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Consolidated Financial Statements
Annual report 2010

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The Board of Directors' and CEO's Report

The Consolidated Financial Statements for the year 2010 comprise the financial statements of Marel hf. (the Company) and its subsidiaries, together the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and additional Icelandic disclosure requirements. At Marel's Annual General Meeting at 3 March 2010 the name of the Company was changed from Marel Food Systems hf. to Marel hf.

According to the Consolidated Statement of Comprehensive Income, the Group's operating revenue amounted to EUR 600.4 million of the year 2010 (2009: EUR 531.7 million) and the profit of the year amounted to EUR 13.6 million (2009: loss of EUR 11.8 million). Total comprehensive income amounted to EUR 17.7 million (2009: comprehensive loss of EUR 13.8 million). According to the Consolidated Statement of Financial Position, the Company's assets amounted to EUR 877.6 million at the end of 2010 (at year end 2009: EUR 882.9 million). Equity amounted to EUR 343.3 million at the end of 2010 (at year end 2009: EUR 323.8 million) or 39.1% of total assets (at year end 2009: 36.7%). The Net interest bearing debt decreased from EUR 295.0 million at the end of 2009 to EUR 256.7 million at the end of 2010.

Marel issued 3.2 million new shares in 2010. This issuance was to serve share option agreements exercisable in November 2010. In total, this share issue raised EUR 1.5 million. The issue in 2010 was conducted in accordance with a resolution of the Company‘s Annual General Meeting, held on 3 March 2010, where the shareholders authorised the Board of Directors to increase the Company's share capital by 45 million shares to fulfil unexercised stock option agreements. The Company's Board of Directors is also authorised to increase its share capital by up to ISK 240.0 million nominal value, where ISK 146.8 million have already been issued. Shareholders waived their pre-emptive rights. At year-end, Marel‘s shares totalled 730,291,247, all in one class.

Share purchase options are granted to directors and to selected employees. These options were granted in the years 2006, 2007, 2008 and 2010. Total granted and unexercised shares purchase options at end of the year 2010 were 32.9 million shares, which are exercisable in the years 2011 to 2015.

The number of shareholders in Marel hf. at year end 2010 was 1,772, an increase of 21 during the year. Two shareholders had a holding interest of more than 10% in the company, Eyrir Invest ehf., with 31.89% and Horn fjárfestingafélag ehf., with 13.87%.

In the first quarter of 2010, the Group has divested the non-core activities of Stork Food & Dairy Systems excluding its operations in Spain as well as the non-core operations of Carnitech A/S. The result of these divestments was a small profit of EUR 0.3 million in 2010, as the assets were already impaired to their fair value in 2009.

In November 2010, Marel signed an agreement with a group of six international banks on long-term financing in the amount of EUR 350 million. The initial average interest terms are EURIBOR/LIBOR + 320 bps and is expected to decrease during the maturity of the loans, in line with the increase of the financial strength of Marel. The new financing provided the Company with a strong foundation for the future. The agreement enabled the Company to refinance all its debts at favourable terms and conditions. Equally important, it supports the company's long-term strategy by providing the stability and flexibility needed to continue to grow the business, as well as making the full integration of the Company's operations possible.

The goodwill of the Group was tested for impairment at year-end by calculating its recoverable amount. The results of these impairment tests were that there was no need for impairment as the recoverable amount of the goodwill was above the book value.

At the end of 2010, the Group had considerable financial resources together with an increased portfolio of contracts with customers and suppliers across different geographic areas and industries compared to the end of 2009. In 2010 the Group kept its innovation efforts at the usual level. The Group was in full compliance with the bank covenants in 2010. Management of the Group believes that it is well placed to manage its business risks successfully in the present economic outlook.

The management of the Group believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements. The Board of Directors suggests that no dividends will be paid for the operational year 2010, but refers to the financial statements regarding appropriation of the profit for the period and changes in shareholders' equity.

Those who want to be candidates for the Board of Directors of the Company have to notify the Board of Directors in writing at least full five days before the beginning of the Annual General Meeting. The Company's Article of Association can only be amended with the approval of 2/3 of casted votes and approval of shareholders who control at least 2/3 of the shares represented in a legal shareholders' meeting, provided that the notification calling the meeting thoroughly informs on such amendment and what the amendment consists in.

According to the Board of Directors best knowledge these Consolidated Financial Statements comply with IFRS as adopted by the EU, on Annual Accounts and give a true and fair view of the Group´s assets and liabilities, financial position as at 31 December 2010, operating performance and the cash flow for the year ended 31 December 2010 as well as describing the principal risk and uncertainty factors faced by the Company. The report of the Board of Directors provides a clear overview of developments and achievements in the Company's operations and its situation.

The Board of Directors and CEO of Marel hf. hereby ratify the Consolidated Financial Statements of Marel hf. for the year 2010 with their signatures.

Garðabær, 2 February 2011

Board of Directors

Árni Oddur Þórðarson
Chairman of the board

Arnar Þór Másson

Friðrik Jóhannsson

Helgi Magnússon

Lars Grundtvig

Margrét Jónsdóttir

Theo Bruinsma

Smári Rúnar Þorvaldsson

Ásthildur Margrét Otharsdóttir

Chief Executive Officer

Theo G.M. Hoen

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Independent auditor's report

To the Board of Directors and Shareholders of Marel hf.

We have audited the accompanying consolidated financial statements of Marel hf., which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Marel hf. as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the Board of Directors Report
Pursuant to the legal requirement under Article 106, Paragraph 1, Item 5 of the Icelandic Financial Statement Act No. 3/2006, we report, to the extent of our competence, that the report of the Board of Directors accompanying the consolidated financial statements includes the information required by the Financial Statement Act.

Garðabær, 2 February 2011

KPMG ehf.

Sæmundur Valdimarsson

Kristrún H. Ingólfsdóttir

Consolidated Statement of Comprehensive Income

	Notes	2010	2009
Revenue	5	600,421	531,680
Cost of sales		(373,347)	(340,006)
Gross profit		227,074	191,674
Other operating income (expenses)	6	(8,073)	(9,169)
Selling and marketing expenses		(70,674)	(73,443)
Research and development expenses		(36,474)	(31,149)
Administrative expenses		(54,519)	(69,866)
Result from operations		57,334	8,047
Finance costs	7	(43,012)	(45,464)
Finance income	7	916	19,619
Net finance costs	7	(42,096)	(25,845)
Result before income tax		15,238	(17,798)
Income tax	9	(1,612)	5,987
Profit (loss) for the period		13,626	(11,811)

Other Comprehensive Income

	Notes	2010	2009
Currency translation differences		3,130	(1,235)
Cash flow hedges		1,266	(1,028)
Income tax relating to cash flow hedges		(323)	262
Other comprehensive income for the year, net of tax		4,073	(2,001)
Total comprehensive income for the year		17,698	(13,812)
Profit (loss) attributable to:			
Shareholders of the Company		13,626	(11,811)
		13,626	(11,811)
Comprehensive income attributable to:			
Shareholders of the Company		17,698	(13,812)
		17,698	(13,812)
Earnings per share for result attributable to equity holders of the company during the period (expressed in EUR cent per share):			
- basic	10	1.87	(1.96)
- diluted	10	1.87	(1.96)
Earnings per share for total comprehensive income attributable to equity holders of the company during the period (expressed in EUR cent per share):			
- basic		2.43	(2.29)
- diluted		2.43	(2.29)

The notes on pages 9 - 49 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Financial Position

ASSETS	Notes	2010	2009
Non-current assets			
Property, plant and equipment	11	109,418	115,332
Goodwill	12	379,879	377,959
Other intangible assets	12	92,884	85,433
Investments in associates	13	109	97
Receivables	14	3,669	150
Deferred income tax assets	15	12,619	14,850
		598,578	593,821
Current assets			
Inventories	16	80,590	81,054
Production contracts	17	18,354	11,992
Trade receivables	14	87,780	67,184
Assets held for sale	18	598	33,330
Other receivables and prepayments	14	27,815	23,597
Restricted cash	19	12,509	25,882
Cash and cash equivalents	19	51,399	46,022
		279,045	289,061
Total assets		877,623	882,882
EQUITY			
Capital and reserves attributable to equity holders of Marel hf.			
Share capital	20	6,694	6,674
Share premium	20	320,250	318,495
Reserves		(7,377)	(11,450)
Retained earnings		23,702	10,078
Total shareholders' equity		343,269	323,797
LIABILITIES			
Non-current liabilities			
Borrowings	21	310,751	351,508
Deferred income tax liabilities	15	4,925	7,765
Provisions	22	6,719	8,797
Derivative financial instruments	24	11,028	11,065
		333,423	379,135
Current liabilities			
Production contracts	17	78,306	36,157
Trade and other payables	25	107,783	80,124
Liabilities held for sale	18	0	43,693
Current income tax liabilities		1,624	1,584
Borrowings	21	9,898	15,409
Provisions	22	3,320	2,983
		200,931	179,950
Total liabilities		534,354	559,085
Total equity and liabilities		877,623	882,882

The notes on pages 9 - 49 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Changes in Shareholders' Equity

	Attributable to equity holders of the Company					
	Share Capital	Share premium	Hedge reserve	Transl. reserves	Retained earnings	Total equity
Balance at 1 January 2009	5,852	269,988	(7,477)	(1,972)	21,888	288,279
Total comprehensive income			(766)	(1,235)	(11,811)	(13,812)
Sale (purchases) of treasury shares, gross	16	535				551
Treasury shares, transaction cost		(5)				(5)
Employee share option scheme:						
Value of services provided		445				445
Issue of share capital, gross	806	48,450				49,256
Issue of share capital transaction cost		(918)				(918)
	822	48,507	(766)	(1,235)	(11,811)	35,517
Balance at 31 December 2009	6,674	318,495	(8,243)	(3,207)	10,077	323,796
Total comprehensive income			943	3,130	13,626	17,699
Employee share option scheme:						0
Value of services provided		330				330
Issue of share capital in regarding Stock Options ...	20	1,431				1,451
Issue of share capital transaction cost		(6)				(6)
	20	1,755	943	3,130	13,626	19,474
Balance at 31 December 2010	6,694	320,250	(7,300)	(77)	23,702	343,269

Dividend per share

No dividends were paid in 2009 and 2010.

The notes on pages 9 – 49 are an integral part of the Consolidated Financial Statements

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Consolidated Statement of Cash Flows

	Notes	2010	2009
Cash flows from operating activities			
Result from operations		57,334	8,047
Adjustments to reconcile result from operations to net cash provided by operating activities:			
Depreciation and impairment of property, plant and equipment	11	12,084	19,870
Amortisation and impairment of intangible assets	12	12,758	30,836
Gain on sale of subsidiary		(292)	(10,310)
Gain on sale of property, plant and equipment		(335)	(5,587)
Changes in non-current receivables		(992)	2,542
Other changes		487	102
Working capital provided by (used in) operating activities		81,044	45,500
Changes in working capital:			
Inventories and production contracts		31,669	38,823
Trade and other receivables		(22,509)	3,904
Trade and other payables		27,090	(12,451)
Provisions		(2,413)	(381)
Changes in operating assets and liabilities		33,837	29,895
Cash generated from operating activities		114,881	75,395
Currency fluctuations and indexation		0	(349)
Income tax paid		(1,344)	(3,534)
Interest and finance costs paid		(34,551)	(45,986)
Net cash from operating activities		78,986	25,526
Cash flows from investing activities			
Interest received		836	1,086
Divestment of subsidiary, net of cash		3,032	16,038
Purchase of property, plant and equipment	11	(4,745)	(8,117)
Investments in intangibles	12	(18,110)	(16,437)
Proceeds from sale of property, plant and equipment		1,531	17,993
Other changes		699	195
Net cash from (used in) investing activities		(16,757)	10,758
Cash flows from financing activities			
Proceeds from issue of ordinary shares		1,452	16,441
Cash settled option plans		(157)	0
Proceeds from (purchase of) treasury shares, net		0	546
Proceeds from borrowings		314,053	156,714
Repayments of borrowings		(380,064)	(139,252)
Loans to third parties		(2,500)	0
Finance lease principal payments		(239)	501
Non-current financial derivates		0	(24,374)
Other changes		2	(408)
Net cash from (used in) financing activities		(67,453)	10,168
Net increase (decrease) in net cash		(5,224)	46,452
Exchange gains (losses) on net cash		1,245	392
Net cash at beginning of the period		67,882	21,038
Net cash at end of the period		63,903	67,882
Cash and cash equivalents		51,399	46,022
Restricted cash		12,509	25,882
Bankoverdrafts		(5)	(4,022)
Net cash at end of the period		63,903	67,882
Investing and financing activities not affecting cash flows:			
Issue of ordinary shares		0	31,897
Reduction of borrowings		0	(31,897)

The notes on pages 9 - 49 are an integral part of the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1 General information

Marel hf. ("the Company") is a limited liability company incorporated and domiciled in Iceland. The address of its registered office is Austurhraun 9, Gardabaer. The former name of the Company was Marel Food Systems hf. The name has changed to Marel hf. as per decision of the Annual General Meeting of Shareholders on 3 March 2010.

The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together "the Group"). The Group is primarily involved in the manufacture, development, distribution and sales of solutions for use in all major sectors of the food processing industry.

The Company has its listing on the Nasdaq OMX Nordic Exchange in Iceland.

The Financial Statements as presented in this report are subject to the adoption by the Annual General Meeting of Shareholders, to be held on 3 March 2011.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

A. Statement of Compliance
The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and additional Icelandic disclosure requirements for consolidated financial information of listed companies in accordance with Icelandic Financial Statements Act No. 3/2006 and rules for issuers of financial instruments in Nasdaq OMX in Iceland.

These Consolidated Financial Statements have been approved for issue by the board of directors on 2 February 2011.

The accounting policies, as adopted by the EU, depart from full IFRS in few standards, interpretations and amendments that will have minor effects on future reporting of the Group.

B. Basis of Measurement
These Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets (including derivative instruments) at fair value through profit or loss or other comprehensive income.

C. Functional and presentation currency
Items included in the Financial Statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“the functional currency”). The Consolidated Financial Statements are presented in Euro (EUR), which is the Group's reporting currency. All financial information presented in Euro has been rounded to the nearest thousand.

D. Use of estimates and judgements
The preparation of the Consolidated Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 4.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

E. Changes in accounting policies
Standards, amendments and interpretations to existing standards that are not yet effective have not been early adopted by the Group.

The following standards and amendments to existing standards have been published and have been adopted in the Group's accounting periods beginning on or after 1 January 2010:

- IAS 32 (Amendment), 'Classification of rights Issues - Amendment to IAS 32 Financial instruments: Presentation' (effective from 1 February 2010). This amendment does not have an effect on the Group's Consolidated Financial Statements of 2010.

The following standards and amendments to existing standards have been published but have an effective date on or after 1 January 2011 and have not been early adopted in the Group's accounting periods beginning on or after 1 January 2010:

- IFRIC 19, 'Extinguishing Financial liabilities with Equity Instruments' (effective from 1 July 2010). IFRIC 19 does not have an effect on the Group's Consolidated Financial Statements of 2010.
- IFRS 9, 'Financial instruments' (effective date 1 January 2013) is planned to be adopted after 2011.
- IAS 24 (Revised) 'Related Party transactions' (effective date 1 January 2011) will be adopted as per 1 January 2011.
- IFRIC 14 (Amendment) 'The limit on a defined Benefit Asset, Minimum Funding requirements and their interaction' (effective date 1 January 2011) will be adopted as per 1 January 2011.

The impact on the Group's financial statements of these changes in guidelines is estimated to be limited.

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. The principal subsidiaries are listed in note 33.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Statement of Comprehensive Income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests (NCI) as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the Consolidated Statement of Comprehensive Income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary. Transactions that result in changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders. As a result, no gain or loss on such changes is recognised in profit or loss but rather in equity. Also, no change in the carrying amounts of assets (including goodwill) or liabilities is recognised as a result of such transactions. This approach is consistent with NCI being a component of equity.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 2.7 for the impairment of non-financial assets including goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

2.3 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO and strategic decisions are based on these operating segments. The operating structure in the Group is developing further towards the operating segments. The internal information to the CEO to make decisions about resources to be allocated to the segment and assess its performance will be extended next year.

2.4 Foreign currency translation

Transactions and balances
Foreign currency transactions are translated into the respective functional currencies of Group entities, and from there into the Group's reporting currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as permanent loan, as qualifying cash flow hedges and qualifying net investment hedges as explained in note 2.9. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents as well as all other foreign exchange gains and losses are recognised immediately in the statement of comprehensive income within 'Finance income' or ´Finance costs'.

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(i) assets and liabilities presented are translated at the closing rate at the date of that Consolidated Statement of Financial Position;
(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
(iii) all resulting exchange differences are recognised as a separate component of equity (Translation reserve).

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity, Translation reserve. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recognised in the profit / (loss) for the period as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

In case of a non-wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

2.5 Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment (PPE) is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the

item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit / (loss) for the period during the financial period in which they are incurred.

Land is not depreciated. Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

- Buildings.. 30-50 years
- Plant and machinery.. 4-15 years
- Vehicles & equipment.. 3-7 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognised within other operating income in the statement of comprehensive income.

If revaluated assets are sold, the amounts included in other reserves are transferred to the statement of comprehensive income.

Borrowing cost is expensed as incurred except when directly attributable to acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use. Such borrowing cost is capitalised as part of the cost of the asset when it is probable that it will result in future economic benefits to the entity and the cost can be measured reliably.

2.6 Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill on some acquisitions that occurred prior to 1 January 2004 has been charged in full to retained earnings in shareholders' equity; such goodwill has not been retroactively capitalised.
Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Research and development
Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will generate future economic benefits, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

Patents & Trade name
Expenditure to acquire patents, trademarks and licenses is capitalised and amortised using the straight-line method over their useful lives, but not exceeding 8 years, or 11 years in case of trademarks, with the exception of one particular case. These intangible assets are not revaluated.

Other intangible assets
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:
– it is technically feasible to complete the software product so that it will be available for use;
– management intends to complete the software product and use or sell it;
– there is an ability to use or sell the software product;
– it can be demonstrated how the software product will generate probable future economic benefits;
– adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
– the expenditure attributable to the software product during its development can be measured reliably.

Directly attributable costs capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.
Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives, which can vary from 3 to 5 years.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, receivables and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity.

Held-to-maturity financial assets
If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the Group from classifying investment securities as held to maturity for the current and the following two financial years.

Receivables
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The group's receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Consolidated Statement of Financial Position (notes 2.12 and 2.13) and are recognised initially at fair value and subsequently measured at amortised cost.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are recognised initially at fair value and included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Receivables are carried at amortised cost using the effective interest method.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from shareholders' equity and recognised in the profit (loss) for the period. Impairment losses recognised in the profit (loss) for the period on equity instruments are not reversed through the profit (loss) for the period. Impairment testing of receivables is described in note 2.12.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of investments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of investments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

2.9 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently revaluated at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.
The group designates certain derivatives as either:
(a) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
(b) hedges of a net investment in a foreign operation (net investment hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve in shareholders' equity are shown in the statement of shareholders' equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current asset or liabilities.

(a) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and presented in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within Finance income or Finance costs.

Amounts accumulated in equity are recycled in the profit (loss) for the period in the periods when the hedged item affects profit or loss. The gain or loss relating to the ineffective portion is recognised in the profit (loss) for the period within Finance income or Finance costs.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or non-current assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in case of inventory or in depreciation in case of non-current assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in shareholders' equity at that time remains in shareholders' equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income within Finance income or Finance costs.

(b) Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and presented in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within Finance income or Finance costs.
Gains and losses accumulated in shareholders' equity are included in the statement of comprehensive income when the foreign operation is partially disposed of or sold.

(c) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognised immediately in the statement of comprehensive income within Finance income or Finance expenses.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

2.10 Inventories

Inventories are stated at the lower of historical cost or net realisable value. Cost is determined using the weighted average method and an adjustment to net realisable value is considered for items, which have not moved during the last 12 months. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses. Costs of inventories include the transfer from equity of gains (losses) on qualifying cash flow hedges relating to production cost.

2.11 Production contracts

Production costs are recognised when incurred.

When the outcome of a production contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a production contract cannot be estimated reliably, contract revenue is recognised only to the extent of production costs incurred that are likely to be recoverable.

The Group uses the ‘percentage of completion method’ to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2.12 Receivables and prepayments

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within Administrative expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against Administrative expenses in the statement of comprehensive income.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the Consolidated Statement of Financial Position.

Under the new financing agreement the long term aim is to decrease substantially the liquidity position in cash and cash equivalents and use committed revolvers when needed.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in shareholders' equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's shareholders.

Private placements need to be approved by the shareholders in the Company's Annual General Meeting. Based on such resolution, where the shareholders waive their pre-emptive rights, the Board of Directors can approve for a private placement.

2.15 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in shareholders' equity. In this case, the tax on this item is included in deferred taxes; the net amount is recognised in shareholders' equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.18 Employee benefits

Share-based compensation
The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At reporting date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions.

It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to shareholders' equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The fair value of the employee share options granted is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the options, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Profit sharing and bonus plans
Under some circumstances, a liability for key employee benefits in the form of profit sharing and bonus plans is recognised in other provisions when there is no realistic alternative but to settle the liability and at least the condition is met that there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Pension plans
Marel has several pension plans in accordance with local rules and conditions. Based on IAS 19, some of these plans are classified as Defined Benefit plans. In general, these plans are funded by payments to insurance companies or to funds administered by third parties. For the majority of its employees, the Group has pension plans in which the liabilities to the employees are based on the number of years of service and the salary levels. The liabilities of these pension plans are covered systematically by insurance contracts or by the inclusion of liabilities in the statement of financial position. Investments are made primarily in fixed-interest securities, listed shares and related instruments, and real estate.

The most important defined benefit plan is administered by Stichting Pensioenfonds Stork (Stork Pension Fund Foundation). The pension commitments of Dutch former-Stork operating companies (so-called average salary schemes) are managed by Stichting Pensioenfonds Stork. The coverage ratio is determined annually, based on actuarial calculations and guidelines issued by the Dutch Central Bank. Taking into account the outcome of this determination, the pension contributions are determined and if possible the conditional indexation is affected. Of the contributions as determined annually, 55% are payable by the Group and 45% by the employee. At year-end 2010 the coverage ratio was 99%.

The net liabilities of former-Stork companies arising out of Defined Benefit commitments are calculated separately for each plan by estimating the pension benefits built up by the employees in exchange for their services in the financial year and earlier periods. These pension benefits are discounted to determine their present value, from which the fair value of the plan is deducted. The liability is calculated by means of the projected unit credit method. The discount rate is the yield on the reporting date of AA credit rated corporate bonds that have maturity dates approximating those of the Stork Defined Benefit obligation.

If the pension benefits of a plan have improved, the part of the improved pension benefits relating to the past service by employees is recognised on a linear basis to the statement of comprehensive income over the average period

until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the statement of comprehensive income. Actuarial gains and losses in the calculation of the obligation of the former Stork companies in respect of a pension plan, to the extent that any cumulative unrecognised actuarial gains or losses exceed 10% of the greater of the present value of the defined benefit obligations or the fair value of the plan assets, are recognised in the statement of comprehensive income over the average remaining period of service of the employees participating in that plan. Otherwise the actuarial gain or loss is not recognised.

If the calculation results in a benefit, the recognised asset is limited to an amount maximally equal to the economic benefits available. The calculation is performed by qualified actuaries. Assets resulting from actuarial losses are not recognised. The Group applies an allowed alternative under IAS 19.58A and IAS 19.58B.
A defined contribution plan is a plan to provide benefits after retirement in which an entity makes fixed contributions to a separate entity, and legally has no constructive obligation to make further contributions. Obligations relating to defined contribution pension plans are charged to the statement of comprehensive income as employee remuneration expenses when the contributions are payable. Contributions paid in advance are presented as assets to the extent that cash repayment or a reduction in future contributions is available.

2.19 Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. The Group gives guarantee on certain products and undertakes to repair or replace items that fail to perform satisfactorily. If the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue comprises the fair value for the sale of goods and services net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from fixed-price contracts for delivering design services and solutions is recognised under the percentage-of-completion (POC) method. Under the POC method, revenue is generally recognised based on the services performed and direct expenses incurred to date as a percentage of the total services to be performed and total expenses to be incurred.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividends are recognised when the right to receive payment is established.

2.21 Leases

Leases of property, plant and equipment where the Group has substantially obtained all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the lease payment is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

Financial risk factors

The Group's activities expose to financial risk consisting of market risks (interest and currency risk), credit risk and liquidity risk.

This note presents information about the Group´s exposure to each of the above mentioned risks, the Group's objectives, policies and processes for measuring and managing the risk. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

Risk management framework
Risk management is carried out by a central treasury department (Group Treasury) under policies and with instruments approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Group´s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group´s financial performance. The Group uses derivative financial instruments to hedge certain risk exposures and does not enter into financial contracts for speculative purposes. Group Treasury and Corporate Control staff meet with CFO weekly to monitor the risk management process.

(a) Market risk
In November 2010, the Group entered into a facilities agreement with six international banks, led by ING bank, Rabobank and ABN Amro. The new financing structure provides the Group with a strong foundation for the future. The single financing package consists of credit facilities amounting to EUR 350 million, to be drawn in currencies reflecting the Group's revenues and assets. The key elements of the financing are:

- A five-year senior club loan and revolver, consisting of a EUR 135 million and a USD 115 million term loan and EUR 100 million multicurrency revolver, with final maturity in November 2015. Initial interest terms are EURIBOR/LIBOR + 300 bps, which are expected to decrease during the maturity of the loan.
- A junior club loan in the amount of EUR 30 million, with a six year maturity that can be converted into senior ranking subject to the Group's financial performance. Initial terms are EURIBOR/LIBOR + 500 bps.

The Group has now reached a financing structure which can accomodate the Group´s financing requirements till 2015 with USD and EUR borrowings matching the Group´s exposure in these currencies to a large extent. The ISK risk in borrowings is reduced to a minimum, amounting to EUR 7,5 million at 31 December 2010 (2009: EUR 99 million) and will dissappear ultimately February 2012 when bond issue MARL 06 1 matures.

(i) Foreign exchange risk
The Group operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the EUR, as the EUR is the Group´s reporting currency. Financial exposure is hedged in accordance with the Group´s general policy and within set limits. The Group uses natural hedges or forward contracts to manage their foreign exchange risk arising from commercial transactions, recognized assets and liabilities that are determined in a currency other than the entity´s functional currency. Currency exposure arising from net assets of the Group´s major foreign operations (translation risk) is managed primarily through borrowings denominated in the relevant foreign currencies as the policy is to apply natural exchange rate hedging where possible.

On the operational front, only a fraction of 0.5% (2009: 0.5%) of revenues is denominated in ISK, while 4.5% (2009: 3.5%) of costs are in ISK. In the past the Group had cash flow hedges to manage the risk originating in this imbalance. These hedges were closed and settled in 2009.

The Group has continued to reduce the currency risk from ISK denominated debt by converting to EUR or equity and by repurchasing ISK bonds. After the recent refinancing of the Group around 2% of borrowings are in ISK compared to 27% at year end 2009. Other borrowings are mostly in EUR and USD (reference is made to note 21). The outstanding borrowings are aligned with recognised assets and liabilities to offset cash flows arising from the borrowings in such way that natural exchange rate hedges are realized and the risk arising from currency exposures is mitigated.

(ii) Cash flow and fair value interest rate risk
The Group is exposed to interest rate risk on borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risk is managed by maintaining a mix between fixed and floating interest rate borrowings. The Group adopts a policy of ensuring that between 50 – 70% of its exposure to changes in interest rates on borrowings is hedged for the coming 3-5 years. Based on various scenarios, the Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Generally the Group raises long term borrowings at floating rates and swaps them into fixed rates. Presently around 48% of the total borrowings have floating interest rates and the rest is fixed. The notional amount of debt converted from floating to fixed rate interest via an interest rate swap is EUR 107 million and USD 55

million, with maturity in September 2013-2015. The agreed interest varies from 3.04 -4.27% on EURIBOR and 2.85 - 4.05% on LIBOR.

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

(iii) Capital Management
The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors on leverage defined as Net Debt divided by EBITDA as well as on the return on capital, which the Group defines as result from operating activities divided by total Shareholders' Equity. The Board also monitors the level of dividends to ordinary shareholders.

The Board's target is to arrange for maximum 6% of total share capital for shares held by employees of the Group under the stock option plans. At present employees will hold 4.5% of the shares, assuming that all outstanding share options vest and / or are executed.

The Board seeks to maintain a balance between the higher returns on equity that might be possible with higher levels of borrowings and the advantages and security of a sound capital position. The Group uses the leverage ratio in their approach to capital management.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2010	2009
Total borrowings	320,649	366,917
Cash and cash equivalents, incl. restricted cash	63,908	71,904
Net Debt	256,741	295,013
Total Equity	343,269	323,797
Hedge Reserve	(7,300)	(8,243)
Adjusted Capital	335,969	315,554
Debt to adjusted capital ratio	0.76	0.93

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under the Group's share option plans. Buy and sell decisions are taken by the Board of Directors. Based on a motion approved in the Annual General Meeting of shareholders, the Board of Directors can acquire up to 10% of its own shares at a price which is no higher than 10% over and no lower than 10% under the posted average price of shares in the Company for the two weeks immediately preceding the acquisition.

(iv) Insurance
The Group maintains global and local insurance programs. The coverage comprises property damage, business interruption, general and product liability, marine cargo/mounting, directors' and officers' liability, employers practice liability, business travel and accident. The Group believes that its current insurance coverage is adequate.

(b) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. Each customer has a set credit limit and the utilization of the credit limit is regularly monitored.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount 2010	2009
Trade receivables	14	91,449	67,334
Other receivables and prepayments	14	27,815	23,596
Restricted cash	19	12,509	25,882
Net cash	19	51,399	46,022
		183,172	162,834

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and products are not delivered until payments are secured. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Marel has banking relations with a diversified set of financial institutions around the world, including one Icelandic bank. The Group has policies that limit the amount of credit exposure to any one financial institution and has ISDA agreements in place with counterparties in derivative transactions.

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and committed credit facilities to give reasonable operating headroom. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by maintaining availability under committed credit lines. The Group has EUR 100 million of committed revolving facilities, which can be used both as a revolver and to issue guarantees for downpayments. At year end the group had drawn EUR 58 million on the revolver and issued EUR 25 million of guarantees under the facility, total usage of EUR 83 million, leaving a headroom of EUR 17 million. All facilities are subject to operational and Consolidated Statement of Financial Position covenants (interest cover and leverage). At the end of 2010 there is sufficient headroom.

Cash flow forecasts are done at the local levels and monitored by Group Treasury. Group liquidity reports are viewed by management on a weekly basis. The current liquidity position of EUR 63.9 million at 31 December 2010 is relatively strong and the business remains equipped to deal with current market environment.

The following table details the Group’s liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

At 31 December 2010	**less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**Over 5 Years**	**Total**
Interest rate swap	589	1,423	3,687	6,250	0	11,949
At 31 December 2009						
Interest rate swap	51	171	1,541	10,991	0	12,754

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay in the worst case scenario. The table includes both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

At 31 December 2010	Weighted average effective interest rate	less than 6 months	6-12 months	1 year to 3 years	3-5 years	Total
Finance lease liability	7.99%	90	152	391	0	633
Financial guarantee contracts ..	-	14,677	20,979	0	0	35,656
At 31 December 2009						
Finance lease liability	7.53%	88	158	718	357	1,321
Financial guarantee contracts ..	-	5,781	4,022	971	0	10,774

Fair value estimation

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model (references made to note 24). Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed for the first time in 2010.

At 31 December 2010	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Interest rate swap	118	(118)	(13)	13

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 5.58%

The fair value of the finance lease liabilities equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 7.99%.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

2010	Note	Fair value-hedging instruments	Loans & receivables	Other financial liabilities	Total carrying amount	Fair Value
Cash and cash equivalents	19	0	63,908	0	63,908	63,908
Receivables	14	0	119,264	0	119,264	119,264
		0	183,172	0	183,172	183,172
Interest rate swaps used for hedging	24	(11,028)	0	0	(11,028)	(11,028)
Secured bank loans	21	0	0	(300,860)	(300,860)	(300,860)
Debentures	21	0	0	(7,522)	(7,522)	(7,522)
Finance lease liabilities	21	0	0	(633)	(633)	(633)
Unsecured bank loan	21	0	0	(11,634)	(11,634)	(11,634)
Trade and other payables	25	0	0	(107,783)	(107,783)	(107,783)
Bank overdraft	19	0	0	(5)	(5)	(5)
		(11,028)	0	(428,437)	(439,465)	(439,465)

2009	Note	Fair value-hedging instruments	Loans & receivables	Other financial liabilities	Total carrying amount	Fair Value
Cash and cash equivalents	19	0	71,904	0	71,904	71,904
Receivables	14	0	90,931	0	90,931	90,931
		0	162,835	0	162,835	162,835
Interest rate swaps used for hedging	24	(11,065)	0	0	(11,065)	(11,065)
Secured bank loans	21	0	0	(307,131)	(307,131)	(307,131)
Debentures	21	0	0	(34,049)	(34,049)	(34,049)
Finance lease liabilities	21	0	0	(1,321)	(1,321)	(1,321)
Unsecured bank loan	21	0	0	(20,396)	(20,396)	(20,396)
Trade and other payables	25	0	0	(80,124)	(80,124)	(80,124)
Bank overdraft	19	0	0	(4,020)	(4,020)	(4,020)
		(11,065)	0	(447,041)	(458,106)	(458,106)

The group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

Level 1:
The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2:
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These valuation techniques are based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3:
Valuation techniques using significant unobservable inputs.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

At 31 December 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative liabilities held for risk management	0	11,028	0	11,028
At 31 December 2009				
Derivative liabilities held for risk management	0	11,065	0	11,065

No financial instruments were transferred from Level 1 to Level 2 or from Level 2 to Level 3 of the fair value hierarchy.

4 Critical accounting estimates and assumptions

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The actual results will, by definition, seldom be exactly equal to the related accounting estimates used.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 12).
The Group tests annually whether financial assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value in use calculation. These calculations require the use of estimates.

If the actual gross margin had been higher or the pre-tax discounted rate lower than management's estimates, the Group would not be able to reverse any impairment losses that arose on goodwill.

(b) Income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The Group uses discounted cash flow analysis for available-for-sale financial assets that are not traded in active markets.

(d) Capitalised development cost
The recoverability of the capitalised development cost is tested regularly, to verify if expected future economic benefits justify the values captured in the intangible fixed assets. The Group uses discounted cash flow analysis for this purpose.

(e) Revenue recognition
The Group uses the percentage-of-completion method in accounting for its revenues for production contracts. Use of the percentage-of-completion method requires the Group to estimate the stage of completion to date as a proportion of the total work to be performed.

Carrying amounts of the items mentioned above:

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Goodwill	379,879	0	377,959	0
Other intangible assets	92,884	0	85,433	0
Current and defered income taxes	12,619	6,549	14,850	9,349
Financial instruments	0	11,028	0	11,065
Assets & Liabilities held for sale	598	0	33,330	43,693
Investments in associates	109	0	97	0
Production contracts	18,354	78,306	11,992	36,157

5 Segment information

Business segments

The segments comprise the industries, which form the basis for managerial decision taking.

The segment information for the year ended 31 December 2010 is as follows:

	Fish	Poultry	Meat	Further Processing	Others	Total
Total gross segment revenues	93,986	327,833	108,801	101,580	26,948	659,148
Inter-segment revenues	(2,503)	(13,665)	(16,827)	(24,550)	(1,182)	(58,727)
	91,483	314,168	91,974	77,030	25,766	600,421
Result from operations	9,754	44,395	7,234	2,414	(6,463)	57,334
Finance costs - net						(42,096)
Result before income tax						15,238
Income tax						(1,612)
Profit (loss) for the period						13,626
Assets	73,973	212,247	110,083	82,711	398,609	877,623
Depreciation and amortisation	(3,589)	(10,244)	(4,328)	(4,691)	(1,990)	(24,842)

Result from operations of the Other Segment include EUR 7.6 million pension recovery premium and EUR 0.7 million profit of the divested businesses of Carnitech A/S and the Stork Food & Dairy Systems group up to and including the closing of the divestment, of which EUR 0.3 million transaction result. Furthermore, the Others segment includes the holding companies and a Food & Dairy company which was not part of the divestment.

The Group does not allocate financial income and expenses between business segments. The segments are held responsible for the result from operations. Decisions on tax and financing structures are taken on corporate level. Inter-segment transfers or transactions are entered into under at arm's length terms and conditions comparable to those available to unrelated parties.

The segment information for the year ended 31 December 2009 is as follows:

	Fish	Poultry	Meat	Further Processing	Others	Total
Total gross segment revenues	86,258	223,052	89,310	83,657	93,417	575,694
Inter-segment revenues	(1,859)	(7,353)	(13,895)	(14,827)	(6,080)	(44,014)
	84,399	215,699	75,415	68,830	87,337	531,680
Result from operations	5,237	23,062	993	(1,417)	(19,828)	8,047
Finance costs - net						(25,845)
Result before income tax						(17,798)
Income tax						5,987
Profit (loss) for the period						(11,811)
Assets *	77,771	193,756	84,525	71,695	455,135	882,882
Depreciation and amortisation	(4,331)	(9,466)	(4,717)	(3,561)	(3,813)	(25,888)
Impairment charges / reversals					(24,818)	(24,818)

*) restated for inter-company assets taken out.

Geographical information

The Group's four business segments operate in four main geographical areas, even though they are managed on a worldwide basis.
The home country of the Group is Iceland. The two main operating companies are located in Iceland and the Netherlands, however, these companies realize most of their revenues in other countries.

Revenues, allocated based on country where the customer is located.	2010	2009
Iceland	3,195	2,708
The Netherlands	15,860	19,711
Europe other	303,431	257,431
North America	176,371	144,613
Other countries	101,564	107,217
	600,421	531,680
Total assets		
Iceland	199,826	203,818
The Netherlands	472,206	390,507
Other countries	205,591	288,557
	877,623	882,882
Capital expenditure		
Iceland	3,024	2,829
The Netherlands	10,253	6,798
Other countries	9,578	14,928
	22,855	24,555

6 Other operating income (expenses)

The result of the divestments of Stork Food & Dairy systems and Carnitech A/S in the first quarter of 2010 are included in the other operating income for an amount of EUR 0.3 million.
During 2008 the Stork Pension Fund was in a situation of underfunding (coverage ratio end of 2008 was below the required 104.5%). As a consequence the pension fund was required by the Dutch Central Bank to make a recovery plan in 2009. To close the discussions, Marel has accepted the amount of recovery premium of EUR 8 million, to be paid in a 3 year period (2009 EUR 4 million, 2010 and 2011 EUR 2 million each). In 2010 the full costs for the recovery plan are included in other operational income (expenses), of which up to end of December 2010 EUR 5.8 million is paid to the pension fund and EUR 2.2 million is provided for in the Consolidated Statement of Financial Position under current liabilities (EUR 2.0 million) and non-current liabilities (EUR 0.2 million).

7 Net finance costs

Finance costs:	2010	2009
Interest on borrowings	(28,022)	(41,609)
Interest on finance leases	(32)	(75)
Other finance expenses	(11,663)	(3,780)
Net foreign exchange transaction losses	(3,295)	0
Subtotal Finance costs	(43,012)	(45,464)
Finance income:		
Interest income	916	696
Result on financial derivatives*	0	11,594
Net foreign exchange transaction gains	0	7,328
Subtotal Finance income	916	19,619
Net Finance costs	(42,096)	(25,845)

* Result on financial derivatives include EUR 12.5 million positive result on closed ISK derivative contracts. The accruals end of December 2008 were made at a EUR/ISK exchange rate of 169.44, settlement in 2009 at EUR/ISK 149.74.

Other finance expenses consist of:
An ineffective portion of changes in fair value of cash flow hedges of EUR (1,455). This ineffective part was initially recognized in Q2 2010 and adjusted after the refinancing at end November 2010.
And as a result of the refinancing in 2010 an amount of EUR (6,995) of capitalized finance charges related to the former financing agreements were written off to the Consolidated Statement of Comprehensive Income. Finance costs related to the new financing agreement are capitalised. The amortisation of capitalised finance charges in 2010 amounted to EUR (2,331).

8 Staff & Reorganisation costs

	2010	2009
Salaries & Wages	160,076	160,676
Related expenses	19,924	18,985
Post retirement costs	10,315	12,426
	190,315	192,087
Staff costs analyses as follows in the Consolidated Statement of Comprehensive Income:		
Cost of sales	87,026	82,247
Selling and marketing expenses	45,400	51,603
Research and development expenses	28,565	30,796
Administrative expenses	29,324	27,441
	190,315	192,087
Average number of Full Time Equivalents	3,359	3,590

Total reorganisation costs recognised as expenses in 2010 amounted to EUR 619, of which EUR 584 is included in the staff cost presented above.

9 Income Tax

	2010	2009
Current tax	(2,577)	(2,091)
Deferred tax	965	8,078
	(1,612)	5,987

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

Reconciliation of effective income tax	2010	%	2009	%
Result before income tax	15,238		(17,798)	
Income tax using Iceland rate	(2,743)	18.0	2,670	15.0
Effect of tax rates in other jurisdictions	(1,865)	12.2	2,511	14.1
Weighted average applicable tax	(4,608)	30.2	5,181	29.1
Fx effect Iceland	172	(1.1)	(237)	(1.3)
R&D tax incentives	1,526	(10.0)	1,492	8.4
Permanent differences	1,604	(10.5)	764	4.3
Tax losses (un)recognised	431	(2.8)	1,555	8.7
Impairment tax losses	(454)	3.0	(749)	(4.2)
Effect of divestment	(428)	2.8	(1,631)	(9.2)
Others	145	(1.0)	(388)	(2.2)
Tax charge included in the profit (loss) for the period	(1,612)	10.6	5,987	33.6

10 Earnings per share

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

	2010	2009
Net profit (loss) attributable to share holders	13,626	(11,811)
Weighted average number of outstanding shares in issue (thousands)	727,410	603,951
Basic earnings per share (EUR cent per share)	1.87	(1.96)

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2010	2009
Net profit (loss) used to determine diluted earnings per share	13,626	(11,811)
Weighted average number of outstanding shares in issue (thousands)	727,410	603,951
Adjustments for share options (thousands)	2,311	0
Weighted average number of outstanding shares for diluted earnings per share (thousands)	729,721	603,951
Diluted earnings per share (EUR cent)	1.87	(1.96)

11 Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2009				
Cost	110,452	45,670	26,840	182,962
Accumulated depreciation	(7,826)	(16,366)	(13,350)	(37,542)
Net book amount	102,626	29,304	13,490	145,420
Year ended 31 December 2009				
Opening net book amount	102,626	29,304	13,490	145,420
Reclassifications	3,046	(2,726)	(1,079)	(759)
Exchange differences	96	(33)	382	445
Additions	808	4,582	2,727	8,117
Disposals	(13,319)	(737)	(689)	(14,745)
Assets held for sale	(3,512)	(1,374)	(359)	(5,245)
Impairment	0	(965)	(138)	(1,103)
Reclassification to intangible assets	0	(2,816)	0	(2,816)
Depreciation charge	(3,442)	(5,998)	(4,548)	(13,988)
Closing net book amount	86,303	19,237	9,786	115,326

At 1 January 2010				
Cost *	110,004	56,653	51,962	218,619
Accumulated depreciation *	(23,701)	(37,416)	(42,176)	(103,293)
Net book amount	86,303	19,237	9,786	115,326
Year ended 31 December 2010				
Opening net book amount	86,303	19,237	9,786	115,326
Reclassifications	1	220	(205)	16
Exchange differences	937	1,345	524	2,806
Additions	703	2,081	1,961	4,745
Disposals	(652)	(222)	(323)	(1,197)
Reclassification from (to) intangible assets	0	(194)	0	(194)
Depreciation charge	(3,130)	(5,564)	(3,390)	(12,084)
Closing net book amount	84,162	16,903	8,353	109,418
At 31 December 2010				
Cost	111,288	57,989	43,182	212,459
Accumulated depreciation	(27,126)	(41,086)	(34,829)	(103,041)
Net book amount	84,162	16,903	8,353	109,418

*) recategorised

Depreciation of property, plant and equipment analyses as follows in the Consolidated Statement of Comprehensive Income:

	2010	**2009**
Cost of sales	7,843	7,870
Selling and marketing expenses	890	829
Research and development expenses	381	926
Administrative expenses	2,970	4,363
	12,084	13,988

As of 31 December 2010 mortgages included in interest bearing debt amounted to EUR 10,181, which are secured against a pledge on the real estate for the amount of EUR 12,374.

12 Intangible Assets

	Goodwill	Developm. costs	Patents & Trade name	Other Intangible	**Total other Intangibles**
At 1 January 2009					
Cost	395,038	54,254	5,839	45,181	105,274
Accumulated amortisation	(59)	(15,252)	(327)	(4,236)	(19,815)
Net book amount	394,979	39,002	5,512	40,945	85,459
Year ended at 31 December 2009					
Opening net book amount	394,979	39,002	5,512	40,945	85,459
Reclassifications	(3,191)	(5,284)	41,524	(36,304)	(64)
Exchange differences	497	133	(771)	179	(459)
Assets held for sale	0	(2,054)	0	(386)	(2,440)
Impairment	(14,394)	(4,416)	0	0	(4,416)
Other acquisitions - internally developed	68	16,153	0	284	16,437
Reclassification from tangible assets	0	0	0	2,816	2,816
Amortisation charge	0	(7,717)	(3,142)	(1,041)	(11,900)
Closing net book amount	377,959	35,817	43,123	6,493	85,433

At 1 January 2010					
Cost *	377,959	49,628	48,566	9,554	107,748
Accumulated amortisation *	0	(13,811)	(5,443)	(3,061)	(22,315)
Net book amount	377,959	35,817	43,123	6,493	85,433
Year ended 31 December 2010					
Opening net book amount	377,959	35,817	43,123	6,493	85,433
Exchange differences	1,692	85	1,904	(84)	1,905
Other acquisitions - internally developed	228	16,121	0	1,989	18,110
Reclassification from (to) tangible assets	0	0	0	194	194
Amortisation charge	0	(9,110)	(2,622)	(1,026)	(12,758)
Closing net book amount	379,879	42,913	42,405	7,566	92,884
At 31 December 2010					
Cost	379,879	66,132	50,701	10,814	127,647
Accumulated amortisation	0	(23,219)	(8,296)	(3,248)	(34,763)
Net book amount	379,879	42,913	42,405	7,566	92,884

	2010	**2009**
Other acquisitions - internally developed	(18,110)	(16,437)

*) recategorised

Amortisation of intangible assets analyses as follows in the Consolidated Statement of Comprehensive Income:

	2010	**2009**
Cost of sales	59	72
Selling and marketing expenses	78	130
Research and development expenses	9,963	9,218
Administrative expenses	2,658	2,480
	12,758	11,900

Impairment of Goodwill
Goodwill is allocated to the Group's Cash Generating Units (CGUs). In 2010 the CGUs are defined as the business units, as was done in 2009. The test includes all fixed assets and net working capital.

The recoverable amount of the CGU is determined using the discounted cash flow (DCF) method based on financial budgets approved by management, covering a five-year period. Cash flows beyond the five year period are extrapolated using estimated growth rates and EBITDA margins as shown in the table below, as well as a pre-tax discount rate of 10.0% and a post-tax discount rate of 9.7%. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The recoverable amount is based on value in use. Sensitivity analysis on the DCF outcome used the following assumptions: decrease of forecasted revenues by at least 5%, decrease of revenue growth after the 5 year period by at least 1.3%, increase of the discount rate by at least 1.4%. Based on the outcome of these calculations impairment is still not required.

Changes to past assumptions:
Based on the future Group structure, excluding non-core activities the Group has changed assumptions used for EBITDA margin. The discount rate assumption has been changed to reflect the new financing structure.
The key assumptions used for the impairment test in 2010 are:

2010	Marel ehf.	AEW Delford	Poultry Processing	Further Processing	Carnitech A/S	Food & Dairy Systems
Goodwill	86,526	8,259	273,101	11,331	n/a	n/a
EBITDA margin 1)	16.5%	15.5%	16.6%	14.1%		
Growth rate 2)	3.0%	3.0%	3.0%	3.0%		
Discount rate 3)	9.7%	9.7%	9.7%	9.7%		

The key assumptions used for the impairment test in 2009 are:

2009	Marel ehf.	AEW Delford	Poultry Processing	Further Processing	Carnitech A/S	Food & Dairy Systems
Goodwill	86,271	8,076	271,308	12,859	722	13,673
EBITDA margin 1)	18,8%	13.3%	16.9%	11.6%		
Growth rate 2)	3.0%	3.0%	3.0%	3.0%		
Discount rate 3)	13,5%	13.5%	10.7%	10.7%		

1) Average budgeted EBITDA Margin
2) Weighted average growth rate used to extrapolate cash flows beyond budget period
3) Discount rate applied to the cash flow projections

13 Investments in associates

	2010	2009
Beginning of period	97	333
Additions (impairments)	12	(236)
End of period	109	97

14 Receivables

Current receivables and prepayments:	2010	2009
Trade receivables	95,330	71,175
Less: write-down to net-realisable value	(3,881)	(3,841)
Trade receivables – net	91,449	67,334
Less non-current portion	(3,669)	(150)
Current portion	87,780	67,184
Other receivables and pre-payments		
Pre-payments	7,120	6,974
Other receivables	20,695	16,622
	27,815	23,596

All non-current receivables are due within four years from the reporting date.

The carrying amounts of receivables and pre-payments approximate their fair value; 2009 includes impairment to fair value of Carnitech A/S of EUR 1,587.

Trade receivables that are less than 90 days past due are not considered impaired. As of 31 December 2010, trade receivables of EUR 21,969 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. As of 31 December 2010, trade receivables of EUR 13,970 were tested for impairment and written down when necessary. The amount of the write-down to net-realisable value was EUR 3,881 as of 31 December 2010. The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables over 90 days is expected to be recovered.

The ageing of these receivables is as follows:

	2010		2009	
	Gross amount	Provision for Impairment	Gross amount	Provision for Impairment
Up to 90 days	80,011	0	55,321	0
Over 90 days	15,319	(3,881)	15,854	(3,841)
	95,330	(3,881)	71,175	(3,841)

The carrying amounts of the Group's trade and other receivables (current portion) are denominated in the following currencies:

	2010	2009
EUR	54,111	39,301
US Dollar	20,257	13,492
UK Pound	3,771	3,862
Other currencies	13,522	14,370
	91,661	71,025
Provision	(3,881)	(3,841)
	87,780	67,184

Movements on the Group receivables impaired to net-realisable value are as follows:

	2010	2009
At 1 January	3,841	3,511
Provision for receivables impairment	1,377	1,976
Receivables written off during the year as uncollectible	(283)	92
Unused amounts reversed	(1,054)	(1,153)
At 31 December	3,881	4,426
Assets held for sale	0	(585)
	3,881	3,841

The impairment to net-realisable value and reversals has been included in Administrative expenses in the Consolidated Statement of Comprehensive Income.

The other classes within trade and pre-payments do not contain impaired assets.

15 Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method.
The gross movement on the deferred income tax account is as follows:

At 1 January 2009	(4,742)
Divestments / assets held for sale	614
Exchange differences and changes within the Group	(78)
Consolidated Statement of Comprehensive Income charge (excluding rate change)	8,664
PPA adjustments	3,340
Effect of change tax rates	(586)
Others	(127)
At 31 December 2009	7,085
At 1 January 2010	7,085
Divestments / assets held for sale	(563)
Exchange differences and changes within the Group	625
Consolidated Statement of Comprehensive Income charge (excluding rate change)	669
Hedge reserve booked in other comprehensive income	(323)
Effect of change tax rates	297
Others	(96)
Twelve months ended 31 December 2010	7,694

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

The deferred tax charged / (credited) to equity during the period is as follows:	**2010**	**2009**
Fair value reserves in shareholders' equity		
– hedging reserve	323	(262)

	2010	2009
Deferred tax assets	12,619	14,850
Deferred tax liabilities	(4,925)	(7,765)
	7,694	7,085

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Based on future profits expected in the strategic plan the recoverability has been tested; an impairment of EUR 454 has been applied. Sensitivity analysis on impairment of tax losses used the assumption of decreasing the forecasted profit before tax by 5%. Based on the outcome of this calculation the impairment is not affected.
Prior year adjustments amounted to EUR 0.2 million of the tax position were not material on Group level.
Taxable effects of losses will expire according below schedule:

	2010		**2009**	
	Total tax losses	Of which not capitalised	Total tax losses	Of which not capitalised
Less than 6 years	13,974	9,890	10,435	8,317
Between 6 and 10 years	22,531	1,906	33,506	1,316
More than 10 years	11,463	2,433	13,688	974
Indefinite	19,365	3,387	28,620	1,643
	67,333	17,616	86,249	12,250

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Net opening	Exchange differences	Booked in Compre-hensive income	Compre-hensive income charge	Effect of change in tax rates	Others	Net closing
Property, plant and equipment	(4,640)	22	0	(1,564)	(299)	(3)	(6,484)
Intangible assets	(8,361)	(6)	0	923	1,075	364	(6,006)
Other financial assets	2,822	(4)	(278)	(17)	(48)	(99)	2,376
Receivables	(1,194)	(14)	0	779	(69)	(4)	(501)
Inventories	1,685	91	0	507	(50)	(1)	2,233
Current liabilities	(1,111)	34	0	2,018	(101)	(120)	720
Long term liabilities	(1,385)	(126)	0	3,131	109	103	1,832
Provisions for pensions	1,011	35	0	(105)	4	(774)	172
Provisions for reorganisations	12	0	0	(58)	1	47	1
Provisions for guarantees	300	13	0	(323)	5	(43)	(48)
Provisions others	(366)	5	0	444	(1)	5	87
Others	33	0	0	55	0	104	192
Subtotal	(11,194)	50	(278)	5,791	626	(421)	(5,426)
Subtotal tax losses	18,279	575	0	(5,122)	(330)	(282)	13,120
Overall total	7,085	625	(278)	669	296	(703)	7,694

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Property, plant and equipment	831	2,171	(7,315)	(6,811)	(6,484)	(4,640)
Intangible assets	11,716	9,665	(17,720)	(18,026)	(6,004)	(8,361)
Other financial assets	2,813	2,822	(437)	0	2,376	2,822
Receivables	591	430	(1,092)	(1,624)	(501)	(1,194)
Inventories	2,658	2,292	(427)	(607)	2,231	1,685
Current liabilities	1,588	1,334	(869)	(2,445)	719	(1,111)
Long term liabilities	1,835	322	(4)	(1,707)	1,831	(1,385)
Provisions for pensions	321	1,013	(149)	(2)	172	1,011
Provisions for reorganisations	27	161	(26)	(149)	1	12
Provisions for guarantees	346	357	(395)	(57)	(49)	300
Provisions others	308	322	(221)	(688)	87	(366)
Others	0	182	0	(149)	194	33
Subtotal	23,034	21,071	(28,655)	(32,265)	(5,427)	(11,194)
Tax losses	31,411	18,279	(18,290)	0	13,121	18,279
Overall total	54,445	39,350	(46,945)	(32,265)	7,694	7,085

16 Inventories

	2010	2009
Raw materials	26,035	31,147
Semi-finished goods	45,818	31,238
Finished goods	24,559	31,106
	96,412	93,491
Provision	(15,822)	(12,437)
	80,590	81,054

The cost of inventories recognised as expense and included in Cost of sales amounted to EUR 288,402 (2009: EUR 253,896). In 2009 an impairment of EUR 2,603 was recognized as an adjustment to fair value of Carnitech A/S. In 2010 the write-down of inventories to fair value amounted to EUR 5,204.

There were no material reversals of write-downs to fair value. The write-downs recognized following a recoverability analysis are included in Cost of sales.

17 Production Contracts

	2010	2009
Ordered work in progress	10,370	10,705
Advances received on ordered work in progress	(70,322)	(34,870)
	(59,952)	(24,165)
Cost exceed billing	18,354	11,992
Billing exceed cost	(78,306)	(36,157)
	(59,952)	(24,165)

The carrying amounts of production contracts of 2009 include impairment to fair value of Carnitech A/S of EUR 353.

18 Assets and liabilities held for sale

Assets and liabilities held for sale in relation to Stork Food & Dairy Systems and Carnitech A/S as reported in the annual report of 2009 have been divested in Q1 2010. Assets held for sale at the end of 2010 contain the fair value of real estate for sale (EUR 598).

19 Cash, cash equivalents and restricted cash

	2010	2009
Cash at bank and in hand	51,399	46,022
Restricted cash	12,509	25,882
	63,908	71,904

Bank overdrafts are considered to be cash in the consolidated statement of cash flows. The restricted cash is a collateral for increased prepayment guarantees towards the clients for downpayments.

20 Shareholders' Equity

Share Capital	Number of shares (thousands)	Ordinary shares	Treasury shares	Total amount in ISK
At 1 January 2009	578,864	580,300	(1,436)	578,864
Issue of shares	146,836	146,836	0	146,836
Treasury shares purchased	(2,127)	0	(2,127)	(2,127)
Treasury shares sold	3,563	0	3,563	3,563
At 1 January 2010	727,136	727,136	0	727,136
Issue of shares	3,117	3,117	0	3,117
Treasury shares	38	0	38	38
At 31 December 2010	730,291	730,253	38	730,291
Class of share capital:				
Nominal value		6,694	0	6,694
Share premium		320,250	0	320,250

The total authorised number of ordinary shares is 730.3 million shares (2009: 727.1 million shares) with a par value of ISK 1 per share. All issued shares are fully paid.

Share options are granted to directors and to selected employees. The exercise price of the granted options in 2006 is higher than market price of the shares on the date of grant (16 February 2006). The exercise price of the granted options in January 2007 is equal to the market price of the shares on date of the grant (29 January 2007). The exercise price of the granted options in December 2007 is below the market price of the shares on date of the grant (3 December 2007). The exercise price of options granted in June 2008 is equal to the price in the share offering at date of the grant (June 2008). The exercise prices of options granted in May 2010 are higher than the market price of the shares on the date of grant. Options are conditional on the employee completing particular period's / year´s service (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price per share	Options (thousands)
At 1 January 2009	ISK 80	27,380
Forfeited 2009	ISK 74	(1,805)
At 31 December 2009	ISK 80	25,575
Granted 2010	EUR 0.563	18,020
Exercised	ISK 71	(3,117)
Cash settled	ISK 71	(2,013)
Forfeited 2010	ISK 83	(5,600)
At 31 December 2010	ISK 84	32,865
Exercisable options at 31 December 2010		6,513

Outstanding options granted 2006 and 2007 (exercise price ISK 70 and 74) have expiry date 2010 plus one year in grace. Outstanding options granted 2007 (exercise price ISK 92) have expiry date 2011 plus one year in grace. Outstanding options granted 2008 (exercise price ISK 89) have expiry date 2012 plus one year in grace. Outstanding options granted 2010 (exercise prices; EUR 0.546 in 2012, EUR 0.568 in 2013 and EUR 0.591 in 2014) have expiry date 2015.

In 2010, 2,992 thousand shares were exercised at exercise price ISK 70 per share, 25 thousand shares were exercised at exercise price ISK 74 per share and 100 thousand shares were exercised at exercise price ISK 92 per share. Options equal to 2,013 thousand shares were cash settled as decided by the Group, due to rules on foreign exchange in Iceland, which make it complicated at the moment for employees of Marel subsidiaries abroad to exercise and settle their share options with share purchasing. After completion of the current exercise the Group has

no plans to cash settle share options in the future. The weighted average exercise price of the cash settled options was 70.74 ISK per share.

Variables used in the Black Scholes calculation:

	Exercise price per share (ISK)	Expected term (years)	Annual dividend yield	Expected risk-free interest rate	Estimated volatility	Weigth. avg remaining contr. life in months*
Option plan February 2006	70	4	0.29%	4%	20%	1.2
Option plan September 2006	74	3.42	0.27%	4%	20%	1.2
Option plan January 2007	74	3.08	0.27%	4%	20%	1.2
Option plan December 2007	92	4	0.22%	4%	12.36%	13.3
Option plan June 2008	89	4	0.22%	4%	12.36%	32.4

	Exercise price per share (EUR)	Expected term (years)	Annual dividend yield	Expected risk-free interest rate	Estimated volatility	Weigth. avg remaining contr. life in months*
Option plan May 2010, 50% exercisable > 1 May 2012	0.546	5	0.00%	4%	21.29%	53
Option plan May 2010, 25% exercisable > 1 May 2013	0.568	5	0.00%	4%	21.29%	53
Option plan May 2010, 25% exercisable > 1 May 2014	0.591	5	0.00%	4%	21.29%	53

*) based on last possible exercise dates in each year.

Reserves
The hedge reserve contains revaluations on derivatives, on which hedge accounting is applied. The value of 31 December 2009 relates to one derivative for Stork Food Systems, an interest rate swap contract. The translation reserve contains the translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to a permanent financing contract with a subsidiary in the UK, for an amount of EUR 2,573.

21 Borrowings

Non-current:	**2010**	**2009**
Bank borrowings	302,837	316,785
Debentures	7,522	33,648
Finance lease liabilities	392	1,075
	310,751	351,508
Current:		
Bank borrowings excluding bank overdrafts	9,652	10,740
Bank overdrafts	5	4,022
Debentures	0	401
Finance lease liabilities	241	246
	9,898	15,409
Total borrowings	320,649	366,917

As of 31 December 2010, interest bearing debt amounted to EUR 320,649, of which EUR 309,015 are secured against shares that Marel hf. holds in certain subsidiaries and EUR 10,181 against real estate with a book value of EUR 12,374 (2009 pledged assets amounted to EUR 337,942). Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Liabilities in currency recorded in EUR:	Finance lease liabilities	Capitalised finance charges	Other borrowings	Total **2010**	Total **2009**
Liabilities in CHF	0	0	0	0	2,107
Liabilities in DKK	144	0	10,181	10,325	10,415
Liabilities in EUR	0	(4,860)	223,051	218,191	210,135
Liabilities in GBP	20	0	0	20	1,159
Liabilities in ISK, partially index linked	0	(23)	7,523	7,500	99,077
Liabilities in JPY	0	0	0	0	675
Liabilities in NOK	0	0	0	0	410
Liabilities in USD	200	(1,876)	86,021	84,345	42,708
Liabilities in other currencies	268	0	0	268	231
	632	(6,759)	326,776	320,649	366,917
Current maturates	(241)	1,011	(10,668)	(9,898)	(15,409)
	391	(5,748)	316,108	310,751	351,508

Annual maturates of non-current liabilities:

Year 2012	241	(1,370)	27,991	26,862	126,045
Year 2013	95	(1,370)	20,486	19,211	36,349
Year 2014	55	(1,370)	20,501	19,186	17,818
Year 2015	0	(1,288)	209,533	208,245	28,723
Later	0	(350)	37,597	37,247	142,573
	391	(5,748)	316,108	310,751	351,508

The Group has the following undrawn borrowing facilities:

Floating rate:	**2010**	**2009**
– Expiring within one year	0	10,000
– Expiring beyond one year	17,000	13,545
	17,000	23,545

As a result of the refinancing in 2010 an amount of EUR 7.0 million of capitalized finance charges related to the former financing agreements were released to the Consolidated Statement of Comprehensive Income. The finance charges related to the new financing agreement, amounting to EUR 6.9 million were capitalized in 2010.

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 5.58%.

An amount of EUR 303 was recognised as an expense in the Consolidated Statement of Comprehensive Income in respect of finance leases (2009: EUR 354).

	Future min. lease payments **2010**	Interest **2010**	Present val. of min. lease payments **2010**	Future min. lease payments **2009**	Interest **2009**	Present val. of min. lease payments **2009**
Less than 1 year	260	19	241	266	20	247
Between 1-5 years	422	31	391	1,163	88	1,075
Total	682	50	632	1,429	108	1,322

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

22 Provisions

	Guarantee commit-ments	Pension commit-ments		Other provisions	Total
At 1 January 2009	4,114	3,143		7,208	14,465
Business combination	(128)	0		12	(116)
Release	(780)	0		(434)	(1,214)
Additions	170	1,070		404	1,644
Used	(50)	1,480		(2,234)	(804)
At 1 January 2010	3,326	5,693		4,956	13,975
Liabilities held for sale	(626)	(45)		(1,524)	(2,195)
	2,700	5,648	*	3,432	11,780
Release	(66)	(101)		(1,338)	(1,505)
Additions	1,451	584		1,843	3,877
Used	(22)	(2,532)		(1,558)	(4,113)
At 31 December 2010	4,062	3,599	*	2,378	10,039

*) The amount for pension commitments includes the liabilities as disclosed in Note 23 Employee benefits.

Analysis of total provisions:	**2010**	**2009**
Current	3,320	2,983
Non current	6,719	8,797
	10,039	11,780

Specification of major items in provisions:

Nature of obligation	**Country**	**Maturity**	**Likelihood**	**Amount**
Reorganisation	Neth.	< 1 year	90%	313
Reorganisation	Iceland	< 1 year	100%	328
Reorganisation	Denmark	< 1 year	80%	254
Reorganisation	France	< 1 year	95%	247
Other Claim	Spain	< 1 year	95%	441
Guarantee	Neth.	Dynamic	Dynamic	1,861
Guarantee	Denmark	Dynamic	Dynamic	570
Guarantee	US	Dynamic	Dynamic	819

23 Employee benefits

The liability as per 31 December 2009 is given below:

	The Netherlands	Other countries	Total
Defined Benefit Obligation	265,795	15,552	281,347
Plan Assets	280,537	9,779	290,316
Net Position	14,742	(5,773)	8,969
Unrecognised actuarial gains and losses	(12,222)	1,864	(10,358)
The effect of limiting the asset *	(2,998)	0	(2,998)
Others recognised in the consolidated statement of financial position	0	10	10
Pension assets / (liabilities)	(478)	(3,899)	(4,377)

* A net pension asset will be recognised for the first time when economic benefits become available.

The liability as per 31 December 2010 is given below:

	The Netherlands	Other countries	Total
Defined Benefit Obligation	271,675	8,589	280,264
Plan Assets	275,943	4,609	280,552
Net Position	4,268	(3,980)	288
Unrecognised actuarial gains and losses	9,965	899	10,864
The effect of limiting the asset *	(16,477)	0	(16,477)
Pension assets / (liabilities)	(2,244)	(3,081)	(5,325)

* A net pension asset will be recognised for the first time when economic benefits become available.

Defined Benefit Obligation	The Netherlands	Other countries	Total
At 1 January 2009	262,577	13,620	276,197
Current service costs	5,082	375	5,457
Interest costs	14,105	859	14,964
Plan participants contributions	3,930	47	3,977
Actuarial gains and losses	(6,313)	741	(5,572)
Benefits paid	(13,586)	(501)	(14,087)
Curtailment **	0	(6)	(6)
Changes in exchange rates	0	417	417
At 31 December 2009	265,795	15,552	281,347
Current service costs	3,652	398	4,050
Interest costs	13,280	440	13,720
Plan participants contributions	3,328	0	3,328
Actuarial gains and losses	47,500	605	48,105
Benefits paid	(12,717)	(234)	(12,951)
Curtailment **	(49,163)	(8,694)	(57,857)
Changes in exchange rates	0	522	522
At 31 December 2010	271,675	8,589	280,264

** Curtailment relates to Stork Food & Dairy Systems in the Netherlands and the UK.

Plan Assets	The Netherlands	Other countries	Total
At 1 January 2009	249,592	7,882	257,474
Expected returns on plan assets	14,667	573	15,240
Employer's contribution	7,527	247	7,774
Plan participants contributions	3,930	47	3,977
Actuarial gains and losses	18,407	1,213	19,620
Benefits paid	(13,586)	(501)	(14,087)
Changes in exchange rates	0	318	318
At 31 December 2009	280,537	9,779	290,316
Expected returns on plan assets	16,487	324	16,811
Employer's contribution	9,805	499	10,304
Plan participants contributions	3,328	0	3,328
Actuarial gains and losses	24,275	251	24,526
Benefits paid	(12,717)	(234)	(12,951)
Curtailment **	(45,772)	(6,275)	(52,047)
Changes in exchange rates	0	265	265
At 31 December 2010	275,943	4,609	280,552

** Curtailment relates to Stork Food & Dairy Systems in the Netherlands and the UK.

The net period pension costs of the above pension plans:

2010	The Netherlands	Other countries	Total
Current service costs	3,652	398	4,050
Interest costs	13,280	440	13,720
Expected returns on plan assets	(16,487)	(324)	(16,811)
Amortised actuarial gains and losses	(76)	0	(76)
The effect of limiting the asset *	16,477	0	16,477
Effect of curtailment**	(5,275)	0	(5,275)
Pension expense 2010* **	11,571	514	12,085

2009			
Current service costs	5,082	375	5,457
Interest costs	14,105	860	14,965
Expected returns on plan assets	(14,667)	(573)	(15,240)
Amortised actuarial gains and losses	4	93	97
The effect of limiting the asset *	2,998	0	2,998
Changes in exchange rates	0	99	99
Pension expense 2009* **	7,522	854	8,376

* A net pension asset will be recognised for the first time when economic benefits become available.
** Curtailment relates to Stork Food & Dairy Systems in the Netherlands and the UK. This amount is completely offset by the effect of limiting the assets and has therefore no impact on the Group's Consolidated Statement of Comprehensive Income.
*** Including the recovery premium for the years 2009, 2010 and 2011, booked in the costs in 2010 (EUR 7.6 million).

The net period pension costs also include costs in relation to the early retirement scheme for the industry in the Netherlands (so-called TOP regulation). In fact this involves a Defined Benefit plan. This is processed as a Defined Contribution plan, because the administration of the industry pension fund is not structured to provide the required information. There is no obligation to compensate for any shortfalls in the fund, nor is there any entitlement to any surpluses.
The actuarial calculations for the Dutch defined benefit plans as per 31 December resulted in an actuarial loss of EUR 23,242, which are not recognised as an asset as per our accounting principles described in note 2.18. The plan

had a positive funded status of EUR 4,268 and a funding ratio of 99% as per 31 December 2010, which is not recognised as an asset after testing IFRIC 14 requirements.

During 2008 the Stork Pension Fund (of which Marel is a minority contributor) was in a situation of underfunding (coverage ratio end of 2008 was below the required 104.5%). As a consequence the pension fund was required by the Dutch Central Bank to make a recovery plan in 2009. To close the discussions, Marel has accepted the amount of recovery premium of EUR 8 million, to be paid in a 3 year period (2009 EUR 4 million, 2010 EUR 2 million and 2011 EUR 2 million). In 2010 the full costs of the additional pension premiums for the recovery plan are included in other operating income (expenses) and the amount payable in 2011 is included in current liabilities on the Consolidated Statement of Financial Position.
The pension contributions expected to be paid by Marel for the Defined Benefit plan in the Netherlands for 2011 is EUR 7,792 (2010: EUR 9,679).

The other pension plans in the Marel Group are based on a Defined Contribution plan. The costs of these plans were EUR 5,034 in 2010 (2009: EUR 4,795).

The weighted average assumptions on which the calculations of the pension obligations as per 31 December 2010 are based are as follows:

Pension obligation as per 31 December 2010	The Netherlands	Other countries	Total
Discount rate used	4.5%	5.7%	4.5%
Expected return on plan assets	5.9%	7.8%	6.0%
Future salary increases	2.0%	3.0%	2.0%
Future pension increases	year dependent	0.0%	year dependent
Pension obligation as per 31 December 2009			
Discount rate used	5.0%	5.8%	5.0%
Expected return on plan assets	5.9%	7.7%	6.0%
Future salary increases	2.0%	0.9%	1.9%
Future pension increases	year dependent	2.0%	year dependent

The mortality table used for the Netherlands is based on the Prognosis table 2005-2050 + 7% of the Actuarieel Genootschap. The assumptions for the expected return on plan assets have been reached on the basis of assessment of the historic returns of the various categories in which the investments are made. The historic returns on these asset categories are weighted on the basis of the expected long-term allocation of the plan assets.

The expected return on plan assets for the Netherlands for 2010 was 5.9% positive and the actual return resulted at 8.4% positive plus a positive effect of increased consolidation rate of 6.1%. The expected return on plan assets for 2011 is maintained at 5.9% positive. The actual return on plan assets in 2010 for the other countries was 14.6% (expected 8.8%) and the estimated return for 2011 is 7.8%.
The plan assets consist primarily of fixed-interest securities, listed shares and related instruments, as well as property. The allocation of the investments per asset category for the pension plans in the Netherlands at 31 December 2010 is as follows:

Percentage allocation of investments as per 31/12 2010	The Netherlands	Other countries
Shares and related instruments	36%	72%
Fixed-interest securities	49%	26%
Property	12%	0%
Other	3%	2%
Total	100%	100%

Percentage allocation of investments as per 31/12 2009	The Netherlands	Other countries
Shares and related instruments	35%	67%
Fixed-interest securities	43%	33%
Property	15%	0%
Other	7%	0%
Total	100%	100%

Historical summary	**2010**	**2009**	**2008**	**May-08**
Cash value of the obligations related to Defined Benefit plans	280,264	281,347	276,197	275,013
Fair value of the plan assets	280,552	290,316	257,474	298,998
Net obligations	288	8,969	(18,723)	23,985

Experience adjustments incurred on plan liabilities (rounded)	**2010**	**2009**	**2008**	**May-08**
For the Netherlands				
Actuarial gains (losses) plan liabilities	(47,500)	6,313	5,000	n.a.
Effect of the change in assumptions	(34,696)	25,417	0	n.a.
Effect of the change in consolidation rate	(11,694)	(6,906)	11,000	n.a.
Experience adjustments	(1,110)	(12,198)	(6,000)	n.a.

Experience adjustments incurred on plan assets (rounded)	**2010**	**2009**	**2008**	**May-08**
For the Netherlands				
Actuarial gains (losses) plan assets	(24,275)	(18,408)	47,000	n.a.
Effect of the change in assumptions	-	-	-	n.a.
Effect of the change in consolidation rate	(17,240)	(10,811)	15,000	n.a.
Experience adjustments	(7,035)	(7,597)	32,000	n.a.

24 Derivate financial instruments

(a) Interest-rate swap
To protect Marel from fluctuations in Euribor-EUR-Reuters/Libor-BBA and in accordance with Interest hedge policy Marel has entered into interest rate Swaps (the hedging instruments) to receive floating interest and to pay fixed interest.
The notional principal amount of the outstanding interest rate swap contract at 31 December 2010 was EUR 149,026 (2009: EUR 153,468).

The contractual maturities are as follows:

	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	107,775	2013	4.3%
Interest rate SWAP	USD	55,152	2013	4.1%
Fwd Starting Interest rate SWAP 2013	EUR	80,000	2015	3.0%
Fwd Starting Interest rate SWAP 2013	USD	50,000	2015	2.8%

(b) Hedge of net investment in foreign entity
With the refinancing in May 2009, the net investment hedge for the Group's net investment in the UK subsidiary was closed. The Translation reserve included in Shareholders' Equity amounts to EUR 2,573. Since the hedged item was a permanent financing, which is revaluated through the Translation reserve in Shareholder's Equity; this reserve is not being amortised and still present at the end of 2010.
The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Consolidated Statement of Financial Position , which is zero.

25 Trade and other payables

	2010	2009
Trade payables	48,624	26,856
Accruals	2,791	2,622
Other payables	56,367	50,646
	107,783	80,124

26 Contingencies

At 31 December 2010 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the Group has given guarantees amounting to EUR 35,656 (31/12/2009: EUR 10,774) to third parties. The increase is in line with the increased activity.

The Group is involved in a dispute between Marel hf. and Glitnir bank hf. which can be traced to different calculation methods applied to settlement of five interest and currency swap agreements with the bank. The disputed difference is amounting to EUR 3.9 million, which Glitnir bank hf. has requested the Company to pay. Parties decided in mutual agreement to bring this disagreement to an Icelandic court to reach a settlement.

At the moment the Stork Pension Fund is in discussion with the Industry Pension Fund to merge. As a consequence additional payments might have to be made. At this moment discussions have started but it is not possible to provide a reliable estimate of possible additional payments. After the merger of the Pension Funds the Group will have no future exposure with regards to recovery payments in case of an underfunding of the pension fund anymore.

27 Commitments and insurance

Operating lease commitments – where the Group is the lessee
The Group has made some rental agreements for building, motor vehicles and office equipment, now with the remaining balance of EUR 12,865 (2009: EUR 13,960). The amount will be charged at the relevant rental time of each agreement. The rental agreements will materialise in the years 2011 - 2017.

Operational non-cancellable lease liabilities - minimum lease payments:

	2010	2009
Less than 1 year	2,791	2,388
Between 1 and 5 years	3,872	4,295
Later than 5 years	1,621	2,095
Present value of operational lease liabilities	8,284	8,775

During the year an amount of EUR 3,915 was recognised as an expense in profit or loss in respect of operating leases (2009: EUR 4,012).

Insurance
The Group has covered Business Interruption Risks with an insurance policy underwritten by two independent insurance companies for a maximum period of 24 months. The insurance benefits for Business Interruption amounts to EUR 329 million for 2010 for the whole Group. The Group Insurance value of buildings amounts to EUR 130 million, productions machinery and equipment including software and office equipment amount to EUR 105 million and inventories to € 110 million. Currently there are no major differences between appraisal value and insured value.

28 Related party transactions

At the end of December 2010, there are no loans to directors (31 December 2009: EUR nil).

On April 14th 2009 Marel Group entered into a Share Purchase Agreement to divest Scanvaegt Nordic. The Grundtvig family is among the largest shareholders of Marel hf. and has supported the Company´s growth. Grundtvig Invest owns 8.45 % of Marel hf.'s shares and Lars Grundtvig is a member of the Board of Directors. All transactions of the Group with Scanvaegt Nordic are at arm’s length.

NBI hf., being 100% shareholder of Horn fjárfestingafélag ehf., has participated in the new financing agreement for EUR 30 million. The total finance costs related with the new financing agreement amounted to EUR 6.9 million.

Board fee for the year 2010 and shares at year-end	Board fee	Pension contribution [1]	Stock options [2]	Bought shares acc. to stock options [2]	Shares at year-end [2]
Árni Oddur Þórðarson, Chairman	48	4	0	0	233,059 [3]
Arnar Þór Másson, Board Member	19	2	0	0	0
Ásthildur Margrét Otharsdóttir , Board Member	16	1	0	0	0
Friðrik Jóhannsson, Board Member	29	2	0	0	4,300
Helgi Magnússon, Board Member	19	2	0	0	6,308
Lars Grundtvig, Board Member	19	2	0	0	61,673 [4]
Margrét Jónsdóttir, Board Member	19	2	0	0	200
Smári Rúnar Þorvaldsson, Board Member	16	1	0	0	0
Theo Bruinsma, Board Member	16	1	0	0	1,000 [5]

Management salaries and benefits for the year 2010 and shares at year-end	Salary and benefits	Incentive payments [6]	Pension contribution [1]	Stock options [2]	Bought shares acc. to stock options [2]	Shares at year-end [2]
Theo Hoen, CEO	357	93	85	2,350	0	1,500
Erik Kaman, CFO	334	93	27	1,850	0	1,675
Sigsteinn Gretarsson, MD Marel ehf .	250	65	29	1,350	0	26

1) Contributions for Theo Hoen and Erik Kaman are part of a defined benefit plan; contributions for the other board members are part of a defined contribution plan.
2) Number of shares * 1000
3) Shares owned by Eyrir Invest ehf., where Árni Oddur Þórðarson is CEO, including those of financially related parties. Margrét Jónsdóttir is the CFO of Eyrir invest ehf.
4) Shares owned by Grundtvig Invest AsP.
5) Theo Bruinsma holds a managerial position along with being a member of the board of directors. Salary and benefits for his management position are not included. At year-end 2010 he holds stock options for 750,000 shares.
6) Incentive payments for Theo Hoen and Erik Kaman exclude delayed payments for 2008 amounting to EUR 49 in total.

29 Fees to Auditors

	2010	2009
Audit of financial statements	702	770
Other services	98	292
	800	1,062

30 Events after the balance sheet date

There are no subsequent events to disclose.

31 Business combinations

Stork Food & Dairy Systems, excluding its operations in Spain has been divested to the Dutch investor Nimbus as per 31 March 2010. The non-core operations of Carnitech A/S in Stovring, Denmark have been divested to American Industrial Acquisition Corporation (AIAC) on 12 February 2010.
The result of these divestments amounted to a loss of EUR 24.2 million, of which EUR 24.5 million was already recognized as an impairment loss in 2009. The 2010 result is reported in other operating income.

32 Subsidiaries

	Country of incorporation	Ownership interest
Marel Iceland ehf	Iceland	100%
Marel A/S	Denmark	100%
Marel Salmon A/S	Denmark	100%
Carnitech US Inc.	USA	100%
Marel Food Systems Pte. Ltd	Singapore	100%
Marel Ltd	UK	100%
Marel Slovakia s.r.o.	Slovakia	100%
Marel Holding B.V.	Netherlands	100%
Marel Stork Poultry Processing B.V.	Netherlands	100%
Marel Stork Poultry Processing Inc.	USA	100%
Marel Townsend Further Processing B.V.	Netherlands	100%
Marel Meat Processing B.V.	Netherlands	100%
Marel Meat Processing Inc	USA	100%
Stork Inter Ibérica S.A.	Spain	100%
Marel Inc.	USA	100%
Marel Norge AS	Norway	100%
Marel Food Systems GmbH & Co. KG	Germany	100%
Marel GB Ltd.	UK	100%
Marel Food Systems do Brasil Comercial Ltda.	Brazil	100%
Marel France SARL	France	100%
Marel Stork Food Systems France S.A.S.	France	100%
Marel Food Systems B.V.	Netherlands	100%
Marel Australia Pty Ltd.	Australia	100%
Marel Stork Food Systems Máquinas Alimenticias Ltda	Brazil	100%

33 Quarterly results (unaudited)

	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Revenue	167,677	149,523	136,055	147,166
Cost of sales	(104,515)	(97,283)	(81,087)	(90,462)
Gross profit	63,162	52,240	54,968	56,704
Other operating income (expenses)	110	(243)	(8,099)	159
Selling and marketing expenses	(17,658)	(16,891)	(17,150)	(18,975)
Research and development expenses	(9,896)	(9,033)	(8,837)	(8,708)
Administrative expenses	(15,655)	(12,267)	(13,289)	(13,308)
Result from operations (EBIT)	20,063	13,806	7,593	15,872
Finance costs	(13,461)	(11,079)	(9,680)	(8,792)
Finance income	226	276	160	254
Net finance costs	(13,235)	(10,803)	(9,520)	(8,538)
Result before income tax	6,828	3,003	(1,927)	7,334
Income tax	(1,329)	(607)	2,045	(1,721)
Profit (loss) for the period	5,499	2,396	118	5,613
Profit before deprec. & amortisation (EBITDA)	26,104	19,938	13,584	22,551

	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Revenue	135,685	133,659	132,002	130,334
Cost of sales	(84,966)	(83,915)	(82,771)	(88,354)
Gross profit	50,719	49,744	49,231	41,980
Other operating income (expenses)	(24,577)	(339)	15,715	32
Selling and marketing expenses	(18,309)	(16,960)	(18,441)	(19,733)
Research and development expenses	(8,527)	(6,263)	(7,330)	(9,029)
Administrative expenses	(18,862)	(14,410)	(17,587)	(19,007)
Result from operations (EBIT)	(19,556)	11,772	21,588	(5,757)
Finance costs	(10,640)	(10,437)	(14,301)	(10,844)
Finance income	372	(135)	12,703	7,437
Net finance costs	(10,268)	(10,572)	(1,598)	(3,407)
Result before income tax	(29,824)	1,200	19,990	(9,164)
Income tax	6,782	(342)	(2,651)	2,198
Profit (loss) for the period	(23,042)	858	17,339	(6,966)
Profit before deprec. & amortisation (EBITDA)	12,014	17,986	27,998	754