

# Prospectus

Marel Food Systems hf.  
October 2009



This Prospectus is published on 6 October 2009.

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

This Prospectus has been prepared in connection with admission to trading of Bonds issued by Marel Food Systems hf. on NASDAQ OMX Iceland hf.

This Prospectus consists of three independent documents; a Summary dated 6 October 2009, a Securities Note dated 6 October 2009 and a Registration Document dated 6 October 2009.

This Prospectus is published in Acrobat Adobe format on Marel Food Systems' website ([www.marel.com](http://www.marel.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



This page is intentionally left blank

# Contents

- 1 Notice to investors ..... 2
- 2 Description of the Bonds admitted to trading ..... 2
- 3 Risk factors ..... 4
- 4 Information about Marel Food Systems ..... 6
- 5 Selected financial information ..... 10
- 6 Prospects ..... 11
- 7 Major shareholders ..... 11
- 8 Share capital ..... 12
- 9 The Issuer's purpose ..... 12
- 10 Documents on display ..... 12

# 1 Notice to investors

This Summary should be read as an introduction to the Prospectus, consisting of this Summary dated 6 October 2009, a Securities Note dated 6 October 2009 and a Registration Document dated 6 October 2009.

The above mentioned documents can be obtained in electronic format on [www.marel.com](http://www.marel.com). A hard copy can be obtained from Marel Food Systems hf. headquarters, Austurhraun 9, Garðabær, Iceland. This Summary, a Registration Document dated 6 October 2009 and a Securities Note dated 6 October 2009 can be obtained for the next 12 months.

Any investment decision relating to Bonds 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 Description of the Bonds admitted to trading

The Prospectus concerns admission to trading of Bonds, with the ticker MARL 09 1, issued by Marel Food Systems on Nasdaq OMX Iceland hf. The admission to trading is expected to take place on 7 October 2009.

### Issuer

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

### Manager

Legal and commercial name:	Landsbankinn (NBI hf.)
State Registration No.:	471008-0280
Domicile and headquarters:	Austurstræti 11, 155 Reykjavík, Iceland

Landsbankinn is a major shareholder in Marel Food Systems. Landsbankinn is one of Marel Food Systems' principal banks. Furthermore, Landsbankinn 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 6 October 2009, Securities Note dated 6 October 2009 and this Summary.

## Details of the Bonds and admission to trading

Type:	Interest-bearing securities
Issue date:	20 May 2009
Date of maturity:	1 November 2011
Size limit:	ISK 3,600,000,000
Issued:	ISK 3,600,000,000
Denomination:	ISK 1,000,000
Currency:	ISK
Interest rates:	Variable interest that is calculated on the principal of the Bonds. The Bonds bear REIBOR interest, plus a premium of 500bp. Interest shall be determined at the beginning of each period. It shall be equal to 6-month REIBOR interest rates as these are published on the Central Bank of Iceland website at the close of the day, two days prior to each payment due date/date of issue, plus the above-specified premium, and shall apply for the following period.
First interest date:	20 May 2009
Interest payment dates:	Interest shall be paid a total of five times: on 1 November 2009, 1 May 2010, 1 November 2010, 1 May 2011, and 1 November 2011, which is also the payment date for the principal.
Day count fraction:	Interest shall be calculated on the basis of the rule Act/360.
Indication of yield:	12.25% on 20 May 2009.
ISIN:	IS0000019313
Ticker:	MARL 09 1
Depository Agent:	Icelandic Securities Depository, Laugavegi 182, 105 Reykjavík.
Paying Agent:	NBI hf., Austurstræti 11, 155 Reykjavík.
Authorization:	Authorized by Marel Food Systems' Board of Directors on a board meeting held 18 May 2009 to sell a maximum of ISK 3,600,000,000 in a bond offering, according to the meeting's minutes.

The Bonds are issued electronically at the Icelandic Securities Depository and are registered there under the name of the relevant bondholder or his/her nominee. Amounts payable under the Bonds will be paid to the financial institution where the registered owner has his/her custody account.

The Issuer is authorised, at any time without notice until the maturity date of the Bond, to pay the debt in full without incurring a pre-payment penalty. Payment of the Bond shall include principal and accrued interest as they are determined in the terms of the Bond.

This issue is subject to special terms and conditions. If the Issuer is in non-compliance with special terms and conditions of the Bond, bond owners are authorised to accelerate the debt with 10 days' notice. If the debt is accelerated it is permissible to initiate enforcement proceedings against the debtor in order to satisfy the claim.

The Issuer guarantees that, until the maturity date of the Bond, revenues from operations related to the manufacture, sale, and service of equipment and software for the food industry will not fall below 75% of the company's total revenues for each accounting year.

The Issuer pledges to refrain from engaging in takeovers or major investments valued at EUR 12,000,000 or more, if the financing for such investments should mature before the maturity date of the Bond, without the prior consent of 2/3 of bond owners of this series. For the purpose of obtaining the consent of bond owners, the Issuer is authorised to request information on bond owners by directing a query to the Icelandic Securities Depository hf.

The Issuer also pledges not to hypothecate the company's assets in excess of the levels in effect upon the issue of this Bond, without the prior consent of 2/3 of bond owners of this series. For the purpose of obtaining the consent of bond owners, the Issuer is authorised to request information on bond owners by directing a query to the Icelandic Securities Depository hf. Hypothecation related to the daily operation of the company, or hypothecation of assets acquired by the Issuer after the issue of this Bond, however, is permissible.

Bond owners are authorised to accelerate the debt in the following instances:

If, at a meeting of the Issuer's shareholders, it is decided to pay a dividend to shareholders before the Issuer has satisfied the claim according to this bond series or offered to do so.

If the Issuer is in non-compliance with special terms and conditions or defaults on the payment of financial obligations (other than those under this bond issue) exceeding a total of EUR 2 million at the date of payment, which the Issuer has not paid within 30 days of the payment date, bond owners are authorised to accelerate the debt with 10 days' notice.

### 3 Risk factors

Investing in bonds is subject to numerous risks. The following is a summary of those risk factors the management and the Board of Directors of Marel Food Systems believe are most likely to materially affect the Issuer and the value of its Bonds. 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.

**Marel Food Systems' operational risk factors:**

- Marel Food Systems' operations may be negatively affected by economic and political conditions.



- Consumer changes in Marel Food Systems' main markets can have an impact on the Company's position and its growth potential.
- If a serious problem arises with health issues for meat, poultry and fish products, consumer could change their buying habits which could diminish Marel Food Systems' performance and 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 sells capital goods. Therefore, fluctuations can be expected in Marel Food Systems' operations from one period to another in accordance with the performance of the group's customers. Furthermore, lack of access to investment capital and uncertain market conditions can negatively impact the demand for Marel Food System's products.
- 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 unlikely that there will be further consolidation in the industry, with companies growing in size and strength through mergers and acquisitions. These developments could have an impact on the group's performance potential.
- 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.
- 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.
- 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.
- Based on Marel Food Systems' current operations, the Company is not in need of further financing. However, should the need for further financing arise, it must be borne in mind that the recent turmoil in world capital markets could limit the availability and terms of financing. 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.
- Marel Food Systems' investment risk lies in the rate of return on the group's investments in new activities and other companies being less than initially expected.
- Preparation of Marel Food Systems' financial statements requires the use of accounting estimates and assumptions causing a risk of a material adjustment to the carrying amounts of the Issuers' assets and liabilities.
- The Marel Food Systems performance is dependent on the expertise of its management and key employees within the group.
- 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' shares and bonds are listed on Nasdaq OMX Iceland and the Company is subject to Icelandic securities laws and regulations and rules adapted by Nasdaq OMX Iceland. Repeated violations of the aforesaid laws and regulations would expose the Company to the risk of removal from trading on the Nasdaq OMX Iceland and other legal sanctions.
- 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 factors related to investment in Marel Food Systems' Bonds:**

- Issuer's accountability to make payments
- Market risk
- Change of law
- The secondary market
- The bonds may not be a suitable investment for all investors

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

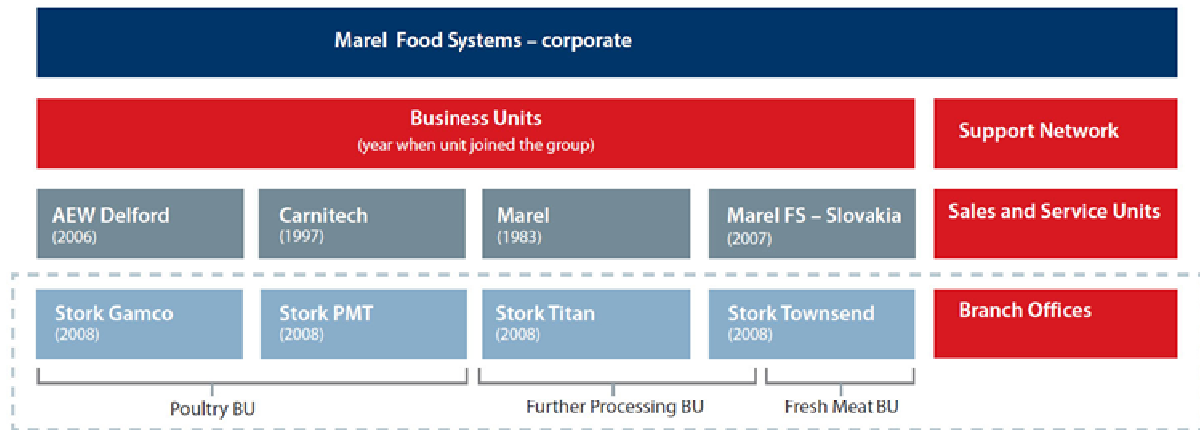
### **Organizational structure**

Marel Food Systems is divided into 8 business units. In addition, it operates a sales and service network which consists of subsidiaries and offices in 27 countries. Marel Food Systems' business units are:

- Marel ehf. (Iceland) and Marel Food Systems A/S (Denmark)
- Carnitech A/S
- AEW Delford Systems Ltd.
- Marel Food Systems s.r.o. (Slovakia)
- Stork Gamco Inc.
- Stork PMT B V.
- Stork Titan B V.
- Stork Townsend B V. and Stork Townsend Inc.

In addition, there is a ninth business unit, Stork Food and Dairy Systems in the Netherlands, which is not considered to be a part of the Company's core business.

As indicated above Marel ehf. and Marel Food Systems A/S (formerly Scanvaegt International A/S) have been operationally merged. As of the first quarter of 2009, the Salmon Division of Carnitech A/S and its US operations are also operationally managed by Marel ehf., while the remainder of Carnitech A/S has been defined as non-core operations. The Company has also announced its intention to merge the operations of AEW Delford Systems Ltd. with its operations in the UK.



## Business overview

Marel Food Systems develops high-tech processing equipment to fit current, emerging and projected needs of the four main segments of the food processing industry: poultry, fish, meat and further processing of these three. These segments are considered to be the Company's core activities.

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

Marel Food Systems manufactures equipment and systems spanning the entire production cycle, ranging from the harvesting of raw materials to the packaging of case-ready products. The Company offers everything from standardized stand-alone units to all-inclusive custom-designed turnkey systems. Its equipment and software components are designed to provide customers with integrated solutions from a single, reliable source.

Approximately a third of the Company's revenues is derived from the sale of larger systems, often for new factories. Another third comes from the sale of standard equipment and smaller solutions to existing factories and the final third is based on the sale of spare parts and service.

Marel Food Systems currently employs more than 3,700 employees worldwide, a reduction of 13% from a year ago.

There are three pillars to Marel Food Systems' operations: research and development, manufacturing and sales and service.

## Research and development

Marel Food Systems operates 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 of 4-6% of revenue in innovation. Marel Food Systems considers its qualified researchers and technicians, a good working relationship with large customers in the food processing industry and a pioneering mindset to be the key to the Company's successful product development.

Each year, Marel Food Systems introduces a range of new and improved products to the market. Products released in the past three years account for about a third of the Company's revenues. More than 400 employees of Marel Food Systems work in 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 since its value and strong position are to a large degree built on technological innovation and employee experience. The Company's investments are primarily concentrated in the knowledge and expertise of its employees. For this reason, the Company is very involved in protecting the proprietary rights of its product development activities.

### **Manufacturing**

Marel Food Systems offers a very diverse range of products for the poultry, fish, meat and further processing industries globally. Equipment is designed to withstand wet and harsh working environments, and to meet the stringent demands of the food processing industry and international regulations governing materials, hygiene, safety and utilization.

Most of the Company's products are manufactured in Iceland, Denmark, the Netherlands, Slovakia, the United States and the United Kingdom. Smaller manufacturing facilities are operated in Singapore, Brazil and France.

Marel Food Systems employs approximately 1,100 people in manufacturing, a decrease of 20% compared with the middle of 2008.

### **Sales and services**

Marel Food Systems operates a global network of sales and service units.

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

The Company employs approximately 700 sales personnel and consultants who sell and service the Company's products around the world.

### **Principal markets**

Marel Food Systems' key markets are in North America and Northern Europe and the Company has continued to reinforce its operations there.

With the acquisition of Stork Food Systems, Marel Food Systems achieved the global presence and critical size needed to be able to tap into new markets in Asia, Eastern Europe and Australia, as well as being strongly positioned in South America.

In Q2 2009, there were indications of slow but gradual improvements in Marel Food Systems' key markets. In general terms, the markets in Europe and North America appear to be improving although the speed of recovery varies from country to country. Still, global financial and market conditions continue to take their toll on the company's operations, especially the sale of larger systems and installations, which under normal circumstances account for approximately one-third of the company's revenues.

### **Board of Directors and Executive Board**

Chairman of the Board of Directors is Árni Oddur Þórðarson. Other members of the Board of Directors are Arnar Þór Másson, Friðrik Jóhannsson, Helgi Magnússon, Lars Grundtvig and Margrét Jónsdóttir.

Members of the Executive Board are Theo Hoen (CEO), Erik Kaman (CFO) and Sigsteinn Grétarsson (Managing Director of Marel ehf.).

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

### **Statutory Auditors**

KPMG hf., Icelandic ID No. 590975-0449, Borgartún 27, 105 Reykjavík, Iceland, was appointed as the Company's Statutory Auditor, at the Annual General Meeting held on 10 March 2009, for the financial period 2009 ( 1 January 2009 – 31 December 2009).

PricewaterhouseCoopers hf., Icelandic ID No. 690681-0139, Skógarhlíð 12, 105 Reykjavík, Iceland, was Marel Food Systems hf.'s Statutory Auditor prior to KPMG's appointment. PricewaterhouseCoopers hf. was responsible for Marel Food Systems auditing for the duration of the period 2007-2008 and for the review of the first half of 2008.

## 5 Selected financial information

Key figures - consolidated	2009	2008	2008	2007
	1.1 -30.6	1.1 -30.6	1.1 -31.12	1.1 -31.12
<b>Operating results</b>				
Sales	262,336	219,015	540,149	289,817
Gross profit	91,211	77,080	178,931	97,236
Result before depreciation (EBITDA)	28,752	21,442	42,108	20,980
Result from operations (EBIT)	15,833	13,325	20,434	10,029
Result for the period	10,375	10,796	(8,405)	6,066
<b>Cash flow statement</b>				
Net cash from (to) operating activities	19,604	13,903	15,288	2,778
Investing activities	20,573	(397,115)	(410,671)	(70,249)
Financing activities	(759)	377,566	386,480	34,118
<b>Financial position</b>				
Total assets	892,066	942,521	920,259	427,304
Working capital	84,824	12,332	(25,941)	109,887
Equity	305,344	306,214	288,279	181,835
<b>Various figures in proportion to sales</b>				
Gross profit	34.8%	35.2%	33.1%	33.6%
Selling and marketing expenses	14.6%	13.8%	13.3%	15.5%
Research and development expenses	6.2%	5.1%	5.1%	5.0%
Administrative expenses	13.9%	10.6%	11.1%	10.0%
Result before depreciation (EBITDA)	11.0%	9.8%	7.8%	7.2%
Depreciation/amortization	4.9%	3.7%	4.0%	3.8%
Result from operations (EBIT)	6.0%	6.1%	3.8%	3.5%
Result for the period	4.0%	4.9%	-1.6%	2.1%
<b>Other key ratios</b>				
Current ratio	1.5	1.0	0.9	1.9
Quick ratio	1.1	0.5	0.5	1.3
Equity ratio	34.2%	32.5%	31.3%	42.5%
Return on owners' equity	7.0%	8.8%	-3.6%	3.7%
Return on total assets	2.3%	3.2%	-1.2%	1.5%
Net Debt	349,412	379,501	379,405	129,919

Amounts in thousands of EUR

### 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 2008 and 2007. 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 – 30 June 2009 and 2008. The interim financial statements 2009 and 2008 have not been audited. Furthermore, the interim financial statement 2009 was not reviewed but was reviewed in 2008. The review report for Marel Food Systems is part of the interim financial statement 2008.

## Significant change

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 30 June 2009.

The Issuer also states that there has been no material adverse change in the prospects of Marel Food Systems since the date of its last published audited financial statements.

## 6 Prospects

The challenging market conditions are continuing to have an effect on Marel Food Systems' sale of larger systems in particular. Sales are expected to increase slightly in the second half of the year as market conditions continue to improve. Marel Food Systems is committed to continuing to support the increase in sales with an unrelenting focus on cost control. Operating results are therefore expected to continue to improve during the course of the year.

The Company's view of the long-term prospects of the market and the strong underlying growth in the industry remains unchanged. The Company is aiming for a growth rate of at least two percent above the prevailing market rate and an EBIT of more than 10% compared to sales.

## 7 Major shareholders

In the accompanying table is a list of Marel Food Systems' 10 largest shareholders on 2 October 2009. Marel Food Systems is not aware of any arrangement, between shareholders or others, that may result in a change of control of the Company.

<b>Largest shareholders 02.10.2009</b>	<b>Number of shares</b>	<b>Holding</b>	<b>Voting rights</b>
Eyrir Invest ehf	232.924.713	37,81%	37,81%
Horn Fjárfestingarfélag ehf	92.703.174	15,05%	15,05%
Grundtvig Invest A/S	61.672.494	10,01%	10,01%
Columbia Acorn International	22.568.604	3,66%	3,66%
Lífeyrissjóður verslunarmanna	20.294.666	3,29%	3,29%
Gildi -Lífeyrissjóður	17.123.457	2,78%	2,78%
Lífeyrissjóðir Bankastræti 7	15.000.000	2,44%	2,44%
Sameinaði lífeyrissjóðurinn	14.055.243	2,28%	2,28%
Stafir lífeyrissjóður	13.011.180	2,11%	2,11%
Wanger International	7.836.321	1,27%	1,27%
Total ten largest shareholders	497.189.852	80,71%	80,71%
Other shareholders	118.810.148	19,29%	19,29%
Total number of shares	616.000.000	100,00%	100,00%
Own shares	0	0,00%	0,00%
Active share capital	616.000.000	100,00%	100,00%

## 8 Share capital

Marel Food Systems' total share capital at 2 October 2009 is 616,000,000 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).

## 9 The Issuer's purpose

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.

## 10 Documents on display

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

- Marel Food Systems' financial statements and audit reports for the two years, 2008 and 2007.
- Marel Food Systems' interim financial statement, not reviewed and un-audited, covering the period 1 January – 30 June 2009.
- Marel Food Systems' interim financial statement and review report covering the period 1 January – 30 June 2008.
- The Issuer's Articles of Association.

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



# Registration Document



This page is intentionally left blank

# Contents

- 1 Risk factors ..... 3
  - 1.1 Market risk..... 3
  - 1.2 Operational risk ..... 6
  - 1.3 Financing risk..... 7
  - 1.4 Capital risk management ..... 8
  - 1.5 Investment risk..... 8
  - 1.6 Critical accounting estimates and assumptions ..... 8
  - 1.7 Management and personnel risk..... 9
  - 1.8 Legal risk..... 9
  - 1.9 Court cases and arbitration proceedings ..... 10
  - 1.10 Taxation risk ..... 10
  - 1.11 Insurance, commitments, guarantees and contingencies..... 10
- 2 Persons responsible ..... 12
- 3 Statutory Auditors ..... 13
- 4 Notice to investors ..... 14
- 5 Selected financial information ..... 15
- 6 Information about the Company ..... 16
- 7 Investments ..... 17
  - 7.1 Future investments..... 17
  - 7.2 Divestments ..... 17
- 8 Organizational structure..... 18
- 9 Business overview..... 20
  - Research and development..... 20
  - Manufacturing..... 21
  - Sales and service..... 21
  - 9.1 Principal markets ..... 21
  - Recent market developments and trends..... 23
- 10 Prospects ..... 24
- 11 Significant changes from the latest financial statement ..... 24
- 12 Trend information ..... 24
- 13 Corporate governance, Board of Directors and Executive Board ..... 25
  - 13.1 Corporate governance ..... 25
  - 13.2 Board of Directors and Executive Board..... 25
- 14 Major shareholders..... 28

14.1	Control .....	29
15	Additional information.....	30
15.1	Share capital .....	30
15.2	Voting rights.....	30
15.3	The Issuer's purpose according to Marel Food Systems' Articles of Association .....	30
15.4	References.....	30
15.5	Abbreviations .....	30
15.6	Documents incorporated by reference .....	31
16	Documents on display .....	31

# 1 Risk factors

Investing in bonds is subject to numerous risks. Prior to making an investment decision regarding Marel Food Systems' bonds, investors should acquaint themselves with all the information provided in the Prospectus. Investors should in particular acquaint themselves with the risks and uncertainties described in the Registration Document and the Securities Note, which could materially affect Marel Food Systems and the value of Marel Food Systems' bonds.

It is not possible to give assurances that investing in bonds 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 this 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 bonds could decline and investors might lose a part of their investment or even all of it.

Due to the recent turmoil in Icelandic political and economic environment, Marel Food Systems' operations may be negatively affected during the term of the bonds as there is a risk of political events complicating the Company's pursuit of earnings through direct or indirect impacts, including, but not limited to, extended restrictions of free flow of funds between jurisdictions, the active involvement of the International Monetary Fund into the affairs of the Icelandic government and significantly increased tax burden and tariffs. Furthermore, political instability is a risk factor that needs to be put in context with the risk factors stated herein. It is not in Marel Food Systems' power to reduce or manage this kind of risk and therefore all investors must take it into consideration prior to making an investment decision regarding the Company's bonds.

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 price of Marel Food Systems' bonds. 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 Market risk

**Markets:** Marel Food Systems' key markets are North America and Northern Europe. 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.

Changes in consumer behaviour in Marel Food Systems' main markets can have an impact on the Company's position and its growth potential. Generally, such changes tend to have a positive effect on the sale of food processing equipment since food processors are likely to have to adapt their production processes in response to changing consumer demands. This in turn requires investment in equipment and systems.

As a result of the global economic downturn, consumers are now eating out less at higher priced restaurants and choosing instead to go to fast food outlets or shop for ready-made-meals at discount supermarkets. The consumption of less expensive proteins like poultry and fish has also increased.

In recent years, sales to individual industrial sectors served by Marel Food Systems have fluctuated, i.e. fish, meat and poultry industries. However, circumstances can be such that as investment decreases in one market, it expands in another. Animal diseases like, swine flu, 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. So far, the current swine flu outbreak has had a very limited effect on the Company's operations.

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 one or all of the products. If the situation is prolonged, Marel Food Systems' performance and growth potential will diminish.

**Main products:** Product standardization is one of Marel Food Systems' main goals. 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.

At present, the Company's product sales can be divided into three roughly equal categories: the sale of spare parts and service, the sale of standard equipment and smaller systems, and the sale of large systems, often for new factories. In addition, the revenue stream is now more evenly divided between the sub-segments of the industry, i.e. poultry, fish, meat and further processing, reducing the impact of external factors on revenues.

Manufacturing of the Company's products can be delayed and product sales and profitability could suffer. While Marel Food Systems production is labor intensive, it is also semi automated. As such, production processes can be interrupted by system disruptions arising from disruption in electricity supply or machinery breakdown. Such disruptions can cause production downtime and delay in the delivery of products to our customers. In mitigating these risks, the Company regularly conducts servicing of machinery and equipment. In addition, natural disasters can cause cessation in production and can cause significant damage to inventory and production facilities.

**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 for the groups' product can take up to 6-9 months to go into effect. However, Marel Food Systems now adds provisions to 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.

**Customers:** Marel Food Systems sells capital goods. The Company's customer base is broad, ranging from small local producers to leading global brands. 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. However, the Company's broad customer base ensures that no single customer accounts for

more than 4% of the Company's turnover each year. There is therefore little risk, that the loss of individual customers will have a significant effect on Marel Food Systems' revenues.

Fluctuations can be expected in Marel Food Systems' operations from one period to another in accordance with the performance of the group's customers. For example, changes in raw material prices, such as corn and oil, have a direct effect on the production costs of Marel Food Systems' customers, which in turn has an indirect effect on the Company's performance. This also applies to end product prices (such as the price of salmon and chicken fillets). In 2008, oil and feed prices reached historic highs, which adversely affected the profitability of the industry. In recent months, market conditions have improved as raw material prices have decreased. If prices should once again rise, the performance of Marel Food Systems' customers would be negatively affected.

Recently, the international financial crisis and customers' lack of access to investment capital has affected the company's operations, especially the sale of larger systems and installations, which under normal circumstances account for approximately one-third of the company's revenues. Although the situation in world capital markets has improved, some customers may continue to have difficulty in obtaining financing for larger projects and may take longer to do so. Furthermore, customers may continue to elect to delay such investments due to the uncertain market conditions. Such developments can negatively impact the demand for Marel Food Systems' products.

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 operates in a competitive market with a large number of competitors. Most are relatively small and specialized but it is not unlikely that there will be further consolidation in the industry in the years ahead, with companies growing in size and strength through mergers and acquisitions. These developments could have an 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 4-6% 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. Conditions could theoretically compel the Company to reduce investment in innovation at some point in time, which could put at risk the Company's competitive position in the longer term future. It is also possible that research and development activities will not yield the desired results in terms of advancements in technology, which could result in reduced return on investment in this regard.

Marel Food Systems evaluates the possibility of applying for patents for all of its product development. 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.

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.

As the patent protection is focused on the Company's main markets, patent granted equipment can never preclude third parties from breaching Marel Food Systems' patent rights.

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.

## 1.2 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.

**Foreign exchange risk:** Marel Food Systems operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the Euro. Financial exposure is partly hedged in accordance with the company's general policy and within set limits. Entities within the company use forward contracts to manage their foreign exchange risk arising from future commercial transactions, recognized assets and liabilities that are determined in a currency other than the entity's functional currency. Translation risk arising from the company's financial currency is not hedged. Currency exposure arising from net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

On the operational front, only 0,5% of revenues is denominated in ISK, while 6% of costs are in ISK. The Company had cash flow hedges to manage the risk originated in this imbalance. All open derivatives in Iceland were settled and closed in May 2009. After the collapse of the Icelandic banking systems such derivatives have not been available.

After the recent refinancing of the company's operation in Iceland the currency mismatch for the group has increased. Around 30% of total Marel Food Systems' borrowings are in ISK. With the currently non-functioning swap market in Iceland, Marel remains exposed to movements in the ISK/EUR exchange rate.

**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 the credit limits is regularly monitored.

The carrying amount of financial assest represent the maximum credit risk exposure. Maximum exposure to credit risk at 30 June 2009 was:

<b>Exposure to credit risk</b>	<b>30.06.09</b>	<b>31.12.08</b>
Trade receivables	78,205	88,286
Other receivables and prepayments	20,850	34,652
Derivative financial instruments	3	4,364
Cash and cash equivalents	60,294	21,038
<b>Total</b>	<b>159,352</b>	<b>148,340</b>

Amounts in thousands of EUR



**Liquidity risk:** Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to give reasonable operating headroom. Due to the dynamic nature of the underlying businesses, the group aims to maintain flexibility in funding by maintaining availability under committed credit lines.

In an increasingly difficult funding market where access to new funding sources is limited the need for active liquidity risk management has increased substantially. Cash flow forecasts are done on local levels and monitored by group Treasury. Group liquidity reports are viewed by management on a regular basis. The current liquidity position of EUR 60.3 million at 30 June 2009, of which 16.7 million is restricted cash, is relatively strong and the business remains well equipped to deal with current market environment.

**Cash flow and fair value interest rate risk:** The group is exposed to interest rate risk on 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. The risk is managed by maintaining a mix between fixed and floating interest rate borrowings. Based on various scenarios, the group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Generally the group raises long-term borrowings at floating rates and swaps them into fixed rates. Presently around 50% of the total borrowings have floating interest rates and the other half is fixed.

Among the actions taken to monitor the interest rate risk are stress tests to establish sensitivity to possible movements in rates and how they might affect the Group's results.

### 1.3 Financing risk

Marel Food Systems equity and liabilities at the end of 2008 were EUR 920 million, of which equity was EUR 288 million and total liabilities EUR 632 million. At 30 June 2009 equity and liabilities were EUR 892 million, of which equity was EUR 305 million and total liabilities EUR 587 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 30 June 2009 was 34,2% compared to 31,3% at year-end 2008, 42,6% at year-end 2007 and 39.6% at year-end 2006.

The acquisition of Stork Food Systems in 2008 was financed with equity and long term debt, in accordance with Marel Food Systems' strategy of maintaining a strong equity ratio and long term financing. The long term debt was provided by a syndicate of European banks led by Rabobank and Landsbanki. The majority of the Stork Food Systems debt financing is with maturity in 2016 and 2017. This is an independent financing structure which currently limits the flow of funds between Stork Food Systems and Marel Food Systems. Due to the current situation in capital markets and the independent financing structures of the group a relatively high liquidity position is called for.

In May 2009 Marel completed the refinancing of all major short term debt facilities, shifting the maturity profile to 2011–2017. After the refinancing, Marel Food Systems has no short-term maturities except for a facility provided in relation to the acquisition of Food and Dairy Systems, which matures in November 2009. Marel Food System's maturity profile is as follows:

<b>Annual maturities of non-current liabilities</b>	<b>30.06.09</b>	<b>31.12.08</b>
Period 1.7.2010-30.6.2011 / year 2010	9,587	41,135
Period 1.7.2011-30.6.2012 / year 2011	180,181	8,445
Period 1.7.2012-30.6.2013 / year 2012	17,600	58,471
Period 1.7.2013-30.6.2014 / year 2013	28,178	12,084
Later	138,384	145,672
<b>Total</b>	<b>373,930</b>	<b>265,807</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.

Based on Marel Food Systems' current operations, the Company is not in need of further financing. However, should the need for further financing arise, it must be borne in mind that the recent turmoil in world capital markets could limit the availability and terms of financing.

Marel Food Systems is pursuing various ways to adjust its capital structure, as per section 1.4 below, in order to minimize the risk of external factors, such as turmoil in world capital markets; having a negative impact on the Company.

## 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 activities and other companies being less than initially expected.

Marel Food Systems has made several acquisitions in the past few years. These acquisitions carry certain inherent risks, most notably the risk that the integration of the companies in the group does not yield the expected synergies and economies of scale. In other words, there is a risk that the return on investment is below expectations. On the other hand, the expansion of the Company's operations into other segments of the industry reduces the risk that unfavourable developments in a single segment will adversely affect the Company's overall performance.

## 1.6 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:** Derivatives are initially recognised at fair value (market value) at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date.
- 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 determine the stage of completion to date as a proportion of the total work to be performed.

## 1.7 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.

There is always the risk that other companies will succeed in persuading Marel Food Systems' key employees to change jobs. Should key employees leave the group, the group's performance could suffer.

## 1.8 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 example, labour, IPR, health and safety, 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' shares and bonds are listed on Nasdaq OMX Iceland and the Company is subject to Icelandic securities laws and regulations and rules adapted by Nasdaq OMX Iceland. Repeated violations of the aforesaid laws and regulations would expose the Company to the risk of removal from trading on the Nasdaq OMX Iceland and other legal sanctions.

## 1.9 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.

## 1.10 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.

Marel Food Systems Inc. in the United States has a favourable Advance Pricing Agreement with US tax authorities, where a certain minimum EBIT ratio is negotiated. This agreement expired at the end of 2008. Renewal of the agreement is in process. If not successful, it will have negative effects which are though not material.

## 1.11 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 property damage and business interruption insurance. The insurance loss limit amounts to EUR 150 million per occurrence.

Marel Food Systems' worldwide general and products liability insurance covers claims up to EUR 50 million for any one claim, with an annual aggregated claims of EUR 100 million.

The group has made some rental agreements for building, motor vehicles and office equipment, with the remaining balance of EUR 14.4 million at 31 December 2008 compared to EUR 10.5 million at year-end 2007. The amount will be charged at the relevant rental time of each agreement. The rental agreements will materialise in the years 2009-2016.

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 12.1 million to third parties at 30 June 2009 compared to EUR 4.7 million at year-end 2008. These are mainly guarantees given to clients against down payments they make.

## 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, 6 October 2009

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, 6 October 2009

On behalf of Marel Food Systems hf.

Austurhraun 9, 210 Garðabær, Iceland

Theo Hoen

CEO

### 3 Statutory Auditors

Marel Food Systems hf. elected KPMG hf., Icelandic ID No. 590975-0449, Borgartun 27, 105 Reykjavik, Iceland, as the Company's Statutory Auditor at the Annual General Meeting held on 10 March 2009.

PricewaterhouseCoopers hf., Icelandic ID No. 690681-0139, Skógarhlíð 12, 105 Reykjavík, Iceland, was Marel Food Systems hf.'s Statutory Auditor for the twelve month period ended 31 December 2007 (1 January 2007 – 31 December 2007) and the twelve month period ended 31 December 2008 (1 January 2008 – 31 December 2008).

PricewaterhouseCoopers hf. has audited Marel Food Systems hf.'s consolidated financial statements for the years 2007 and 2008. In their opinion the consolidated financial statements for the years 2007 and 2008 give a true and fair view of the financial position of the group as of 31 December 2007, and 31 December 2008, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Marel Food Systems' Statutory Auditors have not reviewed or audited the interim financial statement covering the period 1 January – 30 June 2009. PricewaterhouseCoopers hf. have not audited but reviewed the interim financial statement covering the period 1 January – 30 June 2008.

Marel Food Systems' Statutory Auditors are members of the Institute of State Authorized Public Accountants in Iceland.

PricewaterhouseCoopers hf. was appointed as Marel Food Systems Statutory Auditor for the financial periods 2007 and 2008 (1 January 2007 – 31 December 2008) at the Annual General Meetings in 2007 and 2008. PricewaterhouseCoopers hf. was not re-appointed at the Annual General Meeting in 2009 for the financial period 2009. As discussed above KPMG hf. was appointed the Company's Statutory Auditor for the financial period 2009.

## 4 Notice to investors

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

The Prospectus has been prepared in connection with the admission to trading of Bonds, with the ticker MARL 09 1, issued by Marel Food Systems hf. on NASDAQ OMX Iceland hf. The Prospectus consists of three independent documents; this Registration Document, a Securities Note dated 6 October 2009 and a Summary dated 6 October 2009.

This Registration Document, a Summary dated 6 October 2009 and a Securities Note dated 6 October 2009 are published in Acrobat Adobe format. The above mentioned documents can be obtained in electronic format on [www.marel.com](http://www.marel.com). A hard copy can be obtained from Marel Food Systems hf. headquarters, Austurhraun 9, Garðabær, Iceland. This Registration Document, a Summary dated 6 October 2009 and a Securities Note dated 6 October 2009 can be obtained for the next 12 months.

This Registration Document, is prepared in accordance with Icelandic law and regulations and according to current legislation and rules for issuers of bonds on the NASDAQ OMX 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 Landsbankinn as 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 NASDAQ OMX Iceland hf. According to these rules all information that could significantly impact the market price of Marel Food Systems' shares and/or bonds 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 NASDAQ OMX Iceland hf. for supervision purposes. Information in accordance with this disclosure will be published on Marel Food Systems' website [www.marel.com](http://www.marel.com) and investors are advised to follow news announcements and notifications that may be published on the website [www.marel.com](http://www.marel.com) once the Registration Document has been published.

This Registration Document has been prepared by Landsbankinn. Landsbankinn is one of Marel Food System's principal banks. Landsbankinn serves as a market maker for Marel Food Systems' shares. Landsbankinn held, through its subsidiary company Horn fjárfestingarfélag, 92,703,174 shares in Marel Food Systems, which corresponds to 15.05% stake on 2 October 2009. In addition to direct ownership of shares in Marel, Horn fjárfestingarfélag ehf. has an indirect ownership in Marel through its 27.5% ownership in Eyrir Invest ehf.



## 5 Selected financial information

The following table shows selected financial information from Marel Food Systems' financial statements. The information covers the years 2008, 2007 and the first six months of 2009 and 2008. Information for the year 2008 and the first six months of 2008 include Stork Food Systems and Stork Food and Dairy System as of May 1st 2008.

<b>Key figures - consolidated</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>
	<b>1.1 -30.6</b>	<b>1.1 -30.6</b>	<b>1.1 -31.12</b>	<b>1.1 -31.12</b>
<b>Operating results</b>				
Sales	262,336	219,015	540,149	289,817
Gross profit	91,211	77,080	178,931	97,236
Result before depreciation (EBITDA)	28,752	21,442	42,108	20,980
Result from operations (EBIT)	15,833	13,325	20,434	10,029
Result for the period	10,375	10,796	(8,405)	6,066
<b>Cash flow statement</b>				
Net cash from (to) operating activities	19,604	13,903	15,288	2,778
Investing activities	20,573	(397,115)	(410,671)	(70,249)
Financing activities	(759)	377,566	386,480	34,118
<b>Financial position</b>				
Total assets	892,066	942,521	920,259	427,304
Working capital	84,824	12,332	(25,941)	109,887
Equity	305,344	306,214	288,279	181,835
<b>Various figures in proportion to sales</b>				
Gross profit	34.8%	35.2%	33.1%	33.6%
Selling and marketing expenses	14.6%	13.8%	13.3%	15.5%
Research and development expenses	6.2%	5.1%	5.1%	5.0%
Administrative expenses	13.9%	10.6%	11.1%	10.0%
Result before depreciation (EBITDA)	11.0%	9.8%	7.8%	7.2%
Depreciation/amortization	4.9%	3.7%	4.0%	3.8%
Result from operations (EBIT)	6.0%	6.1%	3.8%	3.5%
Result for the period	4.0%	4.9%	-1.6%	2.1%
<b>Other key ratios</b>				
Current ratio	1.5	1.0	0.9	1.9
Quick ratio	1.1	0.5	0.5	1.3
Equity ratio	34.2%	32.5%	31.3%	42.5%
Return on owners' equity	7.0%	8.8%	-3.6%	3.7%
Return on total assets	2.3%	3.2%	-1.2%	1.5%
Net Debt	349,412	379,501	379,405	129,919

Amounts in thousands of EUR

## 6 Information about the Company

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

## 7 Investments

Marel Food Systems has not made any principal investments since the date of the last published financial statements.

### 7.1 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.

The group has made some rental agreements for building, motor vehicles and office equipment, with the remaining balance of EUR 10.2 million at 30 June 2009 compared to EUR 14.4 million at year-end 2008. The amount will be charged at the relevant rental time of each agreement. The rental agreements will materialise in the years 2009-2017.

### 7.2 Divestments

To sharpen the focus on the profitability and internal growth of the Company's core business, the sale of two non-core assets was completed in Q2 2009. The assets sold included real estate in Amsterdam formerly belonging to the Food & Dairy part of Stork Food Systems, and the company Scanvaegt Nordic A/S, a non-core unit operating outside the food industry. The divestment of other non-core activities is still under consideration.

# 8 Organizational structure

Marel Food Systems is divided into 8 business units. In addition, it operates a sales and service network which consists of subsidiaries and offices in 27 countries. The business units within Marel Food Systems are decentralised profit centres that drive product development, manufacturing and sales and services. Marel Food Systems' business units are:

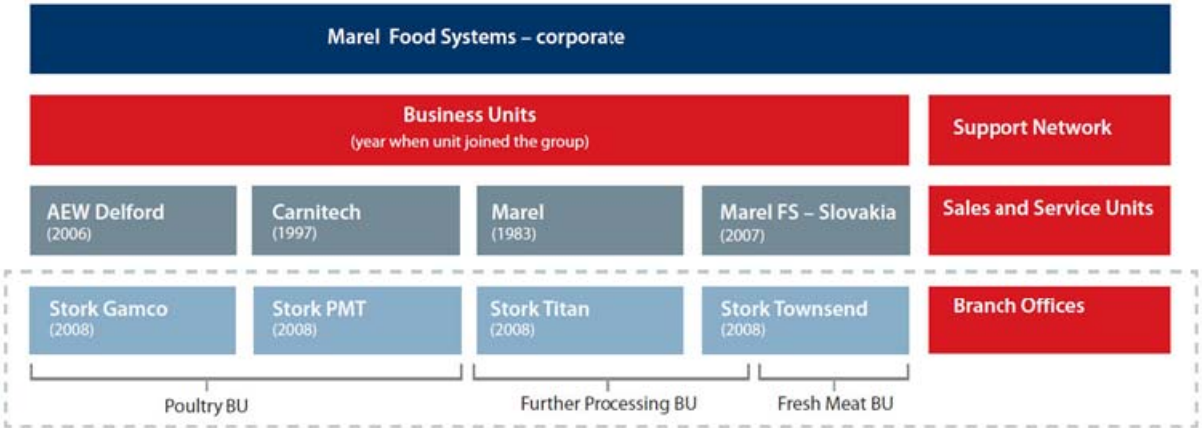
- Marel ehf. (Iceland) and Marel Food Systems A/S (Denmark)
- Carnitech A/S
- AEW Delford Systems Ltd.
- Marel Food Systems s.r.o. (Slovakia)
- Stork Gamco Inc.
- Stork PMT B V.
- Stork Titan B V.
- Stork Townsend B V. and Stork Townsend Inc.

In addition, there is a ninth business unit, Stork Food and Dairy Systems in the Netherlands, which is not considered to be a part of the Company's core business.

As indicated above Marel ehf. and Marel Food Systems A/S (formerly Scanvaegt International A/S) have been operationally merged. As of the first quarter of 2009, the Salmon Division of Carnitech A/S and its US operations are also operationally managed by Marel ehf., while the remainder of Carnitech A/S has been defined as non-core operations. The Company has also announced its intention to merge the operations of AEW Delford Systems Ltd. with its operations in the UK.

The company has customers all over the world and places great emphasis on providing services as close to them as possible. Marel Food Systems operates a network of 40 sales and services offices around the world.

Stork Food Systems is in the process of restructuring the operations of all the companies under three market-oriented business units, focusing respectively on poultry processing, fresh meat processing and further processing.



The corporate offices, which provide general management and coordination of all the company's operations, are located in Iceland and the Netherlands.

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 accompanying table shows Marel Food Systems' subsidiaries. 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
Marel ehf.	Iceland
AEW Delford Group	UK
Carnitech Group	Denmark
Scanvaegt International Group	Denmark
Stork PMT B.V.	Netherlands
Stork Gamco Inc.	USA
Stork Titan B.V.	Netherlands
Stork Townsend B.V.	Netherlands
Stork Townsend Inc.	USA
Stork Food & Dairy Systems B.V.	Netherlands
Marel Chile S.A.	Chile
Marel Food Systems	Slovakia
Marel Food Systems A/S	Denmark
Marel Food Systems GmbH & Co. KG	Germany
Marel Food Systems Inc.	USA
Marel Food Systems LLC.	Russia
Marel Food Systems Ltd.	Thailand
Marel Food Systems Pty. Ltd.	Australia
Marel Food Systems South Africa	South Africa
Marel Holding B.V.	Netherlands
Marel Spain S.L.	Spain

## 9 Business overview

Marel Food Systems develops high-tech processing equipment to fit current, emerging and projected needs of the four main segments of the food processing industry: poultry, fish, meat and further processing of these three. These segments are considered to be the Company's core activities.

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

Marel Food Systems manufactures equipment and systems spanning the entire production cycle, ranging from the harvesting of raw materials to the packaging of case-ready products. The Company offers everything from standardized stand-alone units to all-inclusive custom-designed turnkey systems. Its equipment and software components are designed to provide customers with integrated solutions from a single, reliable source.

Approximately a third of the Company's revenues is derived from the sale of larger systems, often for new factories. Another third comes from the sale of standard equipment and smaller solutions to existing factories and the final third is based on the sale of spare parts and service.

Marel Food Systems currently employs more than 3,700 employees worldwide, a reduction of 13% from a year ago.

There are three pillars to Marel Food Systems' operations: research and development, manufacturing and sales and service.

### Research and development

Marel Food Systems operates 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 of 4-6% of revenue in innovation. Marel Food Systems considers its qualified researchers and technicians, a good working relationship with large customers in the food processing industry and a pioneering mindset to be the key to the Company's successful product development.

Each year, Marel Food Systems introduces a range of new and improved products to the market. Products released in the past three years account for about a third of the Company's revenues. More than 400 employees of Marel Food Systems work in 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 since its value and strong position are to a large degree built on technological innovation and employee experience. The Company's investments are primarily concentrated in the knowledge and expertise of its employees. For this reason, the Company is very involved in protecting the proprietary rights of its product development activities.

The strategy for application for product patents is to secure and maintain Marel Food Systems' position as a leading company in the development of high-tech solutions for the food-processing industry. Marel Food Systems has clearly defined goals to protect all of its intellectual property and solutions created

through its research and development activities. This is achieved through applications for a number of patents on equipment annually.

## Manufacturing

Marel Food Systems offers a very diverse range of products for the poultry, fish, meat and further processing industries globally. Equipment is designed to withstand wet and harsh working environments, and to meet the stringent demands of the food processing industry and international regulations governing 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 the Company's products are manufactured in Iceland, Denmark, the Netherlands, Slovakia, the United States and the United Kingdom. Smaller manufacturing facilities are operated in Singapore, Brazil and France.

Marel Food Systems employs approximately 1,100 people in manufacturing, a decrease of 20% compared with the middle of 2008.

## Sales and service

Marel Food Systems operates a global network of sales and service units.

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

The Company's service capacity has been greatly improved in recent years. Marel Food Systems offers various service plans that are tailored to the needs of each customer. There are three different service levels on offer, each of which is flexible enough to ensure that the best possible solution is always provided.

The Company employs approximately 700 sales personnel and consultants who sell and service the Company's products around the world.

## 9.1 Principal markets

Marel Food Systems' key markets are in North America and Northern Europe and the Company has continued to reinforce its operations there. The Company's presence in South America was significantly strengthened with the acquisition of Scanvaegt in August 2006 and Stork Food Systems in May 2008. The latter also significantly strengthened the Company's position in North America.

With the acquisition of Stork Food Systems, Marel Food Systems achieved the global presence and critical size needed to be able to tap into new markets in Asia, Eastern Europe and Australia, as well as being strongly positioned in South America.

Worldwide sales of equipment and systems in the fish, meat and poultry industries are projected at about EUR 4,000 million in 2009 based on assumptions made by Freedonia<sup>1</sup>. The market is built around a large number of companies with no one company having dominant market share. Through the

---

<sup>1</sup> Source: Report "World Food Processing Machinery to 2006" published by the marketing firm, Freedonia Group – Market Research, 767 Beta Drive, Cleveland Ohio, US.

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>2</sup>

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

<b>Geographic breakdown of revenues</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Iceland	0.6%	0.8%	2.3%
Europe	75.5%	74.0%	69.7%
North America	17.4%	19.4%	22.0%
Other countries	6.5%	5.8%	6.0%

There is considerable competition in the sale of equipment to the food processing industry. Few companies offer total solutions and the competition is mainly in specific components, for example in scales, graders and portioning machines. Numerous companies 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 approximately 5% rate<sup>3</sup> for the next five years, with emerging markets in South America, Eastern Europe and Asia growing at an even faster rate of 7%<sup>4</sup>.

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 Company's main business segments. The segment reporting has changed compared to 2008, 2007 and 2006. The segments comprise the industries, which form the basis for managerial decision taking. Other operations comprise the sale of manufacturing services, which are not part of Marel Food Systems' core operations.

<b>Segment breakdown of revenues</b>	<b>2009 1H</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Fish	17%	18%	33%	40%
Meat	20%	21%	32%	28%
Poultry	37%	42%	27%	21%
Further processing/other food	13%	13%	1%	-
Other	13%	6%	7%	11%

The segment information of 2008, 2007 and 2006 is not comparable to first half 2009, because the separation into these segments only makes sense for the combined Marel and Stork Food Systems organisation going forward. The Further Processing segment contains business that was part of the former segments Fish and Poultry, therefore these segments have changed as well. The "Other" segment contains Stork Food and Dairy and Scanvaegt Nordic (up to divestment at end of April 2009) as well as the holdings.

<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. Based on numbers from the Freedonia Group on the size of the market and Marel Food Systems' revenues in 2008.

<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.

<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.



### Recent market developments and trends

In Q2 2009, there were indications of slow but gradual improvements in Marel Food Systems' key markets. In general terms, the markets in Europe and North America appear to be improving although the speed of recovery varies from country to country. Still, global financial and market conditions continue to take their toll on the company's operations, especially the sale of larger systems and installations, which under normal circumstances account for approximately one-third of the company's revenues. The prevailing trends in consumer behaviour are also favourable. Consumers are eating out less at mid-and high-priced restaurants and choosing instead to go to fast food outlets or purchase low-cost ready-made meals at discount supermarkets. Food service companies and retailers active in these segments are profiting and so are Marel Food Systems' customers, the food processors who supply these outlets with products.

## 10 Prospects

The challenging market conditions are continuing to have an effect on Marel Food Systems' sale of larger systems in particular. Sales are expected to increase slightly in the second half of the year as market conditions continue to improve. Marel Food Systems is committed to continuing to support the increase in sales with an unrelenting focus on cost control. Operating results are therefore expected to continue to improve during the course of the year.

The Company's view of the long-term prospects of the market and the strong underlying growth in the industry remains unchanged. The Company is aiming for a growth rate of at least two percent above the prevailing market rate and an EBIT of more than 10% compared to sales.

## 11 Significant changes from the latest financial statement

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 30 June 2009.

## 12 Trend information

There has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements.

## 13 Corporate governance, Board of Directors and Executive Board

### 13.1 Corporate governance

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 is based on the guidelines concerning corporate governance issued by Nasdaq OMX Iceland, Confederation of Icelandic Employers and Iceland Chamber of Commerce. According to the guidelines, it is preferable that the majority of the Directors are independent. Currently, the Board consists of two independent members; Arnar Þór Mátsson and Friðrik Jóhannsson and four non-independent members; Árni Oddur Þórðarson, Helgi Magnússon, Lars Grundtvig and Margrét Jónsdóttir. Marel Food Systems follows in all other respects the guidelines concerning corporate governance.

### 13.2 Board of Directors and Executive Board

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 Mátsson, 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.

#### Chairman of the Board

Name: Árni Oddur Þórðarson

Business address: Austurhraun 9, 210 Garðabær, Iceland

Árni Oddur Þórðarson is the CEO of Eyrir Invest ehf. He has served on the boards of various businesses through the years. Árni Oddur has been a director of Ölgerð Egils Skallagrímssonar ehf., since 2003, and on the advisory board of Arctic Ventures, a high-tech fund in Stockholm, since 1999.

#### Members of the Board of Directors

Name: Arnar Þór Mátsson

Business address: Austurhraun 9, 210 Garðabær, Iceland

Arnar Þór Mátsson has been a specialist at the Ministry of Finance for the past five years. Alongside his work at the ministry, Arnar is an adjunct in the Political Science Dept. at the University of Iceland. Arnar does not sit on the board of any other company than Marel Food Systems.

Name: Friðrik Jóhannsson

Business address: Austurhraun 9, 210 Garðabær, Iceland

Friðrik is the Chairman of the Board of Icelandic Group plc. and Brú Venture Capital hf. and a member of the Board of Directors in Sportís ehf., Eignarhaldsfélag hlutafélaga ehf., Vörður tryggingar hf., Eimskipafélag Íslands (A1988 hf.) and P/F Vónin and Áning.

Name: Helgi Magnússon

Business address: Austurhraun 9, 210 Garðabær, Iceland

Helgi is the largest owner, Chairman of the Board and CEO of Hofgardar Holding ehf., Varðberg Holding ehf. and Harpa Holding ehf. Helgi is the Chairman of Flügger Iceland Ltd., Chairman of the Federation of Icelandic Industries, and a member of the Board of Directors and the Executive Board of the Confederation of Icelandic Employers. Helgi is also on the Board of the Blue Lagoon hf., Vice-chairman of the Pension Fund of Commerce and Njardvik Ship-Yard Ltd.

Name: Lars Grundtvig

Business address: Austurhraun 9, 210 Garðabær, Iceland

Lars Grundtvig is the MD of Grundtvig Invest Aps, an investment company which he owns together with his two sons. This company was previously the owner of the Scanvaegt Group, of which Lars was the working Chairman since 1993. Having joined the company in 1959, Lars served in several different capacities and was the managing director for many years.

Name: Margrét Jónsdóttir

Business address: Austurhraun 9, 210 Garðabær, Iceland

Margrét is the CFO of Eyrir Invest ehf. Margrét does not sit on the board of any other company than Marel Food Systems.

### Executive Board

The CEO, the CFO and the Managing Director of Marel ehf. form Marel Food Systems' Executive Board. Below are information on members of the Executive Board.

### Chief Executive Officer (CEO)

Name: Theo Hoen

Business address: Austurhraun 9, 210, Garðabær, Iceland

Theo Hoen does not perform any principal activities outside the issuer which are significant with respect to Marel Food Systems.

### Chief Financial Officer (CFO)

Name: Erik Kaman

Business Address: Austurhraun 9, 210 Garðabær, Iceland

Erik Kaman does not perform any principal activities outside the issuer which are significant with respect to Marel Food Systems.

### Managing Director of Marel ehf.

Name: Sigsteinn Grétarsson

Business address: Austurhraun 9, 210 Garðabær, Iceland

Sigsteinn Grétarsson does not perform any principal activities outside the issuer which are significant with respect to Marel Food Systems.

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

## 14 Major shareholders

In the accompanying table is a list of Marel Food Systems' 10 largest shareholders on 2 October 2009.

<b>Largest shareholders 02.10.2009</b>	<b>Number of shares</b>	<b>Holding</b>	<b>Voting rights</b>
Eyir Invest ehf	232.924.713	37,81%	37,81%
Horn Fjárfestingarfélag ehf	92.703.174	15,05%	15,05%
Grundtvig Invest A/S	61.672.494	10,01%	10,01%
Columbia Acorn International	22.568.604	3,66%	3,66%
Lífeyrissjóður verslunarmanna	20.294.666	3,29%	3,29%
Gildi -lífeyrissjóður	17.123.457	2,78%	2,78%
Lífeyrissjóðir Bankastræti 7	15.000.000	2,44%	2,44%
Sameinaði lífeyrissjóðurinn	14.055.243	2,28%	2,28%
Stafir lífeyrissjóður	13.011.180	2,11%	2,11%
Wanger International	7.836.321	1,27%	1,27%
<b>Total ten largest shareholders</b>	<b>497.189.852</b>	<b>80,71%</b>	<b>80,71%</b>
<b>Other shareholders</b>	<b>118.810.148</b>	<b>19,29%</b>	<b>19,29%</b>
<b>Total number of shares</b>	<b>616.000.000</b>	<b>100,00%</b>	<b>100,00%</b>
<b>Own shares</b>	<b>0</b>	<b>0,00%</b>	<b>0,00%</b>
<b>Active share capital</b>	<b>616.000.000</b>	<b>100,00%</b>	<b>100,00%</b>

Eyir Invest ehf. is an international investment company investing in industrial companies with the potential to become true global leaders. Eyir Invest places great emphasis on participating in operations and strategic planning of the business it invests in. Eyir Invest has been major shareholder in Marel since 2004 and currently has its largest individual investments in shares in Marel Food Systems, Stork B.V. and Össur hf. Eyir Invest was founded in mid year 2000 by Árni Oddur Þórðarson and his father Þórður Magnússon. Árni Oddur Þórðarson is the Chairman of Marel Food Systems and Margrét Jónsdóttir, member of Marel Food System's Board of Directors, is Chief Financial Officer of Eyir Invest.

Horn fjárfestingarfélag ehf. is a subsidiary of Landsbankinn (NBI hf.) and manages the shareholdings of Landsbankinn. The company was established to distinguish between the administration of equity investments and the bank's core activities. Horn fjárfestingarfélag ehf. has taken over management of almost all listed and unlisted holdings in companies transferred from Landsbanki Íslands hf. to NBI hf., including shareholding in Marel Food Systems. In addition to direct ownership of shares in Marel, Horn fjárfestingarfélag ehf. has an indirect ownership in Marel through its 27,5% ownership in Eyir Invest ehf. Landsbankinn is one of Marel Food Systems' principal banks. Marel Food Systems is a customer of Landsbankinn's Corporate Finance and Corporate Banking divisions. Landsbankinn serves as a market maker for Marel Food Systems' shares. Furthermore, Landsbankinn 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 Group. 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.

On 2 October 2009, Marel Food Systems and its subsidiaries own no treasury 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 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 10 March 2009 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 10% above and not lower than 10% under the average sales price registered at NASDAQ OMX Iceland in the two weeks preceding the purchase.

## 14.1 Control

Marel Food Systems has no knowledge of any agreement between the shareholders on the treatment of voting rights. The Issuer is not aware of any arrangements, between shareholders or others, which may at a subsequent date result in a change of control of the Company.

## 15 Additional information

This Registration Document is part of a Prospectus consisting of three independent documents, a Summary dated 6 October 2009, a Securities Note dated 6 October 2009 and this Registration Document. These documents concern the admission to trading of Bonds, with the ticker MARL 09 1, issued by Marel Food Systems hf. on NASDAQ OMX Iceland hf.

### 15.1 Share capital

Marel Food Systems' total share capital at 2 October 2009 is 616,000,000 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).

### 15.2 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.

### 15.3 The Issuer's 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.

### 15.4 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., unless otherwise indicated from the wording or context.

References to "Landsbankinn" and "the bank" shall be construed as referring to NBI hf., Austurstræti 11, 155 Reykjavík, unless otherwise indicated from the wording or context.

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

### 15.5 Abbreviations

AGM	Annual General Meeting
CEO	Chief Executive Officer
CFO	Chief Financial Officer
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
ID No.	Identification number



IPR	International proprietary rights
ISK	Icelandic króna, the currency of Iceland
MD	Managing Director
UK	United Kingdom
US	United States of America

## 15.6 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 2008 and 2007. 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 – 30 June 2009 and 2008. The interim financial statements 2009 and 2008 have not been audited. Furthermore, the interim financial statement 2009 was not reviewed but was reviewed in 2008. The review report for Marel Food Systems is part of the interim financial statement 2008.

## 16 Documents on display

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

- Marel Food Systems' financial statements and audit reports for the two years, 2008 and 2007.
- Marel Food Systems' interim financial statement, not reviewed and un-audited, covering the period 1 January – 30 June 2009.
- Marel Food Systems' interim financial statement and review report covering the period 1 January – 30 June 2008.
- The Issuer's Articles of Association.

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

This page is intentionally left blank

# Securities Note

MARL 09 1



This page is intentionally left blank

# Contents

- 1 Risk factors.....2
- 1.1 Issuer’s accountability to make payments..... 2
- 1.2 Market risk..... 2
- 1.3 Change of law..... 2
- 1.4 The secondary market ..... 3
- 1.5 The Bonds may not be a suitable investment for all investors ..... 3
- 2 Notice to investors..... 4
- 3 Persons responsible ..... 6
- 4 Manager ..... 7
- 5 Information concerning the securities to be admitted to trading ..... 8
- 5.1 Legislation..... 9
- 5.2 Default ..... 9
- 5.3 Acceleration provisions and special terms and conditions.....10
- 5.4 Taxation .....11
- 5.5 Admission to trading ..... 11

# 1 Risk factors

Prior to making an investment decision regarding Marel Food Systems' Bonds with the ticker MARL 09 1, investors should acquaint themselves with all the information provided in the Prospectus, including the Registration Document dated 6 October 2009, this Securities Note and the Summary dated 6 October 2009. 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 6 October 2009, that could materially affect Marel Food Systems and the value of Marel Food Systems' Bonds. Investors are advised to undertake their own independent examination of the factors that may apply specifically to their investment in Marel Food Systems' Bonds. Each investor must furthermore base any decision on investment in Marel Food Systems' Bonds 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' Bonds.

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

## 1.1 Issuer's accountability to make payments

The Issuer is accountable to make payments on the Bonds when due. The obligations of the Issuer under the Bonds are direct, unsecured, unconditional and unsubordinated obligations, equally ranked without any preference amongst themselves and equal to its other direct, unsecured, unconditional and unsubordinated obligations.

The Issuer has not entered into any restrictive covenants in connection with the issuance of the Bonds, with the exception of the acceleration clauses in section 5 in this Securities Note, which pertains to the Issuer's Bond series MARL 09 1, regarding its ability to incur additional indebtedness ranking equally to the obligations under or in connection with the Bonds.

The Issuer is authorised, at any time without notice until the maturity date of the Bond, to pay the debt in full without incurring a pre-payment penalty.

## 1.2 Market risk

The most important market risk related to bonds is changes in the level of interest rates in the relevant market. If general interest rates rise, the market price of the bond will fall and vice versa. Interest rate risk is higher for bonds with longer maturities. Investors are advised to study the market risk related to bonds and evaluate the impact caused by changes in the interest rate level on the bonds' market price.

## 1.3 Change of law

The terms and conditions of the Bonds are based on Icelandic law in effect as at the date of this Securities Note as discussed in section 5 of this Securities Note. No assurance can be given as to the impact of any possible judicial decision or change to Icelandic law or administrative practice after the date of this Securities Note.

## 1.4 The secondary market

The Bonds may not have established a trading market when admitted to trading, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

## 1.5 The Bonds may not be a suitable investment for all investors

Each investor of the Bonds must determine the suitability of that investment in light of his own circumstances. In particular, each potential investor should:

1. have sufficient knowledge and experience to make a meaningful evaluation of the Bonds;
2. understand the merits and risks of investing in the Bonds and the information contained or incorporated by reference in the Prospectus, comprising of a Registration Document dated 6 October 2009, this Securities Note and a Summary dated 6 October 2009. The potential investors should familiarize themselves thoroughly with the Prospectus;
3. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
4. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
5. understand thoroughly the terms of the Bonds and be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

## 2 Notice to investors

The Prospectus concerns the admission to trading of Bonds, with the ticker MARL 09 1, issued by Marel Food Systems hf. on NASDAQ OMX Iceland hf. The Prospectus consists of three independent documents, this Securities Note, a Summary dated 6 October 2009 and a Registration Document dated 6 October 2009.

The admission to trading is conducted in accordance with Icelandic law and regulations. This Securities Note is prepared according to current legislation and rules for issuers of bonds on NASDAQ OMX Iceland hf. that apply to the admission to trading. NASDAQ OMX Iceland has scrutinized and approved this Securities Note, which is only published in English.

In the Securities Note, "Marel Food Systems", "the Issuer" and "the Company" refer to Marel Food Systems hf., "Landsbankinn" and "the bank" refer to NBI hf. and "NASDAQ OMX Iceland" refers to the NASDAQ OMX Iceland hf., unless otherwise indicated from the wording or context.

The admission to trading is expected to take place on 7 October 2009 which will then be the earliest date on which the Bonds will be admitted to trading on NASDAQ OMX Iceland.

Marel Food Systems complies with rules regarding on-going information disclosure for issuers listed on the NASDAQ OMX Iceland hf. According to these rules all information that could significantly impact the market price of Marel Food Systems' shares and/or bonds 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 NASDAQ OMX Iceland hf. for supervision purposes. Information in accordance with this disclosure will be published on Marel Food Systems' website [www.marel.com](http://www.marel.com) and investors are advised to follow announcements and notifications that may be published on the website [www.marel.com](http://www.marel.com) once the Prospectus has been published.

The purchase of bonds is inherently a risk investment. Investors are advised to familiarize themselves thoroughly with the Prospectus. All information included in the Prospectus is correct as of the date of the documents included in the Prospectus. Each investor must base a decision to invest in bonds issued by Marel Food Systems on his own examination and analysis of the information presented in the Prospectus. Investors are advised to study their legal position, including taxation issues that may be relevant to their transactions in Marel Food System's Bonds. Investors are urged especially to acquaint themselves well with the discussion of risk provided in the Prospectus.

The Prospectus, consisting of a Registration Document dated 6 October 2009, this Securities Note and a Summary dated 6 October 2009 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, consisting of a Registration Document dated 6 October 2009, this Securities Note and a Summary dated 6 October 2009 in certain jurisdictions may be restricted by law. Accordingly, persons into whose possession the Prospectus comes are required by the Issuer 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.

This Securities Note has been prepared by the Corporate Finance section of Landsbankinn, in co-operation with Marel Food Systems hf. Attention is drawn to the fact that the Manager, Landsbankinn, is one of Marel Food Systems' principal banks. Landsbankinn serves as a market maker for Marel Food Systems shares. At 2 October 2009 Landsbankinn held, through its subsidiary company Horn



fjárfestingarfélag ehf., 92,703,174 shares in Marel Food Systems, which corresponded to an 15.05% stake in Marel Food Systems. In addition to direct ownership of shares in Marel, Horn fjárfestingarfélag ehf. has an indirect ownership stake in Marel through its 27.5% holding in Eyrir Invest ehf.

This Securities Note, a Summary dated 6 October 2009 and a Registration Document dated 6 October 2009 are published in Acrobat Adobe format. The above mentioned documents can be obtained on Marel Food Systems hf.'s website [www.marel.com](http://www.marel.com). A hard copy can be obtained from Marel Food Systems hf. headquarters, Austurhraun 9, Garðabær, Iceland. This Securities Note, a Summary dated 6 October 2009 and a Registration Document dated 6 October 2009 can be obtained for the next 12 months.

### 3 Persons responsible

The Chairman of the Board of Directors and the CEO of Marel Food Systems hf., 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, 6 October 2009,

On behalf of the Board of Directors of Marel Food Systems hf., Austurhraun 9, Garðabær, ID No. 620483-0369.

Árni Oddur Þórðarson,  
Chairman of the Board

Garðabær, 6 October 2009,

On behalf of Marel Food Systems, Austurhraun 9, Garðabær ID No. 620483-0369.

Theo Hoen,  
CEO

## 4 Manager

The Manager, Landsbankinn (NBI hf., State Registration No. 471008-0280) – Corporate Finance, Hafnarstræti 5, Reykjavík, Iceland, has been the advisor to the Issuer in the preparation of the Prospectus, comprising of a Registration Document dated 6 October 2009, a Summary dated 6 October 2009 and this Securities Note. Furthermore, the Manager has been the advisor to the admission of the Bonds to trading on the NASDAQ OMX Iceland. 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.

## 5 Information concerning the securities to be admitted to trading

Type:	Interest-bearing securities
Issue date:	20 May 2009
Date of maturity:	1 November 2011
Size limit:	ISK 3,600,000,000
Issued:	ISK 3,600,000,000
Denomination:	ISK 1,000,000
Currency:	ISK
Interest rates:	Variable interest that is calculated on the principal of the Bonds. The Bonds bear REIBOR interest, plus a premium of 500bp. Interest shall be determined at the beginning of each period. It shall be equal to 6-month REIBOR interest rates as these are published on the Central Bank of Iceland website at the close of the day, two days prior to each payment due date/date of issue, plus the above-specified premium, and shall apply for the following period.
First interest date:	20 May 2009
Interest payment dates:	Interest shall be paid a total of five times: on 1 November 2009, 1 May 2010, 1 November 2010, 1 May 2011, and 1 November 2011, which is also the payment date for the principal.
Day count fraction:	Interest shall be calculated on the basis of the rule Act/360.
Indication of yield:	12.25% on 20 May 2009.
ISIN:	IS0000019313
Ticker:	MARL 09 1
Depository Agent:	Icelandic Securities Depository, Laugavegi 182, 105 Reykjavík.
Paying Agent:	NBI hf., Austurstræti 11, 155 Reykjavík.
Authorization:	Authorized by Marel Food Systems' Board of Directors on a board meeting held 18 May 2009 to sell a maximum of ISK 3,600,000,000 in a bond offering, according to the meeting's minutes.

The Bonds are issued electronically at the Icelandic Securities Depository and are registered there under the name of the relevant bondholder or his/her nominee. Amounts payable under the Bonds will be paid to the financial institution where the registered owner has his/her custody account. There are no

restrictions on transferring the Bonds to other parties other than that the Bonds must be transferred to parties mentioned by name.

The Bonds are in the same class and equally ranked. The Issuer has not entered into any restrictive covenants in connection with the issuance of the Bonds, with the exception of the acceleration clauses specified below, regarding its ability to incur additional indebtedness ranking equally to the obligations under or in connection with the Bonds.

The Issuer is accountable to make payments on the Bonds when due. The obligations of the Issuer under the Bonds are direct, unsecured, unconditional and unsubordinated obligations, equally ranked without any preference amongst themselves and equally with its other direct, unsecured, unconditional and unsubordinated obligations.

The Issuer pledges to notify the Icelandic Securities Depository and to make public of any and all amendments to the terms and conditions of the Bonds.

## 5.1 Legislation

The governing law is Icelandic law. Any dispute shall be subject to the exclusive jurisdiction of the District Court of Reykjanes. Legal action regarding the Bonds may be proceeded with in accordance with Chapter 17 of Act No. 91/1991 on Civil Procedure.

According to Act No. 150/2007 on Limitations to Claim Rights the Bonds will become void unless presented for payment within 10 years (in the case of principal) and four years (in the case of interest or any other amount) after the Relevant Date.

The Bonds are registered electronically and are therefore subject to Act No. 131/1997 on Electronic Registration of Title to Securities.

An application to admit the Bonds to trading has been filed with the NASDAQ OMX Iceland Exchange; therefore, the bonds are subject to the Act on Securities Transactions, no. 108/2007.

## 5.2 Default

Should the issuer fail to make payment on the due date, after the bond owner has previously provided in a verifiable manner confirmation that he/she has a nominee account with an account operator, the bond owner may collect penalty interest as determined by the Central Bank of Iceland, in accordance with the first paragraph of Article 6 of Act No. 38/2001, on Interest and Inflation Indexing, on the amount due or accelerated. An exception is made if the due date falls on a date when banks are not open, and the debtor makes payment on the next banking day, in which case penalty interest is not charged. If payment has not been made 14 days after the due date, after the bond owner has previously provided to the Issuer in a verifiable manner confirmation that he/she has a nominee account with an account operator, the bond owner may accelerate the debt without prior notice and with immediate effect.

If a bond owner does not have a nominee account with an account operator, or does not have a bank account linked to a nominee account which has been opened, and payment has not been made 14 days after the date upon which payment has been verifiably requested at the Issuer's office on Austurhraun 9, 210 Garðabær, the bond owner may accelerate the debt without prior notice and with immediate effect. The same shall apply if the debtor seeks composition of creditors or the debtor's estate is sent into receivership

The place of payment is the bond owner's nominee account with an account operator in Iceland, together with a bank account linked thereto, if the bond owner has such accounts; otherwise, the place of payment is the Issuer's place of business on Austurhraun 9, 210 Garðabær.

The bond owner is also authorised to accelerate the debt without notice or termination if the Issuer seeks composition of creditors or his estate is sent into receivership.

If the debt is accelerated in accordance with provisions pertaining to bond series MARL 09 1, described in this Securities Note, it is permissible to initiate enforcement proceedings against the debtor in order to satisfy the claim, without prior court judgment or settlement, pursuant to Point 7 of the first paragraph of Article 1 of the Act on Execution, no. 90/1989, following a written demand for payment pursuant to Article 7 of the Act. In addition to the principal amount of the debt, this authorisation applies to interest, indexation, penalty interest, and costs arising from collections and other enforcement procedures; cf. the second paragraph of Article 1 of Act no. 90/1989.

The Issuer is authorised, at any time without notice until the maturity date of the Bond, to pay the debt in full without incurring a pre-payment penalty. Payment of the Bond shall include principal and accrued interest as they are determined in the terms of the Bond.

### 5.3 Acceleration provisions and special terms and conditions

This issue is subject to special terms and conditions. If the Issuer is in non-compliance with special terms and conditions of the Bond, bond owners are authorised to accelerate the debt with 10 days' notice. If the debt is accelerated it is permissible to initiate enforcement proceedings against the debtor in order to satisfy the claim as mentioned in section 5.2. here above.

The Issuer guarantees that, until the maturity date of the Bond, revenues from operations related to the manufacture, sale, and service of equipment and software for the food industry will not fall below 75% of the company's total revenues for each accounting year.

The Issuer pledges to refrain from engaging in takeovers or major investments valued at EUR 12,000,000 or more, if the financing for such investments should mature before the maturity date of the Bond, without the prior consent of 2/3 of bond owners of this series. For the purpose of obtaining the consent of bond owners, the Issuer is authorised to request information on bond owners by directing a query to the Icelandic Securities Depository hf.

The Issuer also pledges not to hypothecate the company's assets in excess of the levels in effect upon the issue of this Bond, without the prior consent of 2/3 of bond owners of this series. For the purpose of obtaining the consent of bond owners, the Issuer is authorised to request information on bond owners by directing a query to the Icelandic Securities Depository hf. Hypothecation related to the daily operation of the company, or hypothecation of assets acquired by the Issuer after the issue of this Bond, however, is permissible.

Bond owners are authorised to accelerate the debt in the following instances:

If, at a meeting of the Issuer's shareholders, it is decided to pay a dividend to shareholders before the Issuer has satisfied the claim according to this bond series or offered to do so.

If the Issuer is in non-compliance with special terms and conditions or defaults on the payment of financial obligations (other than those under this bond issue) exceeding a total of EUR 2 million at the

date of payment, which the Issuer has not paid within 30 days of the payment date, bond owners are authorised to accelerate the debt with 10 days' notice.

#### 5.4 Taxation

In respect of the country of registered office of Marel Food Systems and the country where the admission to trading is being sought all payments in respect of the Bonds, by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any tax jurisdiction unless such withholding or deduction is required by law according to Act No. 94/1996. In such event, the Issuer will not pay any additional amounts in respect of amounts withheld pursuant to such withholding or deduction. The Issuer does not guarantee that tax on interest income and/or tax on capital gain is paid to the National Treasury. At the date of this Securities Note a withholding tax on financial income is 15%.

#### 5.5 Admission to trading

Application has been made for the Bonds to be admitted to trading on the regulated market of NASDAQ OMX Iceland., which is a regulated market within the meaning of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The Bonds are expected to be admitted to trading on NASDAQ OMX Iceland on 7 October 2009.

Marel Food Systems hf.  
Austurhraun 9 · 210 Gardabaer · Iceland  
Tel: +354 563 8000 · [www.marel.com](http://www.marel.com)

