Marel

Prospectus
September 2006

Landsbankinn

1983	Marel hf. Founded
1984	The first Marine Scale sold
1986	Marel Canada founded
1991	Marel hf. goes public
1992	Marel hf. listed on ICEX
1992	Marel enters the poultry industry
1994	The first computer controlled portioning machine
1995	The first computer controlled scale, M11000
1996	Marel enter the meat industry in the US
1997	Acquisition of Carnitech A/S
1997	ISO 9001
1999	TSM, a revolutionary portioning machine
2000	IPM XL brought to market
2002	New headquarters
2002	Icelandic Quality Award
2004	Acquisition of Pols
2004	Acquisition of GEBA
2004	IPM III LaserEye brought to market
2005	Operations in Slovakia begin
2005	Acquisition of Dantech
2006	Acquisition of AEW Thurne and Delford Sortaweigh
2006	Acquisition of Scanvaegt

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This is an unauthorised translation of the Icelandic original Prospectus. In the event of any discrepancies the original Icelandic version shall prevail.

This Prospectus is published on 12 September 2006.

This Prospectus has been scrutinised and approved by the Iceland Stock Exchange (ICEX) on behalf of the Financial Service Authority in Iceland. The Prospectus is published on the occasion of a public offering and listing of 75,000,000 new shares in Marel hf., and the listing of 52,016,732 new shares in Marel hf. that will be delivered to the shareholders of Scanvægt International S/A as part payment for all their shares in Scanvægt International S/A.

This Prospectus consists of three independent documents; a Summary, a Share Securities Note and a Share Registration Document.

Summary

Summary

This is a Summary of Marel's Securities Note and Registration Document issued in September 2006. The information contained herein is in condensed form and must therefore always be read in the context of the Securities Note and the Registration Document.

A Prospectus is issued for the Offering and listing of 75,000,000 new shares and for the listing of 52,016,732 new shares to be delivered to the shareholders of Scanvægt International A/S.

An Offering of 75,000,000 new shares in Marel will take place on 13 and 14 September 2006 in three parts, with 30,000,000 shares offered to pre-emptive right holders, 30,000,000 shares to institutional investors and 15,000,000 shares to the general public.

At the time of issue of the Prospectus, the total number of shares in Marel stands at 240,064,000, all of which are listed on the ICEX Main List under the ticker code MARL. After the intended capital increase, Marel's shares will total 367,080,732.

The aim is to complete the dematerialised issue and delivery of the new shares at the Icelandic Securities Depository no later than 29 September 2006. The shares will be listed on the ICEX Main List no later than 2 October 2006.

Each investor must base any decision regarding investment in Marel shares on his/her own examination and analysis of the information presented in the Prospectus as a whole. Investors are advised to study their legal position, including taxation issues that may be relevant to their transactions in Marel shares.

In the event that an investor intends to bring a case concerning a claim relating to information contained in the Prospectus, he may be required, under the domestic law of EEA Member States, to bear the cost of a translation of the Prospectus before the legal proceedings are initiated. Civil liability attaches to the persons who have tabled the Summary, including any translation thereof, and applied for its notification, but only if the Summary proves to be misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

This Prospectus has been prepared by the Corporate Finance department of Landsbanki Íslands hf., Hafnarstræti 5, Reykjavík, Iceland, in co-operation with Marel and its Auditors. Landsbanki Corporate Finance is also the Manager of the Offering, which will take place on 13 and 14 September 2006.

Marel's Auditors at the time to which the historical financial information in the Prospectus relates are PricewaterhouseCoopers hf., Skógarhlíð 12, Reykjavík, and on their behalf Ólafur Þór Jóhannesson, Vesturvangur 14, Hafnarfjörður, Þórir Ólafsson, Hálsasel 33, Reykjavík, and Gunnar Sigurðsson, Naustabryggja 54, Reykjavík.

Terms of the Offer

Subscriptions in the Offering are binding. Its results will be published on the ICEX News System before 10am on Friday 15 September 2006. Payment slips will be sent to participants following expiry of the Offering period, with payments due on Friday 22 September 2006. The Offer Price is ISK 74 per share. The purpose of the Offering is to finance Marel's further growth.

Sale procedure

Pre-emptive offer – registration of subscriptions, transfer and unsubscribed shares

Marel shareholders will be offered a total of 30,000,000 new shares. Their respective subscription rights are in proportion to their existing shareholdings as recorded in Marel's share register at the end of business on Friday 25 August. Shareholders may subscribe for a number of shares lower or higher than proportional to their pre-emptive rights, and unsubscribed pre-emptive shares will be distributed in proportion to the pre-emptive rights of shareholders so requesting. Shareholders may transfer their pre-emptive rights in part or whole, but rights to unsubscribed shares may not be transferred.

Subscriptions may only be submitted electronically on Landsbanki's website (www.landsbanki.is). Only pre-emptive right holders may subscribe to this part of the Offering, and only by identifying themselves using their ID No. and a password sent to them by post. Electronic confirmation is required for a valid subscription to shares offered to pre-emptive right holders. The confirmation appears upon completing the subscription and can be printed out.

Offer to institutional investors – registration of subscriptions

A total of 30,000,000 shares will be offered to institutional investors. Only institutional investors as defined in Point 7 of the first paragraph of Article 2 of Act No. 33/2003 on Securities Transactions may take part in this part of the Offering.

Institutional investors must submit a binding application for subscription using the forms provided for this purpose, which can be obtained from Landsbanki's Brokerage department and Corporate Finance department as well as on Landsbanki's website (www.landsbanki.is). Marel's Board is authorised to reject subscriptions in this part of the Offering in part or whole. Should there be insufficient demand for shares in the offer to institutional investors, the Board may allocate any unsold shares to pre-emptive right holders.

Institutional investors that are allocated shares will be sent notification of the Board's approval of their subscription at the end of the Offering period.

Offer to the general public – transfer, oversubscription and registration of subscriptions

A total of 15,000,000 new shares will be offered to the general public. In this part of the Offering, each investor may subscribe for a maximum of 10,000 shares, or a market value of ISK 740,000. In the event of oversubscription, the maximum number of shares that each subscriber may buy is reduced on a non-pro rata basis until the aggregate number of shares sold equals the number of shares for sale in this part of the Offering. Should there be insufficient demand for the shares offered to the general public, the Board may allocate any such unsold shares to pre-emptive right holders.

Subscriptions to the shares offered to the general public may only be submitted electronically on Landsbanki's website (www.landsbanki.is). An electronic confirmation is required for a valid subscription. The confirmation appears upon completing the subscription and can be printed out.

Pre-emptive right holders and institutional investors are fully authorised to participate in the offer to the general public regardless of whether they participate in other parts of the Offering.

Underwriting

Landsbanki has underwritten the Share Offering in full at the Offer Price under an agreement signed on 3 April 2006.

Dilution

At the time of publication of Marel's Securities Note of September 2006, the total number of shares in the Company stands at 240,064,000. The intended capital increase totals 127,016,732 shares, which means that the total number of shares in the Company after the increase will be 367,080,732.

Marel's Board has decided to deliver 52,016,732 shares to the sellers of Scanvægt International A/S and offer 30,000,000 shares to pre-emptive right holders, 30,000,000 to institutional investors and 15,000,000 shares to the general public.

Assuming that a pre-emptive right holder exercises his pre-emptive right in full in the Offering but does not take part in its other parts, the resulting proportional dilution of his shares in Marel will be 26.4%. The total number of shares offered to parties other than pre-emptive right holders is 97,016,732.

If a pre-emptive right holder does not exercise his rights in the pre-emptive offer but does take part in the Offering's other parts, the resulting proportional dilution of his shares will be 34.6%.

Cost of commission for Offering and listing of new shares

The total commission for underwriting the Offering and for the sale and listing of the new shares is estimated at approximately ISK 250 million. Landsbanki estimates that 50% of the above commission will be for the underwriting and 50% for the sale and listing of the shares.

Issuer

History and development

Marel hf., State Reg. No. 620483-0369, domiciled at Austurhraun 9, Garðabær, was founded on 17 March 1983. The first Marel scale was developed when computer technology was being introduced across a spectrum of industries in the 1970s. The objective was to utilise computer technology within the Icelandic fishing industry for data collection and processing in order to boost productivity. Marel soon established itself as one of the leading manufacturers of scales and production monitoring equipment in the North Atlantic, and remains at the cutting edge of high-tech food processing equipment, now not only for fish but also poultry and other meat.

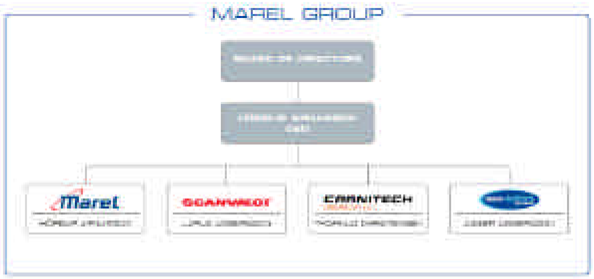
Marel's activities were originally focused on the design and manufacturing of specialised scales and related monitoring equipment. However, its R&D focus soon expanded into other areas. The Company is currently at the forefront of the development and production of high-tech systems that enable food processors to maximise their throughput, yield and product quality as well as customer satisfaction. Sales to the fish industry were originally most important for Marel, but its sales to the meat and poultry industries have grown substantially over the years.

Marel's chief advantage lies in its high-technology solutions, e.g. 3D computer vision, electronic scales and software linking together automatic machines and processing lines. The Company's products are also distinguished by their outstanding quality. Marel has a customer-focused approach and has built a strong service network in all of the Company's main market areas,

Activities and organisation

Marel is an international company at the forefront of development, manufacturing and marketing of high-tech solutions for the food processing industry.

The Group consist of four main segments that are complementary to each other: the parent company Marel in Iceland together with its ten Marel companies throughout the world; Carnitech A/S with four subsidiaries; AEW Delford Systems Ltd with four subsidiaries; and Scanvægt International A/S with 15 subsidiaries. After the acquisition of Scanvægt International A/S, the Group will employ 2,080 people worldwide.



Board of Directors	
Árni Oddur Þórðarson	Chairman of the Board
Arnar Þór Másson	Director
Friðrik Jóhannsson	Director
Helgi Magnússon	Director
Margrét Jónsdóttir	Director
Hanna Katrín Friðriksson	Alternate Director
Þórður Magnússon	Alternates Director

Marel's competitiveness is largely based on its strong product development. In 2005, Marel applied for 15 patents, with the Group's patent applications typically ranging between five and ten per year. It currently has 62 patents in 20 countries. Marel also has 20 registered trademarks distributed over all of its main market areas. Continuous product development is one of the cornerstones of Marel's operations.

Senior Directors	
Hörður Arnarson	CEO Marel hf.
Thorkild Christensen	CEO Carnitech
Ásgeir Ásgeirsson	CEO AEW Deloford Systems
Lárus Ásgeirsson	CEO Scanvægt
Directors:	
Halldór Magnússon	Director of Customer Service
Jón Þór Ólafsson	Director of Product Development
Kristján Hallvarðsson	Director of Product Development
Kristján Þorsteinsson	Director of Finance
Magnús Þór Ásmundsson	Director of Manufacturing
Pétur Guðjónsson	Director of Sales and Marketing
Sigsteinn P. Grétarsson	Director of Business Development

Marel annually invests 5-7% of its income in product development aimed to sharpen its cutting edge in the marketplace and meet client needs.

On 4 August 2006, the Company finalised its acquisition of the Danish food equipment manufacturer Scanvægt, whose operations are included in Marel's consolidated accounts as of 4 August 2006. The effects of Marel's acquisition of Scanvægt will become visible in the Group's third-quarter results.

Shareholders

At the time of issue of the Registration Document, Marel's shareholders total 1,093 in number. The Company's ten largest shareholders own 192,060,094 shares, which corresponds to 80% of its total capital. A list of Marel's ten largest shareholders is provided below.

Eyrir Invest ehf. is an international investment company mainly focused on

Ten largest shareholders		
Marel September 7, 2006	**No. of shares**	**Holding**
Eyrir Invest ehf.	81,274,544	33.86%
Landsbanki Íslands hf.	79,293,122	33.03%
Helga Sigurðardóttir	4,750,000	1.98%
Ingunn Sigurðardóttir	4,750,000	1.98%
Súsanna Sigurðardóttir	4,714,500	1.96%
Tryggingamiðstöðin hf.	4,160,946	1.73%
Egill Vilhjálmur Sigurðsson	3,800,000	1.58%
Eignarhaldsfélag Hörpu ehf.	3,726,000	1.55%
Traustfang ehf.	3,051,164	1.27%
Líftryggingafélag Íslands hf.	2,539,818	1.06%
Total ten largest shareholders	192,060,094	80.00%
Other shareholders	48,003,906	20.00%
Total no. of shares	240,064,000	100.00%
Treasury shares	2,067,836	0.86%
Active share capital	237,996,164	99.14%

listed companies in Europe, particularly the Nordic countries. Eyrir's largest single holdings are its stakes in Marel and the Icelandic prosthetics company Össur. Árni Oddur Þórðarson, Chairman of Marel, and Þórður Magnússon, alternate member of Marel's Board, are Eyrir's founders and main owners. Margrét Jónsdóttir, a member of Marel's Board, is Eyrir's Chief Financial Officer.

Landsbanki Íslands hf. is the Manager of this Prospectus .

Helgi Magnússon, a member of Marel's Board, is the Chairman and a majority shareholder of the holding company Eignarhaldsfélag Hörpu ehf.

Overview of operations, finances and prospects

The second half of 2006 will be shaped by extensive integration and related one-off costs. The integration between Marel, AEW Delford Systems and Carnitech is progressing according to schedule, and ahead is the integration of Scanvægt International A/S with the Marel Group.

Marel has set itself a market share target of 15-20% for the next three to five years and a turnover target of EUR 400-500 million. The Company intends to achieve these aims through strong organic growth, strategic acquisitions/mergers with two to four key companies that have good growth potential and offer strong synergies with Marel and by building up the best product and service range on the market.

Marel's 2005 turnover was EUR 129 million. With the acquisition of AEW Delford and Scanvægt, the Group's 2007 turnover is projected to double that of 2005.

The table below shows key indicators from Marel's financial statements.

Key figures - Marel hf.	**2006** **1.1 -30.06**	**2005** **1.1 -30.06**	**2005** **1.1 -31.12**	**2004** **1.1 -31.12**	**2003*** **1.1.-31.12**
Operating results					
Sales	79,106	63,838	129,039	112,301	106,104
Gross profit	26,234	22,436	43,162	41,016	34,617
Profit before depreciation (EBITDA)	7,855	8,649	14,814	16,527	10,129
Profit from operations (EBIT)	4,778	6,310	9,721	12,066	65,868
Net profit	1,348	3,905	5,715	7,984	3,749
Cash flow statement					
Net cash from operating activities	(6,654)	2,712	2,987	13,207	4,724
Investing activities	(33,526)	(3,634)	(10,180)	(6,389)	(1,955)
Financing activities	72,254	797	7,210	(7,263)	(1,153)
Financial position					
Total assets	193,007	104,774	114,890	95,482	81,334
Working capital	57,630	18,028	16,557	19,807	17,700
Equity	40,378	37,048	41,032	31,595	25,167
Amounts in thousands of EUR					
Other key ratios					
Current ratio	2.0	1.5	1.4	1.6	1.7
Quick ratio	1.2	0.6	0.6	0.7	0.8
Equity ratio	20.9%	35.4%	35.7%	33.1%	30.9%
Return on owners' equity	6.6%	23.5%	18.1%	30.5%	16.5%
Return on total assets	1.8%	7.8%	5.4%	9.0%	4.6%
Basic earnings per share	0.6	1.7	2.42	3.40	1.59
Diluted earnings per share	0.6	1.6	2.38	3.33	1.56
Dividends per share	-	-	0.20	0.15	0.10

**Figures for 2003 are not according to IFRS*
AEW was consolidated on 7 April 2006

The table below shows the Company's financing and liabilities as at 30 June 2006. Its half-year financial statements for the period ended 30 June 2006 were reviewed but not audited by the Company's Auditors.

Financing and liabilities	30.6.2006
Ordinary shares	2,637
Treasury shares	(12)
Share premium	12,410
Fair value and other reserves	(911)
Retained earnings	26,254
Total shareholders' equity	40,378
Trade and other current liabilities	42,422
Interest-bearing loans:	
Non-current	90,266
Current	19,941
Total liabilities	152,629
Total equity and liabilities	193,007
Equity ratio	21%

Amounts in thousands of EUR

Marel's total assets stood at EUR 193 million at the end of June 2006, of which equity accounted for EUR 40.4 million. Total liabilities amounted to EUR 152.6 million. Marel's interest-bearing debt was EUR 110.2 million at the end of June 2006.

Marel's equity ratio as at 30 June 2006 had decreased somewhat from year-end due to additional loan financing, and stood at 20.9% at the end of the period. The acquisition of Scanvægt International A/S is expected to increase Marel's equity ratio to approximately 30% at year-end 2006, all things being equal, since part of the acquisition price will be paid with new shares in Marel. Following the Offering, in which up to 75,000,000 new shares are envisaged to be sold, Marel's equity ratio is expected to rise still further.

Risk factors

Investment in equities involves risk. Marel operates in a market in which several factors may influence the Company's performance. No guarantee can be provided that investment in the Company's shares will be profitable.

Marel's main risk factors include:

- Market risk
- Operational risk
- Investment risk
- Financing risk
- Management and personnel risk
- Legal risk

Documents on display

This Summary will remain in effect for 12 months following its publication. During this period, the following documents referred to herein, or copies of them, are available from the issuer:

- The 2003, 2004 and 2005 Consolidated Financial Statements of Marel hf. The Report of the Auditors of Marel forms a part of the annual Consolidated Financial Statements.
- The Consolidated Interim Financial Statements for the periods ending 30 June 2006 and 30 June 2005. The Report of the Auditors of Marel forms a part of the interim statements.
- The Issuer's Articles of Association.
- The annual accounts of Scanvægt International A/S for the financial years ending in 2006, 2005 and 2004. The financial year of Scanvægt International A/S begins on 1 May and ends on 30 April. The review of the auditors of Scanvægt International A/S forms a part of its annual accounts.

Copies of the above documents can be obtained at the Company's head offices and on its website (www.marel.is)

During the effective period of this Summary, the following documents will be on display:

- The Registration Document, Securities Note and Summary can be accessed on Marel's website (www.marel.is), and the News System of the Iceland Stock Exchange (http://news.icex.is). The above documents have been reviewed and approved by the Iceland Stock Exchange.
- The Articles of Association of Marel can be accessed on its website and the News System of the Iceland Stock Exchange.
- Historical financial information on Marel for the past three years, 2005, 2004 and 2003, and the Company's interim statements for the periods ended 30 June 2006 and 2005 are also available on Marel's website.
- Historical financial information on Scanvægt International A/S for the past three financial years, ending in 2006, 2005 and 2004, are also available on Marel's website.

Share Securities Note

Share Securities Note

Documents referred to in the Share Securities Note

During the effective period of this Share Securities Note, the following documents referred to herein, or copies of them, are available from the Issuer:

- The 2003, 2004 and 2005 Consolidated Financial Statements of Marel hf. The Report of the Auditors forms a part of the Consolidated Financial Statements.
- The Consolidated Interim Financial Statements for the periods ending 30 June 2006 and 2005. The Auditors' Review Report forms a part of each interim statement.
- The Issuer's Articles of Association.

Copies of the above documents can be obtained at the Issuer's head offices and on its website (www.marel.is).

Documents on display

During the effective period of this Securities Note, the following documents will be on display:

- The Registration Document, Securities Note and Summary can be accessed on Marel's website (www.marel.is) and the News System of the Iceland Stock Exchange (http://news.icex.is). These documents have been reviewed and approved by the Iceland Stock Exchange.
- Marel's Articles of Association can be accessed on the Company's website and the News System of the Iceland Stock Exchange.
- Historical financial information on Marel for the years 2003, 2004 and 2005 as well as the Company's Consolidated Interim Financial Statements for the periods ended 30 June 2005 and 30 June 2006 are also available on Marel's website.

Notice to investors

The offering and listing of new shares in Marel is governed by Icelandic law and regulations. Directive 2003/71/EC of the European Parliament and Council of 4 November 2003 (the "Prospectus Directive") has been incorporated into Icelandic law. Under an agreement with the Icelandic Financial Supervisory Authority (FME), the Iceland Stock Exchange (ICEX) is authorised to review and approve prospectuses. ICEX has reviewed and approved this Securities Note as part of a three-part Prospectus consisting of a Summary, this Securities Note and a Registration Document.

This Securities Note has been prepared by the Corporate Finance department of Landsbanki Íslands hf. in co-operation with Marel's Board of Directors, senior management and auditors. It is issued in connection with the Offering and listing of 75,000,000 new shares in Marel, in addition to the listing of 52,016,732 new shares in Marel to be delivered to the shareholders of Scanvægt International S/A as partial payment for all of their shares in Scanvægt.

Neither this Securities Note nor other documents forming the Prospectus may be distributed, indirectly or directly, including by e-mail, fax, telephone or via the World Wide Web, in or into the United States, Australia, Canada or Japan. The Offering is not directed to parties in these countries.

An Offering of 75,000,000 new shares in Marel will take place on 13 and 14 September 2006 in three parts, with 30,000,000 shares offered to pre-emptive right holders, 30,000,000 shares to institutional investors and 15,000,000 to the general public.

Pre-emptive right holders have a right of subscription proportional to their respective shareholdings as recorded in Marel's share register at the close of business on 25 August 2006. Shareholders will receive a letter detailing shareholdings in Marel, pre-emptive rights in the Offering, price, the terms of payment and a user name and password enabling them to submit their subscription applications electronically.

At the time of issue of the Prospectus, the total number of shares in Marel stands at 240,064,000, all of which are listed on the ICEX Main List under the ticker code MARL. After the intended capital increase, Marel's shares will number 367,080,732.

The aim is to complete the dematerialised issue and delivery of the new shares at the Icelandic Securities Depository no later than 29 September 2006. The shares will be listed on the ICEX Main List no later than 2 October 2006.

Further details on the arrangement of the Offering are provided in Section 7 hereof.

In this Securities Note the words "Marel", "the Group" and "the Company" all refer to Marel hf., and the words "Landsbanki" and "the Bank" refer to Landsbanki Íslands hf. unless otherwise indicated by the wording or context.

The purchase of equities is inherently a risk investment based on expectation of future profit. This Securities Note may not in any way be regarded as a promise by Marel or Landsbanki of successful operations or a return on funds. Investors are advised to acquaint themselves thoroughly with this Securities Note. The information presented herein reflects its date of issue. Marel is listed on the ICEX Main List with the ticker code MARL and complies with ICEX rules on on-going information disclosure. Investors are advised to follow the news announcements and notifications on Marel that may be published in the ICEX News System once the Securities Note has been issued.

Each investor must base any decision regarding investment in Marel shares on his/her own examination and analysis of the information presented in the Registration Document of September 2006 and in this Securities Note. Investors are advised to study their legal position, including taxation issues that may be relevant to their transactions in Marel shares. In particular, investors should acquaint themselves thoroughly with the discussion of risk factors provided in Section 4 of the Securities Note and Section 4 of the Registration Document of September 2006.

Investors should note that Landsbanki serves as a market maker for issued shares in Marel, is one of the banks with which the Company does business, and has underwritten the intended Offering in full at the Offer Price.

Upon publication of this Securities Note, Landsbanki holds 79,293,122 shares in Marel, which corresponds to a 33% stake in Marel's total share capital.

Landsbanki's employees may take part in the offers to pre-emptive right holders and the general public provided that they register their subscriptions on the first day of the Offering Period, i.e. 13 September 2006, do not possess insider information and meet all other conditions of Landsbanki's rules of procedure. Information not contained in this Securities Note cannot be regarded as approved by Marel or the Manager, Landsbanki Corporate Finance.

Contents

1 Persons Responsible

The Chairman of the Board of Directors and the Chief Executive Officer of Marel, on behalf of the Issuer, hereby declare that, to the best of our knowledge, the information contained in this Securities Note accords fully with the facts and no information has been omitted that could affect its accuracy.

Garðabær, 8 September 2006

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

Árni Oddur Þórðarson
Chairman of the Board

Hörður Arnarson
Chief Executive Officer

2 Statutory Auditors

Marel's Auditors at the time to which the historical financial information in this Securities Note relates are PricewaterhouseCoopers hf., Skógarhlíð 12, Reykjavík, and on their behalf Ólafur Þór Jóhannesson, Vesturvangur 14, Hafnarfjörður, Þórir Ólafsson, Hálsasel 33, Reykjavík, and Gunnar Sigurðsson, Naustabryggja 54, Reykjavík.

Marel's Auditors neither resigned nor were discharged from their duties during the period to which the said historical financial information relates.

3 Manager

This Securities Note has been prepared by the Corporate Finance department of Landsbanki Íslands hf., Hafnarstræti 5, Reykjavík, Iceland, in co-operation with the Issuer and Auditors. Landsbanki Corporate Finance is also the Manager of the Offering, due to take place on 13 and 14 September 2006.

4 Risk factors

Investment in equities involves risk. Marel operates in a market in which several factors may influence the Company's performance. No guarantee can be provided that investment in the Company's shares will be profitable. The discussion provided below is by no means exhaustive as regards the risk of investing in Marel shares, and investors are advised to make their own independent examination of the factors that may apply specifically to their investment in the Company. Each investor must furthermore base any decision on investment in Marel shares on his/her own examination and analysis of the information presented in this Securities Note. Investors are also advised to study their legal position, including taxation issues that may be relevant to their transactions in Marel shares.

4.1 General equity risk

Equities are generally a riskier investment than bonds. The risk results in particular from the fact that share prices fluctuate more than bond prices. In the long term, however, investing in shares is, on average, more profitable than investing in bonds. Shares can generate two types of return: first, through change in the value or market price of the shares in question and, second, through dividends paid to shareholders on their shares.

Financial and equity markets are subject to the business environment shaped by their respective government authorities at any given time. Major changes in the regulatory framework set by government for financial and equity markets can have a negative impact and create market unrest.

4.2 Liquidity risk

Liquidity risk arises from the possibility that an investor may not be able to sell an asset within a reasonable time at a price that reasonably reflects the real value of the asset. A measure for this risk is the spread between bid and ask prices on the market. The risk is both dependent on the quantity of shares, i.e. the risk that the market will not absorb at full price the quantity an investor wishes to sell, and the share price, since a large quantity of the same type of shares can have a substantial impact on their price formation.

At the time of issue of this Securities Note, 30% of Marel's shares are held by general investors. General investors are those that are not members of the Board of Directors, key management personnel, individual shareholders with stakes of 10% or higher or parties financially related to them, e.g. spouses, co-habiting partners and children not legally competent to manage their financial affairs, parent companies or subsidiaries. Under ICEX listing requirements, at least 25% of the share capital of listed companies must be held by general investors.

5 Key information

5.1 Working capital, financing and liabilities

Marel's Chairman and CEO declare on behalf of the Company that they believe it has sufficient working capital and has no need for further loan financing, based on its current operations and intended investments.

The accompanying table shows the Company's financing and liabilities as at 30 June 2006. Marel's Consolidated Interim Financial Statements for the period ended 30 June 2006 were reviewed but not audited by the Company's Auditors.

Financing and liabilities	30.6.2006
Ordinary shares	2,637
Treasury shares	(12)
Share premium	12,410
Fair value and other reserves	(911)
Retained earnings	26,254
Total shareholders' equity	40,378
Trade and other current liabilities	42,422
Interest-bearing loans:	
Non-current	90,266
Current	19,941
Total liabilities	152,629
Total equity and liabilities	193,007
Equity ratio	21%

Amounts in thousands of EUR

Marel's total assets stood at EUR 193 million at the end of June 2006, of which equity accounted for EUR 40.4 million. Total liabilities were EUR 152.6 million. Total interest-bearing borrowings were EUR 110.2 million, which includes secured liabilities (leases and bank borrowings) totalling EUR 42.9 million. The bank borrowings are secured with land, buildings and inventories owned by the Group. Lease liabilities are effectively secured as the rights to the leased assets revert to the less or in the event of default. Other borrowings are not secured with land, buildings or inventories owned by the Group.

In February 2006, Marel issued bonds denominated in Icelandic krónur for ISK 6 billion, which corresponds to EUR 70.8 million. The bonds are six-year inflation-indexed coupon bonds whose principal matures on 8 February 2012. Their fixed interest rate is 6.0%. The proceeds from the bond issue were invested in the Company's growth, e.g. the acquisition of the operations and assets of AEW Thurne Ltd and Delford Sortaweigh Ltd, investment in LME hf. and the acquisition of Scanvægt International A/S.

Marel's equity ratio as at 30 June 2006 had decreased somewhat from year-end 2005 owing to additional loan financing, and stood at 20.9% at the end of the period. The acquisition of Scanvægt International A/S is expected to increase the Company's equity ratio to approximately 30% at year-end 2006, all things being equal, since part of the acquisition price will be paid with new shares in Marel. Following the Share Offering, in which up to 75,000,000 new shares are envisaged to be sold, Marel's equity ratio is expected to rise still further.

Marel has set itself a minimum equity ratio target of 25% for the long term. The Company's equity ratio stood at 35.7% at year-end 2005, up from 33.1% at the end of 2004 and 30.9% at year-end 2003.

5.2 Interests of individuals and legal entities connected with the Offering and the listing of new shares

The Manager of the Offering and the publication of the Securities Note is Landsbanki Corporate Finance department. Landsbanki is among the banks with which Marel does business. The Bank also serves as a market maker for Marel shares, and has underwritten the Offering in full at the Offer Price.

At the time of issue of this Securities Note, Landsbanki holds 79,293,122 shares in Marel, which corresponds to a 33% stake.

Scanvægt Holding ApS, a holding company owned by the sellers of Scanvægt International A/S, will receive 52,016,732 shares in Marel as partial payment for all of their shares in Scanvægt International A/S. Scanvægt Holding has undertaken not to sell more than 20% of its stake in Marel within one year from the shares' delivery, except with the permission of Marel's Board.

5.3 Allotment of new shares and net cash flow to Marel

Of the new shares, 52,016,732 will be delivered to the shareholders of Scanvægt International A/S as payment for all of their shares in that firm. Marel will receive no cash flow from this increase.

The net cash flow to Marel from the intended Offering of 75,000,000 shares at the price of ISK 74 per share is ISK 5,300 million, which will be used to finance the Company's continued growth.

5.4 Cost of commission for Offering and listing of new shares

Landsbanki's total commission for underwriting the Offering and for the sale and listing of the new shares is estimated at approximately ISK 250 million. The Bank estimates that 50% of the above commission will be for the underwriting and 50% for the sale and listing of the shares.

6 General information on shares

6.1 Activities

Marel operates in accordance with the Public Limited Companies Act No. 2/1995, as amended. The Offering and listing of the new shares is governed by Icelandic law and regulations. Directive 2003/71/EC of the European Parliament and Council of 4 November 2003 (the "Prospectus Directive") has been incorporated into Icelandic law.

6.2 Listing of shares

All shares issued by Marel are listed on the ICEX Main List. Marel has been listed on the Main List since 29 June 1992. The shares' ticker code in the ICEX trading system is MARL and the trading lot, i.e. the smallest number of shares required for consideration in price formation, is 1,000 shares.

The Company has no plans to apply for a listing of its shares on any other stock exchange than ICEX.

Under Article 2.09 of the Company's Articles of Association, its Board of Directors may issue shares electronically through a securities depository in accordance with Act No. 131/1997 on Electronic Registration of Title to Securities. The dematerialised shares in Marel are registered with the Icelandic Securities Depository, Laugavegur 182, Reykjavík. The shares' ticker code is MARL and their ISIN number is IS0000000388. All shares in the Issuer are registered in the shareholder's name and state identification number (ID No.).

This Securities Note is issued in connection with the delivery of 52,016,732 new shares to the shareholders of Scanvægt International A/S and Marel's intended Share Offering on 13 and 14 September 2006, in which 75,000,000 new shares will be offered for sale.

The aim is to complete the dematerialised issue and delivery of the new shares at the Icelandic Securities Depository no later than 29 September 2006. The shares will be listed on the ICEX Main List no later than 2 October 2006.

6.3 Rights

Marel's entire share capital is in a single class and divided into shares of ISK 1 or multiples thereof. No special rights attach to any share. Each ISK 1 share in the Company carries one vote. Shareholders are not subject to mandatory redemption of their shares, except if the Company is liquidated. Motions on winding up the Company and the implementation thereof are governed by Section XII of the Public Limited Companies Act No. 2/1995.

All shares in Marel have been paid in full and are issued in ISK.

Under Article 2.06 of Marel's Articles of Association, each shareholder shall, without a specific undertaking, comply with the Company's Articles in their present form or as subsequently amended in a lawful manner. Shareholders are not liable for the Company's commitments beyond their share. This provision can neither be amended nor cancelled by any resolution of a shareholders' meeting.

No restrictions are placed on shareholders' rights to dispose of their shares. Shares in the Company may be pledged as collateral unless otherwise indicated by law. If share ownership is transferred, whether through sale, gift, inheritance, estate settlement or execution, and provided that such transfer is not impeded by the provisions of Articles 22 and 23 of Act No. 2/1995, the name of the new shareholder shall be entered in the share register when the shareholder or his legal representative gives notification of the transfer and presents proof thereof. Such notification shall be made as soon as possible.

Only a shareholders' meeting may decide to increase the Company's share capital, whether through the issue of bonus shares or the subscription of new shares. Shareholders shall have pre-emptive rights to all additional shares in proportion to their registered shareholdings, provided that they have not assigned their subscription rights to new shares. Exemptions may be made from this provision, cf. the third paragraph of Article 34 of Act No. 2/1995.

The share register shall, as provided for in Act 131/1997 on Electronic Registration of Title to Securities, be regarded by the Company as fully valid proof of ownership rights to shares in the Company, and any dividend payments as well as all notifications shall be sent to the party at any given time recorded in the Company's share register as the owner of the shares in question. The Company shall bear no responsibility for payments or notifications that go astray as a result of failure to notify the Company of a change in address.

Regarding other rights, reference is made to Marel's Articles of Association, the Public Limited Companies Act No. 2/1995 and other applicable provisions of law.

6.4 Dividends

Under Article 2.05 of the Company's Articles of Association, shareholders may claim their dividends at the Company's office within three years from the dividend becoming due, after which time the dividend becomes a Company asset.

Decisions on the dividend payments and their due dates are taken at the Company's Annual General Meeting (AMG) following the submission of a motion by the Board.

The table on the right shows Marel's dividends for 2003-2005, which are paid in 2004-2006.

	Dividends per ISK 1		
Year	nom. value	Amount ISK**	
2005	0.20	601	20%
2004	0.15	590	15%
2003	0.10	407	10%

*** Dividends for the operating years 2003-2004 were paid 2004-2005*

As is customary, dividends are paid to those registered in the share register at the end of the day of each AMG, unless the Company receives notification of the assignment of the dividend through the transfer of shares. Dividends are deposited in the bank accounts specified by the shareholders for dividend payments, which are linked to their VS accounts. Marel's policy is to pay dividends one week after the date of the AMG. The Company does not have a fixed dividend policy, but in the past three years its dividend payments have ranged between 10% and 20% of its share capital's nominal value.

6.5 Authorisations for share capital increases

At the AMG on 28 February 2006, Marel's Board was authorised to increase the Company's share capital in stages or all at once by up to ISK 12,000,000 nominal value through the issuance of new shares. Shareholders do not have pre-emptive rights of subscription to these new shares, which must be used to fulfil stock option contracts with employees and other parties under the Company's stock option plan in effect at any given time. The bid price of the shares and the terms and conditions of sale must comply with contracts made by the Company's Board or CEO with the parties in question. This authorisation remains valid for five years from its approval.

At a shareholders' meeting on 18 August 2006, the Board was authorised to increase the Company's share capital by up to 172,016,732 shares. This involves three separate authorisations:

1. An authorisation to the Board of Directors to increase the Company's share capital by up to ISK 52,016,732 nominal value. The shares will be issued and delivered to the shareholders of Scanvægt International A/S as partial payment for all of their shares in Scanvægt. This authorisation remains valid

for six months. Rights attach to the shares as of the registration date of the share capital increase. Shareholders will not have pre-emptive rights to the above shares.

2. An authorisation to the Board to increase the Company's share capital by up to ISK 60,000,000 nominal value. These shares will be sold to investors in a share offering. This authorisation is twofold:

   a. An authorisation to the Board to increase the Company's share capital by up to ISK 30,000,000 nominal value. Shareholders will not have pre-emptive rights to these shares, which will be sold in a private offering to institutional investors. The Board is authorised to allocate any unsubscribed portion of this amount to pre-emptive right holders.

   b. An authorisation to the Board to increase the Company's share capital by up to ISK 30,000,000 nominal value, to be sold in a share offering to holders of pre-emptive rights.

   Rights attach to these shares as of the registration date of the capital increase. The Board is authorised to decide the arrangements and terms of sale of the new shares. This authorisation remains valid for twelve months from its approval.

3. An authorisation to the Board to increase the Company's share capital by up to ISK 60,000,000 nominal value to be allocated to payment for shares in other companies or to financing Marel's external growth. Shareholders are required to waive their pre-emptive rights to this increase partially or fully. Rights attach to the shares as of the registration date of the capital increase. This authorisation remains valid for eighteen months from its approval.

Authorisations to increase the Company's capital after the Offering, and the capital increase regarding Scanvægt

Under its Articles of Association, Marel may increase its share capital by up to 12,000,000 shares and sell them to its employees in connection with stock option contracts. The Company may also, under its Articles, increase its share capital by up to 45,000,000 shares to be allocated to payment for shares in other companies or to financing Marel's external growth.

6.6 Shareholders' agreements

Marel is neither aware of any agreements between shareholders concerning the exercise of votes nor of any obligations accepted by shareholders not to sell their shares for a specified period, except for the shares to be delivered to Scanvægt Holding ApS in exchange for Marel's acquisition of all shares in Scanvægt International A/S. Scanvægt Holding has undertaken not to sell more than 20% of its stake in Marel within one year from the shares' delivery, except with the permission of Marel's Board.

6.7 Redemption

Under Article 24 of the Public Limited Companies Act No. 2/1995, a shareholder holding more than 9/10 of a company's capital and controlling an equivalent proportion of its voting rights may decide that other shareholders in the company be subject to mandatory redemption of their shares. No single shareholder holds more than 9/10 of the share capital or voting rights of Marel

6.8 Public takeover bids

Marel's shareholders have not received any public takeover bid from a third party for their shares in the Company, neither during the current nor the preceding financial year.

6.9 Market making

Marel has an agreement with Landsbanki on market making by the Bank in the Company's issued shares. The objective of the market making agreement is to maintain liquidity in Marel's shares on ICEX in order to ensure effective and transparent price formation.

Under the agreement, Landsbanki undertakes to quote bids and offers on a daily basis for Marel shares for Landsbanki's own account. Bids and offers shall each be for a minimum of 100,000 shares. Quotes shall be renewed within 15 minutes after being fully accepted. The maximum bid and offer spread must not exceed 1.5%. The maximum amount that Landsbanki is obliged to buy or sell each day is a market value of ISK 75 million.

6.10 Taxes

The taxation of Marel's shares is governed by tax laws in effect at any given time. The Company's shares are subject to stamp duty payable by Marel upon their issue.

Marel is obliged to withhold financial income tax on dividends, as provided for in the second paragraph of Article 3 of Act No. 94/1996 on Withholding Tax on Capital Income.

7 Terms of the Offering

7.1 Offer amount, trading period and price

At Marel's Board meeting on 24 August 2006, the decision was made to exercise the authorisation under the Company's Articles to increase its share capital by 75,000,000 shares and sell them to investors in a Share Offering. The Offering will be in three parts: an offer to pre-emptive right holders, another to institutional investors and a third to the general public. The Offer Price is ISK 74 per share.

The Offering period will start at 9am on Wednesday 13 September 2006 and end at 4pm on Thursday 14 September 2006.

7.2 Sale procedure

Offer to pre-emptive right holders – registration of subscriptions, transfer and unsubscribed shares

Marel shareholders will be offered a total of 30,000,000 new shares. Their respective subscription rights are in proportion to their existing shareholdings, as recorded in Marel's share register at the end of business on Friday 25 August. Shareholders may subscribe for a number of shares lower or higher than proportional to their pre-emptive rights, and unsubscribed pre-emptive shares will be distributed in proportion to the pre-emptive rights of shareholders so requesting. Shareholders may transfer their pre-emptive rights in part or whole, but rights to unsubscribed shares may not be transferred.

Subscriptions may only be submitted electronically on Landsbanki's website (www.landsbanki.is). Only pre-emptive right holders may subscribe to this part of the Offering, and only by identifying themselves using their ID No. and a password sent to them by post. Electronic confirmation is pre-requisite for a valid subscription to shares offered to pre-emptive right holders. The confirmation appears upon completing the subscription and can be printed out.

Offer to institutional investors – registration of subscriptions

A total of 30,000,000 shares will be offered to institutional investors. Only institutional investors as defined in Point 7 of the first paragraph of Article 2 of Act No. 33/2003 on Securities Transactions may take part in this part of the Offering.

Institutional investors must submit a binding application for subscription using the forms provided for this purpose, which can be obtained from Landsbanki's Brokerage department and Corporate Finance department as well as on Landsbanki's website (www.landsbanki.is). Marel's Board is authorised to reject subscriptions in this part of the Offering in part or whole. Should there be insufficient demand for the shares offered to institutional investors, the Board may allocate any such unsold shares to pre-emptive right holders.

Institutional investors that are allocated shares will be sent notification of the Board's approval of their subscription at the end of the Offering period.

Offer to the general public – transfer, oversubscription and registration of subscriptions

A total of 15,000,000 new shares will be offered to the general public. In this part of the Offering, each investor may subscribe for a maximum of 10,000 shares, or a market value of ISK 740,000. In the event of oversubscription, the maximum number of shares that each subscriber may buy is reduced on a non-pro rata basis until the aggregate number of shares sold equals the number of shares for sale. Should there be insufficient demand for the shares offered to the general public, the Board may allocate any such unsold shares to pre-emptive right holders.

Subscriptions to the shares offered to the general public may only be submitted electronically on Landsbanki's website (www.landsbanki.is). An electronic confirmation is required for a valid subscription. The confirmation appears upon completing the subscription and can be printed out.

Pre-emptive right holders and institutional investors are fully authorised to participate in the offer to the general public regardless of whether they participate in the other parts of the Offering.

7.3 Offer Price

The Offer Price is ISK 74 per share.

Marel has two stock option plans. The first one was launched at the start of 2001 and the second in February 2006.

At the time of issue of this Securities Note, 4,207,000 shares are outstanding under the stock option plan dating from 2001. The share price of the options is ISK 42, which corresponded to the market price at the time. All shares under this plan became redeemable at year-end 2005. Outstanding options are transferable between years, but expire in April 2007.

A total of 12,220,000 shares have been allocated under the Company's stock option plan dating from February 2006. The share price of the options was ISK 70, which corresponded to the market price at the time.

Marel's largest shareholder, Eyrir Invest ehf., purchased 10,000,000 shares on the market on 23 August 2006 at a price per share of ISK 85.

7.4 Underwriting

Landsbanki has underwritten the Share Offering in full at the Offer Price under an agreement signed on 3 April 2006.

7.5 Allocation of proceeds

The proceeds from the Offering will be used to finance the Company's further growth.

7.6 Results of the Offering

The results of the Offering will be published on the ICEX News System before 10am on 16 September 2006.

7.7 Due date

Subscriptions in the Offering are binding. Payment instructions will be sent to subscribers following expiry of the subscription period in the form of payment slips, with payments due on 22 September.

For any shares unpaid after the due date, 22 September, Marel's Board may either collect payment with penalty interest and costs or cancel the subscription of the shares in question and allocate them to a third party without notice or notification.

7.8 Delivery of shares

The aim is to complete the dematerialised issue and delivery of the new shares at the Icelandic Securities Depository no later than 29 September 2006. The shares will be listed on the Iceland Stock Exchange no later than 2 October 2006.

7.9 Dilution

At the time of issue of this Securities Note, the total number of shares in Marel stands at 240,064,000. The intended capital increase totals 127,016,732 shares, which means that the total number of shares in the Company after the increase will be 367,080,732.

Marel's Board has decided to deliver 52,016,732 shares to the sellers of Scanvægt International A/S and offer 30,000,000 shares to pre-emptive right holders, 30,000,000 to institutional investors and 15,000,000 shares to the general public.

Assuming that a pre-emptive right holder exercises his pre-emptive right in full in the Offering but does not take part in its other parts, the resulting proportional dilution of his shares in Marel will be 26.4%. The total number of shares offered to parties other than pre-emptive right holders is 97,016,732.

If a pre-emptive right holder does not exercise his rights in the pre-emptive offer but does take part in other parts of the Offering, the resulting proportional dilution of his shares will be 34.6%.

7.10 Manager

Corporate Finance department of Landsbanki Íslands hf., Hafnarstræti 5, Reykjavík

Share Registration Document

Share Registration Document

Documents incorporated by reference

The Share Registration Document is valid for 12 months after its publication. During the period of validity, the following documents, which are cited in the Share Registration Document, can be viewed or a copy obtained from the Issuer:

- Annual Reports for Marel hf. covering the years 2003, 2004 and 2005. The auditors' Reports for Marel hf. are part of the annual reports.
- The Consolidated Interim Financial Statements 30 June 2006 and 30 June 2005. The Auditors' Review Report is part of the Statements.
- The Issuer's Articles of Association
- Annual Reports for Scanvægt International A/S, covering the fiscal years 2005, 2004 and 2003. Scanvægt International A/S's fiscal years from 30 April to 1 May. The auditors' Reports for Scanvægt International A/S are part of the annual reports.

Copies of the aforementioned documents can be obtained at the Issuer's headquarters, and on the Company's website www.marel.is.

Documents for display

While this Share Registration Document is valid, the following documents are available for viewing:

- Share Registration Document, Share Securities Notes and Summary may be viewed on Marel hf.'s website www.marel.is and on the news section of the Iceland Stock Exchange hf.'s website: www.news.icex.is. The aforementioned documents are approved and reviewed by the Iceland Stock Exchange (ICEX).
- Marel hf.'s Articles of Association may be obtained on Marel hf.'s website www.marel.is and on the news section of the Iceland Stock Exchange website: www.news.icex.is.
- Marel's historical financial information for the past three years, 2005, 2004 and 2003, and the Consolidated Interim Financial Statements 30 June 2006 and 2005 can be obtained on Marel hf.'s website: www.marel.is.
- Scanvægt International A/S's historical financial information for the past three fiscal years, 2005, 2004 and 2003, may be obtained at Marel hf.'s website: www.marel.is.

Notice to investors

The total number of shares in Marel hf. is 240,064,000. The company's share capital is all of the same class, divided into shares of one ISK or a multiple of this amount. All shares in the company have been fully paid up.

The stock offering and registration of new shares in Marel hf. is conducted in accordance with Icelandic law and regulations. Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 (the "Prospectus Directive") has been implemented into Icelandic law. The Iceland Stock Exchange hf. is authorised, according to an agreement with the Financial Supervisory Authority (FME), to review and approve public offers. The Iceland Stock Exchange hf. has approved and reviewed this Share Registration Document.

This Share Registration Document is part of the public offer that comprises three independent documents: Summary, Securities Notes and Share Registration Document.

This Share Registration Document has been prepared by the Corporate Finance section of Landsbanki Íslands hf., in co-operation with the Board of Directors, senior management and auditors of Marel hf. The Share Registration Document is published on the occasion of a public offering and listing of 75,000,000 new shares in Marel hf., and the listing of 52,016,732 new shares in Marel hf. that will be delivered to the shareholders of Scanvægt International S/A as part payment for all their shares in Scanvægt International S/A.

The public offering of 75,000,000 new shares in Marel hf. will take place on 13–14 September 2006. The offering is threefold: shareholders with pre-emptive rights will be offered 30,000,000 shares for purchase, institutional investors will be offered 30,000,000 shares, and general investors will be offered 15,000,000 shares. The purpose of the offering is to support Marel's continued growth.

Those with pre-emptive rights have subscription rights that are in proportion to their shareholdings as listed in Marel hf.'s shareholder register at the end of the day of 25 August 2006. Shareholders have been sent a letter with information on their shareholdings in Marel hf., pre-emptive rights in the public stock offering and payment terms along with a password enabling them to register subscriptions electronically.

The aim is to electronically issue and deliver new shares to the Icelandic Securities Depository hf. no later than 29 September 2006. The shares will be listed at the Iceland Stock Exchange hf. not later than 2 October 2006.

Further information about the arrangement of the public stock offering is available in Marel's Share Securities Notes.

In the Registration Document, "Marel," "the Group" and "the company" refer to the Marel Group, while "Landsbanki" and "the bank" refer to Landsbanki Íslands hf., unless otherwise indicated from the wording or context.

The purchase of equities is inherently a risk investment, based on expectancy of future profit. This Share Registration Document may not in any way be regarded as a promise of successful operations or a return on funds by Marel hf. or Landsbanki Íslands hf. Investors are advised to familiarize themselves thoroughly with this Share Registration Document. The information presented in here reflects its date of issue. Marel hf. is listed on the ICEX Main List with the ticker symbol MARL, and complies with ICEX rules regarding on-going information disclosure. Investors are advised to follow the news announcements and notifications, which may be published in the ICEX News System concerning Marel once the Share Registration Document has been issued.

Each investor must base a decision on investment in shares of Marel hf. on his own examination and analysis of the information presented in the Share Registration Document. Investors are advised to study their legal position, including taxation issues that may be relevant to their transactions in Marel's shares. Investors are urged especially to acquaint themselves well with the discussion of risk provided in Chapter 4 of this Share Registration Document.

Attention is drawn to the fact that the Manager of the Offering and listing, Landsbanki Íslands – Corporate Finance, is part of Landsbanki's Securities and Treasury Division. Landsbanki is one of Marel hf.'s principal banks. At the time the Share Registration Document was issued, Landsbanki Íslands was the registered owner of 79,293,122 shares in Marel hf., or the equivalent of 33% of its total share capital

Information other than that which is presented in this Share Registration Document cannot be regarded as approved by Marel hf., or the Manager, Landsbanki Corporate Finance hf.

Contents

1 Persons Responsible

The Board of Directors and the CEO, on behalf of the Issuer, named below, hereby declare that to the best of their knowledge the information contained in the Share Registration Document accords fully with the facts, and no important information is omitted that could affect the valuation of the issuer.

Garðabær, 8 September 2006

On behalf of the Board of Directors and Marel hf., Austurhraun 9, 210 Garðabær,

Árni Oddur Þórðarson Chairman of the Board	Hörður Arnarson CEO

2 Statutory Auditors

Marel's statutory auditors at the time covered by the historical financial information in the Share Registration Document was PricewaterhouseCoopers hf., Skógarhlíð 12, Reykjavík, Iceland, and on their behalf Ólafur Þór Jóhannesson, Vesturvangur 14, Hafnarfjörður, Þórir Ólafsson, Hálsaseli 33, Reykjavík and Gunnar Sigurðsson, Naustabryggja 54, Reykjavík.

Marel's statutory auditors had neither resigned nor been removed from their positions during the period covered by the historical information.

Scanvægt International A/S's statutory auditors during the period covered by the historical information was PricewaterhouseCoopers, Arhus, Denmark, and on their behalf Torben Mæhlisen, Susanne Varrisboel and Kim Tost.

Scanvægt International A/S's statutory auditors had neither resigned nor been removed from their positions during the period covered by the historical information.

3 Manager

This Share Registration Document has been compiled by the Corporate Finance of Landsbanki Íslands hf., Hafnarstræti 5, Reykjavík, Iceland in cooperation with the Issuer and the Auditors.

4 Selected financial information

The following table shows selected financial information from Marel hf.'s Consolidated Financial Statements. The information dates from the years 2003, 2004 and 2005, and six-month interim reports from 2005 and 2006. Further information regarding Marel's accounts is located in Chapter 11 of the Share Registration Document.

Key figures Marel hf.	2006 1.1 -30.06	2005 1.1 -30.06	2005 1.1 -31.12	2004 1.1 -31.12	2003* 1.1.-31.12
Operating results					
Sales	79,106	63,838	129,039	112,301	106,104
Gross profit	26,234	22,436	43,162	41,016	34,617
Profit before depreciation (EBITDA)	7,855	8,649	14,814	16,527	10,129
Profit from operations (EBIT)	4,778	6,310	9,721	12,066	65,868
Net profit	1,348	3,905	5,715	7,984	3,749
Cash flow statement					
Net cash from operating activities	(6,654)	2,712	2,987	13,207	4,724
Investing activities	(33,526)	(3,634)	(10,180)	(6,389)	(1,955)
Financing activities	72,254	797	7,210	(7,263)	(1,153)
Financial position					
Total assets	193,007	104,774	114,890	95,482	81,334
Working capital	57,630	18,028	16,557	19,807	17,700
Equity	40,378	37,048	41,032	31,595	25,167
Amounts in thousands of EUR					
Other key ratios					
Current ratio	2.0	1.5	1.4	1.6	1.7
Quick ratio	1.2	0.6	0.6	0.7	0.8
Equity ratio	20.9%	35.4%	35.7%	33.1%	30.9%
Return on owners' equity	6.6%	23.5%	18.1%	30.5%	16.5%
Return on total assets	1.8%	7.8%	5.4%	9.0%	4.6%
Basic earnings per share	0.6	1.7	2.42	3.40	1.59
Diluted earnings per share	0.6	1.6	2.38	3.33	1.56
Dividends per share	-	-	0.20	0.15	0.10

**Figures for 2003 are not according to IFRS*

AEW was consolidated on 7 April 2006

5 Risk Factors

Investment in equities involves risk. Marel operates on a market where numerous factors can influence the company's activities and operations. It is not possible to give assurances that investing in company shares will prove lucrative. The following discussion is not exhaustive regarding the risks associated with investing in Marel shares. Investors are advised to examine in particular those factors that could specifically relate to their investing in Marel.

5.1 General Risk Relating to Equities

Equities are, generally speaking, a riskier investment than bonds, in particular because share prices fluctuate more than bond prices. Investments in equities, however, are generally more lucrative than investment in bonds over the long term. The return takes two forms: firstly, there is the change in the value or market price of the shares in question and, secondly, owners of limited-liability companies can expect to receive dividends on their shareholdings.

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

Liquidity risk is defined as the risk which arises from how easy or difficult it is to sell an asset for a price as close to its real value as possible. The measurements of this risk is the spread between bid and ask prices on the market. The risk is both dependent upon the amount, i.e. that the market will not absorb at real value the quantity an investor wishes to sell, and the price, since a large quantity of the same sort of shares can have a substantial impact on their price formation.

At the publication date of the Share Registration Document, 30% of share capital is owned by general investors. General investors are those other than board members, senior management, individual shareholders that own 10% or more, and others financially related to them such as spouses, cohabitating partners and dependent children, as well as parent and subsidiary companies. According to listing requirements of ICEX, at least 25% of share capital shall be owned by general investors. The distribution of Marel's share capital is further discussed in Chapter 10.

5.2 Market Risk

Markets: Consumer changes in Marel's main markets can have an impact on Marel's position and its growth potential. The Marel Group's key markets are North America and Europe. Expanding markets are Eastern Europe, South America, Asia and Australia, markets which Marel will place ever-increasing effort as part of the company's current expansion. New subsidiaries were established in 2005 in Spain and Russia, and sales offices were opened in Poland and Italy with the aim of supporting these markets. Opportunities as well as certain risks are part of entering new markets, and in general, it may be said that such risks rise as distance to new markets and cultural differences increase.

In recent years, sales to individual industrial sectors served by Marel have fluctuated, i.e. fish, meat and poultry industries. Circumstances can be such that as investment contracts in one market it expands in another. Marel sells capital goods, therefore fluctuations can be expected between periods in accordance with performance of the company's customers.

Consumers in the West are becoming increasingly conscious of product quality. This development can be advantageous to Marel as demands for higher quality in meat, poultry and fish processing increase demand for high-tech solutions such as those offered by Marel. If a serious problem connected with the health aspects of meat, poultry and fish products arises, consumers could change their buying habits and even discontinue using meat and fish. This would reduce Marel's performance and growth possibilities over the long run. Marel anticipates that the Group's main growth potential in 2006 is in the meat and poultry sectors, in addition to new products for rapidly expanding markets, such as case-ready meals, that present great opportunities.

Main products: One of the goals for 2005 was product standardization, which proved to be an important factor in increasing rationalization in production and strengthening the Group's competitive position. By increasing sales and production of standardized products it is possible to reduce fluctuations between periods as delivery times shorten and fluctuations are balanced out by manufacturing for inventory.

Suppliers: In addition to ingenuity, the Marel Group primarily uses steel, various components and electronic equipment in its production. The company purchases raw materials from several suppliers, but is not dependent on any of them. The cost of switching suppliers is relatively small.

Inventories: The Company's inventories are valued at cost price, or current price if it is lower. The cost price of finished products and products in production comprises materials, direct wages, other direct costs and indirect production costs excluding interest costs. A current price is the intended sales price minus the cost of finishing producing the product and sales costs. At the end of June 2006, the company's total inventory was entered at EUR 35.4 million, of which raw materials and spare parts was EUR 18.1 million, products in production EUR 5.0 million and finished products EUR 12.3 million.

Inventory amortization is entered with the cost price of sold products at cost price. Such amortization takes into consideration when specific products in inventory were last moved, and an appraisal of their utilization possibilities in the near future. Inventory for EUR 6.2 million was hypothecated at the end of June 2006.

Customers: Marel's main customers are many of the world's largest food processing companies. All of the main companies operating in the fields of freshwater and ocean aquaculture are Marel 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 customers. In recent years, the company has had recurrent business with many of its customers.

Marel customers are located in over 60 countries with diverse languages, cultures, working procedures and technological levels. Dissimilar cultures and languages can cause difficulties in business. Risk associated with doing business in distant lands is generally considered more than in neighbouring countries.

Competition: Marel is in a special position of being able to offer its customers total solutions. It is not possible to rule out that competition will increase, both through an increase in the number of manufacturers, and through current manufacturers becoming stronger because of mergers or internal growth. It is not possible to rule out the entry of new, strong players in Marel's markets. Such could have a significant impact on the company's performance possibilities.

Product development and patents: Continuous product development is one of the key factors in a successful business. Marel earmarks annually 5-7% of its revenue for product development In the first six months of 2006, EUR 4.2 million was allocated for product

Research and Development	2006 1.1 - 30.6	2005 1.1 - 31.12	2004 1.1 - 31.12	2003* 1.1 - 31.12
Expenses	4,168	8,004	6,542	7,193
% of sales	5.3%	6.2%	5.8%	6.8%

Amounts in thousands of EUR

**Figures for 2003 are not according to IFRS*

development, or 5.3% of the company's turnover.

The following is an overview of entered product-development costs for the first six months of 2006, and the last three years.

Marel's strategy in product development is to manufacture the best products on the market in relation to functionality, reliability, safety, hygiene and operating costs. New products on average accounted for 18% of overall sales in 2004 and 2005. The Marel Group placed 13 new products on the market in 2005. The company determines the possibility of applying for patents for all of its product development projects in accordance with Marel's ISO-9001 certified product-development process.

Marel applies for patents on its production to ensure its position as a leading company in developing high-tech solutions for the food-processing industry. Marel intends to protect its intellectual property and solutions created during development work within the Group. The Marel Group applied for 15 patents in 2005. The safeguard of having patents is important in order for Marel to maintain its strong position and value. In 2005, 9% of Marel Group employees were involved in product development, or about 90 people. Within Marel's operational environment, it can be expected that controversies involving patents will arise. When the Share Registration Document was released, Marel was involved in one court case concerning a company patent, which could potentially have an insignificant impact on the company.

5.3 Operational Risk

The Marel Group operates in an environment with diverse operational risks, including currency risk, interest risk because of fair value and price risk, loan risk and liquidity risk. The Group's overall plan regarding risk management is primarily directed at contingent activities of financial markets, thereby reducing as much as possible any potentially negative impact on the Group's operating results. The Group uses derivative financial instruments to hedge its exposure from specific risks. The implementation of risk management is in accordance with the strategy approved by the company board.

Currency risk: The Marel Group operates internationally and as such is exposed to various dangers stemming from foreign currencies, in particular against the euro, which is the Group's reporting currency. Operational units within the Group use forward short-term contracts in order to manage risk from foreign currencies that proceed from future business, stated assets and liabilities. Risk from foreign currencies develops when future business, stated assets and liabilities are determined in a currency that is not the same currency used by the operating unit.

Of Marel's overall revenue for the first six months of 2006, about 2% was in ISK while costs in ISK were approximately 21%, most of which were wages for company employees in Iceland. The ISK has weakened by about 7% against the euro from the average during the first six months of 2005 to the same period in 2006. The company has negotiated forward short-term exchange rate contracts to offset all projected costs in ISK until November 2007. The average exchange rate of these contracts during the period March – June 2006 was ISK/EUR 82, so the company has not fully benefited from the decrease in the ISK exchange rate. The annual average exchange rate for contracts from July 2006 to November 2007 is ISK/EUR 96.

Interest risk: The Group's income and cash flow are mostly independent of changes in market interest rates. Interest terms because of hire-purchase agreements are fixed to the time contracts become effective. Interest risk for the Group results from long-term loans. Loans taken with variable interest rates expose the Group to interest risk from cash flow. Loans with fixed interest rates expose the Group to interest risk from fair value. At the end of June 2006, just over 70% of the Group's loans had fixed interest rates.

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

Credit risk: The Group does not have significant concentrations of credit risk. The Group's policy regarding loans to its customers ensures that products are sold to customers with a sound credit history. Accounts receivable are initially entered at market value minus allowances for impairment losses. A provision for impairment of receivables is decided when an objective indication exists that the Group will not be able to collect all overdue sums in accordance with the original contractual terms. The amount of the provision is the difference between the asset's carrying am ount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes to the amount of amortization is entered in the income statement.

At the end of the second quarter 2006, the company's accounts receivable were EUR 35 million. The average loan period for the first half of 2006 was 52 days, compared with 49 days in 2005.

Marel hf, Eyrir Invest and Landsbanki Íslands founded the holding company LME ehf. last February for the purpose of purchasing shares in Dutch company Stork NV. The investment was made to support the continued good relationship between Marel and Stork NV. LME ehf. owns an 8.0% share in Stork NV. A total of EUR 113 million has been earmarked to purchase stock in Stork NV, which is financed with loans from company shareholders and other loans. Marel's share in LME ehf. is 20%, while Landsbanki and Eyrir Invest each own about a 40% share. At the publication of the Share Registration Document LME ehf. owes Marel EUR 8.2 million in the form of a subordinated loan. Marel's share in LME ehf. Is in the form of this subordinated loan.

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

5.4 Investment Risk

Marel's investment risk lies in the rate of return on the company's investments in new sales and service companies, and other companies, probably being less that initially expected.

At the start of 2006, Marel formulated a strategy that over the coming years the company would continue along the same path regarding expansion, and enter into two to four strategic takeovers that would enhance Marel's technological advantage and further improve the company's access to markets.

Marel hf, Eyrir Invest and Landsbanki Íslands founded the holding company LME ehf. last February for the purpose of purchasing shares in Dutch company Stork NV. Marel's investment in LME ehf. is EUR 8.2 million, and its share is 20%. In April 2006, Marel purchased the operations and assets of AEW Thurne and Delford Sortaweigh in Britain for EUR 19.5 million, and in August Marel acquired Scanvægt International A/S in Denmark for EUR 109.2 million.

Recent investments by Marel are intended to increase further Marel's access to markets. In addition, the company's operations have expanded into other fields, which reduce risk in each economic sector.

A due diligence report has already been made involving the purchase of Scanvægt, and information relating to clearance by the competition authorities has been submitted and the necessary licences obtained. It is not possible to exclude the possibility that some of Marel's competitors will submit complains to competition authorities in individual marketing areas.

5.5 Financing Risk

Marel's equity and liabilities at the end of June 2006 were EUR 193 million, of which equity was EUR 40.4 million and total liabilities EUR 152.6 million.

Marel's equity ratio on 30 June 2006 had dropped somewhat since the New Year because of excess debt financing, and was 20.9% at the end of the period. With the acquisition of Scanvægt, the equity ratio is expected to increase again and be about 30% at year-end 2006, assuming no other changes, since part of the purchase price will be paid in new Marel shares. After the upcoming public stock offering where up to 75,000,000 new shares are scheduled to be sold, it is projected that Marel's equity ratio will increase even further.

Marel has set the goal of the company's equity ratio being no less than 25% over the long run. The equity ratio at year-end 2005 was 35.7%, compared with 33.1% in 2004 and 30.9% in 2003.

Total liabilities at the end of June 2006 totalled EUR 152.6 million, of which interest-bearing debt was EUR 110.2 million. In February 2006, Marel issued a debenture for ISK 6 billion, equivalent to EUR 70.8 million. The debentures are inflation-indexed, interest bearing and for a period of six years, with date of maturity on the principal on 8 February 2012. The fixed interest rate on the paper is 6.0%. The debenture offering has increased Marel's financing costs in the short-term, while at the same time reducing the company's financial risk. Along with the debenture offering, Marel concluded an interest-swap agreement for part of the amount, which was obtained with the debenture issue and ensures the company financing in foreign currency with interest and principal payments to be made after six years. The value of the debentures was in part earmarked to pay for the operations and assets of AEW Thurne and Delford Sortaweigh, and in part used as payment for Scanvægt International AS.

The loan agreements with the financial institution include encumbrances. The main condition is net gearing, i.e. an interest-bearing loan minus cash divided by equity may not exceed 140% in accordance with the audited annual report for 2006. If the ratio exceeds that figure, the financial institution is authorized to call in the entire loan. In addition, Marel's interest terms are contingent on the ratio of interest-bearing liabilities minus cash divided by EBITID for the last four quarters. The interest margin changes quarterly in accordance with the increase or decrease of this ratio. No encumbrances are on the company's recent debenture issue for ISK 6 billion.

5.6 International Financing Reporting Standards

Marel's annual financial statements for 2005, comparison figures for 2004 and interim reports for 2005 and 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS). IFRS require management to make decisions, assumptions and estimates that affect the application of accounting practices and reported amounts of assets and liabilities, income and expenses. These appraisals are continually being reviewed in light of experience and other factors, for example future expectations that are considered reasonable in relation to circumstances. Such accounting judgments are intrinsically seldom precise in relation to actual conclusions.

5.7 Management and Personnel Risk

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

As a knowledge company, Marel 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. Last November, the Mentor Education Center was established within Marel. It combined the company's various training programs to ensure that employees, subsidiaries and agents have the necessary training and knowledge to help them grow and develop.

There is always the risk that other companies will succeed in persuading Marel employees to change jobs. Key employees that leave the company could have a negative impact on the company's performance. The company tries to minimize this risk in various ways. For example, Marel places emphasis on offering competitive salaries and stock options. Two stock option plans are in operation, one plan from the beginning of 2001, and another plan that was approved at the company's AGM on 28 February 2006.

A shortage of well-educated engineers, computer scientists and other technically educated people could diminish Marel's performance and growth potential. Product development is mostly conducted in Iceland, Denmark and Britain, and it is essential that the company has access to the most qualified people in their fields. In 2004, the Group implemented a long-term plan to support science teaching in those communities where the Group operates. Both personnel and financial resources were allocated to the project in 2005.

5.8 Legal Risk

Marel has operations in numerous countries and must comply with the laws and regulations that apply to its activities in each location. These rules concern, for instance, patents, pollution and the environment, together with specific regulations in each individual state and municipality. Violations of legislation or rules, whether made knowingly or unwittingly, can result in a revocation of operating licenses in the respective country.

Marel has to face the risk of dissatisfied customers bringing legal suit against the company. The company 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 have their activities. The company could also face litigation due to disputes with employees or their organizations, for example concerning unlawful dismissals, discrimination between 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's reputation and performance.

5.9 Court Cases and Arbitration Proceedings

Marel is not involved in any court cases or arbitration proceedings that could have any significant financial impact on the company.

5.10 Taxation Risk

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

5.11 Insurance and Guarantees

Marel has all mandatory insurances, i.e. fire insurance and insurance covering its employees. In addition, the company has purchased loss of profits insurance, which will cover losses due to stoppage of operations for up to 12 months. At the end of June 2006, insurance premiums totalled up to EUR 100.1 million. Insurance valuation of the Group's property totalled EUR 30.0 million, production machinery and equipment, along with software and office equipment, totalled EUR 26.9 million and inventory was EUR 37.2 million.

The Group's assets are mortgaged or set as collateral for debts, the outstanding amount of which was EUR 42.9 million at the end of June 2006. Bank loans are insured with lots, real estate, inventories and accounts receivable owned by the Group. Assets that have been bought with lease purchasing are mortgaged with the respective assets as collateral for the balance of the debts.

5.12 Off-Balance-Sheet Obligations

The Group has concluded leasing agreements for permanent operating assets that will have a balance of EUR 3.3 million at the end of June 2006. The amount was entered during the leasing period of each agreement that runs out during the years 2006 to 2012. When necessary, the Group provides a bank guarantee against advance payment for a project. At the end of June 2006, obligations under these contracts amounted to EUR 745 thousand.

6 Information about Marel

6.1 History and development

Legal and business name:	Marel hf.
State Reg. 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
Issuer operates in accordance to law:	Act No. 2/1995, on Public Limited Companies
Established:	17 March 1983

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

The development of Marel's first scales began as computer technology enters the picture in the 1970s. The aim was to use computer technology within Iceland's fisheries industry to collect production and processing data in order to increase productivity. Marel quickly succeeded in making a niche for itself as one of the main manufacturers of scales and production monitoring and control equipment, and is today a leader in producing high-tech equipment and solutions for food processing in the fish, poultry and meat industries.

Initially, Marel's operation revolved around designing and manufacturing specialized scales and production monitoring and control equipment connected to them. Research and development, however, quickly moved into other fields. Marel is now a leader in developing and manufacturing high-tech systems that allow food-processing companies to maximize capacity, yield and efficiency, as well as product quality and customer satisfaction. Sales to the fisheries industry was originally the most important part of Marel's operation, but over the years, sales to the meat and poultry industries have been increasing. In 2005, company sales were as follows: 45% to the fisheries industry, 33% to the meat industry, 19% to the poultry industry and 3% to others.

Marel's unique position lies in the technology that has been developed by the company, for example 3D computer vision, electronic scales and software that connect and control automated equipment and processing lines. The company's products are based on high technology and quality, and customer services are in the foreground. Marel has built up a strong service network in all of its main market areas. After the purchase of Scanvægt International A/S, Marel has 34 main subsidiaries located around the world, and employs 2,080.

1984-1986

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

1987-1988

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

1989-1991

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

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

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

Marel becomes a public limited company in 1991.

1992-1993

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

1994-1996

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

As the best-selling M1000 scale is introduced, computer vision goes one step beyond with the sale of the first Marel colour grader. Expansion continues in the years 1995-1996 with the opening of three subsidiaries: Marel USA in Kansas City, Marel Europe in Denmark and Marel Trading in Reykjavík, which is formed to oversee projects involving Marel, particularly in Russia.

1997-1999

Marel acquires all shares in Danish company Carnitech A/S in 1997. Carnitech was established in 1981, and quickly attained a strong market position in processing equipment for the factory-trawler fleet that was built-up in the North Atlantic and North Pacific in the 1980s. Carnitech is operated as an independent company, but Marel and Carnitech are very supportive of each other: Marel focuses on high-tech developmental work and marketing, while Carnitech is involved in assembly and total solutions. In 1997, Marel France is formed in Nantes, France. In 1997, as confirmation of its ongoing commitment to quality, Marel hf., the Group's parent, becomes ISO 9001 certified.

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

2000-2002

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

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

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

In 2002, Marel introduces a new salmon grading in feed system for whole salmon.

2003-2004

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

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

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

2005-2006

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

In 2006, Marel acquires the assets and operations of AEW Thurne and Delford Sortaweigh in Britain. In August, the company announces the purchase of Danish company Scanvægt International A/S.

7 Investments

Marel announced at its 2006 Annual General Meeting that the company's development strategy was to conclude two to four strategic acquisitions in order to expand its unique technological position, and improve access to markets. It is expected that this could triple the company's turnover over the next 3-5 years. Since this strategy was announced, Marel has purchased two companies.

In August 2006, it was announced that Marel had bought all shares in Danish company Scanvægt International A/S for EUR 109.2 million, that is broken down as follows: Marel paid upon concluding the agreement EUR 23.5 million, assumed liabilities of EUR 26.1 million, paid with Marel shares EUR 40.2 million, and after two years will pay EUR 19.4 million.

In April 2006, Marel announced the purchase of assets and operations of AEW Thurne and Delford Sortaweigh. After the purchase, Marel established a new company, AEW Delford Systems, around the assets and operations of the companies. AEW Delford Systems entered Marel's accounts on 7 April 2006.

Summary of Investments 2003-2006

Year	Company	Country	Holding	Purch.price	Financing
2006	Scanvægt International A/S	Danmark	100%	EUR 109.2 million*	New share/loan
2006	AEW Delford Systems Ltd.	UK	100%	EUR 19,48 million**	Loan financing
2006	LME ehf.	Iceland	20%	EUR 7,2 million	Loan financing
2005	DanTech Food Systems pte. Ltd.	Singapore	100%	EUR 2 million	From operations
2004	Póls hf.	Iceland	100%	EUR 1,3 million***	From operations
2004	Geba****	Germany	-	EUR 3,9 million	From operations
2003	No investment in other companies				

*All equity, purchasing price on a debt and cash free basis.
**Acquisition of the assets and operations on a debt and cash free.
***Under certain circumstance if operating goals will be reached wthin three years in Póls hf.,
maximun EUR 285,000 has to be paid in additon to the purchase price above.
****Part of Röscherwerke GmbH operations in Germany, operations under the trademark Geba.

When making investments, Marel has focused on their complementing the company's strategy, and supporting its future growth. Seen here is an overview of the company's main investments in other companies for 2006 to date, and for the previous three years.

7.1 Scanvægt International A/S

The acquisition of Scanvægt is an important step in Marel's strategy of being an international leader in developing and marketing high-tech equipment for the food processing industry, and the goal of tripling turnover in the next three to five years. Significant sales increases are anticipated when new and exciting products join the others after the companies' sales networks merge. Geographically, Scanvægt will strengthen the Group's position in Southern Europe and South America.

Scanvægt will strengthen the Group's position with new products, including the design and manufacture of equipment for case-ready vegetables, cheese, etc. About 19% of Scanvægt's turnover for the last fiscal year is from the food industry that is outside Marel's current market sectors of fish, meat and chicken processing.

Key figures - Scanvægt	2005/06	2004/05	2003/04
Operating results			
Sales	92,088	89,124	87,316
Gross profit	24,905	25,400	23,995
Profit before depreciation (EBITDA)	5,966	7,418	6,331
Profit from operations (EBIT)	2,031	3,306	2,155
Net profit	394	1,521	473
Cash flow statement			
Net cash from operating activities	2,350	3,806	2,760
Investing activities	(2,640)	(2,817)	(1,752)
Financing activities	204	(955)	(1,008)
Financial position			
Total assets	63,438	62,487	63,202
Working capital	11,193	9,951	8,876
Equity	16,130	15,464	14,071
Amounts in thousands of EUR			
Other key ratios			
Current ratio	1.4	1.3	1.3
Quick ratio	0.8	0.7	0.7
Equity ratio	25.4%	24.7%	22.3%
Return on owners' equity	2.5%	10.8%	3.4%

Scanvægt was founded in 1932 by Knud Grundtvig and until now has been fully owned and run by the Grundtvig family. Scanvægt has been on the frontlines of manufacturing equipment for the food processing industry, and has a strong market position in Europe and South America. Over the years, Scanvægt has become well established and trademarks such as ScanVision, DreamBatcher and ScanPortioner are among the best known in the industry. Most of Scanvægt's products are manufactured in Denmark, with the remainder being produced in Brazil.

Scanvægt Acquistion	
Cash	25,132
Borrowings from the Seller	17,596
Shares in Marel	44,301
Share - Purchasing Price	87,029
Assets - Fair Value	(11,148)
Goodwill	75,881
Amounts in thousunds of EUR	

The following is table shows key figures from Scanvægt International A/S's accounts for the past three fiscal years. Scanvægt's fiscal year is from 1 May to 30 April. Scanvægt's financial statements are in accordance with generally accepted accounting principles in Denmark (Danish GAAP). Danish accounting principles are in some ways different from methods according to the International Financial Reporting Standards (IFRS). Sums in Scanvægt's accounts, therefore, are not fully comparable to sums in Marel hf.'s accounts. Sums in the table below have been converted into euros. Scanvægt's financial statements for the fiscal years 2003, 2004 and 2005 can be viewed on Marel's website: www.marel.is

Scanvægt's revenue for the fiscal year 1 May 2005 to 30 April 2006 totaled EUR 92.1 million; the company's EBITDA was EUR 6.0 million during the same period or 6.5%. The company's financial plan for the current fiscal year anticipates that its EBITDA will be 8.5%, with the year-to-year increase resulting from a strong orderbook at the beginning of the fiscal year.

The enterprise value of Scanvægt International A/S was EUR 109.2 million, of which EUR 26.1 million are liabilities assumed by Marel. The purchase was provisionally based on the issuance of 52,016,732 new shares in Marel, which will be delivered to the sellers of Scanvægt as part payment for all their shares in their company. The contractual price of their shares was EUR 40.2 million, equivalent to ISK 72.5 for each share in Marel.

The accompanying table shows the breakdown of the purchase price of Scanvægt shares as it appears in Marel's financial statements as of 4 August 2006. The price of all shares in Scanvægt was EUR 87 million with the appendant takeover of interest bearing debt for EUR 26.1 million. Consideration was also given to the market price of shares that will be delivered to the sellers of Scanvægt, which was ISK 77 for each share in Marel as of 4 August 2006.

According to IFRS, it is required to enter delivered shares at the market price on the day that Scanvægt enters Marel's accounts. The value of delivered shares in Marel therefore increase by about EUR 4.1 million from the time the purchase is agreed to until Scanvægt enters Marel's accounts on 4 August 2006. The market price of Marel on 4 August 2006 was 77.0, and the agreed price was 72.5.

Marel will apply the so-called fair value approach in accordance with International Financial Accounting Standards (IFRS 3) when entering the purchase, which involves valuing the fair value of assets and debts based on 4 August 2006. Marel will not use Scanvægt's previous financial statements in future, except when evaluating assets and debts on 4 August 2006.

Scanvægt impact on Marel's Balance Sheet

Property, plant and equipment	13,282
Goodwill	4,350
Investments in associates	877
Non-current liabilities	116
Inventories	16,037
Production contracts	1,432
Receivables and prepayments	23,110
Cash and cash equivalents	772
Non-current liabilities	(14,203)
Deferred income tax liabilities	(1,328)
Trade and other payables	(21,105)
Current tax liabilities	(182)
Borrowings	(12,009)
Fair value	11,148
Goodwill	75,881
Acquisition price	87,029

Amounts in thousunds of

The accompanying table depicts how the purchase price of shares and fair value of assets and debts of Scanvægt enter Marel's financial accounts beginning on 4 August 2006. It should be noted that the following financial information is not audited, and the below-stated amounts can change resulting in certain amounts to increase or decrease with a corresponding effect on good will that is created with the purchase.

The impact of the purchase on cash, according to Marel's cash flow, is EUR 24.4 million. The accompanying table shows the breakdown of the impact on cash flow.

Scanvægt impact on Marel's Cash flows

Cash flows from investing activities:	
Acquistion of Scanvægt without cash	(86,257)
Cash flows from financing activities:	
New shares	44,301
Borrowings (NPV)	17,596
Changes in cash and cash equivalents	(24,360)

Amounts in thousunds of

The latter part of 2006 will be shaped by extensive integration measures and one-time costs connected to them. Integration between Marel, AEW Delford and Carnitech is progressing according to schedule, and ahead is work involving integrating Scanvægt International A/S with the Marel Group.

7.2 AEW Delford Systems Ltd.

The companies that comprise AEW Delford Systems were previously owned by British holding company AEW Delford Group Ltd. AEW Thurne manufactures automatic slicing machines with portion control, along with sawing and shaping equipment for the food industry. Delford Sortaweigh manufactures checkweighers, graders, weight price labeling machines, film-wrapping machines, plastic sleeving machines and robot portion loading machines. Production takes place in Norwich and Harwich in Britain, and sales offices are located in Illinois and Arkansas in the USA, and in France.

AEW Delford Systems emphasizes improving productivity and efficiency for its customers, from slicing and packing with fast, precise and highly reliable solutions to maximize yield, capacity and profitability.

AEW Delford Systems' leading products fit very well with Marel's current product mix. It is anticipated that there will be synergy in purchasing and manufacturing, as well as increased sales through the Marel Group's global sales and distribution network. AEW Delford Systems will strengthen the Group's position in the meat sector, and will move into new markets in cheese production and case ready. Marel's sales network will support product sales from AEW Delford Systems.

7.3 LME ehf.

Marel hf, Eyrir Invest and Landsbanki Íslands founded the holding company LME ehf. last February for the purpose of purchasing shares in Dutch company Stork NV. This investment is made to contribute to continued good cooperation between the companies. LME owns an 8.0% share in Stork NV. A total of EUR 113 million have been earmarked to buy shares in Stork NV, which is financed with loans from company shareholders and other loans. Marel's share in LME ehf. is 20%, and Landsbanki and Eyrir Invest each own about a 40% share in LME ehf. Marel's share in LME is 20% and capital tied up because of this investment is in accordance with its shareholding. At the publication of the Share Registration Document, LME ehf. owes Marel EUR 8.2 million in the form of a subordinated loan. Marel's share in LME ehf. is in the form of this subordinated loan.

7.4 Other investments

In September 2005, Marel hf. subsidiary Carnitech A/S signed an agreement to buy all shares in Dantech Food PTE Ltd. in Singapore. That part of Carnitech's operations that manufacture comparable products to Dantech's, i.e. within the field of IQF Freezing & Warm Water Shrimp Processing, were merged under the Dantech brand name. Headquarters and main manufacturing activities will be located in Singapore.

In December 2004, Carnitech A/S purchased that part of German company Röscherwerke GmbH's operations that goes under the brand name "Geba," which manufactures portioning machines for smoked salmon. This operation merged with Carnitech at the end of December 2004.

In March 2004, Marel acquired a 76% share in Póls hf. in Ísafjörður, and later that year Marel purchased all the company's stock. Póls is primarily involved in developing and manufacturing scales and packing solutions for fish processing. In September 2005, Póls' operations merged with Marel, and particular emphasis will be placed on specializing manufacturing in Ísafjörður with the aim of increasing production.

7.5 Future investments

It was announced at year-end 2005 that Marel's factory complex in Garðabær would be expanded, and that the work was expected to be completed by the end of 2006. The 4,200-m2 expansion in manufacturing and assembly capability will be utilized to meet production needs for larger systems. When completed, the company's complex in Garðabær will be about 19,000 m2. The projected construction costs of the building are about ISK 400 million, which is financed with loans.

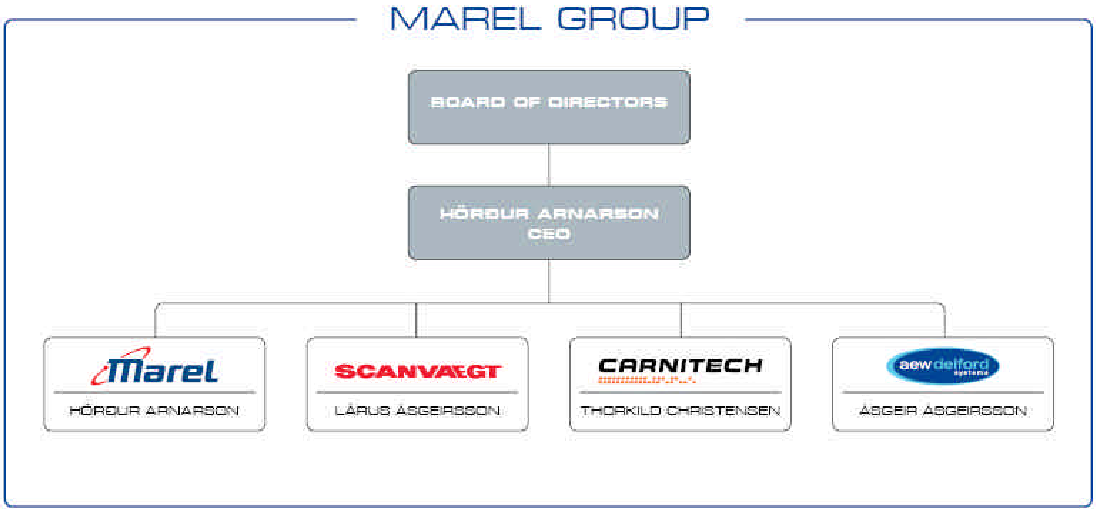
In the coming years, the majority of manufacturing growth will take place in Slovakia. Conditions in Slovakia were first contemplated in March 2005, and in November of the same year production commenced there on components for the Group. Slovakia was chosen because of favourable wage costs, a strong infrastructure (communication, etc.) and easy access to a well-educated and competent workforce. Manufacturing takes place in a 2,000-m2 leased factory in the city of Nitra in West Slovakia, not far from the capital of Bratislava and the Austrian border. The facility has been modified to meet the Group's needs.

Marel has already purchased a 40,000-m2 industrial lot in Nitra, and construction on a new factory is expected to be completed at year-end 2007 when the lease for the company's current factory expires. Work is anticipated to begin on building a 10,000-m2 fabrication facility in Slovakia in the spring of 2007.

8 Organization and activities

8.1 Organization

The Marel Group comprises four principal companies: the parent company in Iceland along with 10 Marel companies around the world; Carnitech A/S with four subsidiaries, AEW Delford Systems Ltd. with two subsidiaries; and Scanvægt International A/S with 15 subsidiaries. In addition, the Group operates a network of 60 agents and distributors in about 40 countries that market, sell and service the group's products around the world. Over three-quarters of overall sales are achieved through subsidiaries.



The following table lists Marel's main subsidiaries. Voting rights are in accordance with Marel's shareholdings, which is in all cases 100%.

Marel´s Subsidiaries	Location		Activities
Marel Australia PTY LTD	Morningside, QLD	Australia	Sales and services
Marel Canada	Halifax	Canada	Sales and services
Marel Carnitech Thailand LTD	Bangkok	Thailand	Sales and services
Marel Chile S.A.	Puerto Montt	Chile	Sales and services
Marel Deutschland GmbH & KG	Osnabruck	Germany	Sales and services
Marel Russland LTD	Moskva	Russia	Sales and services
Marel Scandinavia A/S	Stövring	Danmark	Sales and services
Marel Spain S.L.	Vigo	Spain	Sales and services
Marel UK LTD	Birmingham	UK	Sales and services
Marel USA INC	Lenexa, KS	USA	Sales and services
Carnitech A/S	Stövring	Danmark	Sale, manufacturing and services
Carnitech U.S. Inc.	Seattle	USA	Sale, manufacturing and services
Carnitech Norge	Aalesund	Norge	Sale, manufacturing and services
Carnitech/Marel s.r.o.	Nitra	Slovakia	Sale, manufacturing and services
Dantech Food System Ltd.	Singapore	Singapore	Manufacturing
AEW Delford Systems Ltd.	Norwich	UK	Sale, manufacturing and services
Delford Sortaweigh Inc.	Russelville AR	USA	Sale and services
AEW Thurne Inc.	Lake Zurich	USA	Sale and services
Scanvægt International A/S	Aarhus	Danmark	Sale, manufacturing and services
Digi-Systems A/S	Aarhus	Danmark	Sale and services
Dansk Kalibreringsteknik A/S	Aarhus	Danmark	Sale and services
Scanvægt GB Ltd.	Enderby	UK	Sale and services
Scanvægt France	Vloisins Bretonneux	France	Sale and services
Scanvægt Deutschland GmbH	Osnabruck	Germany	Sale and services
Scanvægt Espana S.L.	Barcelona	Spain	Sale and services
Scanvægt US Inc.	Lenexa	USA	Sale and services
Scanvægt Chile Ltda.	Purto Montt	Chile	Sale and services
Scanvægt Nordic A/S	Aarhus	Danmark	Sale and services
Scanvægt Leasing A/S	Aarhus	Danmark	Sale and services
Norfo Ejendomme A/S	Bornholm	Danmark	Manufacturing
Scanvægt Nederland B.V.	Roosendaal	Holland	Sale and services
Scanvægt Ireland Ltd.	Dublin	Ireland	Sale and services
Scanvægt Italia S.r.l.	San Rocco al Porto	Italia	Sale and services
Scanvægt do Brasil Ltda.	Stanta Felicidade	Brasil	Sale, manufacturing and services

8.2 Activities

Marel is a multinational company that sells its products to over 70 countries that have a wide diversity of languages, cultures, operating practices and technological capabilities. The Group's sales and marketing operations are mostly handled by subsidiaries and sales offices. In addition to having 34 subsidiaries in about 40 countries, the company operates eight sales offices in as many countries The accompanying map shows how Marel's operations are widely spread around the world.

Marel is an international leader in developing and marketing high-tech equipment for the food processing industry. Innovations in design, utilization of advanced technology in developmental work, quality craftsmanship and superior services are all focused on the one goal of improving productivity and efficiency for Marel customers worldwide.

Marel places great emphasis on ensuring that customer services are always of the highest quality, and has systematically worked at bringing services closer to its customers by strengthening technological knowledge within the subsidiaries.

It is the company's aim to continue at the forefront of its field by increasing development work and emphasizing software solutions. Ever-increasing demands made on the food industry, and changes in consumption patterns, open the door for Marel products. Utilization and handling of raw material in the food industry will continue to grow in importance, and Marel's products, along with the expertise and knowledge of its employees, play an important role in servicing these needs around the world. The company's largest growth possibilities are in the meat industry, a sector that is enormous both in the USA and in Europe.

Marel operates in a highly competitive, international arena where companies place great emphasis on protecting their proprietary rights. Marel has a dynamic product development operation that is on the leading edge in its field, and works consistently on protecting its intellectual property with patents.

Marel's has had an ISO 9001 certification for nine years that covers product development, sales, manufacturing and services.

Product development.

The Marel Group has been on the leading edge of the revolution in fish processing on land and at sea. From raw material grading to portioning, trimming and packing, Marel has always been on the cutting edge of developing new technologies for the fisheries. In addition, machines, equipment and new types of flowlines based on Marel's technology for the fisheries have been transferred to the meat industry.

Marel's product development strategy is to manufacture the best possible products on the market in regards to utilization, reliability, safety, hygiene and operating costs.

Ongoing product development is one of the key factors in Marel's operation. The company annually invests 5-7% of revenue to fortify its leading position on the market and meet the needs of customers.

Marel concentrates on best serving its customers by working with them in close cooperation in developing market-focused products. Emphasis is on standardized, best-quality products and solutions with high utilization and durability characteristics. In 2005, special emphasis was placed on product standardization, which resulted in being an important factor in increasing efficiency, lowering production costs and strengthening the competitive position of the Group.

Turnover ratio for new production items – new products that have been released in the past two years – from 2003-2005 have averaged 18%.

Marel's competitiveness is to a large degree built around exploiting the company's successful product development work. The company's investments are primarily in the knowledge and expertise of its employees. For this reason, Marel is very involved in protecting the proprietary rights of its product development activities. In 2005, Marel applied for about 15 patents. On average, the Group applies for about five to ten patents annually. Marel has 20 registered trademarks on all of its main markets, and 62 patents in 20 countries.

Research and Development	2006 1.1 - 30.6	2005 1.1 - 31.12	2004 1.1 - 31.12	2003* 1.1 - 31.12
Expenses	4,168	8,004	6,542	7,193
% of sales	5.3%	6.2%	5.8%	6.8%

Amounts in thousands of EUR

**Figures for 2003 are not according to IFRS*

Marel employs a highly qualified team of researchers and technicians. Their primary task is to increase knowledge in new technologies that the company can utilize in the long- or short-term, thereby strengthening its technological base. In 2005, 9% of Marel's employees, or about 90, worked in product development. The accompanying table shows the company's entered R&D costs for the first six months of 2006, and the last three years.

The Marel Group maintains strong connections with the scientific community, for example by welcoming research guests, and by providing scientists with research facilities for special projects that are applicable to the company's operational fields. It also supports the teaching of science and mathematics. In 2004, the Group established a long-term plan for the support of science education on all educational levels. Both personnel and financial resources were allocated to the project in 2005. With its contribution, both financial and hands-on, Marel strives to support and enrich innovation, science and mathematical education, as well as increase the awareness of the value of a strong scientific education in the communities where it operates. The Marel Group's focus over the coming years will be to support youth innovation and science contests and university engineering contests as a main sponsor, as well as contribute to the development of a children's science museum and other science programs with active participation and financial support. The company works closely with local municipalities to support science teaching and coordination, while maintaining strong ties with universities and research bodies to support innovation and excellence in science exploration and research.

Production

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

Marel has implemented Lean Manufacturing methods in its production processes and has increased rationalization in recent years. Manufacturing takes place worldwide. Part of production is handled in Iceland in a twelve-thousand sq. m factory in Garðabær (about 15 thousand sq. m with offices), which is currently being expanded. In addition, a manufacturing facility is operated in Ísafjörður on Iceland's Western Fjords. Internationally, factories are operated in Denmark, the USA, Singapore, at subcontractors in Brazil and in the Group's new factory in Slovakia.

The Group will continue its ongoing efforts to rationalize the manufacture of components, but primary emphasis will be focused on strengthening its own manufacturing in Slovakia. Although production growth will primarily occur in Slovakia, manufacturing and development in Iceland will continue to be an important part of operations. New equipment, specialized solutions and larger systems will be constructed in Iceland, while growth in Slovakia will mainly be in manufacturing components and standardized products. It was announced at year-end 2005 that the factory at Austurhraun in Garðabær would be expanded. Work on this project is scheduled to conclude in 2006. The new annex will be 4000 m2 and will be used to meet the growing need for the manufacture of larger systems.

New solutions from the Group

A new portioning machine was introduced by Marel at the beginning of 2006 named OptiCut, designed to accurately portion meat. This is very economical for retailers as it is possible to label all consumer packages with the same price, and making price changes is much easier. In addition, raw material yield improves significantly for producers. This unit has been much better received by producers than anticipated. The machine has been introduced to the pork and turkey markets in the USA and North Europe, and will be introduced globally through 2006.

Today, arranging raw material in trays is mostly done manually. The Marel QuickLoader takes over this task. The machine is being introduced with the OptiCut as a component in a total solution. The portioning machine cuts identical weights while the QuickLoader arranges them in trays. The QuickLoader is a product that works well in meat, chicken and fish markets, and there is a great need for such a machine along the various stages of production.

Trimming fish fillets is a labour-intensive task, and expensive. The ITM (Intelligent Trimming Machine) is a high-tech machine that scans fish fillets with computer vision, quality-evaluates them based on colour and possible defects, and automatically trims them. The ITM increases yield and significantly reduces production costs while automating one of the more difficult processing tasks. Originally designed for salmon fillets, the ITM is a high-tech solution that can be used with other species, as well as other processing industries. The ITM was very well received at the international fisheries exhibition at Brussels recently, and is being used by the world's largest salmon producer.

A new series of Marel graders is scheduled to be marketed in the first half of 2007. This is a redesign of one of the company's primary products. The aim with this new series was to design graders that are easily assembled from standardized components according the grading needs of each producer. The design of these graders simplifies Marel's manufacturing process and greatly increases efficiency. Lower manufacturing costs and shorter delivery times will return a stronger competitive position without negatively effecting Marel's contribution margin. The solution works in all market sectors.

Demands from processors for precise, electronic grading and weighing along processing stages have grown enormously in recent years. As processing operations become larger and mergers in the markets increase, the need has greatly increased for software that collects data from all processing stages, processes the data and provides an excellent overview of the production process. MPS production software is built on components that together form a total solution. A new version of MPS will be released this year that has enhanced functionality and an improved user interface. It is safe to say that MPS is among the most powerful software solutions in its field, and has great potential for growth in the coming years.

With the development of SensorX, well-known technology was transferred to the food processing industry. When processing meat and fish, it is extremely important that all smaller bones are removed to prevent hazards when consuming the product. SensorX uses X-ray technology and highly advanced computer vision to find bones in products being processed. There is a great need on the market for a solution of this kind, and processors have been waiting for the appearance of a machine such as the SensorX.

In association with subsidiaries, Marel will continue to develop robotic solutions for the food processing industry. AEW Delford Systems has attained considerable results in developing solutions of this kind, and joint efforts within the Group will ensure that Marel will continue to be on the forefront of this field. Robotics in processing is not new, and it is well known that this technology returns operational benefits. Until now, however, a sufficiently practical solution for picking up and placing fresh products has not been designed. Product is often loosely packed and therefore more delicate. AEW Delford Systems has introduced a solution: the Intelligent Portion Loading Robot (IPL), which picks product from a portioning slicer, saw or conveyor and places it straight into trays with great precision. The robot can also grade product by quality, and is capable of handling numerous other processing tasks. The IPL robot was designed in close cooperation with one of the world's leading robot manufacturers, ABB of Sweden.

Carnitech recently unveiled a new retail pack slicer for salmon. The IPS 3000 system slices with outstanding precision and utilizes the fillet much better than ever before. The machine uses computer vision technology from Marel and slicing technology from Carnitech to accomplish precise measurements. The IPS 3000 has been well received.

Over a short time, Carnitech has become one of the two largest manufacturers of salmon graders. Work continues on salmon slicing technology, and the company recently introduced a deheader for salmon that automatically arranges and feeds a Carnitech filleting machine. This provides salmon processors with significant benefits including greater yield.

This year Carnitech also introduced a new type of separator for shrimp trawlers. The new machines fulfil vessel requirements for increased capacity, and are easy to clean.

Another member of the Marel Group is Dantech, a subsidiary of Carnitech. Located in Singapore, Dantech specializes in manufacturing freezers for the food processing industry. Dantech recently added a new quick freezer to its product range. The company's products are well suited for use in the fish, meat and poultry industries, and fit nicely in the overall product mix. In addition, Dantech products are sold for freezing ice cream, packaged goods, bread and case-made meals. Dantech manufacturers Spiral freezers, tunnel freezers, super flow freezers, belt freezers, top flow freezers, flow freezers, quick freezers, brine freezers, glazing freezers as well as other specialized solutions in this field.

Sales and marketing

Marel serves customers in over 70 countries. The company emphasizes working with current and prospective customers to develop the best possible solutions to fulfil a diverse range of needs in the production process. Marel supports customer sales and services with one of the most dynamic distribution and service networks in the industry, which comprises 34 subsidiaries and over 60 agents and distributors worldwide.

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

Marel's key markets are in North America and Europe. Growing markets are in Eastern Europe, South America, Asia and Australia. In 2005, subsidiaries were established in Spain and Russia, and sales offices were opened in Poland and Italy with the aim of supporting these markets.

In 2005, emphasis in sales and marketing shifted towards supporting cooperation between the companies that form the Marel Group, thereby increasing synergy in international sales and marketing. Marel, Carnitech, AEW Delford Systems, Scanvægt and subsidiaries can jointly offer total solutions for the fish, meat and poultry industries.

Emphasis in sales is on increasing the sale of standardized solutions and products, which is in accordance with the company's product development strategy.

Sales of machinery and total solutions for processing hamburgers, chopped meat, salami and hot dogs progressed well in 2005. At the same time that Marel products and solutions have been well received by this industry sector, the company has placed focus on further growth in this sector, which is currently one of the most promising for the Group.

Marel has attained an excellent market position in equipment for the global fisheries industry. Most of the largest manufacturers are customers of the company, and the brand is well known within the industry. After Marel purchased Danish company CP Foods A/S, and purchased operations connected with the German brand GEBA, it was decided to put all the main products offered by Marel for the salmon industry under a special entity named Carnitech Salmon. Its role is to integrate all sales and marketing activities for the salmon industry, with the aim of being a knowledge Center for the industry within the Marel Group, and being on the forefront of this market in future. This focus has made Marel by far the most influential company offering products to fully process salmon on a global basis. The distribution network has also been integrated to maximize the impact of marketing activities and product throughput in the field of salmon processing. Salmon processing has received good tidings recently, which was good news for the Group. The price of salmon rose in 2005, which put a positive slant on the industry's future. Large-scale mergers by producers called for additional investment and more rationalization, which led to still more investment.

Marel has gained a strong foothold in sales of equipment to the USA poultry industry, which has the world's most highly developed chicken market. Most producers there are company customers, and Marel has often led development in the industry. In addition to the US, Marel has gained a good foothold in developed poultry-producing countries within Europe, i.e. Denmark and Holland. Other opportunities in Europe are, for example France, Spain and Russia. Marketing efforts have shown that there are considerable opportunities in Brazil, Thailand and Viet Nam as well as in the Middle East for Marel poultry solutions.

Marel solutions in equipment for meat processing have been strengthening considerably of late. Carnitech's product mix has increased within the industry. With the addition of AEW Delford Systems, products on offer have been strengthened significantly. Marel solutions have been sold to the USA, Europe and Australasia, and it may be stated that there are numerous opportunities for further marketing advances within the industry as it is not as developed in comparison with other industries served by Marel. Other opportunities are mainly to be found in the beef industry in Great Britain, Australia, Argentina and within Eastern Europe. There are also considerable opportunities in New Zealand's lamb meat industry, as well as in Eastern Europe's equipment-poor pork industry.

It is clear that the external growth experienced by the Group has created a much more tight-knit distribution network that extends further than before. At the same time, the overall product mix now reaches a much larger part of the value chain. The synergistic effect of this development is already being felt with increased sales in more areas. Product development activities within the Group will be increasingly cooperative in order to maximize knowledge utilization for each project. By synchronizing activities, the product mix will increase even further as the Group focuses on being the major cooperative partner in its field on a global basis. Through ongoing product development and full utilization of the distribution network for all of the Group's products, it is easy to see that there are enormous marketing opportunities.

Main markets

There is no one company with a decisive market lead in the industry, rather there are numerous smaller companies. Marel understands that integration will occur within the industry over the coming years, which the company/Group intends to lead.

Over the past decade, the Marel Group has been steadily strengthening its position on those markets where it operates. The primary dynamic in the Group's growth is twofold. On the one hand, emphasis has focused on product development delivering new and often revolutionary products to market; on the other, the Group successfully entered new markets with robust sales and marketing activities around the world.

Overall sales of equipment and systems to the world's fish, meat and poultry industries is projected at about EUR 3,000 million in 2006 according to Freedonia Market Research (Freedonia). The market is built around a large number of companies where no one company has a dominant market share. Marel believes that the largest companies in the industry have a market share of about 8-9%. With the acquisition of Scanvægt, the Marel Group has changed its position on the market from being one of the numerous small companies with about a 4-5% market share in recent years to being one of the larger ones with a 7-8% market share.

Scanvægt will strengthen the Group with new products, including the design and manufacture of machines for producing case-ready meals, vegetables, cheese, etc. About 19% Scanvægt's turnover for the last fiscal year was from the food industry that is not part of Marel's current market, i.e. fish, meat and poultry industries. Scanvægt will strengthen the Group's markets in Southern Europe and South America.

AEW Delford Systems will strengthen the Group's position in the meat industry, as well as enter new markets in cheese processing and markets for case-ready meals.

According to Freedonia's evaluation, projected growth in the markets served by Marel will be about 5.5% yearly, as it has been over the past three years. In recent years, the Marel Group has grown at a rate faster than the market, and this trend is expected to continue.

There is considerable competition in selling producer equipment to the food processing industry. Companies that offer total solutions, however, are few, and competition is then mainly in specific components, for example scales, graders and portioning machines. In addition to these companies, there are numerous companies that serve markets served by Marel, but in general, they offer a much more limited product mix and serve a more limited marketing area than the Marel Group.

Service

Marel has customers in over 70 countries, and places great emphasis on providing services as close to them as possible. The company also focuses on strengthening the technical and specialized knowledge within subsidiaries and agencies. Service is a critical factor in Scanvægt's revenue formation, accounting for about one-third of the company's overall income compared with 20% for the Marel Group prior to the acquisition of Scanvægt.

In recent years, the company's service capacity has been greatly improved. Marel now has 380 technicians stationed worldwide. The largest service teams are in the USA, Germany and Denmark, and they are growing rapidly in Canada, Australia, Britain, Russia, Chile and Spain. The goal is for the Group's subsidiaries around the world to be self-sufficient so that the company's technicians in Iceland can increasingly focus their efforts on supporting new markets and the home market.

Marel's training plan for technical matters was recently restructured and changed into an ambitious technical school that is now part of Mentor – the Marel Education Center, which was established in November 2005. The Center provides comprehensive sales and service training for agents and Group employees.

Marel offers various service plans that are tailored to the needs of each customer. On offer are three different service levels: platinum, gold and silver, and there is flexibility within each to ensure that the best-possible solution is always provided.

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

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

9 Outlook and Future vision

9.1 Outlook

The Group's orderbook at the end of June 2006 totalled EUR 25 million, compared with EUR 16 million at year-end 2005. Intensive product development and the ongoing work over the years to bolster the company's marketing operations have placed the company in a strong competitive position. Prospects on the company's primary markets are currently satisfactory.

Trends in exchange rates, however, have been unfavourable for the company. The strengthening of the ISK has increased expenses. Increased oil prices have brought about increased prices of various raw materials, in particular plastics and stainless steel. There are still opportunities to increase productivity and reduce operating expenses with continued emphasis on expanding the company's standardized products, as well as increasing rationalization in purchasing.

Marel's board has taken the decision to develop extensive operations in Slovakia. Marel has already ensured a lot for the new manufacturing facility. The production facility to be built is similar to that which Marel operates in Garðabær, Iceland, and is scheduled to be in full production by the beginning of 2008, with between 200-300 employees. The first step has been taken with the leasing of a smaller manufacturing facility that has commenced production. In addition, a production facility was acquired in Singapore last year with close to 90 employees, which provides the company with the opportunity to manufacture products at lower cost. Both of these projects are handled by Carnitech's management in cooperation with the Group's management and Board of Directors. It is clear that the weight of Iceland in operations will greatly diminish in the coming years, as will the company's exchange-rate risk since 21% of total costs were in ISK during the first six months of 2006 and only 2% of income.

Sales prospects for 2006 are considered good, and new products that have been unveiled over recent months have been well received. As the third quarter of 2006 will, as before, be formed somewhat by customer summer holidays, there will be fewer deliveries and entries in the quarter.

In recent months, the currency rate exchange has been favourable for the company. The weakening ISK has lowered the company's Icelandic costs and increased its operating profit. The company has made forward short-term exchange rate contracts to ensure a favourable exchange rate of the ISK until November 2007.

The second part of 2006 will be framed by integration measures and related one-time costs. Integration between Marel, AEW Delford Systems and Carnitech are progressing according to plan, and next work will begin on integrating Scanvægt International A/S with the Marel Group.

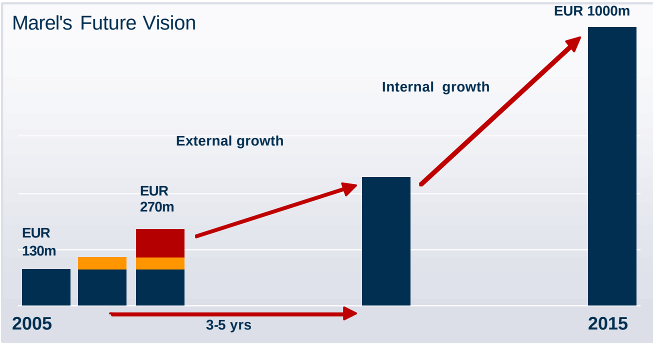
Changes in the Group since the last financial statements

On 4 August 2006, Marel acquired Danish company Scanvægt. The company entered the Marel Group's consolidated financial accounts as of 4 August 2006. The effect of Marel's purchase will appear in the Group's accounts in the third quarter. See Chapter 7.1 above for more information regarding the influence of Scanvægt on Marel's finances and cash flow.

9.2 Future Vision

Marel's future vision is to be an international leader in developing and marketing high-tech processing equipment for the food processing industry in order to increase the productivity of Marel's customers.

Work has been ongoing on a development strategy and an implementation plan for the Marel Group for the coming years. This work has involved studying Marel's competitive position and the position of the industry. As stated in the discussion about markets, there is no single company that has a decisive leadership position; instead, there are numerous smaller companies. Marel's management anticipates major integration will occur in the coming years, which Marel intends to lead.



Marel aims at attaining a 15-20% market share over the next 3-5 years and a turnover of EUR 400-500 million. This will be accomplished by strong internal growth, strategic acquisitions/mergers of two to four key companies with good growth potential and strong integration with Marel, and by developing the best products and services.

Marel's turnover in 2005 was EUR 129 million. With the purchase of AEW Delford and Scanvægt, projected annual turnover for the Marel Group in 2007 is double that of 2005. Marel management expects that it will be able to achieve the company's goal of EUR 400 - 500 million in turnover over the next three to five years with internal growth. However, opportunities in external growth will continue to be explored.

Integration over the next years will primarily be among companies operating in Europe and North America. Larger and more powerful companies created by mergers have greater dynamism, which needed to lead the development of new markets in Eastern Europe, Asia and South America.

10 Corporate Governance, Board of Directors and Personnel

Marel is governed by shareholder meetings, company board of directors and the managing director. The highest authority regarding all company matters, within the limitations that these Articles of Association and the law of the land state, is in the hands of lawfully held shareholder meetings.

The company board is the highest authority, and is elected yearly at the company's AGM. The board chooses a chairman and vice-chairman from its ranks, and assigns responsibilities when necessary. The board is the highest authority in matters between shareholder meetings, and sets operational goals for the company with the best interests of the company and shareholders as the guiding principal, and in accordance with the company's purpose.

10.1 Corporate Governance

Marel's board of directors follow the company's Articles of Association. The board has also set working procedures for itself and carefully follows them. These procedures and the activities of the board follow in all ways the guidelines concerning corporate governance set by the Iceland Stock Exchange, Confederation of Icelandic Employers and Iceland Chamber of Commerce.

Within Marel's board are two working committees: Wages and Benefits Committee and the Auditing Committee. Members of the Wages and Benefits Committee are Arnar Þór Másson, Árni Oddur Þórðarson and Friðrik Jóhannsson. Its field of work involves negotiating wages and other benefits for the CEO and senior management, frame the company's wage policy including wage incentives and stock options rights for company shares. Members of the Auditing Committee are Friðrik Jóhannsson, Helgi Magnússon and Margrét Jónsdóttir. Its field of work includes monitoring Marel's financial status, evaluate the company's internal monitoring system and risk management system, evaluate management reporting on finances, evaluate whether laws and regulations are followed and finally evaluate the work of the company's statutory auditors.

10.2 10.2 Board of Directors, CEO and Senior Management

The Board of Directors, CEO and Senior Management of Marel are neither aware of any agreement among company shareholders regarding the exercise of voting rights, nor aware that shareholders have obliged themselves not to sell their shares for a specific period, with the exception of shares owned by Scanvægt Holding ApS. Scanvægt Holding ApS – the seller of Scanvægt International A/S – has obligated itself not to sell more than 20% of its shareholdings in Marel for a period of one year from their delivery, except with the permission of Marel hf.'s board of directors.

Members of the board, the CEO and senior management have not contracted with the Issuer or its subsidiaries that they pay the aforementioned benefits when leaving the company.

Members of the board, the CEO and senior management were not financially indebted to the company at the publication of the Share Registration Document.

Board of Directors

A new board was elected at the company's AGM held on 28 February 2006. The board is elected for a term of one year. At the same meeting, a monthly payment to each board member for the next operating year of EUR 2000 monthly was approved, and double that amount for the chairman. The vice-chairman receives EUR 2000 for each attended meeting.

No unusual business has been conducted between Marel and the company's board. Board members do not have any buy or put options in the company. Árni Oddur Þórðarson, Chairman of the board of Marel, is the son of Þórðar Magnússon, who is a Marel board alternate. There are no other family connections between board members. There are no conflicts of interest resulting from board members' work obligations for Marel or their vested interests and/or that of their other work obligations.

In 2006, Marel board members were paid a total of EUR 144,000 for their work in 2005. The board chairman received EUR 48,000 for his work. Four board members were paid EUR 96,000, or EUR 24,000 each.

No member of Marel's board has been convicted of fraud, gone bankrupt, been taken into receivership or been indicted.

Árni Oddur Þórðarson, Chairman

Bárugata 7, Reykjavík

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

Elected: 2005

Holdings in Marel, including those of financially related parties: 81,274,544 shares

Árni Oddur is the CEO and a principal owner in Eyrir Invest ehf. Before founding Eyrir Invest ehf. In mid-2000, he worked as VP Capital Markets at Búnaðarbanki Íslands hf. Árni Oddur has been a director of Ölgerð Egils Skallagrímssonar ehf. from 2003 and on the consulting board of Artic Ventures, a high-tech fund in Stockholm, since 1999. During the past five years, Árni Oddur has not sat on any other boards.

Arnar Þór Másson, Member of the Board

Reynimelur 23, Reykjavík

Education: Political Science with a M.Sc. in comparative politics from the London School of Economics and Political Science 1997. BA in Political Science from the University of Iceland 1996. Currently studying Investment Management at Reykjavík University.

Elected: 2001

Holdings in Marel, including those of financially related parties: 11,640 shares

Arnar 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. He was on the boards of Hjaltadalur Heating Utility sf. from April 2003 to November 2005, and the Weights and Measures Office from April 2003 until July 2005. He has not sat on any other boards during the past five years.

Friðrik Jóhannsson, Member of the Board

Hvassaleiti 79, Reykjavík

Education: Business Administration from the University of Iceland, 1982. CPA 1987

Elected: Alternate 1997-2004. Board member since 2004. Chairman of the Board from the AGM 2005 until October 2005.

Holdings in Marel, including those of financially related parties: 0 shares

Friðrik became CEO of the Straumur-Burðarás Investment Bank hf. In June 2006. Previously, Friðrik was the CEO of Burðarás hf. from March 2004 until September 2005. Friðrik is the chairman and largest shareholder of TM Software hf. Member of the Board in Cyntellect since April 2006. Friðrik is the Chairman of the Board of the Iceland Stock Exchange, Icelandic Securities Depository and Eignarhaldsfélag Verðbréfaþing hf. Friðrik has sat on the boards of the following companies: Iceland Genomic Ventures Holding, Alfesca hf., Þróunarfélag Íslands hf., Eimskipafélag Íslands ehf., Haraldur Böðvarsson og Co hf., Skagstrendingur hf., Flow Matrix Inc., Urður Verðandi Skuld hf. (UVS), Og fjarskiptum hf. (now Dagsbrún hf.). He has not sat on any other boards during the past five years.

Helgi Magnússon, Member of the Board

Hofgörðum 13, Seltjarnarnes

Education: Business Administration from the University of Iceland, 1974. CPA 1975.

Elected: 2005

Holdings in Marel, including those of financially related parties: 3,876,000 shares

Helgi is the largest owner, chairman of the board and CEO of Eignarhaldsfélag Hofgarða ehf. and Eignarhaldsfélags Hörpu ehf. Helgi is the chairman of Flugger Harpa Sjöfn ehf., chairman of the Federation of Icelandic Industries, 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., Icelandic Pension Fund and Skipasmíðastöðvar Njarðvíkur. Helgi has sat on the boards of the following companies: Íslandsbanki hf. (now Glitnir hf.), Lífeyrissjóðsins Framsýnar and VVÍB (verðbréfasjóður Verðbréfamarkaða Íslandsbanka). He has not sat on any other boards during the past five years.

Margrét Jónsdóttir, Member of the Board

Nesbala 15, Seltjarnarnes

Education: Business Administration from the University of Iceland, 1983, Master of Accounting and Auditing from the University of Iceland, 2006.

Elected: 2006

Holdings in Marel, including those of financially related parties: 50,000 shares

Margrét is the CFO of Eyrir Invest ehf. Previously, Margrét was the director of the finance department at Edda Publishing hf. from December 2001 until October 2002. She was director of finance at Kreditkort hf. from August 2000 until December 2001. Manager of accounts and planning at Fjárfestingarbanki Atvinnulífsins hf. (FBA) from January 1998 until June 2000. At the publication of the Share Registration Document, Margrét does not sit on any other boards except Marel's.

Alternates:

Hanna Katrín Friðriksson, Barmahlíð 3, Reykjavík

Elected: 2004

Education: BA in Philosophy and Economics from the University of Iceland, 1995, MBA University of California, 2001

Holdings in Marel, including those of financially related parties: 0 shares

Hanna Katrín became head of Organizational Development at Eimskip in 2005. Previously, Hanna Katrín was a department head at Reykjavík University from 2002 until 2005. At the publication of the Share Registration Document, Hanna does not sit on any other boards except Marel's. In the past five years, Hanna Katrín sat on the board of Íslensk Útvarpsfélagið hf.

Þórður Magnússon, Ægisíða 72, Reykjavík
Elected: 2006
Education: Business Administration from the University of Iceland. MBA from the University of Minnesota.
Holdings in Marel, including those of financially related parties: 81,280,944 shares

Þórður is the Chairman of Eyrir Invest ehf., which he along with Árni Oddur, Chairman of Marel, founded in 2000. Before Þórður formed Eyrir Invest, he held the position of Director of Finance and Organizational Development at Eimskip hf. for over twenty years. Þórður sat on numerous boards because of his position at Eimskip. In addition to being chairman of Eyrir Invest and Marorka hf., Þórður sits on the board of Össur hf., Byko hf. and Kaupáss hf. Þórður has not sat on any boards during the past five years other than those mentioned here.

Senior Managers of the Marel Group

After the Marel Group's new strategy that was introduced at the last annual general meeting on 28 February 2006, and Marel established AEW Delford Systems in Britain, changes were made in the Group's senior management. Ásgeir Ásgeirsson was made Managing Director of AEW Delford Systems in Britain. Ásgeir had previously be one of two Director of Product Development. Sigsteinn P. Grétarsson was selected as Director of Product Development, a new position in the Group, and Kristján Hallvarðsson became Director of Product Development.

Other changes in senior management were made in the beginning of August 2006. Lárus Ásgeirsson, who had been one of Marel's two directors of sales and marketing, and the Deputy for the MD, was made Managing Director of Scanvægt. Sigurpáll Jónsson, who had been Director of Customer Services, was made Director of Business Development at Scanvægt. Halldór Magnússon, who had been Marel's area sales manager in Asia, became Director of Customer Service.

None of Marel Group's senior managers has been convicted of fraud, gone bankrupt, been taken into receivership or been indicted.

There are no conflicts of interest stemming from the CEO's duties and responsibilities and Marel's senior management and their vested interests and/or other work-related duties and responsibilities.

Hörður Arnarson, CEO

Stallaseli 8, Reykjavík
Education: B.Sc. in Electronic Engineering from the University of Iceland, 1985. Ph.D. in Electronic Engineering from DTU in Denmark, 1990.
Wages and benefits 2005: EUR 426,535
Holdings in Marel, including those of financially related parties: 1,459,790 shares
Share options: 1,971,430 shares, of which 971,430 shares at a rate of 42,0 and 1,000,000 shares at a rate of 70.0

Hörður joined Marel hf in 1985 as a project manager. In 1994, he became Director of Product Development, and Director of Production in 1998 until 1999 when he became the Managing Director of the Marel Group. Hörður is vice-chairman of the board of the Association of Icelandic Industries, and on the board of the Icelandic Chamber of Commerce. Hörður sat on the board of Reykjavík University. Hörður has not sat on the board of any company during the past five years other than those mentioned here.

Thorkild Christensen, Managing Director, Carnitech A/S

Tinesvej 24, 9380 Vestbjerg, Denmark

Education: Locksmith from Östre Brönderslev Centralskole in Denmark, 1966.

Wages and benefits 2005: 170,735 EUR

Holdings in Marel, including those of financially related parties: 0 shares

Share options: 300,000 shares at a rate of 70.0

Thorkild was one of the founders of Carnitech A/S in 1981. Before that, he held jobs as a locksmith and supervisor in different companies. In 1983 he became managing director of Carnitech A/S. Thorkild is the Chairman of Carnitech US and Foodtech System pte Ltd., and a board member of Carnitech Norway, a subsidiary of Carnitech A/S. Thorkild has not sat on the board of any company during the past five years other than those mentioned here.

Ásgeir Ásgeirsson, Managing Director AEW Delford Systems Ltd.

Álandi 1, 108 Reykjavík

Education: Electronic Engineer from the University of Iceland, 1986. Computer Scientist from the University of Iceland, 1990. M.Sc. in Electronic Engineering from the University of Washington in Seattle, Washington, USA, 1993.

Wages and benefits 2005: 196,323 EUR

Holdings in Marel, including those of financially related parties: 61,285 shares.

Share options: 225,715 shares, of which 75,715 shares at a rate of 42,0 and 150,000 shares at a rate of 70.0

Ásgeir started working for Marel hf in 1986 and worked on product development until the end of 1996 when he became Director of IT and Quality. In 2001 until 2006, he was Director of Product Development, along with holding the position of Managing Director of subsidiary Póls in Iceland from 2004 to the end of 2006. Ásgeir became managing director of AEW Delford Systems in Britain in April 2006. Ásgeir has not sat on the board of any company during the past five years.

Lárus Ásgeirsson, Managing Director Scanvægt International A/S

Meðalbraut 24, Kópavogur

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

Wages and benefits 2005: 234,889 EUR

Holdings in Marel, including those of financially related parties: 1,041,395 shares

Share options: 785,715 shares, of which 485,715 shares at a rate of 42.0 and 300,000 shares at a rate of 70.0

Lárus was employed as a research engineer for the Icelandic Fisheries Laboratories in Iceland between 1983 and 1986. He was the Operation Manager of Lýsi Ltd from 1986 until 1987, and the General Manager of the Icepro Group in the USA from 1987 until 1991. In 1991, Ásgeirsson joined Marel as Director of Sales and Marketing, a position he held until being named Managing Director of Scanvægt in August 2006. Lárus is a board member of Stáltaki hf., the Trade Council of Iceland and the Danish Icelandic Chamber of Commerce. Lárus also sits on the board of Carnitech A/S and other Marel subsidiaries. Ásgeir has not sat on the board of any company during the past five years other than those mentioned here.

Halldór Magnússon, Director of Customer Service

Flókagata 56, Reykjavík

Education: B.Sc. in Mechanical Engineering from the University of Iceland, 1990. M.Sc. in Mechanical Engineering from the University of Washington, 1994.
Holdings in Marel, including those of financially related parties: 2,100 shares
Share options: 150,000 shares at a rate of 70.0

Halldór joined Marel hf in 1994, working as a sales engineer and area sales manager until he moved to the UK in 1998 to found Marel UK. He was managing director of Marel UK Ltd. until returning to headquarters in Iceland at the beginning of 2005 to become Regional Manager for Asia until 2006 when he was appointed Director of Customer Service in August 2006. Over the past five years, Halldór has not sat on the board of any company other than Marel subsidiaries .

Jón Þór Ólafsson, Director of Product Development

Gígjulund 8, Garðabær
Education: Electronic Engineer from the Technical University of Iceland, 1973. B.Sc. in Electronic Engineering from the University of Iceland, 1978.
Holdings in Marel, including those of financially related parties: 615,019 shares
Share options: 371,430 shares, of which 221,430 shares at a rate of 42.0, and 150,000 shares at a rate of 70.0

Jón Þór worked as a specialist at the Science Institute of the University of Iceland from 1978 to 1983 where he began exploring the possibilities of developing and manufacturing scales for the effective control of production in fish processing plants. This work became the foundation of Marel. Jón Þór has been with the company from the start, and became a Director of Product Development in 1987. Jón Þór is an owner and chairman of Samey ehf., and an alternate on the board of Stjörna-Odda hf. Over the past five years Halldór has not sat on the board of any company other than those stated here.

Kristján Hallvarðsson, Director of Product Development

Birkigrund 29, Kópavogur
Education: B.S. in Electrical Engineering from the University of Iceland, 1993. M.Sc. in Electrical Engineering from NCSU, 1998
Holdings in Marel, including those of financially related parties: 11,056 shares
Share options: 230,000 shares, of which 80,000 shares at a rate of 42.0, and 150,000 shares at a rate of 70.0

Kristján started working for Marel hf in 1993 in projects connected with product development. From 1995, he worked for Marel USA in sales and service until he returned to headquarters in 1998 working in product development. Kristján was the Product Manager of the Portioning group from 2001 – 2006 and Director of Product Development in 2006. Kristján has a 50% share in Krýna ehf. and sits on its board. Over the past five years, Kristján has not sat on the board of any company other than that stated here.

Kristján Þorsteinsson, Director of Finance

Rítuhólum 3, Reykjavík
Education: Business Administration from the University of Iceland, 1976.
Holdings in Marel, including those of financially related parties: 770,070 shares
Share options: 371,430 shares, of which 221,430 shares at a rate of 42.0, and 150,000 shares at a rate of 70.0

Kristján was the Director of the Finance Division of Eimskip Shipping Company from 1978 until 1996. In 1996, he became managing director of a shipping agency in England, owned by Eimskip. He joined Marel in 1999 as Director of Finance. Kristján was Chairman of Ístún hf. in the Westman Islands from 1999 until 2002. He has also sat on the boards of various Marel subsidiaries. Over the past five years Kristján has not sat on the board of any company other than those stated here.

Magnús Þór Ásmundsson, Director of Manufacturing

Búland 19, Reykjavík

Education: B.Sc. in Electrical Engineering from the University of Iceland, 1987. M.Sc. in Electrical Engineering from DTU in Denmark, 1990.

Holdings in Marel, including those of financially related parties: 187,000 shares

Share options: 150,000 shares at a rate of 70.0

Magnús joined Marel hf in 1990, and became Human Resources manager in 1998. In December 1999, he took over as Director of Manufacturing. Over the past five years, Kristján has not sat on the board of any company other Marel subsidiaries.

Pétur Guðjónsson, Director of Sales and Marketing

Brúnaland 8, Reykjavík

Education: B.Sc. in Electrical Engineering from the University of Iceland, 1982

Holdings in Marel, including those of financially related parties: 663,553 shares

Share options: 800,000 shares, of which 500,000 shares at a rate of 42.0, and 300,000 shares at a rate of 70.0

Pétur worked as an engineer at the Science Institute of the University of Iceland from 1982 to 1984, and taught at the Technical University from 1982-1985. He joined Marel in 1984 as an engineer, among the first group of employees of the company. In 1985, Pétur became the Director of Marel Equipment in Canada until 1991 when he became Director of Sales and Marketing. Pétur took a seat on the board of Vaki hf. in June 2006. He has sat on the board of Flaga hf. from May 1997 until April 2004, and at Z18 hf. from 2002 until 2003 when the company went into receivership. Over the past five years, Pétur has not sat on the board of any other companies.

Sigsteinn P. Grétarsson, Director of Business Development

Hæðarbyggð 26, Garðabær

Education: B.S. Mechanical Engineering from Bradley University, Illinois 1990. M.Sc. in Mechanical Engineering from the University of Illinois at Urbana-Champaign, 1992

Holdings in Marel, including those of financially related parties: 14,285 shares

Share options: 201,430 shares, of which 51,430 shares at a rate of 42.0, and 150,000 shares at a rate of 70.0

Sigsteinn joined Marel in 1997 and worked as project manager, sales manager and consultant until 2001. He moved to Brisbane Australia in 2001 and became Director of Marel Australia until 2005 when he became Director of Business Development, working on mergers and investments. Over the past five years, Sigsteinn has not sat on the board of any company other than Marel subsidiaries .

Salaries, benefits and shares of Marel management in 2005

As stated above, changes have been made in the Group's management since the New Year. Three new directors have joined and two have been transferred within the Group. There are now eight directors of the parent company, and there were seven last year. Salaries and benefits of the seven parent-company directors in 2005 totalled EUR 1,446,531.

When the Share Registration Document was published, senior management was not financially indebted to the company. No business, i.e. purchase of goods or services, was conducted between senior managers and the Group during 2005 and to date in 2006.

The company has two share option plans in operation: one from the start of 2001 at a share purchase rate of 42.0, and the other plan, which was approved at the company's AGM on 28 February 2006, with a share purchase rate of 70.0. The company's share option plan will be discussed further in Chapter 10.4.

10.3 Personnel

Marel's human resource strategy integrates the spirit of an innovative high-tech organization with an ambitious and positive work environment. The company follows specific objectives each year that have been formulated incorporating employee input on strategy and benchmarking. Company framework is solid but flexible, and encourages creativity and individuality coupled with responsibility. Creativity is integral to success in a highly competitive business, and while Marel's goals are clear, thinking outside the box to attain them is encouraged.

The Marel Group is dedicated to providing a safe, comfortable work environment. The company thoroughly monitors all safety and health aspects of the physical work environment. Good ergonomics are vital to a productive work force. Stable growth continues to characterize employment activities in the Group. The Marel Group benefits from low employee turnover, which was 6.85% in 2005. This number is in line with the average turnover of the last few years.

After Marel's acquisition of Scanvægt International AS, 2,080 are employed by the Marel Group. Most are in Denmark, 795, followed by Iceland, 375, and Britain, 380, as well as 530 in sales offices around the world.

Personnel	**08/2006**	**2005**	**2004**	**2003**
Marel Iceland	375	348	293	266
Other subsidiaries	155	132	102	87
Carnitech group	520	518	425	435
AEW Delford Systems	330	-	-	-
Scanvægt International AS	700	-	-	-
	2080	**998**	**820**	**788**

Marel is a knowledge company with an emphasis on continuing education. With this in mind, different training programs within the company were united under Mentor – the Marel Educational Center – in November 2005. The Mentor mission is to ensure that employees, subsidiaries and agents have the knowledge and skills needed to carry out the company's vision. Mentor comprises the Technical School, Service School and the Sales School as well as other specialized education for different groups such as management training and coaching, basic education for all newcomers and knowledge sharing throughout the Marel matrix.

In 2005, the company's Human Resources Department conducted a survey among employees. The conclusions were positive as the majority considers the company spirit to be stimulating, flexible and constructive. The survey revealed that a good team spirit and cooperation existed among employees, and that the company benefited from its equal opportunity policy and a relatively flat managerial infrastructure. Mutual respect and encouragement exist between management and employees.

10.4 Stock Option Plan

Marel has two share option plans in operation: the first was implemented at the beginning of 2001, and the second in February 2006.

At the beginning of 2001, Marel concluded a share option plan with all its permanent employees in Iceland. The exercise price according to the agreement was ISK 42.0 per share, which corresponded with the then market price. Share options are earned in accordance with length of employment, beginning 15 months after share options were granted. Share options can be exercised from 2002 - 2007. The Group has not committed itself to settle share options with a monetary payment.

At the publication of the Share Registration Document, there are 4,207,000 shares outstanding according to the company's share option plan from the beginning of 2001, of which the CEO has 971,430 shares, six directors have 1,820,005 shares, and other employees 1,415,565 shares. All shares, according to the aforementioned plan, were redeemed at year-end 2005. Outstanding share options may be carried over between years, but they expire in April 2007.

Marel's board, acting on a proposal from the Wage and Benefits Committee, was granted authority at the annual general meeting on 28 February 2006 to conclude a share option plan with a wide group of employees in the Marel Group. The share option plan gives employees the opportunity to exercise 50% of the allocated share options after three years on the job from the signing of the agreement, and the latter 50% after working four years.

A total of 12,220,000 shares have been apportioned according to the aforementioned plan, of which the CEO has 1,000,000 shares, nine directors have 3,940,000 shares and other employees 7,280,000 shares. The exercise price was ISK 70.0 per share, which corresponded with the then market price. It is permissible to redeem half of the abovementioned shares in February or November 2009, and half in February or November 2010. Those option rights, which are not used during the respective year, carry over to the following year, so that the last possible time of redemption is January 2011. After that, the unused share options are no longer valid.

11 Share Capital and Shareholders

11.1 Share Capital

At the publication of the Registration Document, the total number of shares in Marel was 240,064,000. The company's share capital is all of the same dass, divided into shares of one ISK or a multiple of this amount. All shares in the company have been fully paid up.

Marel owns 2,067,836 of its own shares, which is 0.86% of all issued shares. At the end of June 2006, Marel's own shares were entered at EUR 1.9 million. The company is authorized to own its own shares insofar as Chapter Vll Act no. 2/1995 allows. The company may not grant a loan with its shares as collateral. The company has not taken any loans with terms affecting the company's share capital.

Marel's share capital has not been increased during the period covered by the historical financial information.

Authorization for Share Capital increase

The shareholders' meeting held on 28 February 2006 approved an authorization to the Board of Directors to increase the company's share capital by as much as ISK 12,000,000 nominal value through the sale of new shares.

Shareholders agreed to waive their pre-emptive rights to the increase in share capital, which will be used to fulfil the share option agreements that were made with employees and others in accordance with the share option plan that is effective at any given time. The offer price and sales rules shall be in accordance with those agreements concluded by the Board or CEO with the respective party. This authorization is valid for 5 years from the time of its approval

At the shareholders' meeting held on 18 August 2006, the Board of Directors was authorized to increase the company's share capital by as many as 172,016,732 shares. This involves three authorizations :

1. The Board is authorized to increase the company's share capital by as much as ISK 52,016.732 nominal value. The shares will be issued and delivered to shareholders in Scanvægt International A/S as part payment for all shares in Scanvægt International A/S. This authorization is valid for 6 months. The shares shall confer rights in the company from the date the increase is registered. Shareholders shall not have pre-emptive rights to purchase the aforementioned shares.
2. The Board is authorized to increase the company's share capital by as much as ISK 60,000,000 nominal value. The shares will be sold to investors in a public stock offering. The authorization is twofold:

   a. The Board is authorized to increase the company's share capital by as much as 30,000,000 nominal value. Shareholders shall not have pre-emptive rights to buy these shares, which will be sold in a closed, public stock offering to institutional investors. The Board is authorized to allocate that part of the authorization that is unsubscribed to holders of pre-emptive rights.

b. The Board is authorized to increase the company's share capital by as much as 30,000,000 nominal value. Shares that will be sold in a public stock offering to holders of pre-emptive rights.

The shares shall confer rights in the company from the date the increase is registered. The Board is authorized to determine terms of sale and implement the sale of new shares. This authorization is valid for 12 months from its approval.

3. The Board is authorized to increase the company's share capital by as much as ISK 60,000,000 nominal value to allocate as payment for shares in other company's or to finance Mare hf.'s external growth. Shareholders shall exercise their pre-emptive rights neither in part nor in full. The shares shall confer rights in the company from the date the increase is registered. This authorization is valid for 18 months from its approval.

Authorization for increase after the upcoming public stock offering and increase in share capital because of Scanvægt

Marel has authorization, according to the Articles of Association, to increase share capital by as many as 12,000,000 shares and sell employees in connection with stock option agreements. In addition, the company has authorization in accordance with the Articles of Association to increase share capital by as many as 45,000,000 shares and allocate them as payment for shares in other company's or to finance Marel's external growth.

Dividends and Dividend Policy

According to customary practice, dividends shall be paid to those parties in the shareholders' register at the end of the day of the AGM, unless the company has received notification of the assignment of the dividend upon the transfer of shares. Dividends are deposited in bank accounts, one week after the AGM, specified by shareholders as their accounts for dividend payment and which are linked to their VS accounts.

The accompanying table shows Marel's dividends in the years 2003-2005, which were paid out in the years 2004-2006.

Year	Dividends per ISK 1 nom. value	Amount ISK**	%
2005	0.20	601	20%
2004	0.15	590	15%
2003	0.10	407	10%

*** Dividends for the operating years 2003-2004 were paid 2004-2005*

Marel does not have a fixed policy concerning dividends, but in the past three years, Marel has paid dividends that are between 10-20% of the nominal value of the capital shares.

11.2 Shareholders

Ten largest shareholders		
Marel September 7, 2006	**No. of shares**	**Holding**
Eyrir Invest ehf.	81,274,544	33.86%
Landsbanki Íslands hf.	79,293,122	33.03%
Helga Sigurðardóttir	4,750,000	1.98%
Ingunn Sigurðardóttir	4,750,000	1.98%
Súsanna Sigurðardóttir	4,714,500	1.96%
Tryggingamiðstöðin hf.	4,160,946	1.73%
Egill Vilhjálmur Sigurðsson	3,800,000	1.58%
Eignarhaldsfélag Hörpu ehf.	3,726,000	1.55%
Traustfang ehf.	3,051,164	1.27%
Líftryggingafélag Íslands hf.	2,539,818	1.06%
Total ten largest shareholders	192,060,094	80.00%
Other shareholders	48,003,906	20.00%
Total no. of shares	240,064,000	100.00%
Treasury shares	2,067,836	0.86%
Active share capital	237,996,164	99.14%

At the time of publication of this Share Registration Document, 30% of the share capital is owned by general investors. General investors include all investors who are not Directors, key managers, individual shareholders holding 10% or more, together with parties financially connected to them, such as spouses, co-habiting partners and financially dependent children, parent companies or subsidiaries. According to the ICEX listing requirements, at least 25% of the share capital of listed companies must be owned by general investors.

At the time of publication of this Share Registration Document, Marel's shareholders total 1,093. The ten largest own 192,060,094 shares, or the equivalent of 80%. A list over Marel's ten largest shareholders is shown in the accompanying table.

Eyrir Invest ehf. is an international investment company, and almost all of its investments are listed shares in companies in Europe, especially in Scandinavia. Eyrir's largest individual properties are shares in Marel and Össur. Árni Oddur Þórðarson, Chairman of Marel, and Þórður Magnússon, an alternate on Marel's Board, are the founders and principal owners of Eyrir Invest ehf. In addition, Margrét Jónsdóttir, a Board member of Marel, is Chief Financial Officer of Eyrir Invest ehf.

Landsbanki Íslands hf. is the Manager of this Share Registration Document.

Helgi Magnússon, Board member of Marel, is the Chairman and majority owner of Eignarhaldsfélag Hörpu ehf.

Voting rights

Each króna in capital shares confers one vote. All of Marel's shareholders have voting rights in accordance with their share holdings.

Shareholder agreement

Marel is neither aware of any agreement among company shareholders regarding the exercise of voting rights, nor that shareholders have obliged themselves not to sell their shares for a specific period, with the exception of shares owned by Scanvægt Holding ApS. Scanvægt Holding ApS – the seller of Scanvægt International A/S – has obligated itself not to sell more than 20% of its shareholdings in Marel for a period of one year from their delivery, except with the permission of Marel hf.'s board of directors. Scanvægt Holding ApS is a holding company owned by the sellers of Scanvægt International A/S: Lars Grundtvig, Michael Grundtvig and Henrik Grundtvig.

Changes in capital shares

At a Marel board meeting held on Thursday, 24 August 2006, the decision was taken to use the authorization in the Articles of Association to increase the company's share capital. The Board of Marel approved increasing

Marel's share capital by 127,016,732 shares, of which 52,016,732 shares will be delivered to the sellers of Scanvægt International A/S as part of payment for all their shares in Scanvægt International A/S, and 75,000,000 new shares that will be sold to new investors at a public stock offering.

The public stock offering will be threefold: holders of pre-emptive rights will be offered 30,000,000 new shares for purchase; institutional investors will be offered 30,000,000 shares and finally 15,000,000 will be offered to general investors.

The purpose of the offering is to support Marel's continued growth.

The following table shows Marel's projected shareholder registry on the one hand after the delivery of shares to Scanvægt Holding ApS, which is a holding company owned by the sellers of Scanvægt International A/S, and on the other hand based on the delivery of shares to Scanvægt Holding ApS and full participation by holders of pre-emptive rights, institutional investors and general investors in the upcoming public stock offering scheduled for September 2006.

	No. of shares afterScanvægt	Holding	No. of shares after Scanvægt and the Offer	Holding
Eyrir Invest ehf.	4,750,000	1.6%	4,750,000	1.3%
Landsbanki Íslands hf.	4,750,000	1.6%	4,750,000	1.3%
Scanvægt Holding ApS	52,016,732	17.8%	52,016,732	14.2%
Helga Sigurðardóttir	4,714,500	1.6%	4,714,500	1.3%
Ingunn Sigurðardóttir	4,160,946	1.4%	4,160,946	1.1%
Súsanna Sigurðardóttir	4,714,500	1.6%	4,714,500	1.3%
Tryggingamiðstöðin hf.	4,160,946	1.4%	4,160,946	1.1%
Egill Vilhjálmur Sigurðsson	3,800,000	1.3%	3,800,000	1.0%
Eignarhaldsfélag Hörpu ehf.	3,726,000	1.3%	3,726,000	1.0%
Traustfang ehf.	3,051,164	1.0%	3,051,164	0.8%
Líftryggingafélag Íslands hf.	2,539,818	0.9%	2,539,818	0.7%
Total ten largest shareholders	92,384,606	31.6%	92,384,606	25.2%
Other shareholders	199,696,126	68.4%	199,696,126	54.4%
New shareholders	-	-	45,000,000	12.3%
Total no. of shares	292,080,732	100.0%	367,080,732	91.8%
Treasury shares	2,067,836	0.7%	2,067,836	0.6%
Active share capital	290,012,896	99.3%	365,012,896	91.3%

11.3 Marel's Articles of Association

Company purpose

The company's purpose, according to Article 1.03, is the development, design, manufacture, purchase, and sale of electronic devices, software, and related equipment, both domestically and internationally, as well as to provide associated services and operations.

The company's Board of Directors and senior management

The Board of Directors comprises five members. They and two alternates shall be elected yearly at the annual meeting. Election of directors shall be by ballot if more candidates are proposed than the positions available. The Board chooses a Chairman from among its members .

The Chairman takes the floor and calls the meeting to order. Meetings shall be held whenever he deems necessary. The Chairman is required to call a directors' meeting at the request of a director or the managing director.

Directors shall take the minutes of board meetings, and confirm them with their signatures.

The board is the highest authority in company matters relating to shareholders. Its primary responsibilities are the following:

1) To hire a managing director, determine his salary and benefits, establish his responsibilities, and arrange his discharge.
2) To make policy decisions regarding company operations.
3) To steadfastly and thoroughly monitor all aspects of company operations, and ensure that the infrastructure and operations are in good order. In particular, the Board shall ensure that there is sufficient supervision with accounting and the management of the company's financial affairs.
4) To represent the company in matters pertaining to judicial and government issues.
5) To resolve other matters when deemed appropriate.

The Board has the authority to obligate the company, for example hypothecate, with the signatures of a majority of Board members.

The Managing Director is responsible for daily operations in accordance with those directives that he has been given by the Board, or by the Articles of Association. Daily operations do not include matters that are irregular or of major significance. The Managing Director shall see that company accounts are entered in accordance with law and convention, and that company assets are handled in a reliable manner. The Managing Director hires and discharges all company employees. The Managing Director is obligated to abide by all board directives. He is required to provide the Board and auditors with all information requested. A director may be the managing director. However, the same person may not be the Managing Director and the Chairman. The Board of Directors shall, in the Annual Report, make proposals regarding distribution of profits or balancing of loss.

Shareholder rights according to Marel's Articles of Association

One vote shall accompany each króna of capital stock in the company. No special prerogatives are attached to any shares in the company. Shares in the company may be sold or used as collateral unless otherwise stated by law.

The shareholders are not obligated to accept redemption of their shares, except upon liquidation of the company or according to a special provision in the law regarding public limited liability companies.

Decisions regarding increasing share capital in the company, both bonus issues and new subscriptions, can only be taken at a shareholder meeting. Shareholders have priority regarding all such purchases in proportion to their registered shareholding, if they have not transferred their right of subscription.

No limitations or restrictions shall be placed on shareholders regarding the disposition of their shares in the company

Changes to the rights of shareholders

According to article 9.01 in the company's Articles of Association, decisions regarding changes to the Articles, other than those referred to Articles 19, 40, 42, 43, 45, 46, 49, 54 and 124 of Act no. 2/1995, shall be taken at shareholder meetings. A decision will only be valid if it has been approved by at least 2/3 of votes cast, and approved by shareholders who control at least 2/3 of the shares represented at the shareholder meeting. Decisions shall, however, fulfill any further requirements stated in these Articles of Association, in addition to the special provisions of Article 94 of Act no. 2/1995.

Convening of shareholder meetings

The Annual General Meeting shall be announced with advertisements in newspapers and on the radio, at least one week prior to the meeting. The announcement shall be written and sent to those shareholders who have specifically requested it and are registered in the shareholder register.

The same procedures apply when calling a shareholders meeting as for an AGM. A shareholder may authorize another person to act for him, and vote, by proxy. The right to sit a shareholders meeting is given only to shareholders, company auditors, and the Managing Director, even if not shareholders. However, the board can invite specialists to individual meetings if their expertise or assistance is needed.

Shareholders are permitted to bring along consultants, but they do not have the right to address the meeting, make proposals, or vote.

Changes in the company's management

There is no provision in the Articles of Association or other rules of the Issuer that could result in the delay, postponement or prevention of changes regarding management of the company.

Shareholder ownership

There are no regulations in the company regarding guidelines pertaining to publishing information about shareholder ownership.

Changes to share capital

Marel does not have any regulations regarding changes in capital shares that are more stringent than required by law.

12 Performance and Balance sheet Share

The financial statements of Marel hf. comprise the consolidated accounts of the parent company and subsidiaries, which were 13 at the end of June 2006, and are: Marel Australia, Marel Carnitech (Thailand), Marel Chile, Marel Deutschland GmbH & Co KG, Marel Equipment, Marel Management, Marel Russia, Marel Scandinavia, Marel Spain, Marel UK, Marel USA, AEW Delford and Carnitech.

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

Marel's auditors are PricewaterhouseCoopers hf., and on their behalf Ólafur Þór Jóhannesson and Þórir Ólafsson, have audited and signed without reservation Marel's consolidated financial statements for the years 2005 and 2004, and Gunnar Sigurðsson and Ólafur Þór Jóhannesson for the year 2003. The company's interim financial statements from 30 June 2006 have also been reviewed without commentary when endorsed.

The period of historical financial information addresses the six-month interim financial statements for 2005 and 2006 and the financial statements for 2003, 2004 and 2005. Marel's reporting currency is the euro.

Consolidated Financial Statement publishing for 2006

Marel hf will publish the Financial Statements for 2006 on the following days:

Interim report - 3rd quarter:	7 November 2006
Annual Report 2006:	13 February 2007

Changes in accounting policies prepared in accordance with International Financial Reporting Standards (IFRS).

The company's consolidated financial statements for 2005 are the first that have been prepared in accordance with International Financial Reporting Standards (IFRS). Marel consolidated financial statements had been prepared in accordance with Generally Accepted Accounting Principles until year-end 2004. GAAP differs in some areas from IFRS, and therefore comparative financial figures for 2004 have been amended to reflect this unless specifically noted. Figures from the financial statements for 2003 have not been amended in accordance with IFRS, and are therefore not fully comparable with the company's financial statements for 2004 and 2005. Information concerning the implementation of IFRS on the Group's financial position and performance are available in Notes 5 in the 2005 annual report.

12.1 Interim and annual reports– operating results

Consolidated Income Statement

	2006	2005	2005	2004	2003*
	1.1 - 30.6	**1.1 - 30.6**	**1.1 - 31.12**	**1.1 - 31.12**	**1.1 - 31.12**
Sale	79,106	63,838	129,039	112,301	106,104
Cost of sales	(52,872)	(41,402)	(85,877)	(71,285)	(71,487)
Gross profit	26,234	22,436	43,162	41,016	34,617
Other operating income	564	457	1,052	598	1,325
Selling and marketing expenses	(10,708)	(7,694)	(16,067)	(13,888)	(13,563)
Research and development expenses	(4,168)	(3,216)	(8,004)	(6,542)	(7,193)
Administrative expenses	(7,144)	(5,673)	(10,422)	(9,118)	(8,618)
Profit from operations	4,778	6,310	9,721	12,066	6,568
finance costs - net	(1,872)	(1,285)	(2,639)	(1,768)	(1,658)
Share of results of associates	(715)	-	-	-	-
Profit from operations	2,191	5,025	7,082	10,298	4,910
Income tax expense	(843)	(1,120)	(1,367)	(2,236)	(1,110)
Net worth tax expense	0	0	0	(78)	(51)
Net profit	1,348	3,905	5,715	7,984	3,749
Basic earnings per share	0.57	1.67	2.42	3.40	1.59
Diluted earnings per share	0.56	1.63	2.38	3.33	1.56
Dividend per share	-	-	0.20	0.15	0.10

Amounts in thousands of EUR

*. *Figures for 2003 are not according to IFRS*

Performance for the first six months of 2006

Sales for the first six months of 2006 were EUR 79.1 million, compared with EUR 63.8 million, which is an increase of 24.0% over last year. AEW Delford Systems in Britain began influencing Marel's consolidated financial statements from 7 April 2006. Internal growth in sales during the period was about 7%.

In the first six months of the year, 98% of Marel's total sales revenue was derived from its international customers and only 2% from domestic sources.

The following table depicts how the Group's revenue for the first six months of 2006 and 2005 are divided into three main sectors: fish, chicken and meat. The Group's other operations do not belong to the aforementioned sectors, and involve sales of services regarding production and is not a significant part of operations. It is placed under the item "unallocated" in the table.

Segment information	Fish	Poultry	Meat	Unallocated	Group
1.1 - 30.06 2006					
Total gross segment sales	36,844	26,095	24,297	20,488	107,724
Inter-segment sales	(8,464)	(9,826)	(5,978)	(4,350)	(28,618)
Sales	28,380	16,269	18,319	16,138	79,106
Reltively segmentation	36%	21%	23%	20%	
1.1 - 30.06 2005					
Total gross segment sales	26,728	14,609	23,836	18,699	83,872
Inter-segment sales	(643)	(2,792)	(3,255)	(13,344)	(20,034)
Sales	26,085	11,817	20,581	5,355	63,838
Reltively segmentation	41%	19%	32%	8%	

Amounts in thousands of EUR

The contribution margin of product sales during the period was EUR 26.2 million or 33.2% of sales compared with EUR 22.4 million or 35.1% sales during the same period in 2005. Income in Icelandic króna was about 2% of the Group's total sales, but expenses were about 21%, in particular because of employee wages in Iceland. The króna has weakened by about 7% toward the euro from the average during the first six months of 2005 to the same period in 2006. Marel has negotiated forward short-term exchange rate contracts to offset all projected costs in Icelandic króna until November 2007. The average exchange rate of these contracts during the period March – June 2006 was ISK/EUR 82, so the company has not fully benefited from the decrease in the ISK exchange rate. The annual average exchange rate for contracts from July 2006 to the end of November 2007 is ISK/EUR 96.

Operating expenses other than the cost of goods sold totalled EUR 22.0 million for the first six months of 2006 and were 27.8% of sales, compared with 26.0% in 2005. Sales and marketing expenses were EUR 10.7 million, which is about 39% higher than during the same time in 2005. Charged development expenses, including depreciation of product development costs from previous years, were EUR 4.2 million, an increase of about 30% from the same time in 2005. The primary emphasis in sales and marketing, as well as in product development, has been to improve productivity and synergy, and to increase integration within the Group. Administrative costs were EUR 7.1 million at the end of June 2006, compared with 5.7 million the same time in 2005.

Profit from operations (EBIT) for the first six months of 2006 was EUR 4.8 million or 6.0% of sales, compared with EUR 6.3 million or 9.9% in 2005.

Capital charges in excess of net finance costs totalled EUR 1.9 million at the end of June 2006, compared with EUR 1.3 million in 2005. The increase is the result of borrowing in the form of a debenture offering, which in part has been used to purchase the company AEW Delford, and will be used in the acquisition of Scanvægt in the third quarter of 2006.

Marel's share in the operational loss of LME ehf. totalled EUR 715 thousand, which may be attributed to the investment of LME ehf. in Dutch company Stork NV. Marel owns a 20% share in LME hf. LME ehf. owned a 5.1% share in Stork NV at the end of June 2006, but at the publication of the Share Registration Document, LME ehf. owned an 8% share in the company. It is projected that this investment will in time be profitable.

Net profit of operations of the Marel Group for the first half of 2006 totalled EUR 1.3 million, compared with EUR 3.9 million for the first six months of 2005.

The Marel Group comprises three principal operations as depicted in the 2006 half-year financial statements: Marel companies with headquarters in Iceland and ten sales and service offices located worldwide, Carnitech a/s with its four subsidiaries and AEW Delford Systems with two subsidiaries. On 4 August 2006, a fourth principal operation joined the Marel Group, Danish company Scanvægt International AS. This is discussed further in Chapter 6.1 in the Share Registration Document.

Since Marel's purchase of the assets and operations of AEW Thurne and Delford Sortaweigh in April 2006 and the establishment of AEW Delford Systems, work has been progressing on extensive integration among Marel companies AEW Delford Systems and Carnitech, and is therefore felt that a correct portrayal of operations would not be achieved by discussing the performance of individual units. The following is a synopsis of the main elements of each operation over the past months.

The first half of the Marel Group's operational year was somewhat more sluggish than projected. The effect of the weakening Icelandic króna has to date only slightly impacted on operations. In addition, an unusually large number of new products are entering the market, and their potential sales and contribution margins are very good. However, initial sales of new products usually have lower contribution margins.

The second quarter was very good for Carnitech, and results for the first six months are fully in line with management's expectations. Work on organizational changes over recent months is progressing well. It is anticipated that these changes will have returned results for the second half of 2007 so that Carnitech's performance will have become acceptable, and the company's profit from operations (EBIT) will on average be over 8% of turnover.

Marel acquired AEW Delford Systems on 7 April 2006. The company's operations have been doing well, and its excellent product range creates significant future potential. Work is progressing on integrating operations internally at AEW Delford, as well as with other companies within the Group. It is projected that a one-time expense resulting from integration will be about EUR 2.5 million, which will be entered over the next two years. It is calculated that these measures will return about EUR 3 million in annual rationalization beginning in mid 2007.

Performance 2005, 2004 and 2003

Operating revenue of the Marel Group totalled EUR 129.0 million in 2005, compared with EUR 112.3 million in 2004, a year-to-year increase of about 14.9%.

The table below show how the Group's revenue for 2005 and 2004 is divided into three main sectors: fish, chicken and meat. The Group's other operations do not belong to the aforementioned sectors, and involve sales of services regarding production and is not a significant part operations. It is placed under the item "unallocated" in the table.

Marel sells the majority of its production to countries other than Iceland. In 2005, 96.2% of total revenue was derived from international customers and only 3.8% from domestic sources.

The cost of sold products was EUR 85.9 million at year-end 2005, which is an increase of 20.5% from 2004. The contribution margin dropped as a percentage of sales from 2004 to 2005. In 2005, the company's contribution margin was EUR 43.2 million or 33.4% of sales, compared with EUR 41.0 million or 36.5% of sales in 2004. Other operating expenses, including the cost of sales and marketing, increased by about 16.7% from 2004 to 2005.

Operating profit before depreciation, interest and taxes (EBITDA) was EUR 14.8 million in 2005, or 11.5% of the company's total revenue, compared with EUR 16.5 million in 2004 and 14.7% of total revenue.

Net financial costs were EUR 2.6 million in 2005, compared with EUR 1.8 mill in 2004. The increase may be attributed to increased loan taking, more foreign exchange losses and increases in interest on more than 40% of the company's liabilities, which have now been fixed at three to five years.

Income tax totalled EUR 1.4 million in 2005, but was EUR 2.2 million in 2004. Total tax for the Marel Group for 2005 was 19.3% of pre-tax income, compared with 21.7% in 2004. Marel operates in an environment where the income tax rate on companies is 17% to 42%.

12.2 Interim and annual reports – balance sheet

Assets, equity capital and liabilities

The Group's total assets at year-end 2006 were charged at EUR 193 million, an increase of about 78 million or 68% since the New Year when they were EUR 114.9 million. This increase is primarily due to the influence of an ISK 6 billion debenture offering, and the establishment of AEW Delford Systems, which took over operations and assets of two British companies. The Marel Group's total assets at year-end 2004 were EUR 95.5 million.

At the end of June 2006, the Group's non-current assets were EUR 76.9 million, of which operating assets were EUR 40.6 million. Operating assets were divided by region and property EUR 29.3 million, machinery and equipment EUR 7.2 million and vehicles and other equipment EUR 4.1 million.

Consolidated Balance Sheet

	2006 30.6	2005 31.12	2004 31.12	2003* 31.12
Assets				
Non-Current Assets				
Property, plant and equipment	40,563	33,242	31,847	32,812
Goodwill	18,609	9,580	7,861	3,515
Other intangible assets	10,673	8,518	6,360	967
Investments in associates	0	0	753	753
Available-for-sale investments	680	680	0	0
Receivables	4,566	29	92	0
Derivative financial instruments	111	0	0	0
Deferred income tax assets	1,692	1,231	1,334	1,035
Total non-current assets	76,894	53,280	48,247	39,082
Current Assets				
Inventories	35,440	25,274	21,166	16,693
Production contracts	10,019	8,921	5,859	6,064
Receivables and prepayments	34,973	23,517	15,844	14,768
Derivative financial instruments	0	18	0	0
Cash and cash equivalents	35,681	3,880	4,366	4,727
Total current assets	116,113	61,610	47,235	42,252
Total Assets	**193,007**	**114,890**	**95,482**	**81,334**
Shareholders' equity and liabilities				
Shareholders' equity				
Ordinary shares	2,637	2,637	2,637	2,637
Treasury shares	(12)	(8)	(75)	(48)
Share premium	12,410	12,671	9,059	10,794
Fair value and other reserves	(911)	225	(408)	(1,196)
Retained earnings	26,254	25,507	20,382	12,980
Total shareholders' equity	40,378	41,032	31,595	25,167
Liabilities				
Non-current liabilities				
Borrowings	90,266	24,881	31,442	30,889
Deferred income tax liabilities	3,880	3,520	3,349	726
Derivative financial instruments	0	404	0	0
	94,146	28,805	34,791	31,615
Current liabilities				
Trade and other payables	35,801	24,719	21,118	14,309
Derivative financial instruments	759	0	0	0
Current tax liabilities	935	278	328	611
Borrowings	19,941	19,262	7,024	9,141
Provisions	1,047	794	626	491
	58,483	45,053	29,096	24,552
Total liabilities	152,629	73,858	63,887	56,167
Total equity and liabilities	**193,007**	**114,890**	**95,482**	**81,334**

Amounts in thousands of EUR

**Figures for 2003 are not according to IFRS*

The company's equity capital at the end of June 2006 was EUR 40.4 million, and had then dropped by EUR 654 thousand since the New Year. The equity ratio during the period dropped somewhat because of excess debt financing and was 20.9% at the end of June 2006. With the acquisition of Scanvægt, the equity ratio will increase again and be about 30% at year-end 2006, since part of the purchase price will be paid in new Marel shares. After the upcoming public stock offering where up to 75,000,000 new shares are scheduled to be sold, it is projected that Marel's equity ratio will increase even further.

The accompanying table gives a breakdown of changes in the company's equity capital:

Owners's equity	2006 1.1 -30.6	2005 1.1 -31.12	2004 1.1 -31.12	2003* 1.1 -31.12
Profit	1,348	5,715	7,984	3,749
Own stock sold in excess of bought	(397)	3,679	(3,029)	(511)
Paid dividend	(601)	(590)	(407)	(280)
Other	(1,004)	633	859	(515)
Increase in shareholders´equity	(654)	9,437	5,407	2,443

Amounts in thousands of EUR

**Figures for 2003 are not according to IFRS*

Total liabilities at the end of June 2006 totalled EUR 152.6 million, of which interest-bearing debt was EUR 110.2 million. Interest-bearing debts were EUR 44.1 million at year-end 2005. Increases in the company's interest-bearing debt during the first six months of 2006 are mainly attributed to Marel having issued a debenture for 6 billion Icelandic króna, equivalent to EUR 70.8 million, at the end of June 2006. The debentures are inflation-indexed, interest bearing and for a period of six years, with date of maturity on the principal on 8 February 2012. The fixed interest rate on the paper is 6.0%. Along with the debenture offering Marel concluded an interest-swap agreement for part of the amount , which was obtained with the debenture issue and ensures the company financing in foreign currency with interest and principal payments to be made after six years. The value of the debentures was in part earmarked to pay for the operations and assets of AEW Thurne and Delford Sortaweigh, and in part used as payment for Scanvægt International AS.

Overall borrowing includes inflation-indexed liabilities (lease purchasing and bank loans) that total EUR 42.9 million. Bank loans are taken with collateral in lots, property and inventory owned by the Group. Assets that have been bought with lease purchasing aremortgaged with the respective assets as collateral for the remainder of the debts. Other loans by Marel are not guaranteed with lots, property or inventory owned by the group.

Further details about the company's financing during the first six months of 2006, and the past three years, is presented in the Group's cash flow statement in Chapter 12.3. During the first six months of the year, Marel issued debentures for over ISK 6 billion, i.e. EUR 70.8 million, which for the most part explains the increase in the company's long-term liabilities from the New Year 2005.

The following table shows how the company's financing has been managed in recent years, and its position at the end of June 2006. Based on the company's current operations there is no need for further financing.

Capitalisation and indebtedness	30.6.2006	31.12.2005	31.12.2004	31.12.2003*
Trade and other current liabilities	42,422	29,311	25,421	16,137
Interest-bearing loans:				
Non-current	90,266	24,881	31,442	30,889
Current	19,941	19,666	7,024	9,141
Total interest-bearing loans	110,207	44,547	38,466	40,030
Total liabilities	152,629	73,858	63,887	56,167
Equity	40,379	41,032	31,595	25,167
Equity and liabilities	193,008	114,890	95,482	81,334
Equity ratio	20.9%	35.7%	33.1%	30.9%

Amounts in thousands of EUR

**Figures for 2003 are not according to IFRS*

12.3 Interim and annual reports – cash flow

Investment in permanent operating assets during the first six months of 2006 was EUR 4.7 million, compared with EUR 1.7 million during the same period in 2005.

Net cash from operating activities totalled EUR 6.7 million. This is mostly the result of increased capital tied up in inventory and accounts receivable, but partly offsetting this is an increase in accounts payable. At the end of June 2006, net cash was EUR 35.7 million, compared with EUR 4.0 million at the end of June 2005. It is anticipated that the inventory of finished products will lessen and that a shift will occur is sales from the second to the third quarter.

Net working capital to operations was EUR 2.8 million at the end of June 2006, and was EUR 7.7 million from operations at the same time in 2005. Net working capital from operations was EUR 12.5 million at year-end 2005, compared with EUR 13.5 million in 2004.

The company's investment activities for the first six months of 2006 totalled EUR 33.5 million, and that which weighed heaviest was Marel's purchase of the assets and operations of AEW Thurne and Delford Sortaweigh. In 2005, the company's investment activities amounted to EUR 10.1 million, the largest of which was the purchase of intangible assets, i.e. capitalized development costs, the purchase of permanent operating assets and the purchase of DanTech in Singapore. In 2004, Marel purchased all shares in Póls hf. in Ísafjörður and operations (brand name Geba) from the German company Roscherwerke GmbH, which was merged with the operations of CP Foods in Denmark. CP Foods has now been integrated into Carnitech. In 2003, Marel invested only in production equipment. Product development was not entered in 2003, and that was not done until the adoption of IFRS methods. In the first six months of 2006, 2005 and 2004, product development is capitalized in accordance with IFRS.

Consolidated Cash Flow Statement

	2006 1.1 - 30.6	2005	2004	2003*
Cash flows from operating activities				
Cash generated from (contribution to) operations	(2,584)	5,762	15,801	7,041
Interest paid	(3,466)	(1,959)	(1,548)	(1,931)
Tax paid	(604)	(816)	(1,046)	(386)
Net cash from operating activities	(6,654)	2,987	13,207	4,724
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	(20,853)	(1,939)	(1,758)	0
Purchase of property, plant and equipment	(4,675)	(3,752)	(1,642)	(1,889)
Purchase of intangibles	(3,701)	(4,811)	(3,118)	(403)
Purchase of associate investments	(1)	0	0	0
Loans made	(5,281)	0	0	0
Proceeds from sale of PPE	988	322	117	337
Proceeds from sale of share	0	0	12	0
Net cash used in investing activities	(33,523)	(10,180)	(6,389)	(1,955)
Cash flows from financing activities				
Proceeds from (purchase of) treasury shares, net	(264)	3,678	(3,030)	(510)
Proceeds from borrowings	81,606	8,285	2,452	14,424
Repayments of borrowings	(8,186)	(3,681)	(6,004)	(14,155)
Finance lease principal payments	(301)	(482)	(274)	(632)
Dividends paid to group shareholders	(601)	(590)	(407)	(280)
Net cash used in financing activities	72,254	7,210	(7,263)	(1,153)
Net increase in cash and cash equivalents	32,077	17	(445)	1,616
Exchange gains/(losses) on cash and bank overdrafts	(276)	(503)	84	220
Cash and cash equivalents at beginning of year	3,880	4,366	4,727	2,891
Cash and cash equivalents at end of period	35,681	3,880	4,366	4,727
Cash generated from (generated to) operations				
Net profit	1,348	5,715	7,984	3,749
Adjustments for items not affecting cash	1,823	9,585	8,122	5,938
Changes in working capital	(5,755)	(9,538)	(305)	(2,646)
	(2,584)	5,762	15,801	7,041
Working capital from (to) operation	(2,800)	12,525	13,512	6,366

Amounts in thousands of EUR

**Figures for 2003 are not according to IFRS*

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