

# **Marel Food Systems hf**

**Condensed Consolidated Interim  
Financial Statements 30 September 2008**

## **Index**

	<b>Pages</b>
The Board of Directors' and the CEO's Report .....	<b>2</b>
Financial Ratios .....	<b>3</b>
Condensed Consolidated Interim Income Statement .....	<b>4</b>
Condensed Consolidated Interim Balance Sheet .....	<b>5</b>
Condensed Consolidated Interim Statement of Changes in Shareholders' Equity .....	<b>6</b>
Condensed Consolidated Interim Cash Flows Statement .....	<b>7</b>
Notes to the Condensed Consolidated Interim Financial Statements .....	<b>8-15</b>

## The Board of Directors' and CEO's Report

The Condensed Consolidated Interim Financial Statements for the first nine months of 2008 consist of the Condensed Consolidated Interim Financial Statements of Marel Food Systems hf (the Company) and its subsidiaries, together the Group. The Condensed Consolidated Interim Financial Statements are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34).

Stork Food Systems and its subsidiaries were acquired in May 2008. Further information is provided in note 21.

A public offering of 156,44 million new shares in Marel Food Systems hf were sold for ISK 13,923 million in June. The total expenses of the share offering amounted to ISK 246 million. The total number of outstanding shares after the offering is 558,789,688. A private placement of 20.1 million shares took place in October 2008 which sales price was ISK 1,405 million. The cost of this share offering was ISK 18 million.

According to the Directors' best knowledge, these Condensed Consolidated Interim Financial Statements comply with Act No. 3/2006, on Annual Accounts and IAS 34 Interim Financial Reporting and give a true and fair picture of the Group's assets and liabilities, financial position and operating performance.

The Board of Directors and CEO of Marel Food Systems hf hereby ratify the Condensed Consolidated Interim Financial Statements of Marel Food Systems hf for the period January 1 to September 30, 2008 with their signatures.

Garðabæ 4 November 2008

Board of Directors

Árni Oddur Þórðarson

Arnar Þór Másson

Friðrik Jóhannsson

Helgi Magnússon

Lars Grundtvig

Margrét Jónsdóttir

Chief Executive Officer

Hörður Arnarson

## Financial Ratios

	2008 1.1-30.9	2007 1.1-30.9	2007 1.1-31.12	2006 1.1-31.12	2005 1.1-31.12	2004 1.1-31.12
<b>Operating results</b>						
Sales .....	389.648	210.948	289.817	208.700	129.039	112.301
Gross profit .....	136.047	72.059	97.236	68.803	43.625	41.016
Profit before depreciation (EBITDA) .....	42.197	16.139	20.980	15.679	14.814	16.527
Profit from operations (EBIT) .....	27.853	8.427	10.029	7.527	9.721	12.066
Profit for the period .....	15.325	2.693	6.066	159	5.715	7.984
<b>Cash flow statement</b>						
Net cash from (to) operating activities ....	18.016	9.558	2.778	(2.992)	2.987	13.207
Investing activities .....	(412.585)	(60.534)	(70.249)	(69.754)	(10.180)	(6.389)
Financing activities .....	381.067	(2.938)	34.118	132.318	7.210	(7.263)
<b>Financial position</b>						
Total assets .....	946.050	389.336	427.304	364.793	114.890	95.482
Working capital .....	12.870	30.899	109.887	87.989	16.557	19.807
Equity .....	307.454	149.972	181.835	144.423	41.032	31.595
<b>Various figures in proportion to sales</b>						
Gross profit .....	34,9%	34,2%	33,6%	33,0%	33,8%	36,5%
Selling and marketing expenses .....	13,2%	15,5%	15,5%	13,9%	12,4%	12,4%
Research and development expenses ...	5,1%	4,9%	5,0%	5,6%	6,1%	5,8%
Administrative expenses .....	9,8%	10,4%	10,0%	10,6%	8,7%	8,1%
Profit before depreciation (EBITDA) .....	10,8%	7,7%	7,2%	7,5%	11,5%	14,7%
Depreciation/amortization .....	3,7%	3,7%	3,8%	3,9%	3,9%	4,0%
Profit from operations (EBIT) .....	7,1%	4,0%	3,5%	3,6%	7,5%	10,7%
Profit for the period .....	3,9%	1,3%	2,1%	0,1%	4,4%	7,1%
<b>Other key ratios</b>						
Current ratio .....	1,0	1,2	1,9	1,9	1,4	1,6
Quick ratio .....	0,5	0,6	1,3	1,2	0,6	0,7
Equity ratio .....	32,5%	38,5%	42,5%	39,6%	35,7%	33,1%
Return on owners' equity .....	8,4%	2,4%	3,7%	0,2%	18,1%	30,5%
Return on total assets .....	3,0%	1,0%	1,5%	0,1%	5,4%	9,0%
Price to earnings (P/E) last 12 months ...	11,2 *	-	73,5	-	36,7	17,7

\* Earnings last 12 months for Marel Food Systems and Stork Food Systems

## Condensed Consolidated Interim Income Statement

	Notes	2008 Q3	2007 Q3	2008 YTD	2007 YTD
Sales .....	4	170.633	66.087	389.648	210.948
Cost of sales .....		(111.666)	(44.215)	(253.601)	(138.889)
<b>Gross profit</b>		<u>58.967</u>	<u>21.872</u>	<u>136.047</u>	<u>72.059</u>
Other operating income .....		134	124	905	1.269
Selling and marketing expenses .....		(21.092)	(10.398)	(51.251)	(32.657)
Research and development expenses .....		(8.552)	(3.122)	(19.693)	(10.394)
Administrative expenses .....		(14.929)	(6.711)	(38.155)	(21.850)
<b>Profit from operations</b>		<u>14.528</u>	<u>1.765</u>	<u>27.853</u>	<u>8.427</u>
Finance costs - net .....	6	(9.194)	(1.894)	(9.807)	(4.814)
Share of results of associates .....		0	(6.836)	473	(523)
<b>Profit before income tax</b>		<u>5.334</u>	<u>(6.965)</u>	<u>18.519</u>	<u>3.090</u>
Income tax expense .....	7	(805)	1.208	(3.194)	(397)
<b>Net profit</b>		<u><u>4.529</u></u>	<u><u>(5.757)</u></u>	<u><u>15.325</u></u>	<u><u>2.693</u></u>
<b>Attributable to:</b>					
Equity holders of the Company .....		4.529	(5.759)	15.325	2.698
Minority interest .....		0	2	0	(5)
		<u><u>4.529</u></u>	<u><u>(5.757)</u></u>	<u><u>15.325</u></u>	<u><u>2.693</u></u>
<b>Earnings per share for profit attributable to equity holders of the company during the period (expressed in EUR cent per share):</b>					
- basic .....	8	2,74	(1,56)	3,29	0,73
- diluted .....	8	2,73	(1,54)	3,22	0,72

The notes on pages 8-15 are an integral part of the condensed consolidated interim financial statements.

## Condensed Consolidated Interim Balance Sheet

	Notes	30/9 2008	31/12 2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment .....	10	126.335	66.305
Goodwill and brand name .....	11	457.034	95.450
Other intangible assets .....	11	51.268	24.585
Investments in associates .....	19	225	3.281
Available-for-sale investments .....		631	631
Receivables .....		3.513	245
Derivative financial instruments .....		817	127
Deferred income tax assets .....	14	6.404	3.542
		<u>646.227</u>	<u>194.166</u>
<b>Current assets</b>			
Inventories .....		122.690	61.587
Production contracts .....		36.420	15.168
Trade receivables .....		99.493	52.871
Other receivables and prepayments .....		25.966	20.427
Loan to associate .....		0	49.607
Derivative financial instruments .....		443	3.041
Cash and cash equivalents .....		14.811	30.437
		<u>299.823</u>	<u>233.138</u>
<b>Total assets</b>		<u><u>946.050</u></u>	<u><u>427.304</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary shares .....		5.745	4.452
Treasury shares .....		(16)	(38)
Share premium .....		261.616	147.584
Fair value and other reserves .....		(5.509)	(502)
Retained earnings .....		45.618	30.293
		<u>307.454</u>	<u>181.789</u>
<b>Minority interest</b>		<u>0</u>	<u>46</u>
<b>Total equity</b>		<u>307.454</u>	<u>181.835</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings .....	13	306.960	115.327
Deferred income tax liabilities .....	14	12.220	6.380
Provisions .....	15	7.095	11
Derivative financial instruments .....		25.367	500
		<u>351.642</u>	<u>122.218</u>
<b>Current liabilities</b>			
Trade and other payables .....	12	163.339	75.487
Derivative financial instruments .....		21.365	117
Current income tax liabilities .....		2.341	736
Borrowings .....	13	92.203	45.029
Provisions .....	15	7.706	1.882
		<u>286.954</u>	<u>123.251</u>
<b>Total liabilities</b>		<u>638.596</u>	<u>245.469</u>
<b>Total equity and liabilities</b>		<u><u>946.050</u></u>	<u><u>427.304</u></u>

The notes on pages 8-15 are an integral part of the condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

	Attributable to equity holders of the Company					Minority interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
<b>Balance at 1 January 2007</b>	4.045	115.369	(88)	25.052	144.378	45	144.423
Cash flow/net investment hedges:							
– net fair value gain/(loss), net of tax .....			1.255		1.255		1.255
Currency translation differences .....			(581)		(581)		(581)
Net income/(expenses) recognised directly in equity .....			674		674		674
Sale of treasury shares .....	(5)	818			813		813
Purchases of treasury shares .....	(30)	(2.768)			(2.798)		(2.798)
Employee share option scheme:							
– value of services provided .....							
Dividend related to previous year .....				(824)	(824)		(824)
Profit for the period .....				2.698	2.698	(5)	2.693
Issue of share capital .....	78	4.913			4.991		4.991
	43	2.963	674	1.874	5.554	(5)	5.549
<b>Balance at 30 September 2007 / 1 October 2007</b>	4.088	118.332	586	26.926	149.932	40	149.972
Cash flow/net investment hedges:							
– net fair value gain/(loss), net of tax .....			(610)		(610)		(610)
Currency translation differences .....			(478)		(478)		(478)
Net income/(expenses) recognised directly in equity .....			(1.088)		(1.088)		(1.088)
Sale (purchases) of treasury shares, net ..		(353)			(353)		(3.151)
Employee share option scheme:							
– value of services provided .....		557			557		557
Profit for the period .....				3.367	3.367	6	3.373
Issue of share capital .....	326	29.048			29.374		29.374
	326	29.252	(1.088)	3.367	31.857	6	
<b>Balance at 31 December 2007</b>	4.414	147.584	(502)	30.293	181.789	46	181.835
Cash flow/net investment hedges:							
– net fair value gain/(loss), net of tax .....			(5.039)		(5.039)		(5.039)
Currency translation differences .....			32		32		32
Net income/(expenses) recognised directly in equity .....			(5.007)		(5.007)		(5.007)
Sale of treasury shares .....	22	2.200			2.222		2.222
Business combination .....						(46)	(46)
Employee share option scheme:							
– value of services provided .....		20			20		20
Profit for the period .....				15.325	15.325		15.325
Issue of share capital .....	1.293	111.812			113.105		113.105
	1.315	114.032	(5.007)	15.325	125.665	(46)	125.619
<b>Balance at 30 September 2008</b>	5.729	261.616	(5.509)	45.618	307.454	0	307.454

The notes on pages 8-15 are an integral part of the condensed consolidated interim financial statements.

## Condensed Consolidated Interim Cash Flow Statement

		2008 YTD	2007 YTD
	<b>Notes</b>		
<b>Cash flows from operating activities</b>			
Net profit .....		15.325	2.693
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and impairment of fixed assets .....	10	7.515	3.670
Amortisation and impairment of intangible assets .....	11	6.829	4.042
Currency fluctuations and indexation .....		2.989	102
Changes in deferred taxes .....		1.326	(176)
Other changes .....		5.827	638
Working capital provided by operating activities		<u>39.811</u>	<u>10.969</u>
Changes in operating assets and liabilities:			
Inventories and production contracts .....		(10.194)	(13.298)
Receivables and prepayments .....		10.526	(12.471)
Short term liabilities .....		<u>(22.127)</u>	<u>24.358</u>
Changes in operating assets and liabilities		<u>(21.795)</u>	<u>(1.411)</u>
<b>Net cash from operating activities</b>		18.016	9.558
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash acquired .....	21	(431.164)	0
Purchase of property, plant and equipment (PPE) .....		(17.322)	(10.118)
Purchase of intangibles .....		(16.519)	(9.538)
Loans to associates .....		49.607	(41.661)
Purchase of associate and minority interests .....		(269)	0
Proceeds from sale of PPE .....		210	783
Proceeds from sale of associates .....		3.469	0
Changes in securities .....		(597)	0
Net cash used in investing activities		<u>(412.585)</u>	<u>(60.534)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares .....		112.763	4.982
Proceeds from sale (purchase) of treasury shares, net .....		2.222	(2.260)
Proceeds from borrowings .....		276.002	15.142
Repayments of borrowings .....		(21.548)	(6.904)
Finance lease principal payments .....		(63)	(528)
Changes in short-term bank loans .....		11.691	(12.546)
Dividend paid to group shareholders .....		0	(824)
Net cash from (to) financing activities		<u>381.067</u>	<u>(2.938)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		(13.502)	(53.914)
Exchange losses on cash and bank overdrafts .....		(2.125)	83
Cash and cash equivalents at beginning of period .....		<u>30.438</u>	<u>63.079</u>
<b>Cash and cash equivalents at end of period</b>		<u><u>14.811</u></u>	<u><u>9.248</u></u>
<b>Other information</b>			
Interest paid .....		16.480	2.617
Income tax paid .....		697	1.701

The notes on pages 8-15 are an integral part of the condensed consolidated interim financial statements.



# Notes to the Condensed Consolidated Interim Financial Statements

## 1. General information

Marel Food Systems hf (the Company) is a limited liability company incorporated and domiciled in Iceland. The company has its listing on the OMX The Nordic Exchange in Iceland.

These condensed consolidated interim financial statements have been approved for issue by the board of directors on 4 November 2008.

## 2. Basis of preparation

These condensed consolidated interim financial statements of Marel Food Systems hf and its subsidiary (the Group) are for nine months ended 30 September 2008. They have been prepared in accordance with IAS 34 "Interim financial reporting". The condensed consolidated interim report should be read in conjunction with the annual financial statements for the year ended 31 December 2007. The consolidated financial statements for the Group as at and for the period ended 31 December 2007 are available upon request from the Company's registered office at Austurhraun 9, Gardabær or at [www.marel.com](http://www.marel.com).

## 3. Accounting policies

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2007, as described in those annual financial statements.

## 4. Segment information

### Business segments

At 30 September 2008, the Group is organised on a worldwide basis into three main business segments (industries): (1) Fish, (2) Poultry and (3) Meat.

Other Group operations comprise the sale of non food machinery and manufacturing services which does not constitute a separately reportable segment.

The segment results for the nine months ended 30 September 2008 are as follows:

	Fish	Poultry	Meat	Unallocated	Group
Sales .....	70.992	143.767	92.659	82.230	389.648
Operating profit .....					27.853
Finance costs - net .....					(9.807)
Share of results of associates .....					473
<b>Profit before tax</b>					<u>18.519</u>
Income tax expense .....					<u>(3.194)</u>
<b>Profit for the period</b>					<u>15.325</u>

The segment results for the nine months ended 30 September 2007 are as follows:

	Fish	Poultry	Meat	Unallocated	Group
Sales .....	62.718	55.090	72.562	20.578	210.948
Operating profit .....					8.427
Finance costs - net .....					(4.814)
Share of results of associates .....					(523)
<b>Profit before tax</b>					<u>3.090</u>
Tax expense .....					<u>(397)</u>
<b>Profit for the period</b>					<u>2.693</u>

The group does not allocate assets, liabilities, depreciation, amortization, impairment charge and capital expenditures between business segments.

## Notes to the Condensed Consolidated Interim Financial Statements

### 5. Quarterly results

	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Sales .....	170.633	144.979	74.035	78.869	66.087
Cost of sales .....	(111.666)	(93.285)	(48.650)	(53.692)	(44.215)
<b>Gross profit</b> .....	<b>58.967</b>	<b>51.694</b>	<b>25.385</b>	<b>25.177</b>	<b>21.872</b>
Other operating income .....	134	465	306	(66)	124
Selling and marketing expenses .....	(21.092)	(18.651)	(11.508)	(12.172)	(10.398)
Research and development expenses .....	(8.552)	(7.363)	(3.778)	(4.237)	(3.122)
Administrative expenses .....	(14.929)	(14.997)	(8.228)	(7.100)	(6.711)
<b>Profit from operations (EBIT)</b> .....	<b>14.528</b>	<b>11.148</b>	<b>2.177</b>	<b>1.602</b>	<b>1.765</b>
Finance costs - net .....	(9.194)	564	(1.177)	(2.277)	(1.894)
Share of results of associates .....	0	0	473	5.125	(6.836)
<b>Profit before tax</b> .....	<b>5.334</b>	<b>11.712</b>	<b>1.473</b>	<b>4.450</b>	<b>(6.965)</b>
Income tax expense .....	(805)	(1.655)	(734)	(1.077)	1.208
<b>Profit for the period</b>	<b>4.529</b>	<b>10.057</b>	<b>739</b>	<b>3.373</b>	<b>(5.757)</b>
Profit before depreciation (EBITDA) .....	20.755	16.368	5.074	4.841	4.614

### 6. Finance costs – net

	YTD 2008	YTD 2007
Interest expense:		
- borrowings .....	(21.776)	(5.567)
- finance leases .....	(33)	(22)
- other interest expenses .....	(506)	(971)
	(22.315)	(6.560)
Interest income .....	4.249	1.545
Other finance income (cost) .....	0	25
Net foreign exchange transaction gains/(losses) .....	8.247	176
Dividend received .....	12	0
	(9.807)	(4.814)

### 7. Income tax expense

	YTD 2008	YTD 2007
Current tax .....	(1.868)	(573)
Deferred tax (Note 14) .....	(1.326)	176
	(3.194)	(397)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

Profit before tax .....	18.519	3.090
Tax calculated at domestic tax rates 15% (2007: 18%) .....	2.778	577
Effect of different tax rates in other countries .....	471	0
Permanent differences for tax purposes .....	30	14
Impacts from change in tax rate .....	(323)	0
Other items .....	239	(194)
Tax charge .....	3.194	397

The weighted average applicable tax rate was 17.2% (2007: 12.8%).

Amendments to Icelandic taxation legislation, adopted in May 2008, will lower corporate income tax from 18% to 15%. The amendments take effect as of 1st of January 2008. Their impact has been included in the Group's interim financial statements.

## Notes to the Condensed Consolidated Interim Financial Statements

### 8. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

	YTD 2008	YTD 2007
Net profit attributable to equity holders (EUR 000) .....	15.325	2.693
Weighted average number of outstanding shares in issue (thousands) .....	466.461	367.945
Basic earnings per share (EUR cent per share) .....	<u>3,29</u>	<u>0,73</u>
Net profit used to determine diluted earnings per share (EUR 000) .....	15.325	2.693
Weighted average number of outstanding shares in issue (thousands) .....	466.461	367.945
Adjustments for share options (thousands) .....	9.092	4.389
Weighted average number of outstanding shares for diluted earnings per share (thousands) .....	<u>475.553</u>	<u>372.334</u>
Diluted earnings per share (EUR cent) .....	<u>3,22</u>	<u>0,72</u>

### 9. Dividend per share

The dividends paid in March 2008 and March 2007 were EUR 0 (EUR 0.0 cents per share) and EUR 824 (EUR 0.22 cents per share) respectively.

### 10. Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
<b>At 1 January 2008</b>				
Cost .....	53.749	20.242	17.856	91.847
Accumulated depreciation .....	(5.089)	(11.529)	(8.924)	(25.542)
Net book amount .....	<u>48.660</u>	<u>8.713</u>	<u>8.932</u>	<u>66.305</u>
<b>Nine months ended 30 September 2008</b>				
Opening net book amount .....	48.660	8.713	8.932	66.305
Exchange differences .....	478	92	(113)	457
Business combinations (note 21) .....	29.724	14.613	5.895	50.232
Additions .....	5.762	9.066	2.494	17.322
Disposals .....	(32)	(103)	(331)	(466)
Depreciation charge .....	<u>(1.462)</u>	<u>(2.984)</u>	<u>(3.069)</u>	<u>(7.515)</u>
Closing net book amount .....	<u>83.131</u>	<u>29.396</u>	<u>13.808</u>	<u>126.335</u>
<b>At 30 September 2008</b>				
Cost .....	107.486	67.015	54.846	229.347
Accumulated depreciation .....	(24.355)	(37.618)	(41.038)	(103.011)
Net book amount .....	<u>83.131</u>	<u>29.396</u>	<u>13.808</u>	<u>126.335</u>
			YTD 2008	YTD 2007
Depreciation of property, plant and equipment analyses as follows in the income statement:				
Cost of sales .....			4.288	2.354
Selling and marketing expenses .....			746	504
Development expenses .....			472	194
Administrative expenses .....			<u>2.009</u>	<u>618</u>
			<u>7.515</u>	<u>3.670</u>

## Notes to the Condensed Consolidated Interim Financial Statements

### 11. Intangible assets

	Goodwill & brand name	Trade name	Development costs	Patents	Software	Total
<b>At 1 January 2008</b>						
Cost .....	95.509	3.201	26.978	3.289	1.258	130.235
Accumulated amortisation .....	(59)		(8.736)	(878)	(527)	(10.200)
Net book amount .....	<u>95.450</u>	<u>3.201</u>	<u>18.242</u>	<u>2.411</u>	<u>731</u>	<u>120.035</u>
<b>Nine months ended 30 September 2008</b>						
Opening net book amount .....	95.450	3.201	18.242	2.411	730	120.035
Exchange differences .....	1.125		218	(10)	(5)	1.329
Business combination (note 21) ..	38.709		19.386	556		58.651
Additions .....	322.504		10.969	1.382	261	335.116
Amortisation charge .....	(754)		(5.250)	(456)	(369)	(6.829)
Closing net book amount .....	<u>457.034</u>	<u>3.201</u>	<u>43.566</u>	<u>3.883</u>	<u>618</u>	<u>508.302</u>

	YTD 2008	YTD 2007
Amortisation of intangible assets analyses as follows in the income statement:		
Cost of sales .....	72	135
Selling and marketing expenses .....	73	54
Development expenses .....	5.672	3.728
Administrative expenses .....	1.011	125
	<u>6.829</u>	<u>4.042</u>

### 12. Trade and other payables

	30/9 2008	31/12 2007
Trade payables .....	44.088	24.389
Accruals .....	24.566	21.607
Deferred income .....	51.079	17.693
Other payables .....	43.606	11.798
	<u>163.339</u>	<u>75.487</u>

### 13. Borrowings

Non-current:		
Bank borrowings .....	245.164	29.337
Debentures .....	61.267	85.657
Finance lease liabilities .....	530	333
	<u>306.960</u>	<u>115.327</u>
Current:		
Bank overdrafts .....	38.748	21.919
Bank borrowings .....	6.506	2.632
Debentures .....	46.703	19.973
Finance lease liabilities .....	246	505
	<u>92.203</u>	<u>45.029</u>
Total borrowings .....	<u>399.163</u>	<u>160.356</u>

The borrowings include secured liabilities (leases and bank borrowings) in a total amount of EUR 256,521 (2007: EUR 50,768). The bank borrowings are secured over certain of the land and buildings of the Group and over certain of the inventories. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

## Notes to the Condensed Consolidated Interim Financial Statements

	Finance lease liabilities	Other borrowings	Total 30/9 2008	Total 31/12 2007
Liabilities in currency:				
Liabilities in CHF .....	0	2.264	2.264	2.311
Liabilities in DKK .....	149	23.854	24.003	48.918
Liabilities in EUR .....	280	214.856	215.135	20.592
Liabilities in GBP .....	87	2.963	3.051	1.607
Liabilities in ISK .....	0	46.628	46.628	0
Liabilities in ISK, index linked .....	0	49.379	49.379	73.469
Liabilities in JPY .....	0	0	0	161
Liabilities in NOK .....	0	448	448	380
Liabilities in SKK .....	0	12.362	12.362	8.706
Liabilities in USD .....	101	44.645	44.746	3.853
Liabilities in other currency .....	160	988	1.148	359
	<u>776</u>	<u>398.387</u>	<u>399.163</u>	<u>160.356</u>
Current maturates .....	(246)	(91.957)	(92.203)	(45.029)
	<u>530</u>	<u>306.430</u>	<u>306.960</u>	<u>115.327</u>

Forward contracts have been entered into for liabilities in ISK to hedge foreign exchange risk and for liabilities ISK index linked a swap agreement have been made to hedge both foreign exchange risk and interest rate risk.

Annual maturates of non-current liabilities:

Period 1/10 2009 - 30/9 2010 / year 2009 .....	431	71.866	72.296	4.174
Period 1/10 2010 - 30/9 2011 / year 2010 .....	60	11.271	11.331	3.284
Period 1/10 2011 - 30/7 2012 / year 2011 .....	39	61.379	61.418	3.161
Period 1/10 2012 - 30/7 2013 / year 2012 .....	1	10.825	10.826	76.453
Later .....	0	151.089	151.089	28.255
	<u>530</u>	<u>306.430</u>	<u>306.960</u>	<u>115.327</u>

### 14. Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method.

The gross movement on the deferred income tax account is as follows:

<b>1 January 2008</b> .....	2.838
Effect of change in tax rate .....	(324)
Business combination .....	2.943
Exchange differences and changes within the group .....	(56)
Income statement charge (Note 7) .....	3.194
Less current tax .....	(1.868)
Tax charged to equity .....	(912)
<b>Nine months ended 30 September 2008</b> .....	<u>5.816</u>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	30/9 2008	31/12 2007
Deferred tax assets .....	6.404	3.542
Deferred tax liabilities .....	<u>(12.220)</u>	<u>(6.380)</u>
	<u>(5.816)</u>	<u>(2.838)</u>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

## Notes to the Condensed Consolidated Interim Financial Statements

### 15. Provisions

Warranty:

At 1 January 2007	1.502
Changes entered into income statement .....	<u>391</u>
<b>At 31 December/1 January 2008</b>	<b>1.893</b>
Business combination .....	5.754
Changes entered into income statement .....	<u>7.154</u>
<b>At 30 September 2008</b>	<b><u>14.801</u></b>

Analysis of total provisions:	<b>30/9 2008</b>	<b>31/12 2007</b>
Current .....	7.706	1.882
Non current .....	<u>7.095</u>	<u>11</u>
	<u>14.801</u>	<u>1.893</u>

### 16. Contingencies

Contingent liabilities:

At 30 September 2008 the Group had 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 the Group has given guarantees amounting to EUR 60,709 (2007: EUR 22,268) to third parties.

### 17. Commitments

#### Operating lease commitments – where a group company is the lessee

The Group has made some rental agreements for building, motor vehicles and office equipment, now with the remaining balance of EUR 13,949. The amount will be charged at the relevant rental time of each agreement. The rental agreements will materialise in the years 2008 - 2016.

### 18. Share capital

	Number of shares '000	Ordinary shares	Treasury shares	Total
<b>At 1 January 2007</b>	365.832	367.081	(1.249)	365.832
Issue of shares .....	6.905	6.905		6.905
Treasury shares sold (bought), net .....	<u>(2.187)</u>		<u>(2.187)</u>	<u>(2.187)</u>
<b>At 30 September 2007</b>	<b>370.550</b>	<b>373.986</b>	<b>(3.436)</b>	<b>370.550</b>
Issue of shares .....	29.800	29.800		29.800
<b>At 31 December/1 January 2008</b>	<b>400.350</b>	<b>403.786</b>	<b>(3.436)</b>	<b>400.350</b>
Issue of shares .....	156.440	156.440		156.440
Treasury shares sold .....	<u>2.000</u>		<u>2.000</u>	<u>2.000</u>
<b>At 30 September 2008</b>	<b><u>558.790</u></b>	<b><u>560.226</u></b>	<b><u>(1.436)</u></b>	<b><u>558.790</u></b>

The total authorised number of ordinary shares is 560.2 million shares (2007: 403.8 million shares) with a par value of ISK 1 per share (2007: ISK 1 per share).

### 19. Investments in associates

	<b>30/9 2008</b>	<b>31/12 2007</b>
Beginning of year .....	3.281	(576)
Business combination .....	225	0
Translation difference .....	0	1
Sale of associate .....	(3.281)	(746)
Share of results .....	<u>0</u>	<u>4.602</u>
<b>End of year</b>	<b><u>225</u></b>	<b><u>3.281</u></b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 20. Related party transactions

At the end of September 2008, there are no loans to directors (31 December 2007: EUR nil). In addition there were no transactions carried out (purchases of goods and services) between the group and the directors in the year 2007 and year to date 2008.

### 21. Business combination

On the 8th of May the group acquired 100% share of Stork Food Systems. Marel Food Systems paid an acquisition price of eur 431.6 million plus deal cost of eur 14 million. Stork Food Systems is subsidiary of Marel Holding B.V. which was established in relation to the acquisition.

The acquired business contributed revenue of eur 151 million and net profit of eur 8 million to the group for the period from acquisition to 30th of September 2008.

Net assets acquired and goodwill are as follows:

Purchase consideration:

- Cash paid .....	431.861
- Direct cost related to the acquisition .....	14.695
	<u>446.556</u>
Provisional fair value of net identifiable assets acquired .....	134.289
Provisional goodwill .....	<u>312.267</u>

Balance of assets and liabilities of Stork Food Systems on acquisition date  
(based on provisionally valuation):

Cash .....	15.392
Property, plant and equipment .....	48.559
Intangibles .....	58.651
Deferred tax asset .....	295
Trade and other receivables .....	68.188
Inventories .....	72.441
Provisions .....	(5.754)
Trade creditors and liabilities .....	<u>(123.483)</u>
	<u>134.289</u>
Purchase considerations settled in cash .....	446.556
Cash and cash equivalents in subsidiary acquired .....	<u>(15.392)</u>
	<u>431.164</u>

The acquisition of Stork Food Systems has been accounted for on a provisional basis in accordance with IFRS 3. The goodwill includes eur 14 million for deal cost relating to the acquisition. Fair value adjustments of the acquired assets, liabilities and contingent liabilities of Stork Food and Dairy have not yet been fully processed in the figures for end of September 2008. The fair value adjustments and accompanying adjustment of the goodwill will be processed in last quarter of 2008. Accordingly, these published figures for assets and liabilities are still a provisional calculation and may be subject to changes.

## Notes to the Condensed Consolidated Interim Financial Statements

### 22. Principal subsidiaries

Marel ehf Iceland .....	Iceland
Marel Food Systems Australia, New Zealand .....	Australia
Marel Food Systems Benelux .....	Netherlands
Marel Food Systems Brazil .....	Brazil
Marel Food Systems Canada .....	Canada
Marel Food Systems Chile .....	Chile
Marel Food Systems Denmark .....	Denmark
Marel Food Systems England .....	UK
Marel Food Systems France .....	France
Marel Food Systems Germany .....	Germany
Marel Management (Germany) .....	Germany
Marel Holding B.V. ....	Netherlands
Marel Food Systems Ireland .....	Ireland
Marel Food Systems Italy .....	Italy
Marel Food Systems Norway .....	Norway
Marel Food Systems Poland .....	Poland
Marel Food Systems Rusland .....	Rusland
Marel Food Systems Slovakia .....	Slovakia
Marel Food Systems South Africa .....	South Africa
Marel Food Systems Spain .....	Spain
Marel Food Systems Sweden .....	Sweden
Marel Food Systems Thailand .....	Thailand
Marel Food Systems USA .....	USA
Marel UK .....	UK
Marel Spain .....	Spain
AEW UK .....	UK
Carnitech Group .....	Denmark
Scanvaegt Group .....	Denmark
Nordic .....	Denmark
DKT .....	Denmark

All subsidiaries are wholly owned. All holdings are in the ordinary share capital of the entity concerned.