

Marel Food Systems hf

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

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The Board of Directors' and CEO's Report

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

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

A public offering of 156,44 million new shares in Marel Food Systems hf were sold for ISK 13,923 million in June. The total expenses of the share offering amounted to ISK 246 million. The total number of outstanding shares after the offering is 558,789,688.

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

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

Garðabæ, 12 August 2008

Board of Directors

Árni Oddur Þórðarson

Arnar Þór Másson

Friðrik Jóhannsson

Helgi Magnússon

Lars Grundtvig

Margrét Jónsdóttir

Chief Executive Officer

Hörður Arnarson

Report on Review of Interim Financial Information

To the Board of Directors of Marel Food Systems hf

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Marel Food Systems hf and its subsidiaries as of 30 June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Gardabær, 12 August 2008

PricewaterhouseCoopers hf

Þórir Ólafsson

Kristinn Freyr Kristinsson

Financial Ratios

	2008 1.1-30.6	2007 1.1-30.6	2007 1.1-31.12	2006 1.1-31.12	2005 1.1-31.12	2004 1.1-31.12
Operating results						
Sales	219.015	144.861	289.817	208.700	129.039	112.301
Gross profit	77.080	50.187	97.236	68.803	43.625	41.016
Profit before depreciation (EBITDA)	21.442	11.525	20.980	15.679	14.814	16.527
Profit from operations (EBIT)	13.325	6.662	10.029	7.527	9.721	12.066
Profit for the period	10.796	8.450	6.066	159	5.715	7.984
Cash flow statement						
Net cash from (to) operating activities	13.903	14.412	2.778	(2.992)	2.987	13.207
Investing activities	(397.115)	(18.107)	(70.249)	(69.754)	(10.180)	(6.389)
Financing activities	377.566	(10.026)	34.118	132.318	7.210	(7.263)
Financial position						
Total assets	942.521	387.816	427.304	364.793	114.890	95.482
Working capital	12.332	85.518	109.887	87.989	16.557	19.807
Equity	306.214	158.260	181.835	144.423	41.032	31.595
Various figures in proportion to sales						
Gross profit	35,2%	34,6%	33,6%	33,0%	33,8%	36,5%
Selling and marketing expenses	13,8%	15,4%	15,5%	13,9%	12,4%	12,4%
Research and development expenses ...	5,1%	5,0%	5,0%	5,6%	6,1%	5,8%
Administrative expenses	10,6%	10,5%	10,0%	10,6%	8,7%	8,1%
Profit before depreciation (EBITDA)	9,8%	8,0%	7,2%	7,5%	11,5%	14,7%
Depreciation/amortization	3,7%	3,4%	3,8%	3,9%	3,9%	4,0%
Profit from operations (EBIT)	6,1%	4,6%	3,5%	3,6%	7,5%	10,7%
Profit for the period	4,9%	5,8%	2,1%	0,1%	4,4%	7,1%
Other key ratios						
Current ratio	1,0	1,9	1,9	1,9	1,4	1,6
Quick ratio	0,5	1,1	1,3	1,2	0,6	0,7
Equity ratio	32,5%	40,8%	42,5%	39,6%	35,7%	33,1%
Return on owners' equity	8,8%	11,2%	3,7%	0,2%	18,1%	30,5%
Return on total assets	3,2%	4,5%	1,5%	0,1%	5,4%	9,0%
Price to earnings (P/E) last 12 months ...	11,6 *	51,4	73,5	-	36,7	17,7

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

Condensed Consolidated Interim Income Statement

	Notes	2008 Q2	2007 Q2	2008 YTD	2007 YTD
Sales	4	144.979	72.617	219.015	144.861
Cost of sales		<u>(93.285)</u>	<u>(47.853)</u>	<u>(141.935)</u>	<u>(94.674)</u>
Gross profit		51.694	24.764	77.080	50.187
Other operating income		465	770	771	1.145
Selling and marketing expenses		(18.651)	(11.751)	(30.159)	(22.259)
Research and development expenses		(7.363)	(3.631)	(11.141)	(7.272)
Administrative expenses		<u>(14.997)</u>	<u>(6.733)</u>	<u>(23.226)</u>	<u>(15.139)</u>
Profit from operations		11.148	3.419	13.325	6.662
Finance costs - net	6	564	(1.752)	(613)	(2.920)
Share of results of associates		0	6.598	473	6.313
Profit before income tax		11.712	8.265	13.185	10.055
Income tax expense	7	<u>(1.655)</u>	<u>(824)</u>	<u>(2.389)</u>	<u>(1.605)</u>
Net profit		<u>10.057</u>	<u>7.441</u>	<u>10.796</u>	<u>8.450</u>
Attributable to:					
Equity holders of the Company		10.057	7.451	10.796	8.457
Minority interest		<u>(0)</u>	<u>(10)</u>	<u>0</u>	<u>(7)</u>
		<u>10.057</u>	<u>7.441</u>	<u>10.796</u>	<u>8.450</u>
Earnings per share for profit attributable to equity holders of the company during the period (expressed in EUR cent per share):					
- basic	8	2,33	2,03	2,57	2,31
- diluted	8	2,28	2,00	2,50	2,29

The notes on pages 9-16 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Balance Sheet

	Notes	30/6 2008	31/12 2007
ASSETS			
Non-current assets			
Property, plant and equipment	10	123.112	66.305
Goodwill and brand name	11	445.759	95.450
Other intangible assets	11	47.555	24.585
Investments in associates	19	0	3.281
Available-for-sale investments		631	631
Receivables		3.441	245
Derivative financial instruments		3.688	127
Deferred income tax assets	14	2.942	3.542
		<u>627.128</u>	<u>194.166</u>
Current assets			
Inventories		129.771	61.587
Production contracts		35.710	15.168
Trade receivables		98.702	52.871
Other receivables and prepayments		23.699	20.427
Loan to associate		0	49.607
Derivative financial instruments		1.501	3.041
Cash and cash equivalents		26.010	30.437
		<u>315.393</u>	<u>233.138</u>
Total assets		<u><u>942.521</u></u>	<u><u>427.304</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares		5.745	4.452
Treasury shares		(16)	(38)
Share premium		261.573	147.584
Fair value and other reserves		(1.949)	(502)
Retained earnings		41.089	30.293
		<u>306.442</u>	<u>181.789</u>
Minority interest		<u>(228)</u>	<u>46</u>
Total equity		<u><u>306.214</u></u>	<u><u>181.835</u></u>
LIABILITIES			
Non-current liabilities			
Borrowings	13	307.535	115.327
Deferred income tax liabilities	14	7.031	6.380
Provisions	15	1.735	11
Derivative financial instruments		16.945	500
		<u>333.246</u>	<u>122.218</u>
Current liabilities			
Trade and other payables	12	190.976	75.487
Derivative financial instruments		5.138	117
Current income tax liabilities		1.557	736
Borrowings	13	97.976	45.029
Provisions	15	7.414	1.882
		<u>303.061</u>	<u>123.251</u>
Total liabilities		<u>636.307</u>	<u>245.469</u>
Total equity and liabilities		<u><u>942.521</u></u>	<u><u>427.304</u></u>

The notes on pages 9-16 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

	Attributable to equity holders of the Company					Minority interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2007	4.045	115.369	(88)	25.052	144.378	45	144.423
Cash flow/net investment hedges:							
– net fair value gain/(loss), net of tax			1.985		1.985		1.985
Currency translation differences			29		29		29
Net income/(expenses) recognised directly in equity			2.014		2.014		2.014
Sale of treasury shares	(5)	378			373		373
Employee share option scheme:							
- value of services provided		336			336		336
Dividend related to previous year				(824)	(824)		(824)
Profit for the period				8.457	8.457	(7)	8.450
Issue of share capital	42	3.446			3.488		3.488
	37	4.160	2.014	7.633	13.844	(7)	13.837
Balance at 30 June 2007 / 1 July 2007	4.082	119.529	1.926	32.685	158.222	38	158.260
Cash flow/net investment hedges:							
– net fair value gain/(loss), net of tax			(1.340)		(1.340)		(1.340)
Currency translation differences			(1.088)		(1.088)		(1.088)
Net income/(expenses) recognised directly in equity			(2.428)		(2.428)		(2.428)
Sale (purchases) of treasury shares, net ..	(30)	(2.681)			(2.711)		(2.711)
Employee share option scheme:							
- value of services provided		221			221		221
Profit for the period				(2.392)	(2.392)	8	(2.384)
Issue of share capital	362	30.515			30.877		30.877
	332	28.055	(2.428)	(2.392)	23.567	8	
Balance at 31 December 2007	4.414	147.584	(502)	30.293	181.789	46	181.835
Cash flow/net investment hedges:							
– net fair value gain/(loss), net of tax			(964)		(964)		(964)
Currency translation differences			(483)		(483)		(483)
Net income/(expenses) recognised directly in equity			(1.447)		(1.447)		(1.447)
Sale of treasury shares	22	2.200			2.222		2.222
Business combination						(274)	(274)
Employee share option scheme:							
- value of services provided		(23)			(23)		(23)
Profit for the period				10.796	10.796		10.796
Issue of share capital	1.293	111.812			113.105		113.105
	1.315	113.989	(1.447)	10.796	124.653	(274)	124.379
Balance at 30 June 2008	5.729	261.573	(1.949)	41.089	306.442	(228)	306.214

The notes on pages 9-16 are an integral part of the consolidated financial statements.

Condensed Consolidated Interim Cash Flow Statement

		2008 YTD	2007 YTD
	Notes		
Cash flows from operating activities			
Net profit		10.796	8.450
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and impairment of fixed assets	10	4.099	2.322
Amortisation and impairment of intangible assets	11	4.018	2.541
Currency fluctuations and indexation		(3.433)	(146)
Changes in deferred taxes		1.542	900
Other changes		1.306	(6.217)
Working capital provided by operating activities		18.328	7.850
Changes in operating assets and liabilities:			
Inventories and production contracts		(17.161)	(5.701)
Receivables and prepayments		10.391	(7.540)
Short term liabilities		2.345	19.803
Changes in operating assets and liabilities		(4.425)	6.562
Net cash from operating activities		13.903	14.412
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	21	(430.504)	0
Purchase of property, plant and equipment (PPE)		(10.807)	(4.259)
Purchase of intangibles		(9.030)	(5.054)
Loans to associates		49.607	0
Proceeds from sale of PPE		148	657
Proceeds from sale of associates		3.469	0
Changes in securities		2	(9.451)
Net cash used in investing activities		(397.115)	(18.107)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		112.720	3.490
Proceeds from (purchase of) treasury shares, net		2.222	423
Proceeds from borrowings		266.781	7.608
Repayments of borrowings		(8.387)	(5.696)
Finance lease principal payments		(264)	(396)
Changes in short-term bank loans		4.494	(14.631)
Dividend paid to group shareholders		0	(824)
Net cash from (to) financing activities		377.566	(10.026)
Net increase (decrease) in cash and cash equivalents		(5.645)	(13.721)
Exchange losses on cash and bank overdrafts		1.217	251
Cash and cash equivalents at beginning of period		30.438	63.079
Cash and cash equivalents at end of period		26.010	49.609
Other information			
Interest received		2.752	1.098
Interest paid		5.619	1.957
Income tax paid		240	908

The notes on pages 9-16 are an integral part of the condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1. General information

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

These condensed consolidated interim financial statements have been approved for issue by the board of directors on 12 August 2008.

2. Basis of preparation

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

3. Accounting policies

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

4. Segment information

Business segments

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

Other Group operations mainly comprise the sale of manufacturing services which does not constitute a separately reportable segment.

The segment results for the six months ended 30 June 2008 are as follows:

	Fish	Poultry	Meat	Unallocated	Group
Sales	50.132	55.104	74.173	39.606	219.015
Operating profit					13.325
Finance costs - net					(613)
Share of results of associates					473
Profit before tax					<u>13.185</u>
Income tax expense					<u>(2.389)</u>
Profit for the period					<u>10.796</u>

The segment results for the six months ended 30 June 2007 are as follows:

	Fish	Poultry	Meat	Unallocated	Group
Sales	48.710	39.396	39.468	17.287	144.861
Operating profit					6.662
Finance costs - net					(2.920)
Share of results of associates					6.313
Profit before tax					<u>10.055</u>
Tax expense					<u>(1.605)</u>
Profit for the period					<u>8.450</u>

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

Inter-segment transfers or transactions are entered under the normal commercial terms and conditions that would also be available to third parties.

Notes to the Condensed Consolidated Interim Financial Statements

5. Quarterly results

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Sales	144.979	74.035	78.869	66.087	72.617
Cost of sales	(93.285)	(48.650)	(53.692)	(44.215)	(47.853)
Gross profit	51.694	25.385	25.177	21.872	24.764
Other operating income	465	306	(66)	124	770
Selling and marketing expenses	(18.651)	(11.508)	(12.172)	(10.398)	(11.751)
Research and development expenses	(7.363)	(3.778)	(4.237)	(3.122)	(3.631)
Administrative expenses	(14.997)	(8.228)	(7.100)	(6.711)	(6.733)
Profit from operations (EBIT)	11.148	2.177	1.602	1.765	3.419
Finance costs - net	564	(1.177)	(2.277)	(1.894)	(1.752)
Share of results of associates	0	473	5.125	(6.836)	6.598
Profit before tax	11.712	1.473	4.450	(6.965)	8.265
Income tax expense	(1.655)	(734)	(1.077)	1.208	(824)
Profit for the period	10.057	739	3.373	(5.757)	7.441
Profit before depreciation (EBITDA)	16.368	5.074	4.841	4.614	5.881

6. Finance costs – net

	YTD 2008	YTD 2007
Interest expense:		
- borrowings	(10.832)	(3.805)
- finance leases	(64)	(17)
- other interest expenses	(276)	(660)
	(11.172)	(4.482)
Interest income	2.882	1.229
Other finance income (cost)	0	(25)
Net foreign exchange transaction gains/(losses)	7.665	358
Dividend received	12	0
	(613)	(2.920)

7. Income tax expense

	YTD 2008	YTD 2007
Current tax	(847)	(705)
Deferred tax (Note 14)	(1.542)	(900)
	(2.389)	(1.605)

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

Profit before tax	13.185	10.055
Tax calculated at domestic tax rates 15% (2007: 18%)	1.978	1.810
Effect of different tax rates in other countries	471	(194)
Permanent differences for tax purposes	30	(145)
Impacts from change in tax rate	(323)	0
Other items	233	134
Tax charge	2.389	1.605

The weighted average applicable tax rate was 18.1% (2007: 15.96%).

Amendments to Icelandic taxation legislation, adopted in May 2008, will lower corporate income tax from 18% to 15%. The amendments take effect as of 1st of January 2008. Their impact has been included in the Group's interim financial statements in Q2.

Notes to the Condensed Consolidated Interim Financial Statements

8. Earnings per share

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

	YTD 2008	YTD 2007
Net profit attributable to equity holders (EUR 000)	10.796	8.457
Weighted average number of outstanding shares in issue (thousands)	419.270	366.861
Basic earnings per share (EUR cent per share)	<u>2,57</u>	<u>2,31</u>
Net profit used to determine diluted earnings per share (EUR 000)	10.796	8.457
Weighted average number of outstanding shares in issue (thousands)	419.270	366.861
Adjustments for share options (thousands)	12.164	3.195
Weighted average number of outstanding shares for diluted earnings per share (thousands)	<u>431.434</u>	<u>370.056</u>
Diluted earnings per share (EUR cent)	<u>2,50</u>	<u>2,29</u>

9. Dividend per share

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

10. Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2008				
Cost	53.749	20.242	17.856	91.847
Accumulated depreciation	(5.089)	(11.529)	(8.924)	(25.542)
Net book amount	<u>48.660</u>	<u>8.713</u>	<u>8.932</u>	<u>66.305</u>
Six months ended 30 June 2008				
Opening net book amount	48.660	8.713	8.932	66.305
Exchange differences	694	(115)	(416)	163
Business combinations (note 21)	28.051	14.613	5.895	48.559
Additions	6.105	4.583	1.791	12.479
Disposals	(34)	(118)	(143)	(295)
Depreciation charge	(741)	(1.596)	(1.762)	(4.099)
Closing net book amount	<u>82.735</u>	<u>26.080</u>	<u>14.297</u>	<u>123.112</u>
At 30 June 2008				
Cost	106.386	62.173	54.281	222.840
Accumulated depreciation	(23.651)	(36.093)	(39.984)	(99.728)
Net book amount	<u>82.735</u>	<u>26.080</u>	<u>14.297</u>	<u>123.112</u>
			YTD 2008	YTD 2007
Depreciation of property, plant and equipment analyses as follows in the income statement:				
Cost of sales			2.421	1.545
Selling and marketing expenses			444	266
Development expenses			237	126
Administrative expenses			997	385
			<u>4.099</u>	<u>2.322</u>

Notes to the Condensed Consolidated Interim Financial Statements

11. Intangible assets

	Goodwill & brand name	Trade name	Development costs	Patents	Software	Total
At 1 January 2008						
Cost	95.509	3.201	26.978	3.289	1.258	130.235
Accumulated amortisation	(59)		(8.736)	(878)	(527)	(10.200)
Net book amount	<u>95.450</u>	<u>3.201</u>	<u>18.242</u>	<u>2.411</u>	<u>731</u>	<u>120.035</u>
Six months ended 30 June 2008						
Opening net book amount	95.450	3.201	18.242	2.411	731	120.035
Exchange differences	(900)		(1.142)	(14)	(1)	(2.057)
Business combination (note 21) ..	38.709		19.386	556		58.651
Additions	312.799		7.568	92	244	320.703
Amortisation charge	(299)		(3.193)	(275)	(251)	(4.018)
Closing net book amount	<u>445.759</u>	<u>3.201</u>	<u>40.861</u>	<u>2.770</u>	<u>723</u>	<u>493.314</u>

	YTD 2008	YTD 2007
Amortisation of intangible assets analyses as follows in the income statement:		
Cost of sales	49	49
Selling and marketing expenses	48	39
Development expenses	3.462	2.323
Administrative expenses	459	130
	<u>4.018</u>	<u>2.541</u>

12. Trade and other payables

	30/6 2008	31/12 2007
Trade payables	57.673	24.389
Accruals	33.045	21.607
Deferred income	52.757	17.693
Other payables	47.501	11.798
	<u>190.976</u>	<u>75.487</u>

13. Borrowings

Non-current:		
Bank borrowings	238.772	29.337
Debentures	68.421	85.657
Finance lease liabilities	342	333
	<u>307.535</u>	<u>115.327</u>
Current:		
Bank overdrafts	26.187	21.919
Bank borrowings	11.562	2.632
Debentures	60.003	19.973
Finance lease liabilities	224	505
	<u>97.976</u>	<u>45.029</u>
Total borrowings	<u>405.511</u>	<u>160.356</u>

The borrowings include secured liabilities (leases and bank borrowings) in a total amount of EUR 58,458 (2007: EUR 50,768). The bank borrowings are secured over certain of the land and buildings of the Group and over certain of the inventories. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Notes to the Condensed Consolidated Interim Financial Statements

	Finance lease liabilities	Other borrowings	Total 30/6 2008	Total 31/12 2007
Liabilities in currency:				
Liabilities in CHF	0	2.274	2.274	2.311
Liabilities in DKK	185	37.279	37.464	48.918
Liabilities in EUR	12	204.418	204.430	20.592
Liabilities in GBP	96	2.848	2.944	1.607
Liabilities in ISK	0	46.628	46.628	0
Liabilities in ISK, index linked	0	56.995	56.995	73.469
Liabilities in JPY	0	0	0	161
Liabilities in NOK	0	201	201	380
Liabilities in SKK	0	12.636	12.636	8.706
Liabilities in USD	94	41.178	41.272	3.853
Liabilities in other currency	179	488	667	359
	<u>566</u>	<u>404.945</u>	<u>405.511</u>	<u>160.356</u>
Current maturates	(225)	(97.751)	(97.976)	(45.029)
	<u>341</u>	<u>307.194</u>	<u>307.535</u>	<u>115.327</u>

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

Annual maturates of non-current liabilities:

Period 1/7 2009 - 30/6 2010 / year 2009	169	70.394	70.563	4.174
Period 1/7 2010 - 30/6 2011 / year 2010	90	9.908	9.998	3.284
Period 1/7 2011 - 30/6 2012 / year 2011	51	68.735	68.786	3.161
Period 1/7 2012 - 30/6 2013 / year 2012	31	9.506	9.537	76.453
Later	0	148.651	148.651	28.255
	<u>341</u>	<u>307.194</u>	<u>307.535</u>	<u>115.327</u>

14. Deferred income tax

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

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

At 1 January 2007	2.315
Exchange differences and changes within the group	(78)
Income statement charge (Note 7)	1.605
Less current tax	(705)
Tax charged to equity	499
At 30 June 2007/1 July 2007	<u>3.636</u>
Exchange differences and changes within the group	106
Income statement charge	(131)
Less current tax	(523)
Tax charged to equity	(250)
At 31 December 2007	<u>2.838</u>
1 January 2008	2.838
Effect of change in tax rate	(324)
Business combination (Note 21)	(295)
Exchange differences and changes within the group	94
Income statement charge (Note 7)	2.389
Less current tax	(847)
Tax charged to equity	234
Six months ended 30 June 2008	<u>4.089</u>

Notes to the Condensed Consolidated Interim Financial Statements

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

	30/6 2008	31/12 2007
Deferred tax assets	2.942	3.542
Deferred tax liabilities	(7.031)	(6.380)
	<u>(4.089)</u>	<u>(2.838)</u>

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

15. Provisions

Warranty:

At 1 January 2007		1.502
Changes entered into income statement		391
At 31 December/1 January 2008		<u>1.893</u>
Business combination		5.754
Changes entered into income statement		1.502
At 30 June 2008		<u>9.149</u>
Analysis of total provisions:	30/6 2008	31/12 2007
Current	7.414	1.882
Non current	1.735	11
	<u>9.149</u>	<u>1.893</u>

16. Contingencies

Contingent liabilities:

At 30 June 2008 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the Group has given guarantees amounting to EUR 53,320 (2007: EUR 22,268) to third parties.

17. Commitments and insurance

Operating lease commitments – where a group company is the lessee

The Group has made some rental agreements for building, motor vehicles and office equipment, now with the remaining balance of EUR 15,383. The amount will be charged at the relevant rental time of each agreement. The rental agreements will materialise in the years 2008 - 2016.

18. Share capital

	Number of shares '000	Ordinary shares	Treasury shares	Total
At 1 January 2007	365.832	367.081	(1.249)	365.832
Issue of shares	3.700	3.700		3.700
Treasury shares sold	515		515	515
At 30 June 2007	<u>370.047</u>	<u>370.781</u>	<u>(734)</u>	<u>370.047</u>
Issue of shares	33.005	33.005		33.005
Treasury shares purchased	(2.702)		(2.702)	(2.702)
At 31 December/1 January 2008	400.350	403.786	(3.436)	400.350
Issue of shares	156.440	156.440		156.440
Treasury shares sold	2.000		2.000	2.000
At 30 June 2008	<u>558.790</u>	<u>560.226</u>	<u>(1.436)</u>	<u>558.790</u>

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

Notes to the Condensed Consolidated Interim Financial Statements

19. Investments in associates

	30/6 2008	31/12 2007
Beginning of year	3.281	(576)
Translation difference	0	1
Sale of associate	(3.281)	(746)
Share of results	0	4.602
End of year	<u>0</u>	<u>3.281</u>

20. Related party transactions

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

21. Business combination

On the 8th of May the group acquired 100% share of Stork Food Systems. Marel Food Systems paid an acquisition price of eur 431.6 million plus deal cost of eur 14 million. An possible earn-out scheme dependent on the financial results in the year 2008 and 2009 has been entered as a liability and will be reassessed on an annual basis. Stork Food Systems is subsidiary of Marel Holding B.V. which was established in relation to the acquisition.

The acquired business contributed revenue of eur 60 million and net profit of eur 1,4 million to the group for the period from acquisition to 30th of June 2008.

Net assets acquired and goodwill are as follows:

Purchase consideration:	
- Cash paid	431.861
- Direct cost related to the acquisition	14.035
	<u>445.896</u>
Provisional fair value of net identifiable assets acquired	134.289
Provisional goodwill	<u>311.607</u>

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

Cash	15.392
Property, plant and equipment	48.559
Intangibles	58.651
Deferred tax asset	295
Trade and other receivables	68.188
Inventories	72.441
Provisions	(5.754)
Trade creditors and liabilities	<u>(123.483)</u>
	<u>134.289</u>
Purchase considerations settled in cash	445.896
Cash and cash equivalents in subsidiary acquired	(15.392)
	<u>430.504</u>

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

Notes to the Condensed Consolidated Interim Financial Statements

22. Principal subsidiaries

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

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