likely to materially affect Marel Food Systems but they are not listed in order of importance.

## 1.1 General risks relating to equities

Equities are, generally speaking, a riskier investment than for example bonds. Risk results in particular from the fact that prices of shares fluctuate more than bond prices. Investments in shares, however, are on average more profitable than investments in bonds, over the long term. The return can take two forms: firstly, the value or market price of the shares in question can change and, secondly, owners of limited liability companies can expect to receive dividends on their shareholdings. By diversifying their equity assets through purchases in a number of companies of varying types, investors can substantially reduce the risk involved in investment in individual companies. Various risk factors influencing the equity market as a whole, such as changes in general interest rates, foreign exchange rates, political risk and economic prospects will remain, however.

The financial and equity markets are subject to the business environment created by public authorities. Major changes in the regulatory framework set by public authorities for financial and equity markets can have a negative impact and create market unrest. Such risks are minimal in Iceland, since there is consensus on key values and the structure of the market economy.

Liquidity risk is defined as the risk that arises from how easy or difficult it is to sell an asset for a price as close to its expected real value as possible. The measurement of this risk is the spread between bid and ask prices on the market. The risk is both dependent upon the transaction amount, i.e. whether the market will absorb at real value the quantity an investor wishes to sell, and the price, since a large transaction on a company's shares can have a substantial impact on price formation.

Marel Food Systems has made agreements with two financial institutions, Landsbanki and Saga Capital Investment Bank hf., on market making for issued shares in Marel Food Systems. The purpose of the agreements is to improve liquidity and enhance the transparent price formation of Marel Food Systems' shares on the OMX Nordic Exchange Iceland. Further information on the market making agreements can be found in section 14 in this Registration Document.

On 2 June 2008, Marel Food Systems' shareholders total 1,906, 91% of Marel Food System's share capital is owned by 20 investors and 25.7% of the shares are held by general investors. General investors are those that are not insiders or parties financially related to insiders (e.g. spouses, co-habiting partners and children not legally competent to manage their financial affairs), parent companies or subsidiaries or individual shareholders with stakes of 10% or higher.

## 1.2 Market risk

**Markets:** Consumer changes in Marel Food Systems' main markets can have an impact on the Company's position and its growth potential. Marel Food Systems' key markets are North America and Northern Europe. The acquisition of Scanvaegt in 2006 significantly increased the Company's presence in South America and with the acquisition of Stork Food Systems, presence was extended into Asia. Expanding markets are Eastern Europe, Asia and South America, markets where Marel Food Systems will place ever-increasing efforts as part of the group's current expansion. Opportunities as well as certain risks are part of entering new markets, and in general, it may be said that such risks increase with the increasing distance to new markets and cultural differences.

In recent years, sales to individual industrial sectors served by Marel Food Systems have fluctuated, i.e. fish, meat and poultry industries. Circumstances can be such that as investment decreases in one market, it expands in another. Animal diseases like bird flu and mad cow disease can have a negative impact on one market and shift the demand to other protein sources, creating a positive effect on investments in other markets.

Marel Food Systems sells capital goods; therefore fluctuations can be expected from one period to another in accordance with the performance of the group's customers. Recent developments in world capital markets can impose difficulties for Marel Food Systems' customers in financing their capital investments, which can have a negative impact on the demand for Marel Food Systems' products.

Consumers in Northern Europe and the US are becoming increasingly conscious of product quality and traceability. This development can be advantageous to Marel Food Systems, as demands for higher quality in meat, poultry and fish processing can increase demand for high-tech solutions such as those offered by Marel Food Systems. If a serious problem arises with health issues for meat, poultry and fish products, consumers could change their buying habits and even stop consuming meat and fish. If the situation is protracted, Marel Food Systems' performance and growth potential will diminish.

**Main products:** Product standardization was one of Marel Food Systems' main goals in 2005 and 2006. This has been an important factor in increasing rationalization in manufacturing and strengthening Marel Food Systems' competitive position. By increasing sales and manufacturing of standardized products, it is possible to reduce fluctuations between periods, as delivery times shortens and fluctuations are balanced out by manufacturing for inventory. However, Marel Food Systems offers its customers very large standard solutions as well as customized solutions, which can expose the group to additional risks, due to the complexity of these projects and the effect every single one of these projects can have on the performance of Marel Food Systems, especially in the short term.

**Suppliers:** Marel Food Systems primarily uses stainless steel, plastic products, various components and electronic equipment in its manufacturing. The prices of these materials fluctuate with world market prices, which can have a negative impact on the Company's performance because currently, price list changes can take up to 6-9 months to go into effect. However, Marel Food Systems is in the process of adding provisions into its customer agreements, to take into account price changes in raw materials. The group purchases raw materials from several suppliers, but is not dependent on any of them. The cost of switching suppliers is relatively small.

**Inventories:** The group's inventories are valued at cost price or net realisable value, whichever is lower. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in process includes raw materials, salary costs, other costs and related manufacturing overhead costs (based on a normal operating capacity), but excludes borrowing costs. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. At the end of 2007, Marel Food Systems' total inventory was entered at EUR 61.6 million, of which raw materials and spare parts was EUR 30.9 million, work in progress EUR 9.5 million and finished products EUR 21.2 million. Total inventory in Stork Food Systems at the end of 2007 were EUR 53.5 million. At 31 March 2008 Marel Food Systems' total inventory were EUR 62.5 million and Stork Food Systems' total inventory were EUR 53.2 million at the same time.

Costs of inventories include the transfer from equity of gains/losses on qualifying cash flow hedges relating to inventory purchases. Provisions are raised against slow moving items. Inventories of EUR 9.0 million were pledged as security for the group's borrowings at 31 March 2008.

**Customers:** Marel Food Systems' main customers include many of the world's largest food processing companies. All of the main companies operating in the fields of freshwater and ocean aquaculture are Marel Food Systems' customers, as are major companies involved in ground-fish processing. Most of the largest companies in the world in meat and poultry processing are Marel Food Systems' customers. In recent years, the group has had recurrent business with many of its customers.

Marel Food Systems' customers are located in many countries with diverse languages, cultures, working procedures and technological levels. Different cultures and languages can cause difficulties in the group's business. Higher risk is generally associated with doing business in remote foreign countries than in neighbouring countries.

**Competition:** Marel Food Systems is in a position to offer its customers total solutions. It is not possible to rule out increased competition, both through a rise in the number of manufacturers, and through current manufacturers becoming stronger because of mergers or internal growth. It is not possible to rule out the entry of new, strong players in Marel Food Systems' markets. These developments could have a significant impact on the group's performance potential.

**Research and product development:** One of the key factors in successful operation is progressive research and product development. Marel Food Systems has annually invested about 5-7% of revenues in research and product development to strengthen the group's leading market position as an innovative Company and to meet the current and future requirements of its customers. One of the main risks associated with research and product development is that it may not be fruitful and the return on investment may not be sufficient.

The following is an overview of research and product development costs for Marel Food Systems for the years 2005-2007 and the three month period ended 31 March 2008.

Research and Product Development	Q1 2008	2007	2006	2005
Expenses	3,778	14,631	11,744	7,828
% of sales	5.1%	5.0%	5.6%	6.1%

Amounts in thousands of EUR

Marel Food Systems evaluates the possibility of applying for patents for all of its product development projects in accordance with the group's guidelines that are based on the ISO-9001 certified product-development process which is fully implemented in Marel ehf. and in AEW Delford. As patent application is expensive, re-evaluation on the continuance of each patent application is done on a regular basis to assess whether the costs in each case are justified by the expected sales of the products.

The strategy for application for patents on products is that the group wants to ensure its position as a leading Company in developing high-tech solutions for the food-processing industry. Marel Food Systems has clear goals to protect all of the intellectual property and solutions created through research and development work within the group. Application is made for number of patents on equipment annually.

Granted patents play and will continue to play an important role for Marel Food Systems, protecting the Company's innovative products against copies, to a certain extent. However, patent granted equipment can never preclude third parties from breaching Marel Food Systems' patents rights, as the patent protection is focused on the Company's main markets. Moreover, there is always a risk, albeit somewhat insignificant, that granted patents will be disputed by third parties and ultimately annulled.

In addition to patent protection, Marel Food Systems has other important intellectual proprietary rights (IPR), such as software, databases, trademarks, brand names and domain names. All of them are important to Marel Food Systems' operation to maintain its position in introducing and selling highly innovative equipment that is superior to other equipment offered in a given area of business. Therefore, an insignificant risk exists that Marel Food Systems' patents and other intellectual proprietary rights of could be attacked or invalidated in court, for example.

Marel Food Systems has over 60 registered trademarks globally, and close to 1200 patents issued in about 25 countries.

Within Marel Food Systems' operational environment, it is likely that some controversies may arise on either the granting of a patent or the validity of the patent.

Protection of patent rights and other intellectual proprietary rights can encompass risks in the event that a third party initiates court proceedings to invalidate intellectual rights that are valuable for Marel Food Systems' operation.

### 1.3 Operational risk

Marel Food Systems' activities expose it to a variety of operational risks, including foreign exchange risk, credit risk, liquidity risk, cash flow risk and fair value interest rate risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance. Marel Food Systems uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out within the group where applicable, under policies approved by the Board of Directors. Marel Food Systems intends to improve its risk management guidelines even further in 2008.

**Foreign exchange risk:** Marel Food Systems operates internationally and is exposed to currency risk arising from various currency exposures. Financial exposure is partly hedged within the group's general policy and within set limits. Entities in the group use forward contracts to manage foreign exchange risk

arising from future commercial transactions and recognized assets and liabilities that are determined in a currency other than the entity's functional currency. The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

About 1% of Marel Food Systems total revenue in 2007 was in ISK, while costs in ISK were approximately 10%, most of which were wages for employees in Iceland. These ratios will be 0.5% and 5% respectively taking into account Stork Food Systems' operation. The group (excluding Stork Food Systems) has negotiated forward short-term exchange rate contracts to offset all projected costs in ISK until October 2009. The average exchange rate of these contracts during the period January–March 2008 was ISK/EUR 103.7. The annual average exchange rate for contracts from April 2008 to October 2009 is ISK/EUR 104.9.

**Credit risk:** Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions. The credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

The carrying amount of financial assets represents the maximum credit risk exposure to Marel Food Systems. Maximum exposure to credit risk at 31 March 2008 was:

Exposure to credit risk	31.03.07	31.12.07
Trade receivables	53,991	53,116
Other receivables and prepayments	18,189	20,427
Loan to Associate	0	49,607
Derivative financial instruments	486	3,168
Cash and cash equivalents	81,444	30,437
<b>Total</b>	<b>154,110</b>	<b>156,755</b>

Amounts in thousands of EUR

**Liquidity risk:** Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the group aims to maintain flexibility in funding by maintaining availability under committed credit lines.

The following table analyses Marel Food Systems' financial liabilities at 31 March 2008 into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial liabilities 31.3.2008	Carrying amount	Contractual cash flow	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	145,602	176,595	53,201	10,223	78,673	34,498
Trade and other payables	67,599	67,599	67,599	-	-	-

Amounts in thousands of EUR

The following table analyses Marel Food Systems' derivative financial instruments at 31 March 2008, which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Forward foreign exchange contracts – cash flow hedges 31.12.2007	Contractual cash flow	Less than 1 year	Between 1 and 2 years
Outflow	45,994	29,710	16,284
Inflow	39,137	24,209	14,927

Amounts in thousands of EUR

**Cash flow and fair value interest rate risk:** The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2007 the group's borrowings at variable rates were denominated in EUR and DKK.

Based on the various scenarios, the group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group borrowed at fixed rates directly. Under the interest rate swaps, the group agrees with other parties to exchange the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Occasionally the group also enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates in excess of the 60% target.

At 31 December 2007, if interest rates on functional-currency denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 16.4 thousand lower/higher, as a result of higher/lower interest expense on floating rate borrowings. At 31 December 2007, if interest rates on DKK-denominated borrowings at that date had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 223 thousand lower/higher, as a result of higher/lower interest expense on floating rate borrowings.

## 1.4 Capital risk management

Marel Food Systems' objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 1.5 Investment risk

Marel Food Systems' investment risk lies in the rate of return on the group's investments in new sales and service companies, and other companies, being less than initially expected.

In the beginning of 2006, Marel Food Systems formulated a strategy that over the coming years the group would continue along the same path regarding expansion, and enter into two to four strategic takeovers that would enhance Marel Food Systems' technological advantage and improve the group's access to markets. Recent investments by Marel Food Systems are intended to increase Marel Food

Systems' access to markets. In addition, the group's operations have expanded into other fields, which reduce risk in each economic sector.

Further information about Marel Food Systems' investments can be found in section 7 of this Registration Document.

## 1.6 Financing risk

Marel Food Systems equity and liabilities at the end of 2007 were EUR 427 million, of which equity was EUR 182 million and total liabilities EUR 245 million. At 31 March 2008 equity and liabilities were EUR 423 million, of which equity was EUR 181 million and total liabilities EUR 242 million.

Marel Food Systems has set the goal of maintaining the group's equity ratio at no less than 25% over the long run. The equity ratio at 31 March 2008 was 42.6% compared to 42.5% at year-end 2007, 39.6% at year-end 2006 and 35.7% at year-end 2005. The acquisition of Stork Food Systems is fully funded, as discussed in section 7 of this Registration Document.

Marel Food Systems is not in need of further financing based on the Company's current operations; however recent turmoil in world capital markets could have a negative impact on Marel Food Systems, should the need for further financing arise.

## 1.7 Critical accounting estimates and assumptions

When preparing its financial statements Marel Food Systems must use accounting estimates and assumptions. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events based on estimates and assumptions that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that present a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- a) **Estimated impairment of goodwill:** Marel Food Systems tests annually whether goodwill has suffered any impairment, in accordance with the accounting policies applied for impairment of non-financial assets. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.
- b) **Income taxes:** Marel Food Systems is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. During the ordinary course of business, many transactions and calculations involve uncertainties about the ultimate tax determination. Marel Food Systems recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period for which such determination is made.
- c) **Fair value of derivatives and other financial instruments:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The

group has used discounted cash flow analyses for various available-for-sale financial assets that are not traded in active markets.

- d) **Revenue recognition:** Marel Food Systems uses the percentage-of-completion method in accounting for its sales of goods and manufacturing contracts. Use of the percentage-of-completion method requires Marel Food Systems to estimate the stage of completion to date as a proportion of the total work to be performed.

## 1.8 Management and personnel risk

Management risk is the risk involved in the management, organization and expertise within the group. Marel Food Systems' management and key employees have years of experience with the group and have extensive knowledge that is the basis for the group's continued success in coming years.

As a knowledge company, Marel Food Systems is very dependent on its key employees. The primary emphasis is on providing interesting, challenging projects and creating good working conditions where job development and re-education are vital.

A shortage of well-educated engineers, computer scientists and other technically educated people could diminish Marel Food Systems' performance and growth potential. Product development is mostly conducted in Iceland, Denmark, the Netherlands and the UK, and it is essential that the group has access to the most qualified people in their fields.

There is always the risk that other companies will succeed in persuading Marel Food Systems' employees to change jobs. Should key employees leave the group, the group's performance could suffer. The group tries to minimize this risk in various ways. For example, Marel Food Systems places emphasis on offering competitive salaries and stock options. Further information on Marel Food Systems' stock option plan can be found in section 12 of this Registration Document.

## 1.9 Legal risk

Marel Food Systems has operations in numerous countries and must comply with the laws and regulations that apply to its activities in each location. These rules concern, for instance, patents, pollution and the environment, together with specific regulations in each individual state and municipality.

Marel Food Systems faces the risk of unsatisfied customers bringing legal suit against the group. Marel Food Systems could also face litigation resulting from violations of health, pollution or environmental regulations, or other laws and regulations that may apply in each location where companies in the group operate. Litigation could also be brought against the Company due to disputes with employees or their organizations, for example concerning unlawful dismissals, discrimination against employees, etc. It is difficult to evaluate these risk factors and their possible magnitude. An unfavourable verdict in connection with the above could have a considerably negative impact on Marel Food Systems' reputation and performance.

Marel Food Systems is listed on OMX Nordic Exchange Iceland and is subject to Icelandic securities laws and regulations and rules adapted by OMX Nordic Exchange Iceland. Should Marel Food Systems seriously violate the aforesaid laws and regulations, the Company's reputation could suffer and its share price could drop, and/or removal of the group from trading on OMX Nordic Exchange Iceland could ensue.



## 1.10 Court cases and arbitration proceedings

Marel Food Systems and its subsidiaries, neither are nor have been for the past 12 months party to any governmental, legal or arbitration proceedings (and Marel Food Systems is not aware of any such proceedings) that may have, or have had in the recent past, significant effects on Marel Food Systems' financial position or profitability.

## 1.11 Taxation risk

The companies that comprise Marel Food Systems pay taxes in various countries. Changes to taxation laws and regulations in the countries where Marel Food Systems operates can thus influence its performance.

The Company has a favourable Advance Pricing Agreement with US tax authorities, where a certain minimum EBIT ratio is negotiated. This agreement expires in the end of 2008. It is assumed it will be renewed as previously. If not it will have negative effects which are though not material.

## 1.12 Insurance, commitments, guarantees and contingencies

Marel Food Systems maintains global and local insurance programs. The coverage comprises property damage, business interruption, product and general liability, marine and transit and directors' and officers' liability. Marel Food Systems believes that its current insurance coverage is reasonable; however, it should be borne in mind that despite the insurance policies carried by Marel Food Systems, there is no guarantee that it will be fully compensated should it need to lodge claims. If Marel Food Systems did submit claims under its policies, the premiums it pays could be expected to increase in the future.

Marel Food Systems has a loss of profit insurance that will cover work stoppage for 12 months, based on the terms of operation insurance agreement. The insurance benefits amount to EUR 350 million. The group's insured value of buildings amounts to EUR 71 million, and of manufacturing machinery and equipment, including software and office equipment and inventories, amounts to EUR 113 million.

Marel Food Systems' worldwide general liability insurance covers claims up to EUR 14 million with product liability insurance up to the same amount.

Marel Food Systems' building in Austurhraun, Garðabær, Iceland, is pledged with a letter of indemnity (LOI), for the amount of USD 7.3 million and ISK 2.5 billion.

The group has made some rental agreements for building, motor vehicles and office equipment, with the remaining balance of EUR 8.0 million at 31 March 2008 compared to EUR 10.5 million at year-end 2007. The amount will be changed at the relevant rental time of each agreement. The rental agreements will materialise in the years 2008-2016.

Marel Food Systems has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business, Marel Food Systems has given guarantees amounting to EUR 22.7 million to third parties at 31 March 2008 compared to EUR 22.2 million at year-end 2007. These are guarantees given to clients against downpayments they make as well as a guarantee given to Barclays Bank PLC due to AEW Delford business with Barclays Bank PLC.

## 2 Persons responsible

The Board of Directors and CEO, on behalf of the Issuer, named below, hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Garðabær, 4 June 2008

On behalf of the Board of Directors of Marel Food Systems hf.

Austurhraun 9, 210 Garðabær, Iceland

Árni Oddur Þórðarson,

Chairman of the Board of Directors

Garðabær, 4 June 2008

On behalf of Marel Food Systems hf.

Austurhraun 9, 210 Garðabær, Iceland

Hörður Arnarson

CEO

## 3 Statutory Auditor

PricewaterhouseCoopers hf., Icelandic ID No. 690681-0139, Skógarhlíð 12, 105 Reykjavík, Iceland, has been Marel Food Systems hf.'s Statutory Auditor for the period covered in this Registration Document. PricewaterhouseCoopers hf. has audited Marel Food Systems hf.'s consolidated financial statements for the years 2005, 2006 and 2007. Marel Food Systems' Statutory Auditors have not reviewed or audited the interim financial statements covering the period 1 January – 31 March 2007 and 2008.

Marel Food Systems' Statutory Auditors are members of the Institute of State Authorized Public Accountants in Iceland. Marel Food Systems' Statutory Auditors have not resigned or been removed from their positions during the period covered by the historical information. Marel Food Systems' Statutory Auditors have been re-appointed during the period covered by the historical information.

## 4 Notice to investors

This Registration Document has been scrutinised and approved by the OMX Nordic Exchange Iceland hf. on behalf of the Financial Supervisory Authority in Iceland.

This Registration Document is published in Acrobat Adobe format. The Registration Document can be obtained in electronic format on [www.marelfoodsystems.com](http://www.marelfoodsystems.com). A hard copy can be obtained from Marel Food Systems hf. headquarters, Austurhraun 9, Garðabær, Iceland.

This Registration Document is prepared in accordance with Icelandic law and regulations, including Directive 2003/71/EC of the European Parliament and of the Council 4 November 2003 (the "Prospectus Directive") which has been implemented by national law. This Registration Document is prepared pursuant to current legislation and rules for issuers of shares on the OMX Nordic Exchange Iceland hf. that apply to the admission to trading.

This Registration Document shall not be distributed and must not be mailed or otherwise distributed or sent in or into any country in which distribution would require any additional registration measures or other measures to be taken, other than as applicable under Icelandic law and regulations, or would be in conflict with any law or regulation in the respective country.

The distribution of this Registration Document in certain jurisdictions may be restricted by law. Accordingly, persons into whose possession this Registration Document comes are required by the Issuer and the Manager to inform themselves about and to observe any such restrictions. The Issuer and the Manager accept no liability to any person in relation to the distribution of this Registration Document in any jurisdiction.

Marel Food Systems complies with rules regarding on-going information disclosure for issuers listed on the OMX Nordic Exchange Iceland hf. According to these rules all information that could significantly impact the market price of Marel Food Systems' shares must be made public as quickly as possible and in a non-discriminatory manner. The publication shall be made in the European Economic Area and sent to OMX Nordic Exchange Iceland hf. for supervision purposes. Information in accordance with this disclosure will be published on Marel Food Systems hf.'s website [www.marelfoodsystems.com](http://www.marelfoodsystems.com) and investors are advised to follow news announcements and notifications that may be published on the website [www.marelfoodsystems.com](http://www.marelfoodsystems.com) once the Registration Document has been published.

This Registration Document has been prepared by Landsbanki. Landsbanki is one of Marel Food Systems' principal banks. Marel Food Systems is a customer of Landsbanki's Investment Banking and Corporate Banking divisions and Landsbanki was the lead advisor to Marel Food Systems with the acquisition of Stork Food Systems. Landsbanki serves as a market maker for Marel Food Systems' shares. Landsbanki held 92,408,129 shares in Marel Food Systems, which corresponds to 22.89% stake on 2 June 2008.

## 5 Selected financial information

The following table shows selected financial information from Marel Food Systems' financial statements. The information covers the years 2007, 2006, 2005 and the first three months of 2008 and 2007. Further information regarding Marel Food Systems' accounts is located in section 11 of this Registration Document.

Key figures	2008		2007		2005	
	1.1-31.3	1.1-31.3	1.1-31.12	1.1-31.12	1.1-31.12	1.1-31.12
<b>Operating results</b>						
Sales	74,035	72,244	289,817	208,700	129,039	
Gross profit	25,385	25,423	97,236	68,803	43,625	
Profit before depreciation (EBITDA)	5,074	5,644	20,980	15,679	14,814	
Profit from operations (EBIT)	2,177	3,243	10,029	7,527	9,721	
Net profit	739	1,009	6,066	159	5,715	
<b>Cash flow statement</b>						
Net cash from operating activities	1,762	5,156	2,778	(2,992)	2,987	
Investing activities	44,755	(3,597)	(70,249)	(69,754)	(10,180)	
Financing activities	4,706	(6,403)	34,118	132,318	7,210	
<b>Financial position</b>						
Total assets	423,374	372,902	427,304	364,793	114,890	
Working capital	109,108	89,039	109,887	87,989	16,557	
Equity	180,606	146,361	181,835	144,423	41,032	
Amounts in thousands of EUR						
<b>Various figures in proportion to sales</b>						
Gross profit	34.3%	35.2%	33.6%	33.0%	33.8%	
Selling and marketing expenses	15.5%	14.5%	15.5%	13.9%	12.4%	
Research and development expenses	5.1%	5.0%	5.0%	5.6%	6.1%	
Administrative expenses	11.1%	11.6%	10.0%	10.6%	8.7%	
Profit before depreciation (EBITDA)	6.9%	7.8%	7.2%	7.5%	11.5%	
Depreciation/amortization	3.9%	3.3%	3.8%	3.9%	3.9%	
Profit from operations (EBIT)	2.9%	4.5%	3.5%	3.6%	7.5%	
Profit for the period	1.0%	1.4%	2.1%	0.1%	4.4%	
<b>Other key ratios</b>						
Current ratio	1.9	1.9	1.9	1.9	1.4	
Quick ratio	1.3	1.2	1.3	1.2	0.6	
Equity ratio	42.6%	39.2%	42.5%	39.6%	35.7%	
Return on owners' equity	1.6%	0.7%	3.7%	0.2%	18.1%	
Return on total assets	0.2%	0.3%	1.5%	0.1%	5.4%	
Price to earnings (P/E) last 12 months	52.3	-	73.5	-	36.7	

## 6 Information about the Company

### 6.1 History and development

Legal and commercial name:	Marel Food Systems hf.
State Registration No.:	620483-0369
Domicile and headquarters:	Austurhraun 9, 210 Garðabær, Iceland
Telephone number:	+354 563 8000
Legal form:	Public limited company
Place of registration:	Iceland
Country of incorporation:	Iceland
Issuer operates in accordance to law:	Act No. 2/1995, on Public Limited Companies
Date of incorporation:	17 March 1983

Marel Food Systems roots can be traced to the years 1977–1983 at the University of Iceland, where the initial ideas were conceived and basic developmental work conducted. Marel Food Systems was established on 17 March 1983 by the Icelandic Cooperative movement and a few Icelandic freezing plants, to develop and manufacture scales and software for fish processing.

The development of Marel Food Systems' first scales began at the time computer technology emerged in the 1970s. The aim was to increase productivity in Iceland's fisheries industry by using computer technology to collect manufacturing and processing data. Marel Food Systems quickly succeeded in making a niche for itself as one of the main manufacturers of specialized scales and manufacturing monitoring and control equipment connected to them, and is today one of the forefront companies<sup>1</sup> in producing high-tech equipment and solutions for food processing in the fish, poultry and meat industries.

From its initial focus on this type of equipment, Marel Food Systems' pursued research and development that quickly moved the Company into other fields. Marel Food Systems now develops and manufactures high-tech systems that allow food-processing companies to maximize capacity, yield and efficiency, as well as product quality and customer satisfaction. Sales to the fisheries industry was originally the most important part of Marel Food Systems' operation, but over the years, sales to the meat and poultry industries have been increasing. Marel Food Systems' unique position lies in the technology that the Company has developed, for example 3-D computer vision, electronic scales and software that connect and control automated equipment and processing lines. The Company's products are based on high technology and quality, and customer services are in the foreground. Marel Food Systems has built a strong service network in all of its main market areas.

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<sup>1</sup> Source: Report "World Food Processing Machinery to 2006" published by the marketing firm the Freedonia Group – Market Research, 767 Beta Drive, Cleveland Ohio, US. Based on numbers from the Freedonia Group on the size of the market and Marel Food Systems' forecasted revenues in 2008 as discussed in section 10.3.

## 6.2 Milestones

### 1984–1986

Marel Food Systems sells its first marine scale and exports begin to Norway. The Company's products are viewed as highly innovative and of best quality. Marel Food Systems forms its first subsidiary, Marel Equipment Inc., based in Halifax, Nova Scotia. Marel Food Systems moves to premises at Höfðabakki 9 in Reykjavík, Iceland.

### 1987–1988

Marel Food Systems' marine scales have been installed on vessels from numerous countries, for example Canada, the US, Germany, the Faroe Islands, Greenland, Denmark, France and Spain. The Company moves into a new sector when it sells two poultry graders to New Zealand. Exports now account for 77% of total revenues.

### 1989–1991

The USSR becomes the latest Marel Food Systems' customer with an initial purchase of 100 marine scales, which was just a foretaste of the business to come. A new type of scale (M2000) is marketed, and Marel Food Systems launches its largest grader to date. Used in salted fish manufacturing, it is big enough to grade whole fish such as salmon.

In 1990, Marel Food Systems was on the forefront of manufacturing on-board weighing systems. New software (MP/2) enters the market, and a new salted-fish grading system and a salmon packing system are developed in collaboration with the Company's Norwegian agent, Maritech Systems. Marel Food Systems receives the President of Iceland's Award for Export Achievement.

In 1991, after several years of research and development, the first Marel Food Systems' processing system to use computer vision to grade fish and shellfish by weight and length appears. Marel Food Systems opens its second subsidiary, Marel Seattle (now Marel Food Systems Inc.) in the US, to meet the increasing demands of the North American market.

Marel Food Systems becomes a public limited company in 1991.

### 1992–1993

On 29 June 1992, Marel Food Systems is registered on the Iceland Stock Exchange hf. (now OMX Nordic Exchange Iceland). The Company moves ahead when it takes computer vision a stage further by unveiling a new high-speed shape grader, which is released onto the US poultry market. Other new releases include a flowline fish processing system, and a double-sided roe grader for Alaska pollack. Already active on four continents, Marel Food Systems enters the African market with a sale to Namibia. The Company moves into a new field and begins manufacturing equipment for chicken processing in the US.

### 1994–1996

Marel Food Systems releases its first Intelligent Portioning Machine in 1994. In search of further opportunities, the Company enters the US meat sector with the installation of a grading and process monitoring system at a pork plant in Detroit.

As the best-selling M1000 scale is introduced, computer vision takes another step forward and Marel Food Systems sells its first colour grader. Expansion continues in the years 1995–1996 with the opening of three subsidiaries: Marel USA (now Marel Food Systems Inc.) in Kansas City, US, Marel Europe (now Marel Food Systems A/S) in Denmark and Marel Trading in Reykjavík, which is formed to oversee projects involving Marel Food Systems, particularly in Russia.

## 1997–1999

Marel Food Systems acquires all shares in the Danish company Carnitech in 1997. Carnitech was established in 1981, and quickly attained a strong market position in processing equipment for the factory-trawler fleet that was built-up in the North Atlantic and North Pacific in the 1980s. In 1997, Marel France is formed in Nantes, France.

Marel Food Systems establishes the subsidiary Marel UK Ltd. in 1998. The first MPS software system is installed, and the new-generation M3000 graphical colour controller unveiled. As global sales of the Intelligent Portioning Machine top the 100 mark, the first Marel Food Systems' meat flowline is sold in Germany, and the Company makes its first sale to a Japanese company.

## 2000–2002

In 2000, Marel Food Systems launches a computer-controlled portioning machine (IPM XL), specially developed for cutting large pieces of beef, which uses 3-D computer vision to evaluate and control cutting. In 2000, Marel Food Systems acquires a 50% share in the French company Arbor Technologies S.A., which manufactures and sells various types of equipment, particularly for France's fish, meat and poultry industries.

In 2001, Marel Food Systems strengthens its position in Germany and mid-Europe with the formation of Marel Deutschland (now Marel Food Systems GmbH & Co. KG) and the purchase of TVM Maschinenbau GmbH & Co. KG. The first deboning flowline is installed in Germany. A milestone contract is concluded in Norway for a total meat-processing solution with traceability and quality inspection.

In 2002, Marel Food Systems moves into its new headquarters at Austurhraun 9 in Garðabær, Iceland. All of Marel Food Systems' manufacturing in Iceland is now under one roof. Marel Food Systems is presented with the Icelandic Quality Award in 2002 for exceptional business and administrative management.

In 2002, Marel Food Systems introduces a new salmon grading infeed system for whole salmon.

## 2003–2004

In 2003, Marel Food Systems restructures its manufacturing to better support the manufacturing of standardized products, which has the aim of reducing manufacturing costs and increasing capacity. In 2003, work concluded on a joint project with a Norwegian party to develop an automatic pinbone-finding system for ground fish, and sales begin on a new template-slicing machine (TSM) that cuts uniform breast fillets in precisely the shape and weight needed from each fillet.

The year 2004 is the best operating year in the Marel Food Systems' history. In 2004, Marel Food Systems acquires Póls hf. in Iceland, and Carnitech purchases part of the German company Röscherwerke GmbH that operates under the brand name "Geba". Marel Food Systems establishes a subsidiary in Chile, with the aim of developing the growing market in South America.

Numerous new products are introduced in 2004, including a new generation of computer-controlled portioning machines (IPM III), which are designed to portion large pieces of meat and other large raw material with more precision and better capacity and yield than ever before possible.

## 2005–2008

In 2005, Marel Food Systems begins operating in Slovakia. Construction of a new annex begins at Marel Food Systems' manufacturing site in Garðabær. Carnitech buys manufacturing company DanTech in Singapore. In addition, Marel Carnitech Thailand (now Marel Food Systems Ltd.) is formed and Marel Food Systems opens a branch office in Warsaw, Poland.

In 2006, Marel Food Systems acquires the assets and operations of AEW Thurne and Delford Sortaweigh in the UK. In August, the Company announces the purchase of the Danish company Scanvaegt. In 2006, Marel Food Systems founded LME eignarhaldsfélag ehf. with Eyrir Invest ehf. and Landsbanki for the purpose of purchasing shares in the Dutch company Stork NV. (now Stork BV.)

In 2007, the group introduces a new name and a new corporate identity, Marel Food Systems. The purpose is to show a unified front and one image. The name of the group is changed from Marel hf. to Marel Food Systems hf. and the group's business units identified as Marel Food Systems Iceland., Carnitech, Scanvaegt and AEW Delford, all parts of Marel Food Systems. In November 2007, Marel Food Systems announces the acquisition of Stork Food Systems, part of the operation of the Dutch company Stork NV.(now Stork BV.). In 2007, Marel Food Systems sales offices are reduced from 35 to 24 with the merger of sales office .

In 2007, Marel Food Systems introduces a number of new products: a new bone detection system for fish, meat and poultry products (Sensor X), a robotic grading and batching machine to automatically weigh and batch products and place them into trays (Robobatcher) and an intelligent trimming machine for fish fillets (ITM).

In 2008, manufacturing begins in new manufacturing facility in Slovakia, Marel Food Systems s.r.o., that became the fifth business unit of Marel Food Systems (Marel Food Systems Slovakia).

In March 2008, the two business units, Scanvaegt and Marel Food Systems Iceland. were combined to form Marel Food Systems Iceland and Denmark., reducing the number of business units to four.

In May 2008 Marel Food Systems completes the acquisition of Stork Food Systems, increasing the number of business units to five again.



## 7 Investments

In the last three years, Marel Food Systems has purchased four companies and co-founded one company.

In November 2007, Marel Food Systems announced the purchase of Stork Food Systems, a division of Stork N.V. The acquisition price was EUR 415 million on a debt and cash free basis. Stork Food Systems was entered into Marel Food Systems' accounts on 8 May 2008. The purchase price was funded with 52% in debt and 48% in equity.

In August 2006, Marel Food Systems announced that the Company had bought all shares in the Danish company Scanvaegt International A/S for EUR 109.2 million on a debt and cash free basis. Scanvaegt International A/S was entered into Marel Food Systems' accounts on 4 August 2006. The purchase price was funded with 40% in debt and 60% in equity.

In April 2006, Marel Food Systems announced the purchase of assets and operations of AEW Thurne Ltd. and Delford Sortaweigh Ltd. The purchase price was EUR 19.5 million on a debt and cash free basis. After the purchase, Marel Food Systems established a new company, AEW Delford Systems Ltd., around the assets and operations acquired. AEW Delford Systems Ltd. was entered into Marel Food Systems' accounts on 7 April 2006.

Marel Food Systems, Eyrir Invest ehf. and Landsbanki founded the holding company LME eignarhaldsfélag ehf. in February 2006, for the purposes of purchasing shares in the Dutch company Stork NV. (now Stork BV.), the former owner of Stork Food Systems. Marel Food Systems share in LME eignarhaldsfélag ehf. was 20% and Eyrir Invest ehf. and Landsbanki each held 40% of the shares. Marel Food Systems total investment in LME eignarhaldsfélag ehf. amounted to EUR 128 million, thereof 60% was loan financed and 40% was financed by equity. In January 2008 Marel Food Systems sold all its shareholding in LME eignarhaldsfélag ehf. equally to Eyrir Invest ehf. and Landsbanki (10% shareholding to each party). The sale of Marel Food Systems share in LME eignarhaldsfélag ehf. was announced in November 2007 in conjunction with the signing of Marel Food Systems agreement to acquire Stork Food Systems from Stork NV. (now Stork BV.). Marel Food Systems received EUR 132 million as payment for its shares in LME eignarhaldsfélag ehf., whereof EUR 79 million was used as payment for loan financing of the original investment in LME eignarhaldsfélag ehf.

In September 2005 Carnitech A/S, Marel Food Systems subsidiary, acquired DanTech Food Systems pte. Ltd. in Singapore. The acquisition price was EUR 2 million on a debt and cash free basis. DanTech Food Systems pte. Ltd. was entered into Carnitech A/S's accounts on 11 October 2005.

The table below lists Marel Food Systems' investments from 2005 up to the date of this Registration Document.

## Summary of Investments

Year	Company	Country	Description	Holding	Purch.price	Financing
2008	Stork Food Systems, division of Stork N.V.	the Netherlands	Manufacturer of food processing equipment	100%	EUR 415 million*	New shares/loan
2006	Scanvægt International A/S	Denmark	Manufacturer of food processing equipment	100%	EUR 109.2 million*	New shares/loan
2006	AEW Delford Systems Ltd.	UK	Manufacturer of food processing equipment	100%	EUR 19.48 million**	Loan financing
2006	LME eignarhaldsfélag ehf.	Iceland	Holding company	20%	EUR 7.2 million	Loan financing
2005	DanTech Food Systems pte. Ltd.	Singapore	Manufacturer of food processing equipment	100%	EUR 2 million*	From operations

\*All equity, purchasing price on a debt and cash free basis.

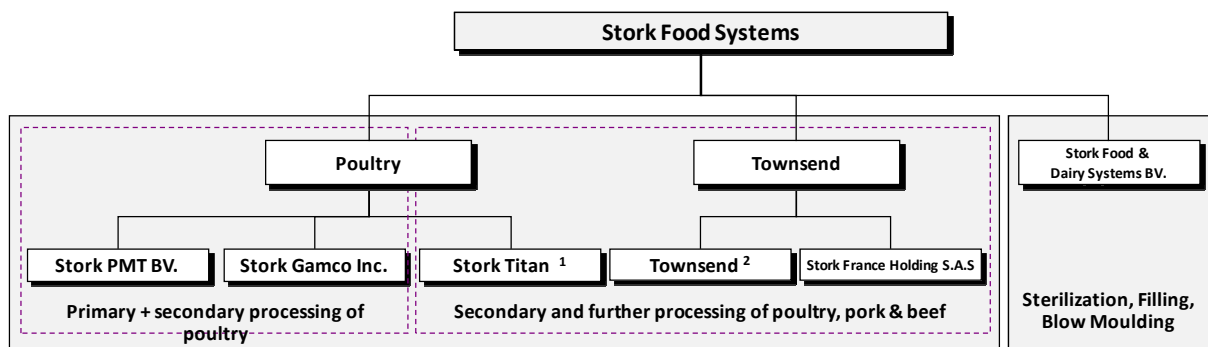
\*\*Acquisition of the assets and operations on a debt and cash free basis.

## 7.1 Stork Food Systems

In November 2007, after approximately two years of negotiations, Marel Food Systems announced it had entered into an agreement to purchase Stork Food Systems, a division of Stork NV. (now Stork BV.). The acquisition was done through two legal entities, to optimize financing of the acquisition, FD Systems Holding BV. which purchased Stork Food & Dairy Systems BV. and Marel Holding BV. which purchased the remainder of the companies comprising Stork Food Systems. Marel Holding BV. is a subsidiary of Marel Food Systems and FD Systems Holding BV. is a subsidiary of Marel Holding BV.

Following is the structure of the business unit referred to as Stork Food Systems in this Registration Document.

Stork Food Systems has headquarters in Boxmeer in the Netherlands and has about 1,900 employees. Stork Food Systems operations are divided into three reporting units; Poultry, Townsend and Food & Dairy.



1 Stork Titan refers to Stork Titan BV. and Stork Titan Inc.

2 Townsend refers to Stork Townsend Inc. and Stork Townsend BV.

The reporting unit "Poultry" manufactures and develops primary and further processing equipment for poultry, while the reporting unit "Townsend" manufactures and develops secondary and further processing equipment for poultry, pork and beef. Stork Food and Dairy is the third reporting unit of Stork Food Systems and manufactures products for the dairy, juice, food processing and pharmaceutical industries. Marel Food Systems does not consider the activities of Stork Food and Dairy Systems BV. to be a part of its core activities and is considering its options regarding Stork Food & Dairy Systems BV., including the option to sell the operation.

The major business units of Stork Food Systems are:

**Stork PMT BV.:** Founded in 1963. Stork PMT BV. produces primary and secondary poultry processing equipment and systems. Stork PMT BV. has two production facilities in the Netherlands and one production facility in South America. Stork PMT BV. has its main market focus on Europe, Asia, Middle East and on South America.

**Stork Gamco Inc.:** Acquired in 1976. Stork Gamco Inc. produces primary and secondary poultry processing equipment and systems. It has a production facility in the US. Its main market focus is on North America, Central America and parts of South America.

**Stork Titan:** Acquired in 1988. Stork Titan produces further processing equipment and systems (forming, coating, frying, hot air treatment, freezing, cooling & freezing, internal logistics). It has shared production facility in the Netherlands with Stork PMT BV. Its market focus is global.

**Townsend:** Acquired in 2006. Townsend produces secondary and further processing machinery for the red meat market (machines for co-extrusion, sausage making, linking, pork trimming, curing and skinning). Townsend has production facilities in the US and the Netherlands. Its market focus is global.

**Stork France Holding S.A.S.:** Acquired in 2007. Stork France Holding S.A.S. produces further processing machinery for red meat. Its products are complementary to the product portfolio of Townsend.

**Stork Food & Dairy Systems BV.:** Development of systems for food and dairy industry started within Stork NV. (now Stork BV.) in the 1930s, while Stork Food and Dairy Systems BV. was established in 1998. The division was added to the Stork Food Systems in 2006. Stork Food & Dairy Systems BV. manufactures machinery for blow moulding of drink, packaging, sterilization and filling. It has production facilities in The Netherlands and Spain.

The overall turnover of Stork Food Systems in 2007 was EUR 369 million. Turnover of core activities, poultry, meat and further processing, was EUR 298 million and the turnover of Stork Food & Dairy Systems BV. was EUR 71 million. Stork Food Systems' total EBITDA was EUR 36 million, of which EUR 41 million was from core activities, offset by a loss of EUR 5 million from Stork Food & Dairy Systems BV., including restructuring costs of EUR 7.5 million.

In the first quarter of 2008 overall turnover of Stork Food Systems was EUR 94.8 million. The core businesses of Stork Food Systems performed well in the first quarter of 2008 with EUR 81.1 million turnover and sales growth of 15.5%. Total EBITDA was EUR 12.9 million, of which EUR 12.5 million came from core activities.

In the last four years, annual organic growth of Stork Food Systems' core activities has been 14%, driven by strong product development and expansion in emerging markets. Profitability in that period has averaged 10%. In the dairy, juice, food processing and pharmaceutical industries, Stork Food & Dairy Systems BV. has a strong product portfolio in some of the fastest growing segments in the food machinery industry.

**Major benefits of the acquisition**

Together, Marel Food Systems and Stork Food Systems should have the critical mass to enter new markets in Eastern Europe, Asia and South America, where annual growth is expected to be over 7%<sup>2</sup>, while the US and European markets are expected to grow at a 5% rate for the next 5 years.<sup>3</sup>

The larger unit can take advantage of;

- better ability to serve global customers;
- increased efficiency and technology transfer in research and development. Joint efforts in production development for poultry and meat;
- improved balance between protein segments, reducing business risks;
- economies of scale in manufacturing with emphasis on building up manufacturing capacity in emerging markets; and
- increased purchasing power in components, metals and electronics.

The businesses of the two companies are complementary with no overlapping in their product portfolios, which will simplify the upcoming integration process. Marel Food Systems and Stork Food Systems have successfully co-operated in development and manufacturing of systems for the poultry industry, where Stork Food Systems' strength in mechanical design is supported by Marel Food Systems' innovative software and electronics system. Based on this experience, the two companies have a cultural fit. Their previous co-operation will support successful integration and create value for customers.

Synergies can be identified in administration, products and purchases, sales and marketing, product development and new market opportunities can be reached. This can contribute to increases sales and/or cost reductions as indicated in the table below.

IDENTIFICATION OF SYNERGIES				
Administration	Product and purchase	Sales and marketing	New market opportunities	Product development
Benchmark best practice between companies. Better use of capital.	Increased purchasing power . Production plants in Brazil and Slovakia.	Cross selling. Joint efforts in marketing tradeshows.	Stronger access to emerging markets e.g; South America, Eastern Europe and Asia.	Joint efforts in product development for poultry and meat. Increased efficiency and technology transfer.
Cost reductions	Cost reductions	Increased sales & cost reductions	Increased sales	Increased sales

<sup>2</sup> Source: Report "World Food Processing Machinery to 2006" published by the marketing firm, Freedonia Group – Market Research, 767 Beta Drive, Cleveland Ohio, US.

<sup>3</sup> Source: Report "World Food Processing Machinery to 2006" published by the marketing firm, Freedonia Group – Market Research, 767 Beta Drive, Cleveland Ohio, US.

## The Structure of the acquisition

- The purchase price for Stork Food Systems was EUR 415 million on a debt and cash free basis, thereof the purchase price for Stork Food and Dairy Systems BV. was EUR 30 million. Additional transaction costs was EUR 22 million.
- The acquisition is fully funded by proceeds of sales of shares in LME eignarhaldsfélag ehf. (EUR 53 million) as discussed above, equity offering in November 2007 (EUR 30 million) and bond offerings underwritten by Landsbanki and debt financing (EUR 54 million) and secured long-term debt financing (EUR 183 million). The remainder EUR 117 million was financed with a bridge loan facility from Landsbanki. The total net proceeds from the share offering on 5 June 2008 and 6 June 2008 will be used to repay the aforementioned bridge loan facility.

<b>Funding breakdown</b>	
Net proceeds from the sale of LME eignarhaldsfélag ehf.	53,000
Equity issue in November 2007	30,000
Equity issue in June 2008	117,000
<b>Equity</b>	<b>200,000</b>
Bond issue and debt financing	54,000
Long term debt financing	183,000
<b>Debt financing</b>	<b>237,000</b>
<b>Total</b>	<b>437,000</b>

Amounts in thousands of EUR

## 7.2 Pro-forma financial information

The pro forma financial information has been prepared for the purpose of Marel Food Systems' acquisition of Stork Food Systems (the transaction) as discussed in section 7.1 above.

The pro-forma financial information has been prepared for illustrative purposes only, to provide information about how Marel Food Systems' financials would look for the three month period ended 31 March 2008 if Stork Food Systems had been part of Marel Food Systems during the period. The following pro-forma financial information addresses therefore a hypothetical situation and does as a result not represent the Company's actual financial position or results.

In the opinion of the Marel Food Systems' auditors, the pro-forma financial information has been properly compiled on the basis stated and the basis is consistent with accounting policies of the Issuer. The accounting policies adopted in the pro forma financial information are consistent with those of the annual consolidated financial statements for the year ended 31 December 2007, as described in Marel Food Systems' annual financial statements for the year ended 31 December 2007. A report from Marel Food Systems independent auditors, regarding the pro forma financial information, can be found in section 20 of the Registration Document.

### Pro-forma income statement

Following is a pro-forma income statement, prepared by Marel Food Systems' auditors, for the three month period ended 31 March 2008 assuming that Stork Food Systems had been a part of Marel Food Systems during the period.

The unadjusted information for Marel Food Systems is from the income statement of the unreviewed and unaudited interim financial statements of Marel Food Systems for the three month period ended 31 March 2008.

The information for Stork Food Systems core businesses (the reporting units Poultry and Townsend as described in section 7.1 above) and Stork Food & Dairy (the reporting unit Food & Dairy as described in section 7.1 above) are obtained from the management information of Stork BV., the former owner of Stork Food Systems. The management information of Stork BV. is for the three month period ended 31 March 2008 and is neither reviewed nor audited. A subtract of the management information of Stork BV. showing the income statement of Stork Food Systems can be found in section 19 of this Registration Document.

Marel Food Systems adjusted pro-forma income statement (column four, Marel Food Systems – Pro-forma) is formed by adding information for Stork Food Systems core businesses (column two, Stork Food Systems core businesses – Unadjusted) and Stork Food & Dairy (column three, Stork Food Systems food & dairy – Unadjusted) to Marel Food Systems income statement for the three month period ended 31 March 2008 (column one Marel Food Systems – Unadjusted). No adjustments are made to the information obtained from the income statement of Marel Food Systems or the information obtained from the management information of Stork BV.

Financial information in the pro-forma income statement stemming from Stork Food Systems core businesses is expected to have a continuing impact on Marel Food Systems. Marel Food Systems does not consider the activities of Stork Food and Dairy Systems BV. to be a part of its core activities and is considering its options regarding Stork Food & Dairy Systems BV., including the option to sell the operations. Financial information in the pro-forma income statement stemming from Stork Food & Dairy is therefore not expected to have a continuing impact on Marel Food Systems.

Pro-forma Income Statement 1 January – 31 March 2008	Marel Food Systems Unadjusted	Stork Food Systems - core businesses Unadjusted	Stork Food Systems - Food and dairy Unadjusted	Marel Food Systems Pro-forma
Sales .....	74,035	81,120	13,713	168,868
Cost of sales .....	(48,650)	(46,969)	(9,879)	(105,498)
<b>Gross profit .....</b>	<b>25,385</b>	<b>34,151</b>	<b>3,834</b>	<b>63,370</b>
Other operating income .....	306	0	0	306
Selling and marketing expenses .....	(11,508)	(8,556)	(1,881)	(21,945)
Research and development expenses .....	(3,778)	(4,765)	(645)	(9,188)
Other operating cost .....	(8,228)	(10,799)	(1,099)	(20,126)
<b>Profit (loss) from operation .....</b>	<b>2,177</b>	<b>10,031</b>	<b>209</b>	<b>12,417</b>
<b>EBITDA</b>	<b>5,074</b>	<b>12,207</b>	<b>705</b>	<b>17,986</b>

Amounts in EUR thousands

### Pro-forma balance sheet

Following is a pro-forma balance sheet at 31 March 2008, for the merged company of Marel Food Systems and Stork Food Systems, prepared by Marel Food Systems' auditors.

The unadjusted information for Marel Food Systems is from the balance sheet of the unreviewed and unaudited interim financial statements of Marel Food Systems for the three month period ended 31 March 2008.

The information for Stork Food Systems is obtained from the management information of Stork BV., the former owner of Stork Food Systems. The management information of Stork BV. is for the three month period ended 31 March 2008 and is neither reviewed nor audited. A subtract of the management

information of Stork BV. showing the balance sheet of Stork Food Systems as at 31 March 2008 can be found in section 19 of this Registration Document.

The pro-forma balance sheet shows the balance sheet of Marel Food Systems as of 31 March 2008. The unadjusted balance sheet of Stork Food Systems as of 31 March 2008 (column two, Stork Food Systems 31.3.2008 – Unadjusted (1)) is added to the unadjusted balance sheet of Marel Food Systems as of 31 March 2008 (column one, Marel Food Systems – Unadjusted). The adjustments made are twofold, firstly adjustments are made in relation to the financing of the acquisition price of Stork Food Systems (column three, Financing – Adjustments (2)) and secondly other adjustments are made (column four, Goodwill allocation – Adjustments (3)). These adjustments show the allocation of the purchase price on intangible assets and goodwill.

The adjustments related to the pro-forma balance sheet are directly attributable to Marel Food Systems acquisition of Stork Food Systems and factually supportable by the management information of Stork BV. The balance sheet adjustments related to the transaction are made as if the transaction had taken place before 31 March 2008.

Following is a further information on the adjustments:

- The cost of equity, including other costs as a result of the acquisition is EUR 404 million
- Prepayment of deal costs by Marel Food Systems at 31 March 2008 was EUR 7.7 million
- Increase in goodwill (EUR 166.6 million) and other intangible assets (EUR 162.0 million) is based on goodwill allocation analysis made in connection with the acquisition.
- Cash position is reduced by the amount of cash in Marel Food Systems and Stork Food Systems used for payments to Stork BV. and for payment of Stork Food Systems borrowings at 31 March 2008 (EUR 119.4 million).
- Share capital increases by EUR 117.0 million as a result of the offering of new shares in Marel Food Systems. The net increase in share capital is therefore EUR 41.5 million as the share capital of Stork Food Systems prior to the transaction was EUR 75.5 million. The adjustment in share capital is made as if the share offering had taken place before 31 March 2008.
- Borrowings increase by EUR 243.0 million, as a part of the debt financing of the transaction, whereof EUR 80.3 million was used to repay Stork Food Systems' debt and EUR 2.8 million to reduce trade and other payables at closing.

Pro-forma Balance Sheet	Marel Food Systems hf 31/3 2008 Unadjusted	Stork Food Systems 31/3 2008 Unadjusted (1)	Financing Adjustments (2)	Goodwill allocation Adjustments (3)	(1)+(2)+(3)	Marel Food Systems pro-forma Adjusted
<b>ASSETS</b>						
Non-current assets						
Property, plant and equipment .....	69,162	46,375			46,375	115,537
Goodwill .....	98,084	15,996		166,565	182,561	280,645
Other intangible assets .....	22,633	42,270		162,016	204,286	226,919
Investments in associates .....	240		404,042	-404,042	0	240
Available-for-sale investments .....	631				0	631
Receivables .....	684				0	684
Deferred income tax assets .....	1,911				0	1,911
	193,345	104,641	404,042	-75,461	433,222	626,567
Current assets						
Inventories .....	61,993	53,221			53,221	115,214
Production contracts .....	14,063				0	14,063
Trade receivables .....	53,307	51,377			51,377	104,684
Other receivables and prepayments .....	17,517	34,247	-7,700		26,547	44,064
Derivative financial instruments .....	486				0	486
Cash and cash equivalents .....	81,444	48,938	-119,382		-70,444	11,000
	228,810	187,783	-127,082	0	60,701	289,511
<b>Total assets</b>	<b>422,155</b>	<b>292,424</b>	<b>276,960</b>	<b>-75,461</b>	<b>493,923</b>	<b>916,078</b>
<b>EQUITY</b>						
Capital and reserves attributable to equity holders of the Company						
Equity	176,909	75,461	117,000	-75,461	117,000	293,909
Minority interest	55	228			228	283
<b>Total equity</b>	<b>176,964</b>	<b>75,689</b>	<b>117,000</b>	<b>-75,461</b>	<b>117,228</b>	<b>294,192</b>
<b>LIABILITIES</b>						
Non-current liabilities						
Borrowings .....	99,918		243,000		243,000	342,918
Deferred income tax liabilities .....	5,843				0	5,843
Provision .....	11				0	11
Derivative financial instruments .....	17,654				0	17,654
Other non-current liabilities .....	0	4,020			4,020	4,020
	123,426	4,020	243,000	0	247,020	370,446
Current liabilities						
Trade and other payables .....	68,443	119,713	-2,708		117,005	185,448
Derivative financial instruments .....	3,105				0	3,105
Current income tax liabilities .....	929				0	929
Borrowings .....	45,684	80,755	-80,332		423	46,107
Provisions .....	3,604	12,247			12,247	15,851
	121,765	212,715	-83,040	0	129,675	251,440
<b>Total liabilities</b>	<b>245,191</b>	<b>216,735</b>	<b>159,960</b>	<b>0</b>	<b>376,695</b>	<b>621,886</b>
<b>Total equity and liabilities</b>	<b>422,155</b>	<b>292,424</b>	<b>276,960</b>	<b>-75,461</b>	<b>493,923</b>	<b>916,078</b>

Amounts in EUR thousands

### 7.3 Investments in tangible fixed assets

At 31 March 2008 Marel Food Systems' tangible fixed assets amounted to EUR 69.2 million. Tangible fixed assets were divided by land and buildings EUR 51.6 million, plant and equipment EUR 9.1 million and vehicles and other equipment EUR 8.5 million. The group has made some rental agreements for building, motor vehicles and office equipment, with the remaining balance of EUR 8.0 million at 31 March 2008 compared to EUR 10.5 million at year-end 2007. The amount will be changed at the relevant rental time of each agreement. The rental agreements will materialise in the years 2008-2016.



## 7.4 Future investments

Marel Food Systems does not expect to enter into large-scale acquisitions for the time being. Full focus is now expected to be directed toward capturing synergies and increasing profits.

# 8 Organizational structure

Marel Food Systems is divided into 5 business units and 24 sales and service units. The business units within Marel Food Systems are decentralised profit centres that drive product development, manufacturing and sales and services. The business units are subsidiaries of Marel Food Systems as described in the table on the next page. Marel Food Systems' business units are:

- Marel Food Systems Iceland and Denmark – legally Marel ehf. and Scanvaegt International A/S
- Carnitech – legally Carnitech A/S
- AEW Delford – legally AEW Delford Systems Ltd.
- Marel Food Systems Slovakia – legally Marel Food Systems s.r.o.
- Stork Food Systems – legally Marel Holding B.V.

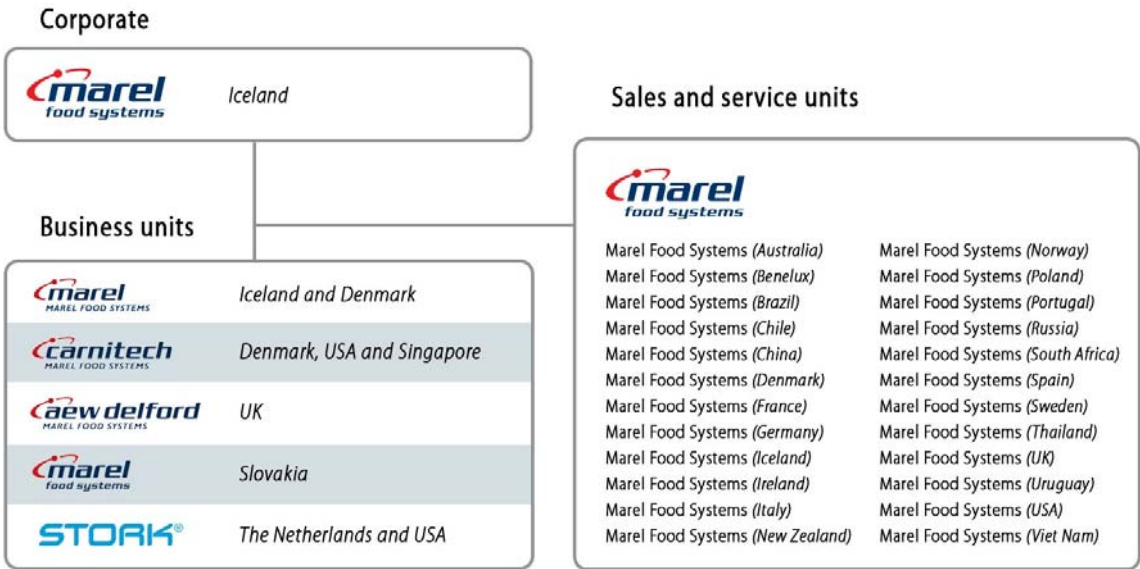
As indicated above Marel ehf. and Scanvaegt Internationa A/S have operationally been merged. In the first quarter of 2009 it is also planned to operationally merge AEW Delford Systems Ltd. and Carnitech A/S.

The sales and service units are set up for handling sales and service of Marel Food Systems' products worldwide and are strategically placed worldwide in order for Marel Food Systems to offer its products worldwide. The sales and service units total 24, thereof 14 are subsidiaries of Marel Food Systems and 10 are subsidiaries of Marel Food Systems subsidiaries.

The main functions of Marel Food Systems' parent company are:

- Finance, tax, investor relations and legal;
- Policy and influencing roles, business development, strategy process and controlling process;
- Service units; training, IT support, trademarks and patents.

The key challenges of the parent company is to maintain the drive within the business units, i.e. motivate employees, maintain the performance of the sales network and contribute to balance between coordination and centralizing.



The accompanying table shows Marel Food Systems' subsidiaries. The table shows the connection between the subsidiaries and the business units of Marel Food Systems. Voting rights are in accordance with Marel Food Systems' shareholdings, which are in all cases 100%. Subsidiaries listed below do in some instances have subsidiaries.

Name	Country of incorporation	Business unit
AEW Delford Systems Ltd.	UK	AEW Delford
Carnitech A/S	Denmark	Carnitech
Marel ehf.	Iceland	Marel Food Systems Iceland and Denmark
Scanvaegt International A/S	Denmark	Marel Food Systems Iceland and Denmark
Marel Holding BV.	Netherlands	Stork Food Systems
Marel Food Systems s.r.o.	Slovakia	Marel Food Systems Slovakia
Marel Equipment Ltd.	Canada	-
Marel Food Systems A/S	Denmark	Sales and service
Marel Food Systems A/S	Norway	Sales and service
Marel Food Systems BV.	Netherlands	Sales and service
Marel Food Systems GmbH & Co. KG	Germany	Sales and service
Marel Food Systems Inc.	USA	Sales and service
Marel Food Systems LLC.	Russia	Sales and service
Marel Food Systems Ltd.	Ireland	Sales and service
Marel Food Systems Ltd.	Thailand	Sales and service
Marel Food Systems Ltd.	UK	Sales and service
Marel Food Systems Pty. Ltd.	Australia	Sales and service
Marel Food Systems SA.	Chile	Sales and service
Marel Food Systems SL.	Spain	Sales and service
Marel Food Systems S.r.l.	Italy	Sales and service
Marel Food Systems SP z.o.o.	Poland	Sales and service












# 9 Business overview

Marel Food Systems develops high-tech processing equipment to fit current, emerging and projected needs of the three main segments of the food processing industry: poultry, fish and meat. These segments are considered being the Company's core activities. Marel Food Systems offers solutions for numerous aspects of processing, that is primary processing, secondary processing and further processing. The acquisition of Stork Food Systems strengthens the group's position in primary processing of poultry and further processing of poultry and meat.

Marel Food Systems also offers solutions for cheese processing, liquid food products and prepared foods. These segments are however not part of the Company's core activities.

Equipment and software components created and serviced by Marel Food Systems help food processors to operate at peak productivity. Marel Food Systems manufactures equipment solutions ranging from harvesting raw materials to packaging case-ready products, from standardized stand-alone units to all-inclusive custom-designed turnkey solutions. The group's equipment and software components are designed to provide customers with integrated solutions from a single, reliable source. Marel Food Systems works side-by-side with customers to extend the boundaries of food-processing possibilities.

Marel Food Systems focuses on three pillars in its operations; research and development, manufacturing and sales and service.

RESEARCH & DEVELOPMENT – MANUFACTURING – SALES & SERVICES			
	PRIMARY PROCESSING	SECONDARY PROCESSING	FURTHER PROCESSING
 <b>POULTRY</b>			
 <b>MEAT</b>			
 <b>FISH</b>			
	<b>PRIMARY PROCESSING INVOLVES E.G.:</b>	<b>SECONDARY PROCESSING INVOLVES E.G.:</b>	<b>FURTHER PROCESSING INVOLVES E.G.:</b>
	<ul style="list-style-type: none"> <li>Live bird handling</li> <li>Stunning</li> <li>Killing &amp; de-feathering/heading</li> <li>Evisceration</li> <li>Trimming &amp; skinning</li> <li>Chilling</li> <li>Overhead grading &amp; distribution</li> <li>Cut-up / filleting</li> <li>Deboning / pin-boning</li> </ul>	<ul style="list-style-type: none"> <li>Software</li> <li>Batching &amp; belt grading</li> <li>Packaging solutions</li> <li>Production systems</li> <li>Portioning / slicing</li> <li>Vision &amp; inspection systems</li> <li>Weighing</li> <li>Deboning</li> <li>Mixing &amp; grinding</li> </ul>	<ul style="list-style-type: none"> <li>Forming</li> <li>Coating</li> <li>Frying</li> <li>Sausage making</li> <li>Meat harvesting</li> <li>Skinning</li> <li>Curing &amp; marinating</li> </ul>

## Research and development

Marel Food Systems manages strong research and development teams that focus on using new and existing technologies to create innovative solutions to current and emerging manufacturing opportunities. The research and development strategy is supported by an annual investment in

innovation of 5–7% of revenue. Marel Food Systems considers its qualified researchers and technicians, a good working relationship with large customers/players in the food processing industry and a pioneering mindset to be the key to the group's successful product development.

In 2007, the focus of the Company's activities was on innovation and product development. Return on innovation was chosen as the Company's theme to highlight the role of innovation in creating value for customers. Emphasis on standardized, best-quality products and solutions has continued, contributing considerably to increased efficiency and lower manufacturing costs. Marel Food Systems concentrates on best serving its customers by working with them in close cooperation in developing market-focused products. This has translated into what the Company considers to be its greatest strength, its capability to respond quickly to emerging needs.

Marel Food Systems marketed 30 new and improved products during 2007 compared to 11 in 2006 and 10 in 2005. In 2007, Stork Food Systems marketed more than 40 new and improved products. More than 500 employees of Marel Food Systems work in product development.

The combined Company of Marel Food Systems and Stork Food Systems will continue its growth strategy as an important innovator in the food processing industry with strong focus on research and development. The acquisition increases efficiencies in terms of design and organisation of the manufacturing process, including a better ability to custom design products to suit specific customer needs.

In January 2008, Marel Food Systems announced Innova, a new software application designed for intelligent manufacturing control. Innova is aimed to be the unified software solution for all Marel Food Systems' machinery. With the group's broad-based knowledge and long-time expertise, Innova has the potential to become the industry standard in the food processing sector.

Marel Food Systems employs a highly qualified team of researchers and technicians. Their primary task is to increase knowledge of new technologies to strengthen the Company's technological base. This research work is a complement to product development, which continues to play a key role in the Company's operations.

Marel Food Systems maintains strong connections with the scientific community by participating in international research projects, welcoming research guests, and by providing researchers with facilities for special projects that are applicable to the group's operational fields.

### *Patents and trademarks*

Marel Food Systems operates in a highly competitive, international arena where companies place great emphasis on protecting their proprietary rights. Patent protection is vital to Marel Food Systems, as its value and strong position are to a large degree built on technological innovation and employee experience. The group's investments are primarily in the knowledge and expertise of its employees. For this reason, the group is very involved in protecting the proprietary rights of its product development activities.

Marel Food Systems has a dynamic product development operation that is on the leading edge in its field, and works consistently on protecting its intellectual property with patents. Marel Food Systems evaluates the possibility of applying for patents for all of its product development projects according to the group's guidelines that are based upon the ISO-9001 certified product-development process which is fully implemented in Marel ehf. and in AEW Delford.

The strategy for application for product patents is to ensure Marel Food Systems' position as a leading company in developing high-tech solutions for the food-processing industry. Marel Food Systems has clear goals to protect all of its intellectual property and solutions created through research and development work within the group. This protection is ensured by application for number of patents on equipment annually.

After the acquisition of Stork Food Systems, Marel Food Systems has over 60 registered trademarks globally, and close to 1200 patents issued in about 25 countries.

## **Manufacturing**

Marel Food Systems offers a very diverse range of products, intended to span the poultry, fish and meat industries in many countries. Equipment is designed to withstand wet, harsh environments, and meet the stringent demands of the food processing industry and international regulations regarding materials, hygiene, safety and utilization.

Marel Food Systems has implemented Lean Manufacturing methods in its production processes. and has increased rationalization in recent years. Most of Marel Food Systems' products are manufactured in Iceland, Denmark, the Netherlands, Slovakia, the US and the UK. Smaller manufacturing facilities are operated in Singapore, Brazil and France.

A new factory facility in Nitra, Slovakia, was completed in March 2008. Although manufacturing growth will primarily occur in Slovakia and Brazil, manufacturing and development in Iceland and the Netherlands will continue to be an important part of operations. New equipment, specialized solutions and larger systems will be constructed in Iceland and the Netherlands, while growth in Slovakia and ultimately in Brazil will mainly be in manufacturing components and standardized products.

About 2,500 employees work in manufacturing in Marel Food Systems.

## **Sales and services**

Marel Food Systems operates a global network of sales and service units. In 2007, there was a structural integration of the sales and service companies within the group. The number of sales and service units was reduced from 35 to 24 and a number of agents and distributor contacts were closed. However, main share of Stork Food Systems' sales of processing equipment to customers worldwide originates from its manufacturing facilities in the Netherlands and the US.

The Company employs more than 1,000 sales personnel and consultants, who sell and service the group's products around the world.

Co-operation with customers is a key part of developing new solutions and Marel Food Systems is continually following new trends and demands for each and every processing stage. Marel Food Systems' customers must always be prepared to react to changes in its customer requirements and Marel Food Systems focuses on following these developments. Marel Food Systems' program Partners in Processing was created to ensure utilization of all solutions offered by the group, thereby best serving customer needs.

The Company's internationally known brand names, AEW Delford, Carnitech, Dantech, Marel, Scanvaegt, Stork and Townsend, along with a global network of sales and service units have become a benchmark for consistent reliability and service.

Marel Food Systems has customers all over the world and places great emphasis on providing services as close to them as possible. The group also focuses on strengthening the technical and specialized knowledge within subsidiaries and with their partners.

In recent years, the Company's service capacity has been greatly improved. Marel Food Systems offers various service plans that are tailored to the needs of each customer. On offer are three different service levels with the flexibility within to ensure that the best possible solution is always provided.

Choices can range from basic equipment service to extensive consultancy and preventative maintenance. Service agreement contracts ensure minimum downtime, up-to-date training and maintenance, and first-class processing consultancy, all focused on giving Marel Food Systems' customers exactly what they need.

The agreements offer processing consultancy, as well as direct access to service and follow-up, that ensure the best operation achievable. Marel Food Systems' specialists make sure that equipment, training and software systems are always up-to-date. Knowledgeable, reliable technicians and specialists are on call for preventive maintenance, processing consultation, in-depth customer training seminars, spare parts handling and inventory, as well as remote online servicing and monitoring.

## 9.1 Principal markets

Marel Food Systems' key markets are in North America and Northern Europe and in 2007, the Company continued to reinforce operations in these areas. The group's presence in South America increased significantly after the merger with Scanvaegt in August 2006 and Stork Food Systems in May 2008 when additionally, the position in North America was strengthened significantly.

With the acquisition of Stork Food Systems, Marel Food Systems has reached the critical size to be able to enter more strongly into new markets in Asia, Eastern Europe and Australia as well as being strongly positioned in South America.

Marel Food Systems has prioritized Eastern and Central Europe and South America as target markets and increased focus will be put on Asia. Existing sales and service units have been strengthened in Europe and in 2008, a new sales and service unit will open in Romania, a partnership is being entered into in Ukraine and sales in Russia have increased.

In recent years, both Marel Food Systems and Stork Food Systems have grown at a rate faster than the market and this trend is expected to continue for the combined companies. The primary dynamic in the group's growth is twofold. On the one hand, focus on product development delivering new and often revolutionary products to the market; on the other, the group has successfully entered new markets with robust sales and marketing activities around the world.

Changes in eating habits (e.g. reduced time spent on cooking at home and greatly increased popularity of fast-food and ready-made meals) have also supported the group's recent growth. These and other retail-oriented trends have underlined the need to optimize yield and monitor manufacturing flow, as well as effectively track products from source to consumer. This has created a myriad of new possibilities and opportunities for Marel Food Systems, as the industry is expected to continue investing in new processing solutions that focus on these trends.

Worldwide sales of equipment and systems in the fish, meat and poultry industries are projected at about EUR 3,500 million in 2007 according to Freedonia<sup>4</sup>. The market is built around a large number of companies with no one company having dominant market share. Through the acquisition of Stork Food Systems, Marel Food Systems has achieved its goals set out in February 2006 and has now about 15-16% market share.<sup>5</sup>

Marel Food Systems' revenues are primarily originated outside of Iceland. The following table shows geographic breakdown of the Company's revenues.

Geographic breakdown of revenues	2008 Q1	2007	2006	2005
Iceland	1.2%	0.8%	2.3%	4.0%
Europe, other	75.7%	74.0%	69.7%	57.0%
North America	17.2%	19.4%	22.0%	29.0%
Other countries	5.9%	5.8%	6.0%	10.0%

There is considerable competition in selling equipment to the food processing industry. Few companies offer total solutions and competition is mainly in specific components, for example scales, graders and portioning machines. In addition to these companies, numerous others serve the same markets as Marel Food Systems, but in general, they offer a more limited product mix and operate in a more limited marketing area than Marel Food Systems.

The market for equipment and systems in the fish, meat and poultry industries are expected to grow at a 5% rate<sup>6</sup> for the next five years with emerging markets, South America, Eastern Europe and Asia, growing at an even faster rate of 7%<sup>7</sup>, which will create opportunities for Marel Food Systems to optimize manufacturing capacity and technological efficiency.

In recent years, sales to individual industrial sectors served by Marel Food Systems (i.e. the fish, meat and poultry industries) have fluctuated. The following table shows the revenues of the group's three main business segments. Other operations comprise the sale of manufacturing services, which are not part of Marel Food Systems core operations.

Segment breakdown of revenues	2008 Q1	2007	2006	2005
Fish	25%	33%	40%	45%
Meat	34%	33%	28%	33%
Poultry	32%	27%	21%	19%
Other	9%	7%	11%	3%

Seafood is the most expensive protein source in the world. To remain competitive, seafood processors require solutions that ensure good handling, superior automation and yield control and enhanced monitoring of yield and processing.

<sup>4</sup> Source: Report "World Food Processing Machinery to 2006" published by the marketing firm, Freedonia Group – Market Research, 767 Beta Drive, Cleveland Ohio, US.

<sup>5</sup> Source: Report "World Food Processing Machinery to 2006" published by the marketing firm, Freedonia Group – Market Research, 767 Beta Drive, Cleveland Ohio, US. Based on numbers from the Freedonia Group on the size of the market and Marel Food Systems' forecasted revenues in 2008 as discussed in section 10.3.

<sup>6</sup> Source: Report "World Food Processing Machinery to 2006" published by the marketing firm, Freedonia Group – Market Research, 767 Beta Drive, Cleveland Ohio, US.

<sup>7</sup> Source: Report "World Food Processing Machinery to 2006" published by the marketing firm, Freedonia Group – Market Research, 767 Beta Drive, Cleveland Ohio, US.



Higher grain prices are hitting the meat industry harder than other protein industries. This calls for further measures to optimize meat manufacturing and could in the short term affect sales of Marel Food Systems, although in the long-term, it may create good opportunities.

Poultry is the fastest growing protein industry in the world and has the most economical feed conversion ratio (2 kg of feed provide 1 kg. of protein). The poultry industry will play a major role for Marel Food Systems, both in established and emerging markets.

The group's ability to provide large-scale turnkey solutions has helped it maintain and strengthen its position in an industry where intense global competition focuses on the need to improve efficiency and yield while reducing giveaway.

## 10 Outlook and future vision

### 10.1 Growth strategy

In February 2006, Marel Food Systems presented a vision of external and internal growth. The first phase focused on implementing strong external expansion through strategic acquisitions/mergers of two to four key companies with good growth potential and strong integration compatibilities with Marel Food Systems. The aim was to attain a 15-17% market share and a annual turnover of EUR 400-500 million in 2008-2010. The second phase focused on strong internal growth by developing best products and services, with the aim of achieving an annual turnover of EUR 1,000 million by 2015.

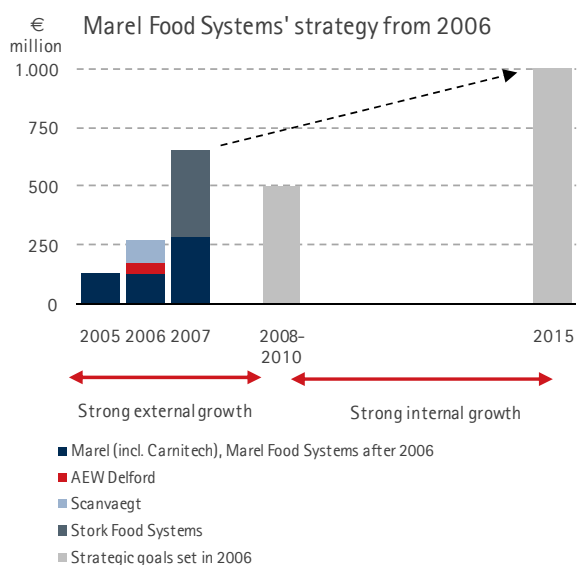
The purchase of AEW Delford and Scanvaegt in 2006 quickly brought the Company close to the goal of phase one. With the acquisition of Stork Food Systems, the goal of tripling annual turnover has been exceeded in a much shorter timeframe: revenues of core activities for 2008 are projected EUR 650 million, or a fivefold increase from Marel Food Systems' turnover in 2005. Marel Food Systems' projected market share today, including Stork Food Systems, is approximately 15-16%<sup>8</sup>.

In phase two, the focus shifts to strong internal growth by developing the following key market dimensions: industries, geographical markets, products and solutions, service and spare parts. The critical mass is now in place to further expand in emerging markets in Eastern Europe, Asia and South America, where the annual growth rate is expected to be 7%<sup>9</sup> over the next five years.

Through these growth processes, Marel Food Systems' goals of phase one have been achieved and Marel Food Systems does not foresee that it will enter into other large-scale acquisitions for the time being. Full focus is now expected to be directed toward capturing synergies and increasing profits. The Executive Board of Marel Food Systems expects that it will be able to achieve the Company's goal of EUR 1,000 million in annual turnover over the next seven years with internal growth.

### 10.2 Prospects

Intensive product development and ongoing work over the years to bolster the Company's marketing operations have placed it in a strong competitive position. Prospects on the Company's primary markets are currently satisfactory.



<sup>8</sup> Source: Report "World Food Processing Machinery to 2006" published by the marketing firm, Freedonia Group – Market Research, 767 Beta Drive, Cleveland Ohio, US. Based on numbers from the report on the size of the market and Marel Food Systems' forecasted revenues in 2008 as discussed in section 10.3.

<sup>9</sup> Source: Report "World Food Processing Machinery to 2006" published by the marketing firm, Freedonia Group – Market Research, 767 Beta Drive, Cleveland Ohio, US.

Prospects for the Company's operations are good. The consolidation of Marel ehf., Carnitech, AEW Delford and Scanvaegt has created a Company with a broad product range, strong marketing network, outstanding service network and a highly competitive position in various product categories. The economy of scale of the Company after the acquisition of Stork Food Systems is considerable, including increased sales and cross-selling.

A large part of the integration process has returned the intended results, but it is apparent that several tasks have had a negative impact, affecting both operational units in the sales network and product categories. Work is in progress to restructure these tasks and thereby ensure satisfactory results.

### Integration activities

The integration of AEW Delford and Scanvaegt with Marel Food Systems was an extensive element in the Company's operations during 2007. The task addresses all elements of the companies' operations and is expected to conclude in 2008.

Integrating the sales and marketing networks of AEW Delford and Scanvaegt was mostly concluded in the first half of 2007, but some time is required for a new organizational structure to become effective. About 80% of the sales and service units have achieved significant rationalization and increased productivity, while about 20% of them have not achieved the intended results, and in some cases productivity and contribution margin have declined significantly. Those companies that have not lived up to expectations are being restructured.

In the middle of 2007, work began on integrating the product lines of AEW Delford and Scanvaegt and product development. This work is expected to take about 12-18 months, and will lead to significant cost reductions while increasing the supply of new products.

One-time expenses connected with integrating AEW Delford and Scanvaegt totalled about EUR 5 million in 2007, which is in addition to the EUR 4 million expense in 2006. The effect of rationalization measures are expected to increase the Company's annual operational profit by about EUR 15 million in 2008.

The integration of Stork Food Systems and Marel Food Systems is quite different from the integration of AEW Delford and Scanvaegt. As Stork Food Systems will be operated independently from Marel Food Systems integration will be smooth. Disentanglement from Stork BV. requires also minimal efforts as Stork Food Systems has been operating on a separate divisional basis within Stork BV.

There is also no overlapping in the companies' product mix and therefore one-time costs during integration are expected to be minimal. The company cultures are similar and the companies have worked in close cooperation for almost ten years. Initially, efforts will focus on achieving synergistic effects through combined information systems, purchasing, production and marketing activities. Stork Food Systems' integration is discussed in section 7.1 of this Registration Document.

The business units Scanvaegt and Marel Food Systems Iceland (Marel ehf.) were combined operationally in March 2008 to form the business unit Marel Food Systems Iceland and Denmark. In the first quarter of 2009, it is planned to operationally combine AEW Delford and Carnitech. 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 should create opportunities and reduce fixed costs (without adversely impacting the Company's future revenue creation) and increase economy of scale.

## Restructuring of Marel Food Systems

The following actions have already been taken or will be taken in the upcoming quarters in order to increase Marel Food Systems' performance:

- The aforementioned operational combination of the business units Scanvaegt and Marel Food Systems Iceland and the expected combination of the business units AEW Delford and Carnitech. Reduction of employees by 110 in the second quarter of 2008 and the merger of all marketing activities. This is expected to contribute to EUR 4.5 million in increased EBIT in 2008 and a lower cost of EUR 8-9 million on annual basis.
- Price list increases to compensate for increased cost of raw materials in the fourth quarter of 2007. Overlapping product lines are being merged and a new factory in Slovakia has been opened. This is expected to contribute to EUR 3.0 million in increased EBIT in 2008.
- Reorganisation of sales and service units was completed in 2007 with the merger of sales and service units in all markets. This is expected to contribute to EUR 5.0 million in increased EBIT in 2008.

### 10.3 Forecast for 2008

Continued strong internal growth is anticipated in 2008. Primary emphasis will be on improved profitability and dynamic internal growth based on product development and marketing activities in emerging markets.

On 6 May 2008 Marel Food Systems published a forecast for revenues and operating profit (EBIT) in 2008. This forecast is based on the assumption that Stork Food Systems is a part of Marel Food Systems from 1 January 2008. Stork Food Systems however entered Marel Food Systems accounts on 9 May 2009 and the final results for the year 2008 will as a result differ from the forecast. Marel Food Systems publishes its forecast in this way in order to show effects of Stork Food Systems on Marel Food Systems accounts for a full financial year and make a comparable basis for the merged Company of Marel Food Systems and Stork Food Systems going forward.

Revenues of Marel Food Systems' core businesses in 2008 are forecasted at EUR 650 million. Combined turnover of the core businesses (poultry, meat and fish processing) of Marel Food Systems and Stork Food Systems in 2007 was EUR 588 million. Marel Food Systems therefore bases its forecast on the assumption of 10% growth in revenues. This is above the average expected growth (5-7%) on the market for equipment and systems in the poultry, meat and fish industries, as discussed in section 9.1 of this Registration Document. However, both Marel Food Systems and Stork Food Systems have in recent years grown at a faster rate than the market. Additionally, focus will be increased on the fast growing emerging markets such as South America and Asia. In light of this, Marel Food Systems believes the Company will achieve its goal of 10% growth in revenues in 2008.

Operating profit (EBIT) is based on the assumption that EBIT will be 9% of forecasted revenues for the year 2008 or EUR 59 million. Combined EBIT of the core businesses (poultry, meat and fish) of Marel Food Systems and Stork Food Systems in 2007 was EUR 41 million and the forecast is therefore based on EUR 18 million increase in EBIT between 2007 and 2008. Integration activities, described in section 10.2 above, are expected to contribute EUR 12.5 million to increased EBIT and the remainder, EUR 5.5 million is expected to be contributed from increased revenues of Marel Food Systems. The integration activities are expected to be felt in the second half of 2008, however during the first half of 2008, the projected EBIT will be somewhat less than for the year as a whole.

In constructing the forecast, the same accounting policies have been applied as when constructing Marel Food Systems' financial statements. In preparing the forecast, targets are set for each unit comprising Marel Food Systems, for example regarding internal growth in revenues and EBIT.

The forecast does not take into account any assumptions of factors which members of Marel Food Systems' Board of Directors or management cannot influence or is outside of their influence, e.g. potential significant fluctuations in currencies that could be important to the Company or any significant changes in the economic environment or in the competitive environment of Marel Food Systems.

In the opinion of the Company's independent auditors, the forecast has been properly compiled on the basis stated and the basis of accounting used for the profit forecast is consistent with Marel Food Systems' accounting policies. A report from the Company's independent auditors can be found in section 21 of this Registration Document.

## 10.4 Future outlook

The food processing industry is and is expected to continue to be involved in a process of further integration and concentration leading to large multinational companies with operations in various countries of the world. These companies, Marel Food Systems' customers, are increasingly expanding their activities into South America, Eastern Europe and Asia and expect Marel Food Systems to follow them to such countries.

One of the most important rationales behind the acquisition of Stork Food Systems is to increase the size of the group in order to be better able to penetrate emerging markets in South America, Eastern Europe and Asia, which are assessed to have a significant growth potential and where the costs and risks of entering are significant.

The food processing industry demands a vast array of equipment and components from various suppliers. Today, more than any other manufacturer, Marel Food Systems has the possibility of offering a broader scale of products, to the food processing industry. Consequently, the Company will be in a better position to respond to customers' requirements. The acquisition of Stork Food Systems gives Marel Food Systems in particular the opportunity to service customers in regions where Marel Food Systems has not previously focused its activities.

Further, the acquisition of Stork Food Systems increases efficiencies in terms of design and organisation of the manufacturing process, including better ability to custom design products to specific customer needs. Current high marketing costs, with significant expenditures related to trade fairs, travelling etc., are expected to be reduced with the acquisition of Stork Food Systems.

Food processors will benefit in the future from Marel Food Systems being a large multinational company, not only because of competitive pricing, but also because it will lead to optimized technological innovation and products that will enhance their productivity and help them maintain the highest food-safety, traceability and quality standards.

### Financial objectives

Marel Food Systems' financial objectives going forward are:

- Achieving least a 10% operating profit (EBIT), this is expected to be reached in 2009.
- That maintenance capital expenditure will be 4-6% of revenues. This is based on 6-12% growth in revenues. Capital expenditures are however, highly dependent on growth.

## 11 Performance and balance sheet

The financial statements of Marel Food System comprise the consolidated accounts of the parent company and subsidiaries, which numbered 17 at the end of March 2008.

Subsidiaries are those companies that Marel Food System controls. Financial statements of the subsidiaries are included in the group's consolidated financial statements from the time control is acquired until it ceases. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated from group accounting.

The period of historical financial information addresses the financial statements for 2007, 2006, 2005 and the first three months of 2008 and 2007. The annual financial statements for 2007, 2006 and 2005 have been audited by Marel Food Systems' Statutory Auditors without remarks. The interim financial statements for the first three months of 2008 and 2007 were not reviewed or audited by Marel Food Systems' Statutory Auditors. Marel Food Systems' reporting currency is EUR.

### 11.1 Significant changes from the latest financial statement

In November 2007, Marel Food Systems signed an agreement to acquire the Stork Food Systems division of Stork NV.(now Stork BV.). The acquisition price is EUR 415 million on a debt and cash free basis and with additional transaction costs estimated at EUR 22 million. The acquisition is fully funded by proceeds of sale of shares in LME eignarhaldsfélag ehf. (EUR 53 million), an equity offering underwritten by Landsbanki (EUR 147 million, EUR 30 million sold in an equity offering in November 2007 and EUR 117 million will be sold in an equity offering on 5 and 6 June 2008,), secured long-term debt financing (EUR 183 million) and a bond offering and debt financing (EUR 54 million).

The transaction closure, which was subject to clearance from anti-trust authorities, took place at 8 May 2008 and Stork Food Systems was handed over to Marel Food Systems at that date and was therefore entered into Marel Food Systems' accounts on 8 May 2008. A clearance form anti-trust authorities was received on 21 April 2008.

The bond offering took place on 22 and 23 May and has been successfully completed. Bonds amounting to ISK 6 billion (EUR 52 million) were sold in the bond offering. The bonds were issued on 20 May 2008 and interest is paid simultaneously with amortisation which is in one year time. No benefits are attached to the bonds and no third party guarantees or securities attached to the bonds.

The long-term debt financing amounting to ISK 183 million, which is part of the financing of Stork Food Systems as discussed above, has average maturity of 7 years.

Apart from the above no significant changes have occurred in the trading and financial position of Marel Food Systems since the end of the last interim financial period on 31 March 2008.

## 11.2 Operating results

Income Statement	2008	2007	2007	2006	2005
	1.1.-31.3.	1.1.-31.3.	1.1.-31.12.	1.1.-31.12.	1.1.-31.12.
Sales .....	74,035	72,244	289,817	208,700	129,039
Cost of sales .....	(48,650)	(46,821)	(192,581)	(139,897)	(85,414)
Gross profit .....	25,385	25,423	97,236	68,803	43,625
Other operating income .....	306	375	1,203	1,722	1,052
Selling and marketing expenses .....	(11,508)	(10,508)	(44,829)	(29,085)	(15,937)
Research and development expenses .....	(3,778)	(3,641)	(14,631)	(11,744)	(7,828)
Administrative expenses .....	(8,228)	(8,406)	(28,950)	(22,169)	(11,191)
Profit from operations .....	2,177	3,243	10,029	7,527	9,721
Finance costs - net .....	(1,177)	(1,168)	(7,091)	(5,026)	(2,639)
Share of results of associates .....	473	(285)	4,602	(1,449)	0
Profit before income tax .....	1,473	1,790	7,540	1,052	7,082
Income tax expense .....	(734)	(781)	(1,474)	(893)	(1,367)
Profit for the period .....	739	1,009	6,066	159	5,715
Attributable to:					
Equity holders of the Company .....	730	1,006	6,065	146	5,715
Minority interest .....	9	3	1	13	0
	739	1,009	6,066	159	5,715

Amounts in thousands of EUR

Earnings per share for profit attributable to equity holders of the company during the period (expressed in EUR cents per share)					
- basic	0.19	0.27	1.65	0.05	2.42
- diluted	0.18	0.26	1.64	0.05	2.38

## 11.3 Performance in the first three months of 2008 and 2007

Sales in the first quarter of 2008 totalled EUR 74.0 million, compared to EUR 72.2 million the previous year. Sales have therefore increased by about 2.5%.

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

Operating expenses other than cost of goods sold totalled EUR 23.5 million, and were 31.8% of sales compared to 31.2% of sales the previous year. Sales and marketing expenses were EUR 11.5 million or 15.5% of sales compared to 14.5% of sales in 2007. This is about 9.5% higher than last year, the increase is partly due to increased sales but also due to more emphasis on sales and marketing in the Company. 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 to 5.0% the previous year. Administrative expenses were EUR 8.2 million compared to 8.4 million the previous year, or a decrease of about 2.4%, which may be attributed to one-time expenses in 2007. The one-time expenses in 2007 are connected with the integration of AEW Delford and Scanvaegt.

Profit from operations (EBIT) was EUR 2.2 million or 2.9% of sales, compared to 4.5% in 2007. Excluding one-time expenses in the first quarter of 2007, profit from operations totalled 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 eignarhaldsfélag ehf. in the Dutch company Stork NV. (now Stork BV.). LME

eignarhaldsfélag ehf.'s share in Stork NV.(now Stork BV.) 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 to EUR 1.0 million the year before.

## 11.4 Performance in 2007, 2006 and 2005

Sales in 2007 were EUR 289.8 million, compared to EUR 208.7 million in 2006 and EUR 129.0 in 2005, which is an increase of 39% between 2006 and 2007 and an increase of 62% between 2005 and 2006. This growth is partially external, due to the acquisition of AEW Delford in the UK, which began influencing Marel Food Systems' consolidated financial statements from 7 April 2006 and Scanvaegt in Denmark which began influencing Marel Food Systems' consolidated financial statements from 4 August 2006.

Organic growth in 2007 was about 4.5% and without the impact of AEW Delford, Scanvaegt and Dantech, would have remained virtually unchanged in 2006.

The following table depicts how the group's revenue for 2007, 2006 and 2005 are divided into three main sectors: fish, poultry and meat. The group's other operations do not belong to the aforementioned sectors, and involve sales of services regarding manufacturing, which do not constitute a significant part of operations. The latter are placed under the item "other" in the table.

Segment information	Fish	Poultry	Meat	Other	Group
<b>2005</b>					
Total gross segment sales	60,637	31,937	51,947	26,097	170,618
Inter-segment sales	(2,007)	(7,081)	(9,341)	(23,150)	(41,579)
<b>Sales</b>	<b>58,630</b>	<b>24,856</b>	<b>42,606</b>	<b>2,947</b>	<b>129,039</b>
Relative segmentation	45%	19%	33%	2%	
<b>2006</b>					
Total gross segment sales	86,842	57,320	62,069	43,282	249,513
Inter-segment sales	(3,432)	(13,358)	(3,713)	(20,310)	(40,813)
<b>Sales</b>	<b>83,410</b>	<b>43,962</b>	<b>58,356</b>	<b>22,972</b>	<b>208,700</b>
Relative segmentation	40%	21%	28%	11%	
<b>2007</b>					
Total gross segment sales	111,022	88,014	102,958	69,647	371,641
Inter-segment sales	(14,419)	(11,072)	(8,643)	(47,690)	(81,824)
<b>Sales</b>	<b>96,603</b>	<b>76,942</b>	<b>94,315</b>	<b>21,957</b>	<b>289,817</b>
Relative segmentation	33%	27%	33%	7%	
Sales in Q1 2007	20,342	19,898	17,254	14,750	72,244
Relative segmentatin	28%	28%	24%	20%	
Sales in Q1 2008	18,314	24,966	23,808	6,947	74,035
Relative segmentation	25%	34%	32%	9%	

Amounts in thousands of EUR



The contribution margin of product sales in 2007 was EUR 97.2 million or 33.6% of sales compared to EUR 68.8 million or 33.0% sales in 2006 and EUR 43.6 or 33.8% of sales in 2005.

The rate change of the Icelandic króna (ISK) against the EUR impacts Marel Food Systems' financial statements due to the fact that expenses in ISK exceed revenue in ISK. ISK revenue was about 1% of the Company's total sales in 2007, while ISK expenses were about 10% of total sales, in particular because of employee wages in Iceland. The Company has entered into forward exchange rate contracts to offset all estimated costs in ISK until October 2009.

Operating expenses other than the cost of goods sold totalled EUR 88.4 million in 2007 and were 30.5% of sales, compared to 30.2% in 2006 and 27.1% in 2005. Sales and marketing expenses were EUR 44.8 million or 15.5% of sales compared to 13.9% in 2006 and 12.4% in 2005. Increased sales and marketing expenses can partly be attributed to more emphasis on sales and marketing in the Company. However actions to lower this cost were taken in 2007 with the merger of sales and service units in all markets and effects of these actions are expected to be felt in 2008. Charged development expenses, including depreciation of product development costs from previous years, were EUR 14.6 million or 5.0% of sales, compared to 5.6% in 2006 and 6.1% in 2005. The primary emphasis in sales and marketing, as well as in product development, has been to improve productivity and synergy, and to increase integration within the group. Administrative costs were EUR 28.9 million or 10.0% of sales in 2007, compared to 10.6% in 2006 and 8.7% in 2005.

The integration of AEW Delford and Scanvaegt with Marel Food Systems was an extensive element in the Company's operations during 2007. One-time expenses connected with integrating AEW Delford and Scanvaegt totalled about EUR 5 million in 2007 compared to EUR 4 million expense in 2006.

Profit from operations (EBIT) in 2007 was EUR 10 million or 3.5% of sales, compared to EUR 7.5 million or 3.6% in 2006 and EUR 9.7 million or 7.5% in 2005. Excluding one-time expenses due to integration of AEW Delford and Scanvaegt, profit from operations totalled about 5.5% of sales during 2006 and 5.2% of sales during 2007.

Capital charges in excess of net finance costs totalled EUR 7.1 million in 2007, compared to EUR 5.0 million in 2006 and EUR 2.6 million in 2005. The increase in 2007 is a result of increased business and investment in new operations. The increase in 2006 was the result of borrowing in the form of a debenture offering, which was used in part to purchase the company AEW Delford and in part in the acquisition of Scanvaegt.

Marel Food System's share in the operational profit of LME eignarhaldsfélag ehf. totalled EUR 4.6 million in 2007. In 2006, the share in LME eignarhaldsfélag ehf.'s operational loss totalled EUR 1.5 million. The purpose of LME eignarhaldsfélag ehf. was to be a holding company for the investment in Stork NV.(now Stork BV.). Marel Food System sold its 20% share in LME eignarhaldsfélag ehf. during the first quarter of 2008.

## 11.5 Balance sheet

### Assets, equity capital and liabilities

Marel Food Systems' total assets amounted to EUR 423.4 million at 31 March 2008. At year-end 2007 total assets amounted to EUR 427.3 million, an increase of about 62.5 million or 17.1% from year-end 2006, when total assets amounted to EUR 364.8 million. Of this increase, about EUR 32.5 million was in the form of new shares sold in share offering in November 2007. The share offering is part of the financing of Stork Food Systems, as discussed in section 7 of this Registration Document.

Total assets at year-end 2005 were EUR 114.9 million. The increase in total assets during 2006 was primarily due the acquisition of two companies, AEW Delford, which took over operations and assets of two UK companies, as well as Scanvaegt. These acquisitions were mainly financed by an ISK 6 billion (EUR 65 million) debenture offering. New shares were also sold in 2006 leading to an increase in cash from EUR 4 million to EUR 63 million

At 31 March 2008, the group's non-current assets were EUR 193.3 million, compared to EUR 194.2 million at year-end 2007, EUR 180.4 million at year-end 2006 and EUR 53.3 million at year-end 2005. The change in 2006 is attributed to a EUR 87.5 million increase in goodwill and a EUR 22.9 million increase in tangible fixed assets, mostly due to the acquisition of AEW Delford and Scanvaegt.

At 31 March 2008, the group's current assets were EUR 230.0 million, compared to EUR 233.1 million at year-end 2007, EUR 184.3 million at year-end 2006 and EUR 61.6 million at year-end 2005. The increase in 2007 is due to a loan made to LME eignarhaldsfélag ehf. which was paid up in the first quarter of 2008. The increase in 2006 can mostly be attributed to the acquisition of AEW Delford and Scanvaegt.

Balance Sheet	31.03.08	31.12.07	31.12.06	31.12.05
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment .....	69,162	66,305	56,125	33,242
Goodwill .....	98,084	95,450	97,117	9,580
Other intangible assets .....	22,633	24,585	16,510	8,518
Investments in associates .....	240	3,281	939	0
Available-for-sale investments .....	631	631	744	680
Receivables .....	684	245	314	29
Loan to Associate .....	0	0	6,707	0
Derivative financial instruments .....	0	127	37	0
Deferred income tax assets .....	1,911	3,542	1,991	1,231
	<u>193,345</u>	<u>194,166</u>	<u>180,484</u>	<u>53,280</u>
<b>Current assets</b>				
Inventories .....	62,540	61,587	53,263	25,274
Production contracts .....	14,063	15,168	13,118	8,921
Trade receivables .....	53,307	52,871	47,306	20,485
Other receivables and prepayments .....	18,189	20,427	6,697	3,032
Loan to Associate .....	0	49,607	0	0
Derivative financial instruments .....	486	3,041	846	18
Cash and cash equivalents .....	81,444	30,437	63,079	3,880
	<u>230,029</u>	<u>233,138</u>	<u>184,309</u>	<u>61,610</u>
<b>Total assets .....</b>	<b><u>423,374</u></b>	<b><u>427,304</u></b>	<b><u>364,793</u></b>	<b><u>114,890</u></b>
<b>Equity</b>				
<b>Capital and reserves attributable to equity holders of Marel Food Systems</b>				
Ordinary shares .....	4,452	4,452	4,048	2,637
Treasury shares .....	(16)	(38)	(3)	(8)
Share premium .....	149,671	147,584	115,369	12,671
Fair value and other reserves .....	(4,579)	(502)	(88)	225
Retained earnings .....	31,023	30,293	25,052	25,507
	<u>180,551</u>	<u>181,789</u>	<u>144,378</u>	<u>41,032</u>
Minority interest .....	55	46	45	0
<b>Total equity .....</b>	<b><u>180,606</u></b>	<b><u>181,835</u></b>	<b><u>144,423</u></b>	<b><u>41,032</u></b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings .....	99,918	115,327	119,744	24,881
Deferred income tax liabilities .....	4,264	6,380	4,306	3,520
Provision .....	11	11	0	0
Derivative financial instruments .....	17,654	500	0	404
	<u>121,847</u>	<u>122,218</u>	<u>124,050</u>	<u>28,805</u>
<b>Current liabilities</b>				
Trade and other payables .....	67,599	75,487	54,861	24,719
Derivative financial instruments .....	3,105	117	445	0
Current income tax liabilities .....	929	736	709	278
Borrowings .....	45,684	45,029	38,803	19,262
Provisions .....	3,604	1,882	1,502	794
	<u>120,921</u>	<u>123,251</u>	<u>96,320</u>	<u>45,053</u>
<b>Total liabilities .....</b>	<b><u>242,768</u></b>	<b><u>245,469</u></b>	<b><u>220,370</u></b>	<b><u>73,858</u></b>
<b>Total equity and liabilities .....</b>	<b><u>423,374</u></b>	<b><u>427,304</u></b>	<b><u>364,793</u></b>	<b><u>114,890</u></b>

Amounts in thousands of EUR

Marel Food Systems' equity capital at 31 March was EUR 180.6 million compared to EUR 181.8 million at year-end 2007, EUR 144.4 million at year-end 2006 and EUR 41.0 at year-end 2005. The equity ratio was 42.6% at 31 March 2008, 42.5% at year-end 2007, 39.6% at year-end 2006 and 35.7% at year-end 2005. The increase in equity capital during 2007 can in particular be contributed to EUR 36.4 million increase due to the issue of shares in relation to the acquisition of Stork Food Systems. The increase in 2006 can partially be contributed to the issue of new shares in relation to the acquisition of Scanveagt which increased equity capital by EUR 104 million.

The accompanying table gives a breakdown of changes in the Company's equity capital.

Changes in equity	2008		2007		2006		2005	
	1.1.-31.3.	1.1.-31.12.	1.1.-31.12.	1.1.-31.12.	1.1.-31.12.	1.1.-31.12.	1.1.-31.12.	1.1.-31.12.
Balance at beginning of period .....	181,835	144,423	41,032	31,595	41,032	31,595	41,032	31,595
Net income/(expenses) recognised directly in equity	(4,077)	(414)	(313)	633	(313)	633	(313)	633
Purchase/sale of treasury shares .....	2,222	(2,338)	(78)	3,679	(78)	3,679	(78)	3,679
Employee share option scheme:								
- value of services provided .....	(113)	557	349	0	349	0	349	0
Business combination .....	0	0	32	0	32	0	32	0
Dividend .....	0	(824)	(601)	(590)	(601)	(590)	(601)	(590)
Profit for the period .....	739	6,066	159	5,715	159	5,715	159	5,715
Issue of share capital .....	0	34,365	103,843	0	103,843	0	103,843	0
Balance at end of period .....	180,606	181,835	144,423	41,032	144,423	41,032	144,423	41,032

Amounts in thousands of EUR

Total liabilities at 31 March 2008 amounted to EUR 242.8 million, of which interest-bearing debt was EUR 163.3 million. At year-end 2007 total liabilities amounted to EUR 245.5 million, of which interest-bearing debt was EUR 161.0 million. Total liabilities were EUR 220.4 million, of which interest-bearing debt was EUR 159.0 million at year-end 2006 compared to total liabilities of EUR 73.9 million and interest bearing debt of EUR 45.0 at year-end 2005.

Increases in the Company's interest-bearing debt in 2006 are mainly attributed to Marel Food System having issued a debenture for ISK 6 billion, equivalent to EUR 70.8 million, at the end of June 2006. The debentures are inflation-indexed, interest bearing and for a period of six years, with date of maturity on the principal on 8 February 2012. The fixed interest rate on the paper is 6.0%. Along with the debenture offering, Marel Food Systems concluded an interest-swap agreement for part of the amount, which was obtained with the debenture issue and ensures the Company financing in foreign currency with interest and principal payments to be made after six years. The proceeds from the debentures were in part earmarked to pay for the operations and assets of AEW Thurne and Delford Sortaweigh and in part used as payment for Scanvaegt.

Overall borrowing includes inflation-indexed liabilities (lease purchasing and bank loans) that totalled EUR 55.3 million at 31 March 2008, EUR 73.5 million at year-end 2007, EUR 67.4 million at year-end 2006 and EUR 4.9 million at year-end 2005.

Bank loans are taken with collateral in lots, property and inventory owned by the group. As of 31 March 2008, bank loans amounted to EUR 144.9 million, whereof EUR 53.3 million have collateral in lots, property and inventory. Assets that have been bought with lease purchasing are mortgaged with the respective assets as collateral for the remainder of the debts. Other loans incurred by Marel Food Systems are not guaranteed with lots, property or inventory owned by the group.

The following table shows how the Company's financing has been managed in recent years, and its position at 31 March 2008. Based on the Company's current operations and the information on debt financing with the acquisition of Stork Food Systems which can be found in section 11.1 of this Registration Document, there is no need for further financing.

<b>Capital resources</b>	<b>31.03.08</b>	<b>31.12.07</b>	<b>31.12.06</b>	<b>31.12.05</b>
Trade and other current liabilities	97,166	85,113	61,378	29,311
Interest-bearing loans:				
Non-current	117,572	115,827	119,744	25,285
Current	45,684	45,029	39,248	19,666
<b>Total interest-bearing loans</b>	<b>163,256</b>	<b>160,856</b>	<b>158,992</b>	<b>44,951</b>
<b>Total liabilities</b>	<b>260,422</b>	<b>245,969</b>	<b>220,370</b>	<b>73,858</b>
Equity	180,606	181,835	144,423	41,032
<b>Equity and liabilities</b>	<b>441,028</b>	<b>427,804</b>	<b>364,793</b>	<b>114,890</b>
Interest cover	4.31	2.96	3.12	5.61
Equity ratio	42.6%	42.5%	39.6%	35.7%

Amounts in thousands of EUR

Marel Food Systems' maturity profile is as follows:

<b>Annual maturates of non-current liabilities</b>	<b>31.3.2008</b>	<b>31.12.2007</b>
1.4.09-31.3.10/year 2009	4,234	4,174
1.4.10-31.3.11/year 2010	3,270	3,284
1.4.11-31.3.12/year 2011	58,933	3,161
1.4.12-31.3.13/year 2012	5,072	76,453
Later	28,409	28,255
<b>Total</b>	<b>99,918</b>	<b>115,327</b>

Amounts in thousands of EUR

On 31 March 2008 the group had the following undrawn borrowing facilities:

<b>Undrawn borrowing facilities</b>	<b>31.03.08</b>
Floating rate	
- Expiring within one year	6,505
- Expiring beyond one year	982
	<b>7,487</b>

Amounts in thousands of EUR

Marel Food Systems and subsidiaries are contractually bound to comply with its loan agreements terms and conditions. If Marel Food Systems and/or subsidiaries are unable or for some reason ceases to meet the respective terms and conditions the lenders and financiers may become entitled to call upon a credit event or a technical default within terms of the relevant agreements.

Marel Food Systems is in compliance with all terms and conditions of its loan agreements and the management of Marel Food Systems does not foresee breaching any terms and conditions of the loan agreements during the life of its financing facilities. A subsidiary of Marel Food Systems has a loan agreement with financial covenants measuring a maximum level of net debt to EBITDA and minimum level of equity ratio. The management of the subsidiary does not foresee any material breach of covenants in the near future.

Further details about the Company's financing during the past three years are presented in the group's cash flow statement in section 11.6 below.

## 11.6 Cash flow

Net cash from operating activities totalled EUR 1.8 million during the first three months of 2008 compared to EUR 5.2 million the first three months of 2008. In 2007 net cash from operating activities amounted to EUR 2.8 million compared to EUR 3.0 million cash outflow in 2006. In 2005 net cash from operating activities amounted to EUR 3.0 million. This is mostly the result of decreased capital tied up in inventory and accounts receivable, which is more than offset of a decrease in accounts payable.

During the first three months of 2008 investment activities returned EUR 44.8 million cash inflow. The main reason for the change during this period is the sale of shares in Stork NV.(now Stork BV.), which returned about EUR 53 million. Investment in fixed tangible assets during the period amounted to EUR 5.0 million. Most was earmarked for building new production facilities in Slovakia. During the first three months of 2007 investment activities returned EUR 3.6 million outflow of which investment in fixed tangible assets amounted EUR 1.0 million.

The Company's investment activities in 2007 totalled EUR 70.2 million, and that which weighed heaviest was investment in Stork N.V. shares, which totalled about EUR 41.6 million, as discussed further in section 7. Investment activities in 2006 totalled EUR 69.8 million, and that which weighed heaviest was Marel Food Systems' purchase of the assets and operations of AEW Thurne and Delford Sortaweigh. In 2005, the Company's investment activities amounted to EUR 10.2 million, the largest of which was the purchase of intangible assets, i.e. capitalized development costs, the purchase of permanent operating assets and the purchase of Dantech Food Systems pte. ltd. in Singapore.

During the first three months of 2008 financing activities amounted to EUR 4.7 million compared to EUR 6.4 million cash outflow from financing activities in the first three months of 2007. In this period of 2008 net proceeds from treasury shares amounted to EUR 2.1 million and proceeds from borrowing amounted to EUR 3.6 million. However in the same period of 2007 repayments of borrowings amounted to EUR 5.4 million and proceeds from borrowing were only minimal. The Company's financing activities amounted to EUR 34.1 million in 2007, of which proceeds from the issue of ordinary shares amounted to a EUR 34.6 million cash inflow and borrowings amounted to a EUR 24.7 million cash inflow. Repayment of debt, however, amounted to a EUR 13.4 million cash outflow. Financing activities amounted to EUR 132.3 million in 2006, of which issue of ordinary shares amounted to a EUR 59.0 million cash inflow, borrowings amounted to a EUR 75.4 million cash inflow and repayment of borrowings amounted to a EUR 10.1 million cash outflow.

At 31 March 2008, cash and cash equivalents were EUR 81.4 million compared to EUR 30.4 million at year-end 2007, EUR 63.1 million at year-end 2006 and EUR 3.9 million at year-end 2005.

Cash Flow	2008	2007	2007	2006	2005
	1.1.-31.3.	1.1.-31.3.	1.1.-31.12.	1.1.-31.12.	1.1.-31.12.
<b>Cash flows from operating activities</b>					
Net profit .....	739	1,009	6,066	159	5,715
Adjustments to reconcile net earnings to net cash provided by operating activities:					
Depreciation and impairment of fixed assets .....	1,385	1,173	5,069	3,834	2,444
Amortisation and impairment of intangible assets .....	1,512	1,228	5,882	4,318	2,649
Currency fluctuations and indexation .....	550	(58)	260	(5,428)	1,056
Changes in deferred taxes .....	588	851	246	(788)	595
Shares of results of associates, net of tax .....	0	0	(4,602)	1,460	0
Other changes .....	(471)	285	66	(817)	49
<b>Working capital provided by operating activities .....</b>	<b>4,302</b>	<b>4,488</b>	<b>12,987</b>	<b>2,738</b>	<b>12,508</b>
Changes in operating assets and liabilities: .....					
Inventories and production contracts .....	316	(5,332)	(12,115)	(8,214)	(4,649)
Trade and other receivables .....	1,777	6,412	(20,399)	(2,137)	(6,108)
Short-term liabilities .....	(4,634)	(412)	22,305	4,621	1,236
<b>Changes in operating assets and liabilities .....</b>	<b>(2,540)</b>	<b>668</b>	<b>(10,209)</b>	<b>(5,730)</b>	<b>(9,521)</b>
<b>Net cash (to) from operating activities .....</b>	<b>1,762</b>	<b>5,156</b>	<b>2,778</b>	<b>(2,992)</b>	<b>2,987</b>
<b>Cash flows from investing activities</b>					
Acquisition of subsidiary, net of cash acquired .....	0	0	0	(45,732)	(1,939)
Purchase of property, plant and equipment (PPE) .....	(5,026)	(1,333)	(17,328)	(10,402)	(3,752)
Purchase of intangibles .....	(2,945)	(2,591)	(13,266)	(7,817)	(4,811)
Purchase of associate investments .....	0	0	0	(1)	0
Loans made .....	49,607	0	(41,643)	(8,223)	0
Proceeds from sale of PPE .....	68	327	1,242	2,303	322
Proceeds from sale of associates .....	3,469	0	0	0	0
Proceeds from sale of shares .....	0	0	746	118	0
Changes in securities .....	(418)	0	0	0	0
<b>Net cash used in investing activities .....</b>	<b>44,755</b>	<b>(3,597)</b>	<b>(70,249)</b>	<b>(69,754)</b>	<b>(10,180)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of ordinary shares .....	0	166	34,638	59,018	0
Proceeds from (purchase of) treasury shares, net .....	2,109	0	(2,154)	271	3,678
Proceeds from borrowings .....	3,574	19	24,669	75,358	6,033
Repayments of borrowings .....	(361)	(5,426)	(13,434)	(10,095)	(1,429)
Finance lease principal payments .....	(134)	(338)	(865)	(569)	(482)
Changes in short-term bank loans .....	(481)	0	(7,912)	8,936	
Dividend paid to group shareholders .....	0	(824)	(824)	(601)	(590)
<b>Net cash from financing activities .....</b>	<b>4,706</b>	<b>(6,403)</b>	<b>34,118</b>	<b>132,318</b>	<b>7,210</b>
<b>Net increase in cash and cash equivalents .....</b>	<b>51,223</b>	<b>(4,844)</b>	<b>(33,353)</b>	<b>59,572</b>	<b>17</b>
Exchange losses on cash and bank overdrafts .....	(217)	33	711	(373)	(503)
Cash and cash equivalents at beginning of year .....	30,437	63,079	63,079	3,880	4,366
<b>Cash and cash equivalents at end of year .....</b>	<b>81,444</b>	<b>58,268</b>	<b>30,437</b>	<b>63,079</b>	<b>3,880</b>

Amounts in thousands of EUR

## 12 Corporate governance, Board of Directors and personnel

### 12.1 Administration

Marel Food Systems is managed by the shareholder meetings, the Board of Directors of the Company and the Chief Executive Officer (CEO). Corporate governance at Marel Food Systems is determined by the Company's Articles of Association and Rules of Procedure of the Board of Directors. These procedures and the activities of the Board of Directors follow in every way the guidelines concerning corporate governance issued by OMX Nordic Exchange Iceland, Confederation of Icelandic Employers and Iceland Chamber of Commerce.

### 12.2 Shareholder meetings

The highest authority regarding all company matters, within the limitations set by Marel Food Systems' Articles of Association and statutory law is in the hands of lawfully held shareholder meetings. The right to attend a shareholder meeting is granted to shareholders, shareholder proxies, company auditors and the CEO, even if not a shareholder. The Board of Directors can invite specialists to individual meetings if their expertise or assistance is needed.

The Board of Directors is authorized to allow shareholders to participate in proceedings at shareholder meetings through electronic means without being present at the meeting venue. The Board of Directors is authorized to decide that a shareholder meeting will be held only through electronic means.

A shareholder meeting is deemed duly constituted if representatives attending control at least half of all shares.

The Board of Directors shall call a shareholder meeting when deemed necessary, or in accordance with a meeting resolution, or when elected auditors or shareholders that control at least 1/10 of all shares make a written request, stating the subject matter of the meeting.

When a lawful request for a meeting has been made, the Board of Directors shall be required to call a meeting within 14 days from receipt of the request. If the Board of Directors has not called a meeting within this period, it is permitted to demand that a meeting be called in accordance with Article 87 paragraph 2 of Act No. 2/1995, on Public Limited Companies.

Shareholder meetings shall be announced with advertisements in the media or through electronic means. Shareholder meetings shall be announced with a minimum of one week's notice and a maximum of four week's notice. Matters to be discussed at the meeting shall be stated in the announcement.

Each shareholder has the right to have a specific matter discussed at a shareholder meeting, if he submits a written request to the Board of Directors with enough notice to enable the matter to be placed on the agenda, which shall be available for examination 7 full days prior to the meeting.

At shareholder meetings, a majority vote determines outcomes, unless otherwise stated in the Company's Articles of Association or by law. Proposals receiving a tied vote are rejected. When two or more people receive the same number of votes during a ballot, a toss-up shall determine the outcome.



## 12.3 Board of Directors, Chief Executive Officer and Executive Board

Marel Food Systems' Annual General Meeting (AGM) annually elects six people to sit on the Board of Directors. Their suitability is determined by law. Election of the members of the Board of Directors is determined according to a majority vote. All current members of the Board of Directors are independent of the Company and two members of the Board of Directors, Arnar Þór Másson and Friðrik Jóhannsson, are independent of large shareholders in Marel Food Systems.

The Board of Directors chooses a chairman from among its members, after which it assigns responsibilities according to need.

A Board meeting makes decisions when a majority of the members of the Board of Directors participate in the meeting. Important decisions, however, may not be taken unless all members of the Board of Directors have had the possibility to discuss the matter, if this is possible. A majority of votes determines results at board meetings. If there is an equal number of votes, the chairman's vote counts as double.

The Board of Directors is the highest authority in company matters relating to shareholders and sets operational goals for the Company with the interests of the Company and shareholders as its guiding light, in conformance with the purpose of the Company. The Board of Directors discusses company matters between shareholder meetings and commits the Company with its decisions and contracts. The Board of Directors hires the CEO, one or more, determines their salary and benefits and concludes a written employment contract.

The Board of Directors gives authorization to sign on behalf of the Company and the signatures of a majority of Board members are required to obligate the Company.

Within the Board of Directors there are two working committees: a remuneration committee and an audit committee.

The remuneration committee's field of work involves negotiating wages and other benefits for the CEO and other members of the Executive Board, framing the Company's remuneration policy, including wage incentives and share option rights for the Company shares. Members of the remuneration committee are Arnar Þór Másson, Árni Oddur Þórðarson and Friðrik Jóhannsson.

The audit committee's field of work involves monitoring Marel Food Systems' financial status, evaluating the Company's internal control system and risk management system, evaluating management reporting on finances, evaluating whether laws and regulations are followed as well as evaluating the work of the Company's statutory auditors. Members of the audit committee are Friðrik Jóhannsson, Helgi Magnússon and Margrét Jónsdóttir.

The Board of Directors is elected for a term of one year. A new Board of Directors was elected at Marel Food Systems' AGM held on 7 March 2008. At the same meeting, a monthly payment of EUR 2,000 to each member of the Board of Directors was approved for the next operating year, and triple that amount for the chairman of the Board of Directors.

Provisions regarding the Board of Directors and CEO are in chapters 5-9 in Marel Food Systems' Articles of Association.

### Chairman of the Board

**Name:** Árni Oddur Þórðarson

**Business address:** Austurhraun 9, 210 Garðabær, Iceland

**Education:** MBA from IMD in Switzerland, 2004, Cand.Oecon, Business Administration from the University of Iceland, 1993.

**First elected:** 2005

**Board positions:** Currently a member of the Board of Directors of Ölgerð Egils Skallagrímssonar ehf. and a member of the advisory board of Arctic Ventures, a high-tech fund in Stockholm. Árni Oddur is a member of the Board of the Directors of Árni Oddur Þórðarson ehf. and an alternate board member of Th. Magnússon ehf. No other board positions for the last five years.

**Experience:** Árni Oddur is the CEO of Eyrir Invest ehf. and has extensive international business experience. Before co-founding Eyrir Invest ehf., Árni Oddur was head of Corporate Finance and Capital Markets at Búnaðarbanki Íslands hf., which later merged with Kaupthing Bank hf.

### Members of the Board of Directors

**Name:** Arnar Þór Mátsson

**Business address:** Austurhraun 9, 210 Garðabær, Iceland

**Education:** Political Science with a M.Sc. in Comparative Politics from London School of Economics and Political Science, 1997, BA in Political Science from the University of Iceland, 1996. Currently studying Securities Brokerage at Reykjavík University.

**First elected:** 2001.

**Board positions:** Currently Arnar is not a board member of companies other than Marel Food Systems. In the last five years, Arnar has been a member of the boards of Hjaltadalur Heating Utility, and the Weights and Measures Office.

**Experience:** Arnar is the Deputy Director General of the Department of Financial Management at the Ministry of Finance. Alongside his work at the Ministry, Arnar is Adjunct lecturer at the Department of Political Science at the University of Iceland.

**Name:** Friðrik Jóhannsson

**Business address:** Austurhraun 9, 210 Garðabær, Iceland

**Education:** Cand.Oecon, Business Administration from the University of Iceland, 1982, Certified Public Accountant, 1987.

**First elected:** Alternate 1997-2004, board member since 2004. Chairman of the Board of Directors February 2005-October 2005.

**Board positions:** Currently Friðrik is a Chairman of the Board of Directors of the following companies: Eignarhaldsfélag hlutafélaga ehf., Brú Venture Capital hf. and Icelandic Group hf. and member of the Board of Directors of Eff Holding ehf., Áning ehf and Hlutafélagið Eimskipafélag Íslands.

In the last five years, Friðrik has sat on the boards of the following companies: TM Software hf., Iceland Stock Exchange hf., Icelandic Securities Depository hf., Eignarhaldsfélagið Verðbréfaþing hf., Cyntellect Inc., Alfesca hf., Eimskipafélag Íslands ehf., Haraldur Böðvarsson og Co hf., Skagstrendingur hf., Og Fjarskipti hf., Iceland Genomic Ventures Holding Inc., Flow Matrix Inc. and Urður Verðandi Skuld hf.

**Experience:** Friðrik was CEO of Straumur-Burðarás Investment Bank hf., June 2006-May 2007. Previously, Friðrik was the CEO of Burðarás hf. March 2004-September 2005.

**Name:** Helgi Magnússon

**Business address:** Austurhraun 9, 210 Garðabær, Iceland

**Education:** Cand.Oecon in Business Administration from the University of Iceland, 1974. Certified Public Accountant, 1975.

**First elected:** 2005

**Board positions:** Currently Helgi is the Chairman of the Board of Directors of Eignarhaldsfélagið Hofgarðar ehf., Enox World Holding ehf., EuroAsia Silu International ehf., Efnavörur ehf., Flügger ehf. and the Federation of Icelandic Industries. Helgi is a member of the Board of Directors and the executive Board of the Confederation of Icelandic Employers. Helgi is also a member of the Board of Directors of Eignarhaldsfélag Hörpu ehf., Sjöfn ehf., Eldvörp ehf., Blue Lagoon Ltd., Blue Lagoon International Ltd., Skipasmíðastöð Njarðvíkur hf., Varðberg ehf., AB 68 ehf., Saffron Holding ehf. and Hörputónar ehf. Helgi is the Vice-Chairman of the Pension Fund of Commerce.

In the last five years Helgi has been on the boards of the following companies: Íslandsbanki hf. (now Glitnir banki hf.), Framsýn Pension Fund and the Icelandic Chamber of Commerce.

**Experience:** Helgi is the largest owner, Chairman of the board and CEO of Eignarhaldsfélagið Hofgarðar ehf. and Eignarhaldsfélagið Harpa ehf.

**Name:** Lars Grundtvig

**Business address:** Austurhraun 9, 210 Garðabær, Iceland

**Education:** Bachelor of Commerce from Aarhus and Silkeborg Business College.

**First elected:** 2007

**Board positions:** Currently Lars Grundtvig is a board member of Grundtvig Invest ApS. He is a member of the Board of Directors of JJ Steel Holding A/S, Anker Andersen A/S, Lichtenbourg Technologies BV. and Black Lily A/S.

Lars Grundtvig was the Executive Chairman of Scanvaegt A/S for thirteen years prior to the sale of Scanvaegt A/S to Marel Food Systems. He has not sat on other boards for the last five years.

**Experience:** Lars Grundtvig is the Managing Director of Grundtvig Invest ApS, an investment company he owns together with his two sons. Grundtvig Invest ApS is the previous owner of Scanvaegt A/S. Lars Grundtvig joined Scanvaegt A/S in 1959 and has served the company in several different capacities and was the Managing Director for 19 years.

**Name:** Margrét Jónsdóttir

**Business address:** Austurhraun 9, 210 Garðabær, Iceland

**Education:** M.Sc. in Accounting and Auditing from the University of Iceland, 2006. Cand. Oecon in Business Administration from the University of Iceland, 1983.

**First elected:** 2006

**Board positions:** Currently Margrét is a board member of LME eignarhaldsfélag ehf. She has not been on the board of other companies in the last five years.

**Experience:** Margrét is the Chief Financial Officer (CFO) of Eyrir Invest ehf. Previously, Margrét was the Director of Finance at Edda Publishing hf., December 2001–October 2002. She was Director of Finance at Kreditkort hf., August 2000–December 2001. Manager of accounts and planning at Fjárfestingarbanki Atvinnulífsins hf., January 1998–June 2000.

### **Chief Executive Officer (CEO) and Executive Board**

The CEO is responsible for daily operations in accordance with those directives that he has been given by the Board of Directors. Daily operations do not include matters that are irregular or of major significance. The CEO sees to that the Company accounts are entered in accordance with law and convention and that the Company assets are handled in a reliable manner. The CEO is obligated to abide by all Board directives. He is required to provide the auditors with all information requested.

The CEO, the deputy CEO, the Chief Financial Officer and the Director of Sales and Marketing form Marel Food Systems' Executive Board. Below are information on members of the Executive Board.

**Name:** Dr. Hörður Arnarson

**Business address:** Austurhraun 9, 210, Garðabær, Iceland

**Education:** Engineering, Ph.D., 1990, Technical University of Denmark. Electronic Engineering, B.Sc., 1985, University of Iceland.

**Board positions:** Currently Hörður is a board member of Stallasel ehf and the Federation of Icelandic Employers. Hörður sits on the board of Marel Food Systems' subsidiaries.

For the last five years, Hörður has been the Vice-Chairman of the Board of Directors of the Association of Icelandic Industries and a member of the board of the Icelandic Chamber of Commerce, Stallasel ehf. and Reykjavík University.

Experience: Hörður joined Marel Food Systems hf. in 1985 as a project manager. In 1994, he became Director of Product Development and Director of Production in 1998 until 1999, when he became the CEO of the group.

### Managing Director of Stork Food Systems and Deputy CEO

Name: Theo Hoen

Business address: Austurhraun 9, 210 Garðabær, Iceland

Education: Master in Mechanical Engineering, Technical University Eindhoven, 1987. General Management Training, University of Nijenrode, 1988. Finance for non-executives, Fontainebleau, 1998.

Experience: Theo Hoen joined Stork NV. (now Stork BV.) in 1986 and has held various positions within the Stork NV. Staff employee of Manufacturing Manager, Stork PMT BV., 1986-1988, Manager of Manufacturing Engineering, Stork PMT BV., 1987-1990, Manager of Manufacturing, Stork PMT BV., 1990-1992, Technical (Innovation) Director, Stork PMT BV., 1992-1999, Technical and Manufacturing Director, Stork PMT BV., 1999-2002, General Manager, Stork Titan BV., 2001-2002, Managing Director of Stork PMT BV., Stork Gamco BV. and Stork Titan BV., 2002-2006 and Managing Director of Stork Food Systems 2006 to date. Before joining Stork NV.(now Stork BV.), Theo Hoen was an employee of the research department of TNO, Institute for Injury Prevention, Delft, 1984-1986.

Board positions: Currently Theo Hoen is a member of the advisory board of the Technical High School in Venlo and a member of the board of FPME<sup>10</sup> in Brussels.

In the last five years, Theo Hoen has been the chairman of the working group Development and Engineering, chairman of EHEDG<sup>11</sup> working group "Slaughterhouses" and a board member of Dutch Branch of WPSA (World Poultry Science Association).

### Chief Financial Officer (CFO)

Name: Erik Kaman

Business Address: Austurhraun 9, 210 Garðabær, Iceland

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<sup>10</sup> FPME is an organisation of equipment suppliers for the food industry. FPME is linked to the European Union in Brussels to influence legislation in the EU.

<sup>11</sup> EHEDG is an organisation of machine suppliers and producers from the food industry. The organisation deals with hygienic design of machines and processes.

**Education:** M.Sc. in Applied Physics from Technical University of Delft, the Netherlands, 1982.

**Board positions:** Currently Erik Kaman does not sit on the Board of Directors of any company. Erik Kaman has not been a member of the Board of Directors of any company for the last five years.

**Experience:** Erik Kaman joined Marel Food Systems on 1 May 2008 as Chief Financial Officer (CFO). Erik Kaman worked for Stork NV. (now Stork BV.) for 16 years, most recently as Finance Director of Stork Aerospace Industries and formerly Director of Corporate Strategy and Control at Stork NV. (now Stork BV.).

#### **Director of Sales and Marketing**

**Name:** Lárus Ásgeirsson

**Business Address:** Austurhraun 9, 210 Garðabær, Iceland

**Education:** M.Sc. in Mechanical Engineering from Oklahoma State University, 1982. B.Sc. in Mechanical Engineering from the University of Iceland, 1981.

**Board positions:** Currently Lárus sits on the board of Marel Food Systems' subsidiaries. In the last five years, Lárus has been a member of the Board of Directors of: Slippstöðin ehf., the Trade Council of Iceland, the Danish Icelandic Chamber of Commerce, Stáltak hf. and Stallasel ehf.

**Experience:** Lárus joined Marel Food Systems hf. in 1991 as Director of Sales and Marketing, a position he held until being named Managing Director of Scanvaegt A/S in August 2006. In June 2007, Lárus was appointed Vice CEO and Director of Sales and Marketing of Marel Food Systems hf. Lárus was General Manager of Icepro Group in the US from 1987 until 1991. He was the Operation Manager of Lýsi hf. from 1986-1987 and was employed as a research engineer for the Icelandic Fisheries Laboratories in Iceland between 1983 and 1986.

## **12.4 Remuneration policy**

Marel Food Systems' remuneration policy must be approved by the Company's Annual General Meeting. At the last Annual General Meeting, held on 7 March 2008, the following remuneration policy was approved for the Company.

**Objective:** The remuneration policy of Marel Food Systems hf. has the aim of making the Company and its subsidiaries competitive in hiring outstanding employees, a necessary prerequisite to fulfilling the Company's vision for its presence on the global market. The remuneration policy covers all main aspects of salary and benefits for the CEO and other members of the Executive Board of the Company. A remuneration comprised of three Board members operates within the Company.

**Remuneration for Board members:** Board members shall receive a fixed, monthly payment in accordance with the decision of the annual general meeting of the Company, as stipulated in article 79 a of Act no. 2/1995 on Public Limited Companies. The Board of Directors shall submit a proposal on the fee for the upcoming operating year and shall take into account the time Board members spend on their duties, the responsibility involved and the Company performance.

**Remuneration for the CEO:** A written employment contract shall be made between the Company and the CEO. His terms of employment shall be competitive by international standards. The amount of salary and other payments to the CEO shall be decided on the basis of his education, experience and previous occupation. Other terms of employment shall be specified in the contract, along with pension payments, vacation rights, benefits and terms of notice. In general, no additional retirement or termination payments to those stipulated in the employment contract shall be agreed upon in the case of termination. However, special circumstances may lead to a separate termination agreement being concluded with the CEO.

**Acknowledgements to the Executive Board:** The CEO is authorized to propose to the Board of Directors and remuneration committee that members of the Executive Board (other than the CEO) should be rewarded, in addition to their set terms of employment, in the form of delivery of shares, performance-based payments, stocks, stock options or other forms of payment having to do with the Company shares or the future value of such shares, pension fund contributions, retirement or redundancy payments. When deciding whether members of the Executive Board should be granted rewards in addition to the set terms of employment, the status, responsibility and future prospects of the respective member of the Executive Board within the Company shall be taken into consideration.

**Approval of the Remuneration Policy and other matters:** The Company's Remuneration Policy shall be presented to the shareholders in the Annual General Meeting for their approval or rejection. The Remuneration Policy is binding for the Board of Directors in regards to stock options and any payment under which directors are remunerated in shares, share options or any other right to acquire shares or to be remunerated on the basis of share price movements as per paragraph 2 article 79.a of Act no. 2/1995 on Public Limited Companies. In all other aspects the policy shall be viewed as guidelines for the Company and its Board. The Board of Directors shall note in the minutes of its meeting any major deviation from the Remuneration Policy and such deviation shall be well justified. The Board of Directors shall inform the annual general meeting of such a deviation.

Remuneration and benefits for 2007 are shown in the following table as well as shareholding in Marel Food Systems and the position of stock options granted by Marel Food Systems and its subsidiaries at the date of this Registration Document.

	Payroll and benefits for the year 2007 <sup>1)</sup>	Benefits from stock options granted in 2001 <sup>1)</sup>	Stock options <sup>2)</sup>	Exercise price ISK pr. share	Bought shares according to stock options <sup>3)</sup>	Shareholding in own name <sup>4)</sup>	Shareholding of financially related parties <sup>4)</sup>
Árni Oddur Þórðarson, Chairman of the Board of Directors	66,000	-	-	-	-	14,634	144,403,688
Arnar Þór Másson, member of the Board of Directors	24,000	-	-	-	-	-	-
Friðrik Jóhannsson, member of the Board of Directors	24,000	-	-	-	-	-	800,000
Helgi Magnússon, member of the Board of Directors	24,000	-	-	-	-	420,000	4,366,426
Margrét Jónsdóttir, member of the Board of Directors	24,000	-	-	-	-	63,538	14,470
Lars Grundtvig, member of the Board of Directors	20,000	-	-	-	-	-	52,200,943
Hörður Arnarson, CEO of Marel Food Systems hf.	459,163	553,358	1,000,000 2,000,000 3,000,000	70 74 89	971,430	1,669,009	7,235
Theo Hoen, Deputy CEO of Marel Food Systems hf.	-	-	2,000,000	89	-	-	-
Erik Kaman, CFO of Marel Food Systems hf.	-	-	1,500,000	89	-	-	-
Lárus Ásgeirsson, Director of Sales and Marketing	248,619	272,549	300,000 200,000 500,000	70 92 89	485,715	-	1,021,395

1) EUR

2) Number of shares in Marel Food Systems hf. at the date of the Registration Document.

3) Number of shares in Marel Food Systems hf. All shares bought at a rate of ISK 42 pr. share, according to stock option agreements from 2001

4) Number of shares in Marel Food Systems hf. at the date of the Registration Document.

Marel Food Systems has not set aside or accrued amounts because of pension, retirement or similar benefits for member of its Board of Directors, the Executive Board or employees, since such contracts are not in place.

The members of the Board of Directors or the Executive Board have not made any service contracts with Marel Food Systems and its subsidiaries providing for benefits upon termination of employment.

There is no family relationship between any members of the Board of Directors or members of the Executive Board.

No member of Marel Food Systems' Board of Directors or the Executive Board has been convicted of fraudulent offences.

No member of Marel Food Systems' Board of Directors or the Executive Board has in person or acting in the capacity of his/her position, gone bankrupt, been taken into receivership or liquidation for the previous five years.

No member of Marel Food Systems' Board of Directors or the Executive Board has been the subject of public incrimination and/or sanctions by statutory or regulatory authorities or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for the previous five years.

There are no conflicts of interest stemming from the duties to Marel Food Systems hf. of the members of the Board of Directors or the Executive Board and their private interests and/or other duties.

There are no restrictions agreed by the members of the Board of Directors or the Executive Board on the disposal within a certain period of time of their holdings in Marel Food Systems.

There is no arrangement or understanding in place with major shareholders, customers, suppliers or others, pursuant to which members of the Board of Directors or the Executive Board were selected in their respective positions within Marel Food Systems.

## 12.5 Employees

Marel Food Systems employs about 4,000 people in 30 countries worldwide, up from 2,268 employees prior to the acquisition of Stork Food Systems. The largest number of employees is located in countries other than Iceland and after the acquisition of Stork Food Systems, the largest numbers of employees, about 1,100, are located in the Netherlands, about 900 are in Denmark, about 800 in the US, 361 in Iceland and there are fewer employees in other countries.

Average number of employees	2008 Q1	2007	2006	2005
Located in Iceland	386	361	354	349
Located in other countries	1,882	1,768	1,762	649
Total	2,268	2,129	2,116	998

One of the key roles in Marel Food Systems' human resources division is providing support to the overall business model by positioning people at the heart of corporate strategy. This involves initiating the means to empower employees, thereby helping them reach their full potential. It is recognized that it is important to create an environment that nurtures, supports and motivates employees, that creates an atmosphere where people are aware and supportive of the Company's mission and objectives, and are given the flexibility to participate in achieving them on their own terms.

Marel Food Systems' global business units have diverse cultural backgrounds. A unified human resources mission for the business units was created in the year 2007 to underline the importance of striving to carry out a common mission.



Extensive integration and restructuring work has taken place within the field of training and development. All the business units now run an aligned strategy with focus on knowledge transfer within the global sales and service network. Marel Food Systems has a training academy that has set up an ambitious training and developmental program, where all business units focus on cross-training in connection with all of Marel Food Systems' product groups, as well as sales and service techniques.

## 12.6 Share options

Marel Food Systems has granted share options to directors of the Company and employees. Options are conditional on the employee completing determined periods of service (the vesting period). Marel Food Systems has no legal or constructive obligation to repurchase or settle the options in cash. Share options have not been granted to members of the Board of Directors. Share options granted in 2006 were offered to all employees of the Company. Share options granted 2007 were offered to key employees of the Company.

The exercise price of the granted options in 2006 is higher than the market price of the shares on the date of grant (16 February 2006). The exercise price of the granted options in January 2007 is equal to the market price of the shares on date of the grant (29 January 2007). The exercise price of the granted options in December 2007 is below the market price of the shares on date of the grant (3 December 2007).

New stock option agreements were concluded on 4 June 2008 in accordance with the Company's remuneration policy, totalling 11,200,000 shares. The option is valid only if the holder is still employed by Marel Food Systems at the time of utilisation.

Marel Food Systems aim is that the number of share options is 5-6% of issued shares in the Company, offered to a wide range of employees of Marel Food Systems. The following table shows the movements in the number of share options outstanding and their exercise prices.

Share options	Exercise price in ISK pr. share		Options (thousands of shares)
At 1 January 2006			4,561
Exercised	42	-	1,182
Granted 2006	71*		14,235
At 31 December 2006			17,614
Granted 2007	74*		1,500
Granted 2007	92		1,315
Forfeited 2007	71*	-	492
Exercised 2007	42	-	3,379
At 31 December 2007			16,558
Forfeited 1.1.-31.3.2008	71*	-	463
Granted June 2008	89		11,200
At 31 March 2008			27,295

\* Average exercise price

Outstanding options granted 2006 and 2007 (exercise price ranging from 70 to 74) have expiry date 2010 plus one year in grace. Outstanding options granted 2007 (exercise price 92) have expiry date 2011 plus one year in grace. Options granted in June 2008 (exercise price 89) have expiry date 2011 and 2012.

## 13 Share capital

Marel Food Systems' total share capital at 31 March 2008 was 403,785,697 shares. All of Marel Food Systems' share capital is of the same class, issued and fully paid. Each share has a par value of ISK 1.00 (one Icelandic króna). No change has occurred in share capital from 31 March 2008 to the date of this Registration Document. With the offer of new shares on 5 and 6 June 2008 in Marel Food Systems, share capital will increase by 156,440,000 shares. Marel Food Systems total share capital after the share offering will be 560.225.697. Marel Food Systems' Board of Directors reserves the right to increase the number of share on offer in the share offering to up to 196,555,000 shares. In this case Marel Food Systems total share capital after the share offering will be up to 600,340,697 shares. Following is an overview of changes in Marel Food Systems' share capital for the period covered by the historical financial information.

Changes in share capital 1.1.2005 to 31.3.2008			
Date	Share increase	Total share capital	Information on changes in share capital
1.1.2005		240,064,000	
15.9.2006	75,000,000	315,064,000	New shares sold in a public offering at the rate of 74 ISK per share
15.9.2006	52,016,732	367,080,732	New shares issued and delivered as a part of payment for shares in Scanvaegt
15.5.2007	3,700,000	370,780,732	New shares issued and sold at the rate of ISK 81 to fulfill market making agreement
10.8.2007	3,204,965	373,985,697	New shares issued to employees to fulfill stock option agreements
11.12.2007	29,800,000	403,785,697	New shares issued and sold at the rate of ISK 92 per share to institutional investors
31.3.2008		403,785,697	Total share capital

Marel Food Systems' AGM held on 7 March 2008 authorized the Board of Directors to decide to register the share capital of the Company in foreign currency in accordance with the applicable law on Public Limited Companies. If the Board of Directors decides to use this authorization, the share capital of the Company shall be registered in EUR.

The Company's Board of Directors is authorized to establish capital stock in EUR in place of ISK, in accordance with article 1, paragraph 4 of Act no. 2/1995, on Public Limited Companies. Share conversion shall be conducted according to stipulations for financial statements in Act no. 3/2006 and article 1, paragraph 4, on Act No. 2/1995, on Public Limited Companies. Furthermore, the Board of Directors shall also be authorized to make necessary changes to the Company's Articles of Association, resulting from the issue, including changing those amounts that appear in chapter 2 of the Company's Articles of Association regarding the change, with the same method of conversion.

### 13.1 Authorization for increase in share capital

Marel Food Systems shareholder meeting held on 28 February 2006 approved an authorization to the Board of Directors to increase the Company's share capital in stages or all at once for up to ISK 12,000,000 nominal value by issuing new shares. Shareholders agreed to waive their pre-emptive rights to the increase in share capital, which will be used to fulfill the share option agreements that are made with employees and others in accordance with the share option plan that is effective at any given time. The offer price and other terms shall be in accordance with those agreements concluded by the Board of Directors or CEO with the respective party. This authorization is valid for 5 years from the time of its approval. On 10 August 2007 Marel Food Systems utilized ISK 3,204,965 nominal value of this authorization. At the date of this Registration Document, ISK 8,795,035 nominal value remains of this authorization.

Marel Food Systems' shareholder meeting held on 7 March 2008 approved an authorization to the Board of Directors to increase the share capital of the Company by up to ISK 300,000,000 nominal value through the subscription of up to 300,000,000 new shares. The Board of Directors shall determine more specifically how this increase will be executed, with reference to price and terms of payment. The current shareholders waived their pre-emptive rights to the new shares pursuant to article 34 of Act no. 2/1995 on Public Limited Companies. The Board of Directors may, however, authorize individual shareholders in each instance to subscribe for the new shares in part or in whole. There will be no restrictions on trading in the new shares. The shares shall belong to the same class and carry the same rights as other shares in the Company. The new shares shall grant rights within the Company as of the date of registration of the increase of share capital. The Board of Directors of the Company is authorized to decide that subscribers pay for the new shares in part or in whole with valuables other than cash. This authorization is valid for 18 months from the date of approval, to the extent that it has not been exercised before that date.

### 13.2 Compensation shares

Marel Food Systems' AGM held on 7 March 2008 granted the Board of Directors authorization to issue compensation shares. The Board of Directors of the Company is authorized to increase the share capital of the Company during the current fiscal year, by issuing compensation shares for an amount of up to ten times share capital. Share capital will be up to 4,037,856,970. The new shares shall grant rights in the Company as of the date of their registration. The Company's Board of Directors is authorized, in accordance with the Company's Articles of Association, to convert the above amount into EUR.

### 13.3 Treasury shares

From time to time, the group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used to deliver shares under the group's share option program. Buy and sell decisions are made on a specific transaction basis by the Board of Directors; the group does not have a defined share buy-back plan.

At the date of this Registration Document, Marel Food Systems and its subsidiaries own 1,436,009 treasury shares, equivalent to 0.36% of all issued shares. The Company is permitted to own up to 10% of own shares according to Chapter VII of Act no. 2/1995 on Public Limited Companies and Article 11.1 in the Company's Articles of Association. Treasury shares can only be acquired in accordance with authorization to the Board of Directors decided at a shareholder meeting. Marel Food Systems' AGM held on 7 March 2008 granted the Board of Directors authorizations to purchase up to 10% of the Company's shares in the next eighteen months. The purchase price may not be higher than 20% above the average sales price registered at OMX Nordic Exchange Iceland in the two weeks preceding the purchase.

## 14 Major shareholders

On 2 June 2008, Marel Food Systems' shareholders numbered 1,906. In the accompanying table is a list of Marel Food Systems' 10 largest shareholders as of the date of this Registration Document.

Largest shareholders 02.06.2008	Number of shares	Holding (%)	Voting rights (%)
Eyrir Invest ehf.	144,403,688	35.76%	35.89%
Landsbanki Íslands hf.	92,408,129	22.89%	22.97%
Grundtvig Invest ApS	52,200,943	12.93%	12.97%
Lífeyrissjóður verslunarmanna	9,686,888	2.40%	2.41%
Gildi lífeyrissjóður	9,132,000	2.26%	2.27%
Lífeyrissjóðir Bankastræti 7	6,984,141	1.73%	1.74%
Atorka Group hf.	5,844,463	1.45%	1.45%
Ingunn Sigurðardóttir	5,660,498	1.40%	1.41%
Sameinaði lífeyrissjóðurinn	5,585,750	1.38%	1.39%
Helga Sigurðardóttir	5,348,749	1.32%	1.33%
Total ten largest shareholders	337,255,249	83.52%	83.82%
Other shareholders	66,530,448	16.48%	16.18%
Total number of shares	403,785,697	100.00%	100.00%
Own shares	1,436,009	0.36%	0.00%
Active share capital	402,349,688	99.64%	100.00%

Eyrir Invest ehf. is an international investment company where main emphasis is on investments in listed companies in Europe. Eyrir Invest ehf. places great emphasis on participating in operations and strategic planning of the business it invests in. Eyrir Invest ehf.'s largest individual investments are shares in Marel Food Systems and Össur hf. Árni Oddur Þórðarson, Chairman of Marel Food Systems, is co-founder and principal owner of Eyrir Invest ehf. In addition, Margrét Jónsdóttir, member of Marel Food Systems' Board of Directors, is Chief Financial Officer of Eyrir Invest ehf.

Landsbanki Íslands hf. is a major shareholder in Marel Food Systems. Landsbanki Íslands hf. is one of Marel Food Systems' principal banks. Marel Food Systems is a customer of Landsbanki's Investment Banking and Corporate Banking divisions. Landsbanki serves as a market maker for Marel Food Systems' shares. Furthermore, Landsbanki has been the advisor to Marel Food Systems in preparation of this Registration Document.

Grundtvig Invest ApS is an investment company that is the previous owner of Scanvaegt. Lars Grundtvig, a member of Marel Food Systems' Board of Directors, is the owner of Grundtvig Invest ApS, together with his two sons. Lars Grundtvig is the managing director of Grundtvig Invest ApS.

Marel Food Systems owns 1,436,009 treasury shares, which is 0.36% of all issued shares. At the end of March 2008, own shares held by Marel Food Systems and its subsidiaries were entered at EUR 547,185. The Company is permitted to own up to 10% of own shares according to Chapter VII of Act no. 2/1995 on Public Limited Companies and Article 11.1 of the Company's Articles of Association. Own shares can only be acquired in accordance with authorisation for the Board of Directors decided at a shareholder meeting. Marel Food Systems' AGM held on 7 March 2008 granted the Board of Directors authorisations to purchase up to 10% of the Company's shares in the next eighteen months. The purchase price may not be higher than 20% above the average sales price registered at OMX Nordic Exchange Iceland in the two weeks preceding the purchase.

## 14.1 Share distribution

On 2 June 2008, 83.5% of Marel Food Systems share capital is owned by the 10 largest shareholders. The distribution of share capital in Marel Food Systems as of 2 June 2008 is shown in the following table.

Distribution of shares 02.06.2008					
Number of shares	Number of shareholders	Percentage	Number of shares	Percentage	
1-9,999	1,393	73.1%	5,517,072	1.4%	
10,000-99,999	423	22.2%	11,988,932	3.0%	
100,000-199,999	36	1.9%	5,179,294	1.3%	
200,000-799,999	31	1.6%	11,581,266	2.9%	
800,000-1,399,999	3	0.2%	2,705,251	0.7%	
1,400,000-2,999,999	5	0.3%	8,466,759	2.1%	
3,000,000-9,999,999	12	0.6%	69,334,363	17.2%	
10,000,000-99,999,999	2	0.1%	144,609,072	35.8%	
100,000,000 and more	1	0.1%	144,403,688	35.8%	
<b>Total</b>	<b>1,906</b>	<b>100%</b>	<b>403,785,697</b>	<b>100%</b>	

## 14.2 Market making agreements

Marel Food Systems has made an agreement with Landsbanki regarding market making for the issued shares of Marel Food Systems. The purpose of the agreement is to improve liquidity and to enhance transparent price formation in the Company's shares on the OMX Nordic Exchange Iceland. The agreement is for an unlimited time and can be terminated by either party with one month's termination notice.

As a market maker, Landsbanki is obligated to submit in its proprietary account daily bid and ask orders for shares in Marel Food Systems (MARL) for a minimum of 100,000 shares at a price determined by Landsbanki. The maximum bid/ask spread may not exceed 1.5%. New orders shall be placed within 15 minutes in succession to prior orders getting filled. Under the agreement, Landsbanki is obligated to provide liquidity for up to ISK 75 million in market value daily.

Saga Capital Investment Bank hf. and Marel Food Systems have signed a market making agreement whereby Saga Capital Investment Bank hf. acts as market maker for shares issued by Marel Food Systems. The purpose of Saga Capital Investment Bank hf.'s market making is to facilitate trading in the Company's shares on the OMX Nordic Exchange Iceland. The agreement is for an unlimited time but can be terminated by either party with one month's termination notice.

As a market maker, Saga Capital Investment Bank hf. will make daily bid and ask offers in Marel Food Systems (MARL) for a minimum of 200,000 shares at a price determined by Saga Capital Investment Bank hf. At any time, the maximum bid-ask spread shall not exceed 1.5%, the deviation from the last transaction price shall not exceed 3%, the maximum obligated total trades per day is ISK 100 million at market value.

## 14.3 Voting rights

One vote accompanies each share in Marel Food Systems. All of the Company's shares are in one class. According to Article 11.1 of the Company's Articles of Association, Marel Food Systems is permitted to own up to 10% of own shares. Voting rights may not be exercised for shares in Marel Food Systems hf.

owned by the Company. Major shareholders in Marel Food Systems do not have different voting rights from other shareholders.

#### 14.4 Control

Marel Food Systems states that to the extent known to the Issuer, Marel Food Systems is not directly or indirectly owned or controlled by persons other than the listed shareholders. Marel Food Systems is not aware of any arrangement, between shareholders or others, that may result in a change of control of the Company.

## 15 Related party transactions

Below are details of related party transactions, that the Company has entered into during the period covered by the historical financial information and up to the date of this Registration Document.

At the date of this Registration Document, there are no loans to members of the Board of Directors or Executive Board that have been granted by the Company. The same applies to the position as at 31 March 2008, year-end 2007, 2006 and 2005. In addition, there have been no transactions carried out (purchases of goods and services) between the group and members of the Board of Directors and Executive Board during the period mentioned above.

During the years 2007 and 2006, a loan amounting to EUR 49.6 million was granted to Marel Food Systems associate, LME eignarhaldsfélag ehf. No loans were granted to LME eignarhaldsfélag ehf. in 2005. Marel Food Systems owned 20% of the shares in LME eignarhaldsfélag ehf. until the first quarter of 2008, when Marel Food Systems sold all its shares in the company. The loan to LME Eignarhaldfélag ehf. was paid up in the first quarter of 2008.

## 16 Dividends and dividends policy

Marel Food Systems' practice has been to pay dividends to those parties in the shareholders' register at the end of the day of the AGM, unless the Company has received notification of the assignment of the dividend upon the transfer of shares. Considering clearance procedures on the Icelandic stock market (T+3), trades with the Company's shares need to take place three days prior to the date of the AGM if parties are to be eligible for payment of dividends. Dividends are deposited into the bank accounts that shareholders have specified for this purpose and that are linked to their custody accounts. Dividends have been paid one week after AGMs.

The accompanying table shows Marel Food Systems' dividends for the past three years. No dividends were for the year 2007 and dividends for the years 2005 and 2006 were paid out in 2006 and 2007.

Dividends 2005-2007*	Dividends per ISK 1 nominal value	Amount ISK (millions)	%
2007	0	-	0%
2006	0.20	73	20%
2005	0.20	48	20%

\* Dividends in 2005-2006 were paid in 2006-2007

Marel Food Systems does not have a fixed policy concerning dividends, but in the past three years, the Company has paid dividends that are between 0-20% of the nominal value of the capital shares.



## 17 Articles of Association

### 17.1 The Issuers purpose according to Marel Food Systems' Articles of Association

According to article 1.4 of Marel Food Systems' Articles of Association, the Company's purpose is the development, design, manufacture, purchase, and sale of electronic devices, software, and related equipment, both domestically and internationally, as well as the provision of associated services and operations. Furthermore, the Company undertakes the management of real estate, purchase and sale of securities and ownership of subsidiaries.

### 17.2 Summary of provisions with respect to the Board of Directors and the Executive Board

Marel Food Systems' AGM annually elects six people to sit on the Board of Directors. Their suitability is determined by law. Persons intending to put themselves forward for election to the Board of Directors shall declare so in writing to the Company's Board at least five full days prior to the start of the AGM. Information about candidates for the Board of Directors shall be submitted to shareholders for examination at the Company's offices not later than two days prior to the shareholder meeting.

Election of the Board of Directors is determined according to a majority vote among individuals. The election shall as a rule be conducted on written ballots, if proposals are submitted for more people than there are positions. If there are 200 or more shareholders in the Company, then shareholders who control at least 1/10 of the Company's shares can request that a proportional or cumulative election be held when electing members of the Board of Directors. If shareholders are fewer than 200, control of 1/5 of the Company's shares is required to make such a request. A request for a proportional or cumulative election shall be submitted to the Company's Board of Directors at least five days prior to the shareholder meeting.

The Board of Directors chooses a Chairman from among its members, after which it assigns responsibilities according to need. Meetings shall be held whenever the Chairman deems necessary or at the request of a member of the Board of Directors or the CEO. A Board meeting makes decisions when a majority of the Board of Directors participates in the meeting. Important decisions, however, may not be taken unless all members of the Board of Directors have had the possibility to discuss the matter. A majority of votes determines results at Board meetings. If there is a tied vote, the Chairman's vote counts as double.

The Board of Directors is the highest authority in the Company matters between shareholder meetings. The Board of Directors operates according to working procedures that the Board sets, based on laws on Public Limited Companies. The Board of Directors sets operational goals for the Company in conformance with the Articles of Association. The Board of Directors hires one or more CEOs, determines their remuneration and concludes an employment contract with them. The Board of Directors gives authorization to sign on behalf of the Company. The signatures of a majority of the Board of Directors are required to obligate the Company.

The CEO is responsible for daily operations of the Company in accordance with directives given to him by the Board of Directors. The CEO shall see to that the Company accounts are entered in accordance with law and convention, and that the Company assets are handled in a reliable manner.

### 17.3 Description of rights, preferences and restrictions attaching to each class of shares in the Company

All shares in the Company are of the same class and confer the same rights. One vote accompanies each share in the Company. Shareholders have pre-emptive rights to increase in share capital in proportion to their registered shareholding provided that they have not waived their pre-emptive rights as provided for in Article 34 of Act No. 2/1995 on Public Limited Companies.

No restraints are placed on the rights of shareholders to sell their shares. No special prerogatives are attached to any shares in the Company. Shareholders are obligated, without their making specific commitments to abide by the Company's Articles of Association in their current form, or as they may be legitimately changed. Shareholders are not obligated, either by the Company's Articles of Association nor changes to them, to increase their shareholdings in the Company or to accept their shares being redeemed. Shareholders are not responsible for any of the Company's liabilities beyond their share in the Company, unless they accept such responsibility through legal action. This clause can neither be changed nor revoked by any resolution at shareholder meetings.

### 17.4 Description of action necessary to change the rights of shareholders in the Company

According to article 12.1, the Company's Articles of Association may only be changed at Company shareholder meetings that are duly constituted. Such upcoming changes shall be specifically stated in meeting announcements and include a discussion of the main points. A decision will only be valid if it has been approved by at least 2/3 of votes cast, and approved by shareholders who control at least 2/3 of the shares represented at the shareholder meeting. This article is in conjunction with article 93 of Act No. 2/1995 on Limited Liability Companies.

### 17.5 Description of the notification of shareholder meetings and conditions for admission

Shareholder meetings shall be announced with advertisements in the media or through electronic means. Shareholders meetings shall be announced with a minimum of one week's notice and a maximum of four week's notice. It is preferable that the AGM be announced with two week's notice if the Board of Directors considers it possible, but it is permitted to announce the meeting with one week's notice.

The right to attend a shareholder meeting is granted to shareholders, shareholder proxies, the Company auditors, and the CEO, even if not a shareholder. The Board of Directors can invite specialists to individual meetings if their expertise or assistance is needed.

The Board of Directors is authorized to allow shareholders to participate in proceedings at shareholder meetings through electronic means without being present at the meeting venue. If the Board decides to use this authorization, it shall be specially noted in the announcement for the shareholder meeting. Shareholders intending to participate electronically shall inform the Company's office with five days' notice, and submit written questions regarding the agenda or present documents with questions they would answer at the meeting. Shareholders shall have access to instructions regarding participation in shareholder meetings through electronic means, along with a password and the necessary software for such participation. A password entered into the computer program is equivalent to the signature of the respective shareholder and is considered acknowledgment of his participation in the shareholder meeting.

## 17.6 Change in control

There are no special provisions in the Company's Articles of Association that have an effect of delaying, deferring or preventing a change in control of Marel Food Systems.

## 17.7 Disclosure of ownership of shareholders

There are no special provisions in Marel Food Systems' Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed. However, since Marel Food Systems is listed on the OMX Nordic Exchange Iceland, shareholders must comply with chapter IX of Act No. 108/2007 on Securities Transactions, regarding notification to the Issuer and the Icelandic Financial Supervisory Authority if, as a result of acquisition or disposal, the proportion of voting rights of the holder of shares reaches, exceeds or falls below the thresholds of: 5, 10, 15, 20, 25, 30, 35, 40, 50, 66<sup>2/3</sup> and 90%.

## 17.8 Conditions in the Articles of Association regarding changes in share capital

There are no conditions imposed by Marel Food Systems' Articles of Association governing changes in share capital that are more stringent than is required by law.

## 18 Additional information

This Registration Document is part of a Prospectus consisting of three independent documents, a Summary, dated 4 June 2008 , a Securities Note dated 4 June 2008 and this Registration Document.

### 18.1 Third-party information

Where third-party information has been used in this Registration Document, the source of such information has been identified. As far as the Company is aware and able to ascertain from information published by those third parties, the information has been accurately reproduced and no facts have been omitted that would render the reproduced information inaccurate or misleading.

### 18.2 References

References to "Marel Food Systems", "the Issuer", "the group" or "the Company" in this Registration Document shall be construed as referring to Marel Food Systems hf. and Marel hf. before the change in the group's name in 2007, unless otherwise indicated from the wording or context.

References to "Marel Food Systems", "the Issuer", "the group" or "the Company" in this Registration Document after 8 May 2008 shall be construed as referring to Marel Food Systems hf. including Stork Food Systems.

References to "Stork Food Systems" in this Registration Document shall be construed as referring to the Stork Food Systems division of Stork NV.(now Stork BV.), unless otherwise indicated from the wording or context.

References to "Scanvaegt" in this Registration Document shall be construed as referring to Scanvaegt International A/S, unless otherwise indicated from the wording or context.

References to "Carnitech" in this Registration Document shall be construed as referring to Carnitech A/S unless otherwise indicated from the wording or context.

References to "AEW Delford" in this Registration Document shall be construed as referring to AEW Delford Systems Ltd., unless otherwise indicated from the wording or context.

References to "Dantech" in this Registration Document shall be construed as referring to Dantech Food Systems pte. Ltd., unless otherwise indicated from the wording or context.

References to "Landsbanki" and "the bank" shall be construed as referring to Landsbanki Íslands hf., Austurstræti 11, 155 Reykjavík, ID No. 540291-2259, unless otherwise indicated from the wording or context.

References to "OMX Nordic Exchange Iceland" shall be construed as referring to the OMX Nordic Exchange Iceland hf., unless otherwise indicated from the wording or context.

### 18.3 Abbreviations

3-D	3-Dimension
AGM	Annual General Meeting
APA	Advance Pricing Agreement
CEO	Chief Executive Officer
CFO	Chief Financial Officer

DKK	Danish krona, the currency of Denmark
EBIT	Operating profit, earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EUR	Euro, the currency of many European Union countries
FIFO	First-in, first-out
ID No.	Identification number
IPR	International proprietary rights
ISK	Icelandic króna, the currency of Iceland
IT	Information Technology
LOI	Letter of indemnity
P/E	Price to earnings
UK	United Kingdom
US	United States of America
USD	Dollar, the currency of the United States of America
USSR	Union of Soviet Socialist Republic
WPSA	World Poultry Science Association

## 18.4 Documents incorporated by reference

The following documents shall be deemed to be incorporated by reference, and to form part of this Registration Document.

- Annual financial statements for Marel Food Systems covering the years 2007, 2006 and 2005. The auditors' reports for Marel Food Systems are part of the financial statements.
- Interim financial statements for Marel Food Systems covering the period 1 January – 31 March 2008 and 2007. The interim financial statements have neither been audited nor reviewed.

## 18.5 Documents on display

For the life of the Registration Document the following documents are available for viewing:

- Marel Food Systems' annual financial statements for the past three years, 2007, 2006 and 2005.
- Marel Food Systems' interim financial statements covering the period 1 January – 31 March 2008 and 2007
- The Issuer's Articles of Association.
- The Report from Marel Food Systems' auditors regarding pro forma information.
- The Report from Marel Food Systems auditors regarding revenue and EBIT forecast for 2008.
- Subtract of Stork Food Systems management information.

The above mentioned documents can be obtained at Marel Food Systems' headquarters and on the Company's website [www.marelfoodsystems.com](http://www.marelfoodsystems.com).

## 19 Appendix I -Subtract of Stork Food Systems management information

This information is obtained from the management information of Stork BV., Amersfoortsestraatweg, 1412 KA NAARDEN, the Netherlands. In Marel Food Systems opinion Stork BV. has the appropriate qualification to reproduce such information. Stork BV. has no material interest in Marel Food Systems. This information was produced at Marel Food Systems' request. This information is included in the form and context as provided by Stork BV.

**Subtract of Stork BV. management information**  
**P/L account for Stork Food Systems 1 January - 31 March 2008**

	<b>Stork Food Poultry &amp; Townsend</b>	<b>Food &amp; dairy</b>	<b>Stork Food Systems Q1 08</b>
Total revenue orders booked off .....	81,120	13,713	94,833
Total costprice orders booked off .....	-46,969	-9,879	-56,848
<b>Gross profit</b>	<b>34,151</b>	<b>3,834</b>	<b>37,985</b>
Distribution and selling expenses .....	-8,556	-1,881	-10,437
Research and development expenses .....	-4,765	-645	-5,410
Other operating cost .....	-10,799	-1,099	-11,898
<b>Profit from operations</b>	<b>10,031</b>	<b>209</b>	<b>10,240</b>
<b>EBITDA</b>			<b>12,912</b>

**Subtract of Stork BV. management information**  
**Stork Food Systems Balance Sheet as at 31 March 2008**

**ASSETS**

Non-current assets	
Property, plant and equipment .....	46,375
Goodwill .....	15,996
Other intangible assets .....	42,270
	<u>104,641</u>

**Current assets**

Inventories .....	53,221
Trade receivables .....	51,377
Other receivables and prepayments .....	34,247
Cash and cash equivalents .....	48,938
	<u>187,783</u>

<b>Total assets</b>	<u><u>292,424</u></u>
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**EQUITY**

**Capital and reserves attributable to equity holders of the Company**

Equity.....	75,461
Minority interest.....	228
<b>Total equity</b>	<u><u>75,689</u></u>

**LIABILITIES**

**Non-current liabilities**

Other non-current liabilities .....	4,020
	<u>4,020</u>

**Current liabilities**

Trade and other payables .....	119,713
Borrowings .....	80,755
Provisions .....	12,247
	<u>212,715</u>

<b>Total liabilities</b>	216,735
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<b>Total equity and liabilities</b>	<u><u>292,424</u></u>
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20 Appendix II - Report from Marel Food Systems' independent auditors regarding pro forma information.

## Report from the independent Auditors

4 June 2008

In our opinion the pro-forma financial information in section 7.2 of Marel Food Systems hf.'s Registration Document dated 4 June 2008 has been properly compiled on the basis stated and the basis is consistent with accounting policies of Marel Food Systems hf. The accounting policies adopted in the pro-forma financial information are consistent with those of the annual consolidated financial statements for the year ended 31 December 2007, as described in Marel Food Systems hf.'s annual financial statements for the year ended 31 December 2007.

We have neither reviewed nor audited the pro-forma balance sheet of Marel Food Systems hf. as of 31 March 2008 and the pro forma statement of income for the three months then ended. We have also neither reviewed nor audited the management information of Stork BV. for the three month period ended 31 March 2008 or the subtract from the management information of Stork BV., showing the balance sheet of Stork Food Systems as of 31 March 2008 and the statement of income for the three months then ended.

**PricewaterhouseCoopers hf,**

Þórir Ólafsson,  
a member of the State Authorized Public Accountants in Iceland

21 Appendix III - Report from Marel Food Systems' independent auditors regarding revenue and EBIT forecast for 2008.

## Report from the independent Auditors

4 June 2008

In our opinion the forecast discussed in section 10.3 of Marel Food Systems hf.'s Registration Document dated 4 June 2008 has been properly compiled on the basis stated and the basis is consistent with accounting policies of Marel Food Systems hf. The accounting policies adopted in the forecast are consistent with those of the annual consolidated financial statements for the year ended 31 December 2007, as described in Marel Food Systems hf.'s annual financial statements for the year ended 31 December 2007.

The basis of the forecast is in the responsibility of Marel Food Systems hf.

**PricewaterhouseCoopers hf,**

Þórir Ólafsson,  
a member of the State Authorized Public Accountants in Iceland

This Prospectus is published on 4 June 2008.

This Prospectus has been scrutinised and approved by the OMX Nordic Exchange Iceland hf. on behalf of the Financial Supervisory Authority in Iceland.

This Prospectus has been prepared in connection with a share offering of new shares in Marel Food Systems hf. and admission to trading of the new shares on OMX Nordic Exchange Iceland hf. The share offering will take place on 5 and 6 June 2008.

This Prospectus consists of three independent documents; a Summary dated 4 June 2008, a Securities Note dated 4 June 2008 and a Registration Document dated 4 June 2008.

This Prospectus is published in Acrobat Adobe format on [www.marelfoodsystems.com](http://www.marelfoodsystems.com). Additionally a hard copy can be obtained from Marel Food Systems hf. headquarters, Austurhraun 9, Garðabær, Iceland. This Prospectus can be obtained for twelve months from its date.

