



# Securities Note

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# 1 Risk factors

Prior to making an investment decision regarding Marel Food Systems' Bonds, investors should acquaint themselves with all the information provided in the Prospectus, including the Registration Document dated 4 June 2008, this Securities Note and the Summary dated 10 July 2008. Investors should in particular acquaint themselves with the risks and uncertainties described below in this section of the Securities Note and the chapter on risk factors in the Registration Document dated 4 June 2008, that could materially affect Marel Food Systems and the value of Marel Food Systems' 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 members of the Executive Board believe that the following risk factors are material in order for investors being able to assess the market risk associated with Marel Food Systems' Bonds.

## 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 regarding its ability to incur additional indebtedness ranking equally to the obligations under or in connection with the Bonds.

## 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.

## 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.

## 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.

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 4 June 2008, this Securities Note and a Summary dated 10 July 2008. 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 issued by Marel Food Systems hf. on OMX Nordic Exchange Iceland. The Prospectus consists of three independent documents, this Securities Note, a Summary dated 10 July 2008 and a Registration Document dated 4 June 2008.

The admission to trading is conducted in accordance with Icelandic law and regulations. This Securities Note is prepared pursuant to current legislation and rules for issuers of bonds on OMX Nordic Exchange Iceland that apply to the admission to trading. OMX Nordic Exchange 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., "Landsbanki" and "the bank" refer to Landsbanki Íslands hf. and "OMX Nordic Exchange Iceland" refers to the OMX Nordic Exchange Iceland hf., unless otherwise indicated from the wording or context.

The admission to trading is expected to take place on 14 July 2008 which will then be the earliest date on which the Bonds will be admitted to trading on OMX Nordic Exchange Iceland.

Marel Food Systems complies with rules regarding on-going information disclosure for issuers listed on the OMX Nordic Exchange Iceland hf. According to these rules all information that could significantly impact the market price of Marel Food Systems' shares 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 OMX Nordic Exchange Iceland hf. for supervision purposes. Information in accordance with this disclosure will be published on Marel Food Systems' website [www.marelfodsystems.com](http://www.marelfodsystems.com) and investors are advised to follow announcements and notifications that may be published on the website [www.marelfodsystems.com](http://www.marelfodsystems.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 Systems'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 4 June 2008, this Securities Note and a Summary dated 10 July 2008 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 4 June 2008, this Securities Note and a Summary dated 10 July 2008 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 Landsbanki Íslands hf., in co-operation with Marel Food Systems hf. Attention is drawn to the fact that the Manager, Landsbanki, is one of Marel Food Systems' principal banks. Marel Food Systems is a customer of Landsbanki's Investment Banking and Corporate Banking divisions. Landsbanki serves as a market maker for Marel Food Systems. At 9 July 2008 Landsbanki held 104,139,844 shares in Marel Food Systems, which corresponded to 18.6% stake in Marel Food Systems.

This Securities Note, a Summary dated 10 July 2008 and a Registration Document dated 4 June 2008 are published in Acrobat Adobe format. The above mentioned documents can be obtained on Marel Food Systems hf.'s website [www.marelfoodsystems.com](http://www.marelfoodsystems.com). A hard copy can be obtained from Marel Food Systems hf. headquarters, Austurhraun 9, Garðabær, Iceland. This Securities Note, a Summary dated 10 July 2008 and a Registration Document dated 4 June 2008 can be obtained during the maturity of the Bonds in question.

### 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, 10 July 2008,

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

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Árni Oddur Þórðarson,  
Chairman of the Board

Garðabær, 10 July 2008,

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

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Hörður Arnarson,  
CEO

### 4 Manager

The Manager, Landsbanki Íslands hf. – Corporate Finance, Hafnarstræti 5, Reykjavík, Iceland, has been the advisor to the Issuer in the preparation of this Securities Note and advisor to the admission of the Bonds to trading on the OMX Nordic Exchange Iceland.

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

Type:	Coupon at maturity.
Issue date:	20 May 2008
Date of maturity:	20 May 2009
Size limit according to agreement:	ISK 6,000,000,000
Issued:	ISK 6,000,000,000
Denomination:	ISK 5,000,000
Currency:	ISK
Interest rates	Fixed 20.56%
Interest payment dates:	The interest becomes payable from 20 May 2008 and will be paid at the date of maturity.
Day count fraction:	Interest shall be calculated on the basis of the rule Act/360.
Indication of yield:	20.56% on 20 May 2008.
ISIN:	IS0000018083
Ticker:	MARL 08 1
Depository Agent:	Icelandic Securities Depository, Laugavegi 182, 105 Reykjavík.
Paying Agent:	Landsbanki Íslands hf., Austurstræti 11, 155 Reykjavík.
Authorization:	Authorized by Marel Food Systems' Board of Directors on a board meeting held 6 May 2008, 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 Bonds are in the same class and equally ranked. 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 Issuer has not entered into any restrictive covenants in connection with the issuance of the Bonds 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.

## 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.

## *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 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 Austurhrauni 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 with creditors or the debtor's estate is sent into receivership.

The bond owner may also accelerate the debt if the Issuer or its subsidiary fails to make payment on the due date, under any agreement which places either of them under obligation to pay, and that agreement has been accelerated or terminated as a result, or if the terms of such an agreement authorise its acceleration. (Operating debts of up to EUR 125,000 at any time are excepted.) The Issuer is obliged to inform the bond owner immediately should such circumstances arise as are described above. If the debt is accelerated as referred to above, collection of the debt may be enforced by execution without a prior court judgement or conciliation, in accordance with Point 7 of the first paragraph of Article 1 of Act No. 90/1989 on execution, following a written demand for payment in accordance with Article 7 of the same Act. In addition to the debt principal, this authorisation for execution shall include interest, indexation, penalty interest as well as all costs of collection and further enforcement measures, according to the second paragraph of Article 1 of Act No. 90/1989.

## 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.

## Admission to trading

Application has been made for the Bonds to be admitted to trading on the regulated market of OMX Nordic Exchange 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 OMX Nordic Exchange Iceland on 14 July 2008.

## Reason for the issue and admission to trading and use of proceeds

On 8 May 2008 Marel Food Systems' acquisition of Stork Food Systems was finalized. The acquisition price was EUR 415 million on a debt and cash-free basis and with additional transaction costs EUR 22 million. The acquisition was funded by proceeds of the sale of Marel Food Systems' share in LME eignarhaldsfélag ehf., EUR 53 million, a secured long term debt financing, EUR 183 million, a share offering of EUR 30 million in November 2007 and EUR 117 million in June 2008 and EUR 54 million financed with this bond issue.

The estimated total expenses of the issue and admission to trading is ISK 60 million and the net proceeds of this bond issue, ISK 59,940 million (EUR 54 million) was therefore used in the financing of the acquisition of Stork Food Systems.

## 6 Recent developments

### Results of the share offering on 5 and 6 June

Marel Food Systems' share offering ended on 6 June 2008. Participation was good and in total there were 446 subscriptions with sales value of ISK 14,893,950,640 or 167,347,760 shares. This equals 7% oversubscription. The Board of Directors of Marel Food Systems decided not to use its authorization to increase the number of shares on offer and the share increase was therefore 156,440,000 shares.

After having evaluated the subscriptions received Marel Food Systems' Board of Directors decided to allot new shares to shareholders and professional investors in accordance with their subscriptions, although Landsbanki Íslands hf., the second largest shareholder in the company prior to the share offering, is percentage wise reducing its shareholding in Marel Food Systems. The Board of Directors' intention among other was to contribute to a broader shareholding base as well as increasing the floating of the Company's shares.

### Increase in share capital

Following Marel Food Systems' share offering on 5 and 6 June 2008 new shares in Marel Food Systems of nominal value ISK 156,440,000 were admitted to trading in OMX Nordic Exchange Iceland. The total nominal value of Marel Food System's listed shares as of 18 June 2008 is ISK 560,225,697

### Largest shareholders after the share offering

Largest shareholders 9 July 2008	No. of shares	Holding
Eyir Invest ehf	219,403,688	39.2%
Landsbanki Íslands hf, aðalstöðv	104,139,844	18.6%
Grundtvig Invest A/S	61,560,494	11.0%
Lífeyrissjóður verslunarmanna	14,186,888	2.5%
Gildi -lífeyrissjóður	11,887,065	2.1%
Sameinaði lífeyrissjóðurinn	11,081,993	2.0%
Lífeyrissjóðir Bankastræti 7	10,714,386	1.9%
Stafir lífeyrissjóður	8,030,533	1.4%
Ingunn Sigurðardóttir	7,000,498	1.3%
Eignarhaldsfélag Hörpu ehf	5,395,671	1.0%
Total 10 Largest	453,401,060	80.9%

### Market making agreement with Glitnir

Marel Food Systems has entered into a market making agreement with Glitnir banki hf. for the Company's issued shares. The purpose of market making is to facilitate trading in the Company's shares on the OMX Nordic Exchange Iceland. Glitnir banki hf. is committed to making daily bid and ask offers on the OMX Nordic Exchange Iceland for shares in Marel Food Systems for a minimum of ISK 200,000 at nominal value at a price which Glitnir banki hf. determines at all times. The maximum bid-ask spread shall not exceed 1.5% and the deviation from the last transaction price shall not exceed 3.0%. The maximum aggregated market value of total trades that Glitnir banki hf. is committed to buy or sell each day is ISK 100,000,000.

## Side activity sold

Marel Food Systems has reached an agreement on the sale of its Scanvaegt Norfo sawing system division in Bornholm Denmark to Nienstedt G.m.b.H. The transaction price is at the request of Nienstedt G.m.b.H. kept confidential.

While the sale will have an insignificant effect on the turnover and profit of Marel Food Systems in 2008, it is nevertheless important in terms of sharpening the focus on the Company's core activities.

Under the agreement, Nienstedt G.m.b.H will be offering customer support to the Norfo sawing system equipment already in service.

The sales agreement only concerns the Norfo sawing system activities of Marel Food Systems in Bornholm. All other cutting and portioning activities of Marel ehf. (in Bornholm, Aarhus and Gardabær) will remain unaffected by the agreement.

## 6.1 Significant changes from the latest financial statement

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

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

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

## 6.2 Material adverse changes

There have been no material adverse changes in the prospects of Marel Food Systems since the end of the last reviewed financial statement for the period ended 31 March 2008.

## 6.3 Legal 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 pending or threatened) that may have, or have had in the recent past significant effects on Marel Food Systems' financial position or profitability.

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