

Consolidated Financial Statements Annual report 2012



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The Board of Directors' and CEO's Report

Marel is a leading global provider of advanced equipment, systems and services for the poultry, fish, meat and further processing industries. Marel has offices and subsidiaries in over 30 countries and a global network of more than 100 agents and distributors.

The Consolidated Financial Statements for the year 2012 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.

Operations in 2012

According to the Consolidated Statement of Comprehensive Income, the Group's operating revenue amounted to EUR 714.0 million in 2012, compared to EUR 668.4 million in 2011. Profit for the period amounted to EUR 35.6 million (2011: EUR 34.5 million). Total comprehensive income amounted to EUR 36.6 million (2011: EUR 33.2 million).

No acquisitions or divestments were made in 2012.

According to the Consolidated Statement of Financial Position, the Company's assets amounted to EUR 865.1 million at the end of 2012 (2011: EUR 877.8 million). Equity amounted to EUR 403.7 million at the end of 2012 (at year-end 2011: EUR 373.5 million) or 46.7% of total assets (at year-end 2011: 42.5%). Net interest bearing debt decreased from EUR 250.5 million at the end of 2011 to EUR 243.2 million at the end of 2012. The Group was in full compliance with bank covenants in 2012.

The Company repaid its ISK (Icelandic krona) bond issue, equivalent to EUR 7.6 million and has by that removed exposure to the ISK in the financing of the Group. Financing is now dominated in EUR and USD in a proportion providing natural hedging to exposures.

Marel signed an amendment to its current long-term financing entered into in November 2010. By that a junior loan was converted into senior debt, resulting in an all senior facility. The facility was extended by one year with final maturity in November 2016 and the interest terms were favorably adjusted, leading to further reduction in interest costs.

According to the Company's 2012 Annual General Meeting decision, a dividend of EUR 6.9 million or 0.95 euro cents per share was paid out to shareholders, corresponding to about 20% of Company's profit for the year 2011.

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 well above book value.

A challenging economic environment lead to a slow down in orders received in 2012, compared to the previous year. At the end of 2012, the Company's order book amounted to EUR 125 million (2011: EUR 189 million), with orders from across different geographic areas and industries.

The management and the Board of Directors of the Group believe that they are 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 management of the Group believes it is well placed to manage its business risks successfully based on the present economic outlook.

Share Capital and Articles of Association

At year-end, Marel's shares totalled 735.6 million, all in one class; thereof Marel holds 4.1 million treasury shares. The number of shareholders at year-end 2012 was 2,144 compared to 1,799 at the end of 2011. One shareholder had a holding interest of more than 10% in the Company, Eyrir Invest hf., with 33.1%.

In 2012, Marel purchased 4.1 million shares for EUR 3.6 million to fulfil future stock option obligations, and sold 6.7 million treasury shares for a total amount of EUR 3.7 million to fulfil the employees' stock option programme.

Share purchase options are granted to management and selected employees. Total granted and unexercised share purchase options at end of the year 2012 were 28.9 million shares, of which 9.7 million are exercisable at the end of 2012 and the remainder will become exercisable in the years 2013 to 2018.

At the Company's 2010 Annual General Meeting, the shareholders authorised the Board of Directors to increase the Company's share capital by 45 million shares to fulfil stock option agreements. Thereof, 8.4 million shares have been issued at end of year 2012. 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 preemptive rights.

The Board of Directors will propose to the 2013 Annual General Meeting that EUR cents 0.97 dividend per outstanding share will be paid for the operational year 2012, corresponding to approximately EUR 7.1 million or 20% of total profit of EUR 35.6 million for the year 2012, and refers to the financial statements regarding appropriation of the profit for the year and changes in shareholders' equity.

Corporate Governance

The Company's corporate governance policy is based on the Guidelines on Corporate Governance issued in March 2012 by the Icelandic Chamber of Commerce, NASDAQ OMX Iceland hf. and Confederation of Icelandic Employers, which is in accordance with Clause 2.27 in the Rules for issuers of financial instruments on NASDAQ OMX Iceland issued in December 2009. In compliance with the guidelines, the Board of Directors has prepared a Corporate Governance Statement which is distributed with the Consolidated Financial Statements 2012 and disclosed in the Annual Report 2012.

Candidates for the Board of Directors of the Company have to notify the Board of Directors in writing at least five full days before the beginning of the Annual General Meeting. The Company's Articles 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.

Statement by the Board of Directors and the CEO

According to the Board of Directors' best knowledge these Consolidated Financial Statements comply with International Financial Reporting Standards (IFRS) on annual accounts, as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements of listed companies. According to the Board of Directors' best knowledge, the statements give a true and fair view of the Group's assets and liabilities, financial position as at 31 December 2012, operating performance and the cash flow for the year ended 31 December 2012 as well as describe 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 2012 with their signatures.

Garðabær, 5 February 2013

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Árni Oddur Þórðarson Chairman of the board

Arnar Þór Másson Friðrik Jóhannsson

Helgi Magnússon Margrét Jónsdóttir

Theo Bruinsma Ásthildur Margrét Otharsdóttir

Chief Executive Officer

Theo G.M. Hoen



Independent auditors' report on consolidated financial statements

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 2012, 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.

Auditors' 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 policies 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 2012, 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 confirm that, to the best of our knowledge, the report of the Board of Directors accompanying the financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Financial Statements.

KPMG ehf.		
Reykjavik, 5 February 2013		
Financial Statements.		

Sæmundur Valdimarsson Kristrún H. Ingólfsdóttir



Consolidated Statement of Comprehensive Income

		2012	2011
	Notes		
Revenues	5	713,960	668,357
Cost of sales	_	(464,734)	(421,068)
Gross profit	-	249,226	247,289
Selling and marketing expenses		(90,119)	(79,815)
Research and development expenses		(41,566)	(40,323)
Administrative expenses		(56,945)	(53,693)
Other operating income (expenses)	6	485	(11,292)
Result from operations		61,081	62,166
Finance costs	7	(18,366)	(19,852)
Finance income	7	336	1,744
Net finance costs	7	(18,030)	(18,108)
Result before income tax		43,051	44,058
Income tax	9	(7,442)	(9,595)
Profit for the period	_	35,609	34,463
Other Comprehensive Income		(000)	770
Currency translation differences		(229)	779
Cash flow hedges		1,602	(2,686)
Income tax relating to cash flow hedges and currency translation differences	-	(400)	672
Other comprehensive income for the period, net of tax	-	973	(1,235)
Total comprehensive income for the period	-	36,582	33,228
Profit (loss) attributable to:			
Shareholders of the Company	_	35,609	34,463
	=	35,609	34,463
Comprehensive income attributable to:			
Shareholders of the Company	-	36,582	33,228
	=	36,582	33,228
Earnings per share for result attributable to equity holders of the company during the period (expressed in EUR cent per share):			
- basic	10	4.88	4.70
- diluted	10	4.83	4.65
Earnings per share for total comprehensive income attributable to equity holders of the company during the period (expressed in EUR cent per share):			
- basic		5.01	4.53
- diluted		4.96	4.48

The notes on pages 10 - 68 are an integral part of the Consolidated Financial Statements



Consolidated Statement of Financial Position

ASSETS	Notes	2012	2011
Non aureant accets			
Non-current assets	11	100 024	100 000
Property, plant and equipment	11 12	108,034 379,984	108,088
Other intangible assets	12	112,779	380,419
Investments in associates	13	112,779	100,073 109
Trade and other receivables	14	2,584	3,115
Deferred income tax assets	15	7,988	11,567
Doloned moonic tax assets	15 _	611,369	603,371
Current assets		011,000	000,071
Inventories	16	99,178	99,364
Production contracts	17	40,163	38,046
Trade receivables	14	70,816	77,497
Assets held for sale		-	555
Other receivables and prepayments	14	27,657	28,051
Cash and cash equivalents		15,945	30,934
	_	253,759	274,447
		,	,
Total assets	_	865,128	877,818
Share capital	18 18 -	6,691 317,178 (7,639) 87,518 403,748	6,667 317,100 (8,612) 58,316 373,471
LIABILITIES Non-current liabilities Borrowings	19	239,747	254,361
Deferred income tax liabilities	15	11,194	8,705
Provisions	20	4,941	6,902
Derivative financial instruments	22 _	10,815 266,697	12,419 282,387
Current liabilities		200,097	202,307
Production Contracts	17	43,847	64,029
Trade and other payables	23	125,417	125,570
Current income tax liabilities		3,090	2,293
Borrowings	19	19,440	27,062
Provisions	20	2,889	3,006
	_	194,683	221,960
Total liabilities		461,380	504,347
Total equity and liabilities	_	865,128	877,818

The notes on pages 10 - 68 are an integral part of the Consolidated Financial Statements



Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company					
_	Share Capital	Share premium *)	Hedge reserve	Translation reserve	Retained earnings	Total equity
Balance at 1 January 2011	6,694	320,250	(7,300)	(77)	23,703	343,269
Profit for the year Total other comprehensive income			(2,014)	779	34,463	34,463 (1,235)
Employee share option scheme: Treasury shares purchased	(65) 4 34 (27)	(5,618) 221 (17) 411 (529) 2,383 (1) (3,150)	(2,014)	779	150	(5,683) 225 (17) 411 (379) 2,417 (1) 30,201
Balance at 31 December 2011	6,667	317,100	(9,314)	702	58,316	373,471
Profit for the year Total other comprehensive income			1,202	(229)	35,609	35,609 973
Employee share option scheme: Treasury shares purchased	(38) 62	(3,544) 3,625 (10) 582 (575)	1 202	(220)	(6,900) 493	(3,582) 3,687 (10) (6,900) 582 (82)
	24	78	1,202	(229)	29,202	30,277
Balance at 31 December 2012	6,691	317,178	(8,112)	473	87,518	403,748

^{*)} Includes reserve for share based payments as per 31 December 2012 of EUR 1,617 (2011: EUR 1,610).

Dividend per share

In March 2012 a dividend of EUR 6,900 (EUR 0.95 cent per share) was declared. All has been paid. No dividends were paid in 2011.

The notes on pages 10 – 68 are an integral part of the Consolidated Financial Statements



Consolidated Statement of Cash Flows

	Notes	2012	2011
Cash flows from operating activities			
Result from operations		61,081	62,166
Adjustments to reconcile result from operations to net cash provided by operating activities:			
Depreciation and impairment of property, plant and equipment	11	9,945	10,899
Amortisation and impairment of intangible assets	12	14,937	13,941
Gain on sale of property, plant and equipment		(190)	(71)
Changes in non current receivables	_	531	554
Working capital provided by / (used in) operating activities	-	86,304	87,489
Changes in working capital:			
Inventories and production contracts		(23,132)	(51,469)
Trade and other receivables		3,972	9,623
Trade and other payables		340	18,278
Provisions		(1,915)	(205)
Changes in operating assets and liabilities		(20,735)	(23,773)
Cash generated from operating activities		65,569	63,716
Income tax paid		(1,341)	(3,133)
Interest and finance costs paid	_	(15,133)	(17,400)
Net cash from operating activities		49,095	43,183

The notes on pages 10 - 68 are an integral part of the Consolidated Financial Statements



	Notes	2012	2011
Cash flows from Investing activities			
Interest received		333	682
Purchase of property, plant and equipment		(11,279)	(8,850)
Investments in intangibles		(28,153)	(20,715)
Proceeds from sale of property, plant and equipment		1,807	193
Other changes		(2)	-
Net cash used in investing activities	_	(37,294)	(28,690)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	2,417
Purchase of treasury shares		(3,592)	(5,700)
Sale of treasury shares		3,687	225
Proceeds from borrowings		47,520	20,363
Repayments of borrowings		(67,201)	(64,652)
Loans to third parties		-	500
Dividends paid		(6,900)	-
Other changes		-	(273)
Net cash used in financing activities	_	(26,486)	(47,120)
Net decrease in net cash		(14,685)	(32,627)
Exchange (loss) / gain on net cash		(304)	(342)
Net cash at beginning of the period		30,934	63,903
Net cash at end of the period	=	15,945	30,934
Cash and cash equivalents		15,945	30,934
Net cash at end of the period	_	15,945	30,934
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The notes on pages 10 - 68 are an integral part of 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 Consolidated Financial Statements of the Company as at and for the year ended 31 December 2012 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. All amounts are in EUR*1000 unless otherwise stated.

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 6 March 2013.

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 5 February 2013.

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 an effective date on or after 1 January.

- Amendments to IFRS 7 Disclosures Transfers of Financial Assets (Effective for annual periods beginning on or after 1 July 2011) have been adopted as per 1 January 2012 and have a limited effect on the Group's Consolidated Financial Statements of 2012;
- Amendments to IAS 12 Deferred Tax Recovery of Underlying Assets (Effective for annual periods beginning on or after 1 January 2012) have been adopted as per 1 January 2012 and have a limited effect on the Group's Consolidated Financial Statements of 2012.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Effective for annual periods beginning on or after 1 January 2013:

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

IAS 19 (as revised in 2011) Employee Benefits

Effective for annual periods beginning on or after 1 January 2015:

IFRS 9 Financial Instruments

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 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 29.

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.

Intercompany 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

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 information

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.

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 revaluated.

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 recognised in 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 or 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 recognised 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 Consolidated Statement of Comprehensive Income 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 reporting 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 (expenses) in 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. Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

For the purpose of assessing impairment of assets which are not subject to amortisation, assets are grouped at the lowest levels for which there are separately identifiable cash flows, the cash-generating units (CGU). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or CGU is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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.

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 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 using the effective interest method.

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.

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 Equity and recognised in the Consolidated Statement of Comprehensive Income for the period. Impairment losses recognised in the Consolidated Statement of Comprehensive Income for the period on equity instruments are not reversed through the Consolidated Statement of Comprehensive Income 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 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 Equity are shown in the Statement of 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 profit 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 Consolidated Statement of Comprehensive Income for the period in the periods when the hedged item affects profit or loss.

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 equity are included in profit or loss when the foreign operation is partially disposed of or sold.

(c) Derivatives at fair value through profit or loss are 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 of these derivative instruments are recognised immediately in the Consolidated Statement of Comprehensive Income within Finance income or Finance costs.

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 or 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 or 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 or 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 profit or loss 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.

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 have been classified as Defined Benefit plans up to the settlement of these plans in 2011 and 2012. After settlement of the two main defined benefit plans, only one arrangement with regards to early retirement rights can be classified as defined benefit until the moment of settlement expected in 2020 (VPL in the Netherlands). Because of its non material character, this arrangement is not disclosed separately. In general, the defined benefit plans were 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.



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 profit or loss 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 profit or loss 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 profit or loss 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 single financing package consists of credit facilities amounting to EUR 350 million, to be drawn in currencies reflecting the Group's revenues and assets. Marel was able to amend & extend this facilities agreement with the consortium with effective date 31 December 2012, while the terms and conditions generally remain in line with Loan Market Association (LMA) corporate standards, the key amendments were:

- The junior loan was converted into senior debt, making it an all senior facility;
- The remaining tenor was four years as the facility was extended by one year with final maturity in November 2016 as opposed to November 2015;
- Initial interest terms are EURIBOR/LIBOR +250 bps for the facility depending on leverage.

The Group has a financing structure which can accommodate the Group's financing requirements till 2016 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 nil (2011: EUR 7.6 million) in February 2012 when bond issue MARL 06 1 matured.

(i) Foreign exchange risk

The Group operates internationally and is exposed to currency risk arising from mainly the USD and GBP, 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 monitors foreign exchange risk arising from commercial transactions, recognized assets and liabilities (transaction risk) that are determined in a currency other than the entity's functional currency. Derivative hedging is applied if the exposure is outside of the risk tolerance band on a consolidated basis. 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. Economic risk is defined as the extent to which currency fluctuations can alter a company's future operating cash flows, that is future revenues and costs. Economic risk is not hedged.



The following table details the Group's sensitivity of transaction and translation risk to a 10% increase and decrease in the EUR against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the EUR strengthens 10% against the relevant currency. For a 10% weakening of the EUR against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be opposite.

	2012		2011	
	USD impact G	BP impact	USD impact	GBP impact
Profit or (loss)	(683)	(1,033)	(913)	(887)
Equity	0	0	0	0

On the operational side, only a fraction of a percentage of revenues is denominated in ISK, while around 5.8% (2011: 4.9%) of costs is in ISK.

In 2012 no borrowings were in ISK (2011: 2.7% of borrowings) these borrowings disappeared in February 2012 when bond issue MARL 06 1 matured. Other borrowings are mostly in EUR and USD.

Liabilities in currency recorded in EUR:	Finance lease liabilities	Capitalised finance charges	Other borrowings	Total 2012
Liabilities in DKK	69	0	8,929	8,998
Liabilities in EUR	0	(4,006)	153,500	149,494
Liabilities in ISK, partially index linked	0	0	0	0
Liabilities in USD	235	(1,556)	101,949	100,628
Liabilities in other currencies	67	0	0	67
	371	(5,562)	264,378	259,187
Current matures	(196)	1,390	(20,634)	(19,440)
<u> </u>	175	(4,172)	243,744	239,747
	Finance	Capitalised		
	Finance lease	Capitalised finance	Other	Total
Liabilities in currency recorded in EUR:		-	Other borrowings	Total 2011
Liabilities in currency recorded in EUR: Liabilities in DKK	lease	finance		
·	lease liabilities	finance charges	borrowings	2011
Liabilities in DKK	lease liabilities	finance charges	borrowings 9,597	2011 9,705
Liabilities in DKKLiabilities in EUR	lease liabilities 108 0	finance charges 0 (3,873)	9,597 165,000	9,705 161,127
Liabilities in DKK Liabilities in EUR Liabilities in ISK, partially index linked	lease liabilities 108 0	finance charges 0 (3,873) 0	9,597 165,000 7,640	9,705 161,127 7,640
Liabilities in DKK Liabilities in EUR Liabilities in ISK, partially index linked Liabilities in USD	lease liabilities 108 0 0 113	finance charges 0 (3,873) 0 (1,543)	9,597 165,000 7,640 104,247	9,705 161,127 7,640 102,817
Liabilities in DKK Liabilities in EUR Liabilities in ISK, partially index linked Liabilities in USD	lease liabilities 108 0 0 113 134	finance charges 0 (3,873) 0 (1,543)	9,597 165,000 7,640 104,247 0	9,705 161,127 7,640 102,817 134
Liabilities in DKK	lease liabilities 108 0 0 113 134 355	finance charges 0 (3,873) 0 (1,543) 0 (5,416)	9,597 165,000 7,640 104,247 0 286,484	9,705 161,127 7,640 102,817 134 281,423



(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 on borrowings. The Group adopts a policy of ensuring that between 50 – 70% of its exposure to changes in interest rates on core debt 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 45% (2011: 49%) of the core debt has floating interest rates and the rest is fixed.

As at reporting date a total of EUR 135.5 million (2011: EUR 145.6 million) floating rate liabilities were swapped into fixed interest rates. Under the interest rate swaps the company agrees with banks to exchange at specified intervals (primarily quarterly) the difference between fixed contracts rates and floating rate interest amounts calculated by reference to the agreed notional amounts. The interest rate swaps mature between 2013 – 2015. The weighted fixed rate payable amounts to 3.29% (2011: 3.60%).

In 2008 the company started applying Cash flow hedge accounting to hedge the variability of interest cash outflows, between settlement date and maturity date, due to the change in 3 months EURIBOR/LIBOR interest rates for the Senior Secured Floating Rate Notes. Throughout the year 2012 as well as per year end the cash flow hedge accounting relationships were effective.

The effective part of the fair value changes of the interest rate swaps amounted to a EUR 1.2 million (2011: EUR 2.0 million loss) net of deferred taxes and was charged in other comprehensive income, resulting in a year end hedge reserve of EUR 8.1 million (2011: EUR 9.3 million). In 2011 an amount of EUR 1.2 million was reclassified from Other Comprehensive Income to other finance income. In 2012 no ineffectiveness was identified. The amounts deferred in equity at year-end are expected to affect interest costs within the coming 3 years.

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 3.95% (2011: 4.55%) 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:

	2012	2011
Total borrowings	259,187	281,423
Cash and cash equivalents, including restricted cash	(15,945)	(30,934)
Net Interest Bearing Debt	243,242	250,489
	•	
Total Equity	403,748	373,471
Hedge Reserve	(8,112)	(9,314)
Adjusted Capital	395,636	364,157
Debt to adjusted capital ratio	0.61	0.69

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on the requirement to settle employee's stock option exercises. 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 not higher than 10% over and not 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:

		Carrying amount	
		2012	2011
	Note		
Trade receivables	14	73,400	80,612
Other recievables and prepayments	14	27,657	28,051
Cash and cash equivalents	_	15,945	30,934
	_	117,002	139,597

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

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 ancillary facilities, which can be used both as a revolver and to issue guarantees for down payments. At year end the Group had drawn EUR 23.6 million (2011: EUR 25.4 million) on the revolver and issued EUR 13.6 million (2011: 41.1 million) of guarantees under the facility, therefore the total usage is EUR 37.2 million (2011: 66.4 million), leaving a headroom of EUR 62.8 million (2011: EUR 33.5 million). All facilities are subject to operational and Consolidated Statement of Financial Position covenants (interest cover and leverage). At the end of 2012 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 Group has recently set up a notional cash pool with the aim of making better use of the Group cash position and to further decrease the amount of idle cash.

The table below analyses cash outflows per maturity group based on the remaining period at balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2012	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	19,244	233,808	5,764
Interest on borrowings	7,854	20,251	976
Debentures	0	0	0
Finance lease liabilities	196	176	0
Trade and other payables	125,417	0	0
Interest rate swaps	4,625	5,577	0
Total	157,336	259,812	6,740
At 31 December 2011			
Borrowings	19,228	247,228	6,973
Interest on borrowings	11,476	25,525	1,137
Debentures	7,639	0	0
Finance lease liabilities	195	160	0
Trade and other payables	125,570	0	0
Interest rate swaps	3,931	8,488	0
Total	168,039	281,401	8,110



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 22). Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

At year-end 2012, if EURIBOR interest rates had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 139 (2011: EUR 142) lower/higher. At year-end 2012, if US LIBOR interest rates had been 25 basis points higher/lower, with all other variables held constant, post-tax profit for the year would have been EUR 160 (2011:EUR 154) lower/higher.

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 4.85% (2011: 5.11%).

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 average interest rate of 7.49% (2011: 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:

Cash and cash equivalents 0 15,945 0 15,945 15,945 Receivables 14 0 101,057 0 101,057 101,057 101,057 Interest rate swaps used for hedging 22 (10,815) 0 0 (117,002 117,002 117,002 Interest rate swaps used for hedging 22 (10,815) 0 0 (10,815) (10,815) (258,816) <	,		Fair value-		Other	Total	
2012 Note instruments receivables liabilities amount plant Fair Value Cash and cash equivalents 0 15,945 0 15,945 10,015 10,01,057 101,057 101,057 101,057 101,057 101,057 101,057 101,057 101,057 101,052 101,057 101,052 101,052 101,057 0 117,002 108,613 (258,816) (258,816) (258,816) (258,816) (258,816) (258,816) (258,816) (258,816) (258,816) (258,816) (258,816) (258,816)			hedging	Loans &	financial	carrying	
Receivables	2012	Note	0 0	receivables	liabilities	, ,	Fair Value
Note Continue Co	Cash and cash equivalents		0	15,945	0	15,945	15,945
Interest rate swaps used for hedging	Receivables	14	0	101,057	0	101,057	101,057
Secured bank loans 19 0 0 (258,816) (258,816) (258,816) Debentures 19 0 0 0 0 Finance lease liabilities 19 0 0 (371) (371) (37 Unsecured bank loan 19 0 0 <t< td=""><td></td><td></td><td>0</td><td>117,002</td><td>0</td><td>117,002</td><td>117,002</td></t<>			0	117,002	0	117,002	117,002
Debentures 19 0 0 0 0 Finance lease liabilities 19 0 0 (371) (371) (371) Unsecured bank loan 19 0 0 0 0 0 0 Trade and other payables 23 0 0 (125,417)	Interest rate swaps used for hedging	22	(10,815)	0	0	(10,815)	(10,815)
Finance lease liabilities 19 0 0 (371) (371) (371) Unsecured bank loan 19 0 0 0 0 0 Trade and other payables 23 0 0 (125,417) (125,417) (125,417) Cash and cash equivalents 0 30,934 0 30,934 30,934 Receivables 14 0 108,663 0 108,663 108,663 Interest rate swaps used for hedging 22 (12,419) 0 0 (12,419) (12,419) Secured bank loans 19 0 0 (261,253) (261,253) (261,253) (261,253)	Secured bank loans	19	0	0	(258,816)	(258,816)	(258,816)
Unsecured bank loan	Debentures	19	0	0	0	0	0
Trade and other payables 23 0 0 (125,417) (125,417) (125,417) 2011 Cash and cash equivalents 0 30,934 0 30,934 30,934 Receivables 14 0 108,663 0 108,663 108,663 Interest rate swaps used for hedging 22 (12,419) 0 0 (12,419) (12,419) Secured bank loans 19 0 0 (261,253) (261,253) (261,253)	Finance lease liabilities	19	0	0	(371)	(371)	(371)
Cash and cash equivalents 14 0 139,597 0 139,597 139,597	Unsecured bank loan	19	0	0	0	0	0
2011 Cash and cash equivalents 0 30,934 0 30,934 30,93 Receivables 14 0 108,663 0 108,663 108,663 0 139,597 0 139,597 139,597 Interest rate swaps used for hedging 22 (12,419) 0 0 (12,419) (12,419) Secured bank loans 19 0 0 (261,253) (261,253) (261,253) (261,253)	Trade and other payables	23	0	0	(125,417)	(125,417)	(125,417)
Cash and cash equivalents 0 30,934 0 30,934 30,93 Receivables 14 0 108,663 0 108,663 108,663 108,663 108,663 108,663 108,663 108,6			(10,815)	0	(384,604)	(395,419)	(395,419)
Receivables 14 0 108,663 0 108,663 <td>2011</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	2011						
139,597 0 139,597	Cash and cash equivalents		0	30,934	0	30,934	30,934
Interest rate swaps used for hedging	Receivables	14	0	108,663	0	108,663	108,663
Secured bank loans			0	139,597	0	139,597	139,597
(Interest rate swaps used for hedging	22	(12,419)	0	0	(12,419)	(12,419)
Debentures	Secured bank loans	19	0	0	(261,253)	(261,253)	(261,253)
	Debentures	19	0	0	(7,639)	(7,639)	(7,639)
Finance lease liabilities	Finance lease liabilities	19	0	0	(355)	(355)	(355)
Unsecured bank loan	Unsecured bank loan	19	0	0	(12,176)	(12,176)	(12,176)
Trade and other payables	Trade and other payables	23	0	0	(125,570)	(125,570)	(125,570)
<u>(12,419)</u> <u>0 (406,992) (419,413) (419,413</u>			(12,419)	0	(406,992)	(419,413)	(419,413)



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 market, 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 2012	level 1	level 2	level 3	Total
Derrivate liabilities held for risk management	0	10,816	0	10,816
At 31 December 2011				
Derrivate liabilities held for risk management	0	12,419	0	12,419

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

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.

(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.

In the following table the book values of the assets and liabilities which include an element of estimation are disclosed.

	201	2	2011	
	Assets	Liabilities	Assets	Liabilities
Goodwill	379,984	0	380,419	0
Other intangible assets	112,779	0	100,073	0
Current and deferred income taxes	7,988	14,284	11,567	10,998
Financial instruments	0	10,815	0	12,419
Assets & liabilities held for sale	0	0	555	0
Investments in associates	0	0	109	0
Production contracts	40,163	43,847	38,046	64,029



5 Segment information

Operating segments

The segments comprise the industries, which form the basis for managerial decision taking. The following summary describes the operations in each of the Group's reportable segments.

Poultry processing: Our Stork Poultry Processing product range offers integrated systems for processing broilers, turkeys and ducks.

Fish processing: Marel provides advanced equipment and systems for salmon and whitefish processing, both farmed and wild, onboard and ashore.

Meat processing: Our Meat Industry Centre specializes in the key processes of deboning and trimming, case ready, food service and bacon processing.

Further processing: Marel offers an extensive range of products for portioning, coating, heat treatment and sausagemaking under the brand name of Townsend Further Processing.

As of 1 January 2012 the Group has changed financial reporting according to its new organization structure. The reporting entities are reporting their revenues per operating segment based on the industry for which the customer is using Marel's product range. Therefore inter segment sales do not exist, only intercompany sales within the same segment.

Results are monitored and managed at the level of the identified operating segments, up to the result from operations. Decisions on Tax and Financing structures are taken on corporate level therefore no financial income and expenses nor tax are allocated to operating segments. The measure of profit or loss per operating segment is provided as result from operations and finance costs and taxes are reported in the column Total. Intercompany transactions are entered into under at arm's length terms and conditions comparable to those available to unrelated parties. Information on liabilities per operating segment is not provided to the chief operating decision maker and as such not included in this disclosure.

Following the introduction of the new market oriented business model with managerial responsibilities defined for the Group's four core industries Poultry, Fish, Meat and Further Processing, financial reporting was aligned with this structure as per 2012. Herewith the Group realized improvements in the accuracy of the reporting on revenues and results realized per segment. The comparative segment information for 2011 is not based on the same structure as 2012 as the basis for reporting used in 2012 was not available in 2011. As a consequence 2011 segment information was not restated. Management believes that the segment information of 2011 is still appropriate based on the information available at the time. With regard to the 'Others' segment, this segment included in 2011 the holding companies (including goodwill) and a non-core activity. As from 2012, any revenues which do not belong to the core industries are reported in the 'Others' segment as well.



The segment information for the year ended 31 December 2012 is as follows 1):

	Fish	Poultry	Meat	Further Processing	Others	Total
Total segment revenues	130,982	388,172	88,356	92,386	14,064	713,960
Result from operations Finance costs - net	12,024	52,516	(9,018)	4,930	629	61,081 (18,030)
Result before income tax Income tax Profit for the period					- -	43,051 (7,442) 35,609
Assets Depreciation and amortisation	88,966 (3,858)	197,399 (9,235)	70,462 (3,524)	92,802 (5,820)	415,499 (2,445)	865,128 (24,882)

¹⁾ To enable comparison of assets to 2011 numbers, Goodwill has been allocated to the 'Others' segment.

The segment information for the year ended 31 December 2011 is as follows ²⁾:

	Fish	Poultry	Meat	Further Processing	Others	Total
Total segment revenues	107,966	366,830	88,070	98,957	6,534	668,357
Result from operations Finance costs - net	12,672	46,219	6,864	7,173	(10,762)	62,166 (18,108)
Result before income tax Income tax Profit for the period					<u>-</u>	44,058 (9,595) 34,463
Assets Depreciation and amortisation	72,955 (3,692)	215,769 (9,781)	79,973 (3,824)	88,778 (5,459)	420,343 (2,085)	877,818 (24,841)

²⁾ The assets of 2011 have been restated to enable comparison to the 2012 numbers. In 2012 we implemented the Group's cash pool which manages the Group's cash at central level; therefore we excluded the cash from the assets of the four industries and included it in the 'Others' segment in both years.



Geographical information

The Group's four operating 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.	2012	2011
Iceland	4,772	2,779
The Netherlands	19,342	26,743
Europe other	318,325	277,062
North America	181,255	145,675
Other countries	190,266	216,098
	713,960	668,357
Total assets		
Iceland	149,074	145,624
The Netherlands	427,324	419,752
Other countries	272,785	281,508
	849,183	846,884

In 2012 we implemented the Group's cash pool which manages the Group's cash at central level. To enable comparison we have excluded the cash and cash equivalents from the assets in the geographies in 2012 and 2011.

Capital expenditure

Iceland	7,239	5,145
The Netherlands	21,108	14,671
Other countries	11,085	9,749
	39,432	29,565

6 Other operating income (expenses)

2012

License income and expenses amounted to EUR 485 (2011: EUR -/- 292).

2011

The industry-wide pension fund PME has taken over the execution of the pension plan from Stork Pension Fund (SPF) as of 1 January 2012. Marel is party to the agreement due to its acquisition of Stork Food Systems. The unusual costs for Marel of the pension related issues amounted to EUR 11.0 million.



7 Net finance costs

Finance costs:	2012	2011
Interest on borrowings	(14,718)	(16,632)
Interest on finance leases	(28)	(21)
Other finance expenses	(2,565)	(1,884)
Net foreign exchange transaction losses	(1,055)	(1,315)
Subtotal Finance costs	(18,366)	(19,852)
Finance income:		
Interest income	336	515
Other finance income	0	1,229
Subtotal Finance income	336	1,744
Net Finance costs	(18,030)	(18,108)

Other finance expenses/income consists of:

The amortisation of capitalised finance charges, amounting to EUR 1,408 (2011: EUR 1,345) and Guarantee & commitment fees, amounting to EUR 939 (2011: EUR 428).

Finance cost related to the amended financing in 2012 were accrued for and capitalized in the amount of EUR 1,554.

In 2010 EUR 1,455 was recorded in other finance expenses, these expenses were related to a terminated hedge relation in the amount of EUR 226 and the remainder of EUR 1,229 was related to the current hedge relation. All cash flows arising from the current hedge relation are effective and are accounted for as interest on borrowings therefore the ineffectiveness is no longer in place. As a result the 2010 finance expenses of EUR 1,229 are released in other finance income in 2011.

8 Staff costs

	2012	2011
Salaries & Wages	203,570	182,499
Related expenses	24,592	21,632
Expenses related to equity-settled share-based payments	582	811
Post retirement costs	13,492	13,114
	242,236	218,056
Staff costs analyses as follows in the Consolidated Statement of Comprehensive Income:		
Cost of sales	117,354	104,428
Selling and marketing expenses	54,374	50,594
Research and development expenses	34,935	30,302
Administrative expenses	35,573	32,732
	242,236	218,056
Average number of Full Time Equivalents	4,049	3,726

The numbers for 2011 are restated to enable comparison to the 2012 numbers, caused by a change in reporting as of 2012.



9 Income Tax

	2012	2011
Current tax	(1,856)	(3,950)
Deferred tax	(5,586)	(5,645)
	(7,442)	(9,595)

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	2012		2011	
		%		%
Result before income tax	43,051	_	44,058	
Income tax using Iceland rate	(8,610)	20.0	(8,812)	20.0
Effect tax rates in other jurisdictions	(2,564)	6.0	(2,362)	5.4
Weighted average applicable tax	(11,174)	26.0	(11,174)	25.4
	(400)	2.4	0.4	(0.4)
FX effect Iceland	(163)	0.4	31	(0.1)
R&D tax incentives	2,981	(6.9)	2,137	(4.9)
Permanent differences	401	(0.9)	385	(0.9)
Taxlosses (un)recognised	1,214	(2.8)	(217)	0.5
Impairment of tax losses	(655)	1.5	(944)	2.1
Effect of tax rate changes	(92)	0.2	141	(0.3)
Others	46	(0.1)	46	(0.1)
Tax charge included in the profit for the period	(7,442)	17.3	(9,595)	21.7



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.

	2012	2011
Net profit attributable to shareholders	35,609	34,463
Weighted average number of outstanding shares in issue (thousands)	729,545	733,944
Basic earnings per share (EUR cent per share)	4.88	4.70

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.

	2012	2011
Net profit used to determine diluted earnings per share	35,609	34,463
Meighted access and beautiful and a second in the second i	700 545	700.044
Weighted average number of outstanding shares in issue (thousands)	729,545	733,944
Adjustments for share options (thousands)	7,613	7,135
Weighted average number of outstanding shares for diluted earnings per share (thousands)	737,158	741,079
Diluted earnings per share (EUR cent)	4.83	4.65



11 Property, plant and equipment

At 1 January 2011	Land & buildings	Plant & machinery	Vehicles & equipment	Total
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
Year ended 31 December 2011				
Opening net book amount	84,162	16,903	8,353	109,418
Exchange differences	449	133	259	841
Additions	662	5,409	2,779	8,850
Disposals	156	(17)	(261)	(122)
Depreciation charge	(3,057)	(4,676)	(3,166)	(10,899)
Closing net book amount	82,372	17,752	7,964	108,088
At 1 January 2012				
Cost	112,621	63,895	44,800	221,316
Accumulated depreciation	(30,249)	(46,143)	(36,836)	(113,228)
Net book amount	82,372	17,752	7,964	108,088
Year ended 31 December 2012				
Opening net book amount	82,372	17,752	7,964	108,088
Exchange differences	(217)	(215)	(258)	(690)
Additions	3,249	3,367	4,663	11,279
Disposals	(65)	(113)	(520)	(698)
Depreciation charge	(2,982)	(4,004)	(2,959)	(9,945)
Closing net book amount	82,357	16,787	8,890	108,034
At 31 December 2012				
Cost	115,433	65,434	47,370	228,237
Accumulated depreciation	(33,076)	(48,647)	(38,480)	(120,203)
Net book amount	82,357	16,787	8,890	108,034
-		· · · · · ·		



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

	2012	2011
Cost of sales	6,383	6,932
Selling and marketing expenses	795	800
Research and development expenses	373	359
Administrative expenses	2,394	2,808
	9,945	10,899

As of 31 December 2012 mortgages included in interest bearing debt amounted to EUR 8,929 (2011: EUR 9,597), which are secured against a pledge on the real estate for the amount of EUR 12,363 (2011: EUR 12,406). As per 31 December 2012 an amount of EUR 2,560 has been committed for investments.



12 Intangible Assets

	Goodwill	Developm.	Patents & Trade name	Other Intangibles	Total other Intangibles
At 1 January 2011					
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
Year ended 31 December 2011					
Opening net book amount	379,879	42,913	42,405	7,566	92,884
Correction	(472)	(4)	0	(2)	(6)
Exchange differences	671	345	633	(29)	949
Acquisitions - internally developed	341	16,565	0	3,809	20,374
Disposals	0	(107)	0	(79)	(186)
Amortisation charge	0	(8,845)	(3,437)	(1,660)	(13,942)
Closing net book amount	380,419	50,867	39,601	9,605	100,073
A.4.1					
At 1 January 2012	200 440	00.205	E4 004	44.400	4.40, 4.40
Cost	380,419	80,305	51,661	14,480	146,446
Accumulated depreciation	0 380,419	(29,438) 50,867	(12,060) 39,601	(4,875) 9,605	(46,373)
Net book amount	300,419	30,007	39,001	9,000	100,073
Year ended 31 December 2012					
Opening net book amount	380,419	50,867	39,601	9,605	100,073
Exchange differences	(435)	168	(439)	(239)	(510)
Acquisitions - internally developed	0	22,459	0	5,694	28,153
Reclasification	0	1,275	(625)	(650)	0
Amortisation charge	0	(9,337)	(3,603)	(1,997)	(14,937)
Closing net book amount	379,984	65,432	34,934	12,413	112,779
At 31 December 2012					
Cost	379,984	103,575	50.985	19,187	173,747
Accumulated amortisation	0	(38,143)	(16,051)	(6,774)	(60,968)
Net book amount	379,984	65,432	34,934	12,413	112,779
-	· · · · · ·	, -		· · · · · · · · · · · · · · · · · · ·	, -



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

	2012	2011
Cost of sales	78	71
Selling and marketing expenses	353	54
Research and development expenses	10,586	10,432
Administrative expenses	3,920	3,385
	14,937	13,942

Impairment of Goodwill

Annually goodwill is tested for impairment at the level of the Group's Cash Generating Units (CGUs). In 2011 the CGUs were defined as the business units, as was done in 2010. As per 2012 the business unit structure was no longer used as the lowest level within the Group at which goodwill is monitored for internal management purposes. Following the introduction of the new market oriented business model with managerial responsibilities defined for the Group's four core industries Poultry, Fish, Meat and Further Processing, financial reporting was aligned with this structure as per 2012. As a consequence Marel changed the CGUs based on the new market oriented business model as the operating segments determined in accordance with IFRS 8 Operating Segments (Poultry, Fish, Further Processing and Meat). Only at the level of the operating segments the connection can be made between the business for which the goodwill was originally paid and the results of the synergies after the acquisition of Stork Food Systems by Marel. The annual impairment test includes all fixed assets and net working capital allocated to CGUs. The basis used for reporting in 2012 was not available in 2011. Therefore the reported information of 2011 relating to goodwill is not comparable. Management believes that the information for 2011 is still appropriate based on the information available at that time.

The purpose of impairment testing is to determine whether the recoverable amount exceeds the carrying amount. The recoverable amount of an operating segment is determined as the present value of the future cash flows expected to be derived from a CGU, based on amongst others:

- the estimated future cash flows that the Group expects the CGU to earn;
- possible variations in the amount or timing of those future cash flows:
- the time value of money, which is reflected by using a discount rate based on the current market risk-free rate of interest;
- the price for the uncertainty inherent in the CGU.

Future cash flows are based on financial budgets approved by management with an average weighted growth rate of 5% to 11% for a five year period. Cash flows beyond the strategic plan period are extrapolated using estimated growth rates as shown in the table below, as well as a post-tax discount rate of 10.0%. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The Goodwill impairment test performed in the fourth quarter confirmed the recoverability of existing goodwill. Since the outcome of the impairment testing exceeded the carrying amounts with more than 10%, sensitivity testing is not required. However, for the largest segment Poultry we have performed a sensitivity analysis for the following scenarios, which all would not result in an impairment:

- Growth rate during strategic plan period: 400 to 800 basis points lower
- Gross profit percentage of revenues: eliminate predicted improvement
- Discount rate: increase with 100 basis points.



Also for the 'Other' segment the relevant recoverable amount is sufficiently higher than the carrying amount of the respective net assets.

In addition to the updated discount rate, the assumptions used in the impairment test of the operating segments differ from the assumptions used in the impairment calculations based on the former BUs. The key assumptions used for the impairment tests are listed below. In 2011 the amounts of goodwill as per year-end showed minor differences with the amounts included in the Statement of Financial Position, caused mainly by currency translation with no effect on the outcome of the impairment test.

				Further
2012	Fish	Poultry	Meat	Processing
Goodwill	26,245	321,121	21,235	11,383
Growth rate	3.0%	3.0%	3.0%	3.0%
Discount rate ²⁾	10.0%	10.0%	10.0%	10.0%

¹⁾ Weighted average growth rate used to extrapolate cash flows beyond strategic plan period. ²⁾ Discount rate applied to the cash flow projections.

The key assumptions used for the impairment test in 2011 are based on the old CGU's, as shown in the table below:

		Marel	Poultry	Further
2011	Marel ehf.	Limited	Processing	Processing
Goodwill	86,027	8,164	272,635	11,213
Growth rate	3.0%	3.0%	3.0%	3.0%
Discount rate ²⁾	9.6%	9.6%	9.6%	9.6%

¹⁾ Weighted average growth rate used to extrapolate cash flows beyond strategic plan period.

13 Investments in associates

	2012	2011
Beginning of the period	109	109
Disposal	(109)	0
End of period	0	109

²⁾ Discount rate applied to the cash flow projections.



14 Trade and Other Receivables

Current receivables and pre-payments:	2012	2011
Trade receivables	75,737	84,059
Less: write-down to net-realisable value	(2,337)	(3,447)
Trade receivables - net	73,400	80,612
Less non-current portion	(2,584)	(3,115)
Current Portion	70,816	77,497
Other receivables and pre-payments		
Pre-payments	5,220	6,445
Other receivables	22,437	21,606
	27,657	28,051
Total Trade and Other receivables	101,057	108,663

All non-current receivables are due between one and five years.

The carrying amounts of receivables and pre-payments approximate their fair value. Trade receivables that are less than 90 days past due are not considered impaired. As of 31 December 2012, trade receivables of EUR 16,765 (2011: EUR 18,697) 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 2012, trade receivables of EUR 9,431 (2011: EUR 13,413) were tested for impairment and written down when necessary. The amount of the write-down to net-realisable value was EUR 2,337 as of 31 December 2012 (2011: EUR 3,447). 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:

	20	12	2011		
		Provision		Provision	
	Gross	for	Gross	for	
	amount	Impairment	amount	Impairment	
Up to 90 days	68,638	0	73,436	0	
Over 90 days	7,099	(2,337)	10,623	(3,447)	
	75,737	(2,337)	84,059	(3,447)	



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

	2012	2011
EUR	43,935	51,025
US Dollar	14,711	9,343
UK Pound	4,322	8,300
Other currencies	10,184	12,276
	73,152	80,944
Provision	(2,337)	(3,447)
	70,815	77,497
Movements on the Group receivables impaired to net-realisable value are as follows:		
	2012	2011
At 1 January	3,447	3,881
Provision for receivables impairment	725	1,175
Receivables written off during the year as uncollectible	(1,105)	(1,058)
Unused amounts reversed	(730)	(551)
At 31 December	2,337	3,447

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 2011	7,694
Exchange differences and changes within the Group	156
Consolidated Statement of Comprehensive Income charge (excluding rate change)	(5,798)
Effect of change in tax rates	153
Hedge reserve & translation reserve directly booked through equity	657
At 31 December 2011	2,862
A.4. I	0.000
At 1 January 2012	2,862
Exchange differences and changes within the Group	(93)
Consolidated Statement of Comprehensive Income charge (excluding rate change)	(5,494)
Effect of change in tax rates	(92)
Hedge reserve & translation reserve directly booked through equity	(389)
At 31 December 2012	(3,206)

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: Fair value reserves in shareholders' equity	2012	2011
- Translation Reserve mutation on permanent financing	11	(15)
- Hedging Reserve	(400)	672
	(389)	657
Deferred income tax assets	7,988	11,567
Deferred income tax liabilities	(11,194)	(8,705)
	(3,206)	2,862

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 655 (2011: EUR 944) 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.



Taxable effects of losses will expire according to below schedule:

	20	12	20	11
	Total tax losses	Of which not capitalised	Total tax losses	Of which not capitalised
Less than 6 years	5,881	3,861	6,010	4,635
Between 6 and 10 years	35,803	2,100	27,804	1,288
More than 10 years	8,945	1,801	15,694	1,578
Indefinite	26,559	7,638	23,737	6,396
	77,188	15,400	73,245	13,897

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	At 1 January	Exchange	Booked in Compre- hensive	Compre- hensive income	Effect of change in	At 31 December
	2012	differences	income	charge	tax rates	2012
Property, plant and equipment	(6,258)	13	0	(705)	(89)	(7,039)
Intangible assets	(10,625)	3	11	(5,604)	105	(16,110)
Other financial assets	2,922	(2)	(400)	55	0	2,575
Receivables	(2,995)	18	0	492	13	(2,472)
Inventories	2,147	(75)	0	202	5	2,279
Current liabilities	696	(7)	0	(99)	4	594
Long term liabilities	1,207	0	0	(515)	0	692
Provisions for pensions	104	(22)	0	425	(11)	496
Provisions for reorganisations	0	0	0	0	0	0
Provisions for guarantees	(89)	(4)	0	135	(1)	41
Provisions others	239	(5)	0	13	(3)	244
Subtotal	(12,652)	(81)	(389)	(5,601)	23	(18,700)
Subtotal tax losses	15,514	(12)	0	107	(115)	15,494
Overall total	2,862	(93)	(389)	(5,494)	(92)	(3,206)



	At 1		Booked in Compre-	Compre- hensive	Effect of	At 31
	January	Exchange	hensive	income	change in	December
	2011	differences	income	charge	tax rates	2011
Property, plant and equipment	(6,484)	18	0	224	(16)	(6,258)
Intangible assets	(6,006)	(111)	0	(4,764)	256	(10,625)
Other financial assets	2,376	(8)	657	(101)	(2)	2,922
Receivables	(501)	(18)	0	(2,373)	(103)	(2,995)
Inventories	2,233	28	0	(158)	44	2,147
Current liabilities	720	6	0	(31)	1	696
Long term liabilities	1,832	0	0	(625)	0	1,207
Provisions for pensions	172	5	0	(76)	3	104
Provisions for reorganisations	1	0	0	(1)	0	0
Provisions for guarantees	(48)	3	0	(46)	2	(89)
Provisions others	87	(2)	0	157	(3)	239
Others	192	0	0	(193)	1	0
Subtotal	(5,426)	(79)	657	(7,987)	183	(12,652)
Subtotal tax losses	13,120	235	0	2,189	(30)	15,514
Overall total	7,694	156	657	(5,798)	153	2,862

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Property, plant and equipment	367	596	(7,406)	(6,854)	(7,039)	(6,258)
Intangible assets	7,353	3,066	(23,463)	(13,691)	(16,110)	(10,625)
Other financial assets	2,714	3,120	(139)	(198)	2,575	2,922
Receivables	116	69	(2,588)	(3,064)	(2,472)	(2,995)
Inventories	2,718	2,320	(439)	(173)	2,279	2,147
Current liabilities	872	1,233	(278)	(537)	594	696
Long term liabilities	692	1,207	0	0	692	1,207
Provisions for pensions	546	232	(50)	(128)	496	104
Provisions for reorganisations	0	0	0	0	0	0
Provisions for guarantees	440	278	(399)	(367)	41	(89)
Provisions others	319	292	(75)	(53)	244	239
Subtotal	16,137	12,413	(34,837)	(25,065)	(18,700)	(12,652)
Taxlosses	19,314	19,192	(3,820)	(3,678)	15,494	15,514
Overall total	35,451	31,605	(38,657)	(28,743)	(3,206)	2,862



16 Inventories

	2012	2011
Raw materials	11,543	14,119
Semi-finished goods	74,017	70,596
Finished goods	30,494	31,223
	116,054	115,938
Provision	(16,876)	(16,574)
	99,178	99,364

The cost of inventories recognised as expense and included in Cost of sales amounted to EUR 411,101 (2011: EUR 340,195). In 2012 the write-down of inventories to net realizable value amounted to EUR 3,055 (2011: EUR 3,929).

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

17 Production Contracts

	2012	2011
Ordered work in progress	25,252	24,550
Advances received on ordered work in progress	(28,936)	(50,533)
	(3,684)	(25,983)
Cost exceed billing	40,163	38,046
Billing exceed cost	(43,847)	(64,029)
	(3,684)	(25,983)

An amount of EUR 133.6 million (2011: EUR 133.3 million) has been included in the Revenues orders booked off of 2012 as included in the Consolidated Statement of Comprehensive Income. For this portion of the revenues the conditions according to IAS 18 (sale of goods) have not been satisfied, therefore IAS 11 (construction contracts) has been applied. Construction contract revenue has been determined based on the percentage of completion method (cost based).



18 Equity

	Ordinary	Treasury	Number of	
	shares	shares	shares	
Share Capital	(thousands)	(thousands)	(thousands)	
A.4.1	700.004	(0.0)	700.050	
At 1 January 2011	730,291	(38)	730,253	
Issue of shares	5,278	0	5,278	
Treasury shares - purchased	0	(7,125)	(7,125)	
Treasury shares - sold	0	438	438	
At 1 January 2012	735,569	(6,725)	728,844	
Treasury shares - purchased	0	(4,070)	(4,070)	
Treasury shares - sold	0	6,666	6,666	
At 31 December 2012	735,569	(4,129)	731,440	
Class of share capital:				
Nominal value			6,691	
Share premium			315,561	
Reserve for share based payments				
Total share premium reserve			1,617 317,178	
Total Strate pretitiviti reserve			317,170	

The total authorised number of ordinary shares is 735.6 million shares (2011: 735.6 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 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. The exercise prices of options granted in June 2012 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	Options
	share	(thousands)
At 1 January 2011	ISK 84	32,865
Exercised	ISK 73	(5,715)
Cash settled	ISK 77	(1,238)
Forfeited in 2011	ISK 91	(244)
At 31 December 2011	ISK 89	25,668
Granted	EUR 1.083	10,578
Exercised	ISK 89	(1,900)
Exercised	EUR 0.537	(4,766)
Cash settled	ISK 87	(375)
Forfeited in 2012	EUR 0.743	(345)
At 31 December 2012	ISK 125	28,860
Exercisable options at 31 December 2012		9,747

Outstanding options granted 2008 (exercise price per share: ISK 87.41; price lowered from 2011 by the dividend payment in 2012 of ISK 1.59 per share) have expiry date 2012 plus one year in grace. Outstanding options granted 2010 (exercise prices per share: EUR 0.537 in 2012, EUR 0.559 in 2013 and EUR 0.582 in 2014; prices lowered from 2011 by the dividend payment in 2012 of EUR 0.0095 per share) have expiry date 2015. Outstanding options granted 2012 (exercise prices per share: EUR 1.066 in October 2015, EUR 1.095 in October 2016 and EUR 1.124 in October 2017) have expiry date in 2018.

In 2012, 500 thousand shares were exercised at exercise price ISK 92.00 per share, 1,400 thousand shares were exercised at exercise price ISK 87.41 per share, 4,766 thousand shares were exercised at exercise price EUR 0.537 per share. Options equal to 375 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. The exercise price of the cash settled options was 87.41 ISK per share. The Group has no plans to cash settle share options in the future.



Variables used in the Black Scholes calculation:

Option plan June 2008	Exercise price per share (ISK) ¹⁾ 87.41	Expected term (years)	Annual dividend yield 0.22%	Expected risk-free interest rate 4%	Estimated volatility 12.36%	Weigthed average remaining contr. life in months ²⁾ 7.4
						Weigthed average
	Exercise price		Annual	Expected		remaining
	per share	Expected	dividend	risk-free	Estimated	contr. life in
	(EUR) 1)	term (years)	yield	interest rate	volatility	months 2)
Option plan May 2010, 50% exercisable > 1 May 2012	0.537	5.0	0.00%	4%	21.29%	28.2
Option plan May 2010, 25% exercisable > 1 May 2013	0.559	5.0	0.00%	4%	21.29%	28.2
Option plan May 2010, 25% exercisable > 1 May 2014	0.582	5.0	0.00%	4%	21.29%	28.2
Option plan June 2012, 50% exercisable ≥ 31 October 2015	1.066	5.4	0.96%	3%	19.68%	70.0
Option plan June 2012, 25% exercisable ≥ 31 October 2016	1.095	5.4	0.96%	3%	19.68%	70.0
Option plan June 2012, 25% exercisable ≥ 31 October 2017	1.124	5.4	0.96%	3%	19.68%	70.0

¹⁾ Exercise price issued after dividend payment in 2012, EUR 0.95 cent (ISK 1.59) per share

Reserves

The hedge reserve contains revaluations on derivatives, on which hedge accounting is applied. The value of 31 December 2012 relates to derivatives for the Group, the interest rate swap contracts.

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 2,500 (2011: EUR 2,500). This contract was terminated in 2009 and the permanent financing has been transferred into equity in 2011.

²⁾ Based on last possible exercise dates in each option plan.



19 Borrowings

Non-current:			2012	2011
Bank borrowings			239,572	254,201
Finance lease liabilities			175	160
			239,747	254,361
Current:				
Bank borrowings excluding bank overdrafts			19,244	19,228
Debentures			0	7,639
Finance lease liabilities			196	195
			19,440	27,062
Total borrowings			259,187	281,423
Secured bank loans			258,816	281,068
Finance lease liabilities			371	355
Total borrowings			259,187	281,423
	Finance	Capitalised		
2012	lease	finance	Other	Total
Annual maturates of non-current liabilities:	liabilities	charges	borrowings	2012
Year 2014	170	(1,390)	20,642	19,422
Year 2015	0	(1,390)	20,647	19,257
Year 2016	6	(1,392)	196,077	194,691
Year 2017	0	0	613	613
Year 2018	0	0	621	621
Later	0	0	5,143	5,143
_	176	(4,172)	243,743	239,747
	Finance	Capitalised		
2011	lease	finance	Other	Total
Annual maturates of non-current liabilities:	liabilities	charges	borrowings	2011
Year 2013	102	(1,383)	20,484	19,203
Year 2014	54	(1,383)	20,503	19,174
Year 2015	4	(1,268)	209,733	208,469
Year 2016	0	0	542	542
Later	0	0	6,973	6,973
	160	(4,034)	258,235	254,361
·				<u> </u>



As of 31 December 2012, interest bearing debt amounted to EUR 259,187, (2011: EUR 281,423) of which EUR 255,448 (2011: EUR 269,247) are secured against shares that Marel hf. holds in certain subsidiaries and EUR 8,929 (2011: EUR 9,597) against real estate with a book value of EUR 12,363 (2011: EUR 12,406). Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The Group has the following headroom in committed ancillary facilities:

Floating rate:	2012	2011
- Expiring within one year	0	0
- Expiring beyond one year	62,806	33,508
	62.806	33.508

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 4.84% (2011: 5.11%).

An amount of EUR 28 was recognised as an expense in the Consolidated Statement of Comprehensive Income in respect of finance leases (2011: EUR 21).

	Future		Present	Future		Present
	minimum		value of	minimum		value of
	lease		min. lease	lease		min. lease
	payments	Interest	payments	payments	Interest	payments
	2012	2012	2012	2011	2011	2011
Less than 1 year	211	15	196	211	16	195
Between 1-5 years	202	26	175	187	26	161
Total	413	41	371	398	42	355

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



20 Provisions

	Guarantee	Pension	Other	
	commitments	commitments ^{^)}	provisions	Total
At 1 January 2011	4,062	3,599	2,378	10,039
Release	(551)	(65)	(519)	(1,135)
Additions	1,010	1,555	369	2,934
Used	(57)	(503)	(1,371)	(1,931)
At 1 January 2012	4,464	4,586	857	9,908
Release	(525)	0	(25)	(549)
Additions	799	1,607	101	2,508
Used	(88)	(3,529)	(419)	(4,036)
At 31 December 2012	4,650	2,665	514	7,830

*) The amount for pension commitments includes the liabilities as disclosed in Note 21 Employee benefits.

Analysis of total provisions	2012	2011
Current	2,889	3,006
Non current	4,941	6,902
	7.830	9.908

Specification of major items in provisions:

Nature of obligation for 2012	Country	Maturity	Likelihood	Amount
Guarantee	Netherlands	Dynamic	Dynamic	1,975
Guarantee	Denmark	Dynamic	Dynamic	804
Guarantee	US	Dynamic	Dynamic	840

In the other provisions an amount of EUR 155 is included for reorganisation costs. In 2012 an amount of EUR 285 was used. In 2012 a new provision for early retirement rights has been created for an amount of EUR 838.



21 Employee benefits

The Group maintains various pension plans covering the majority of its employees. As of 1 January 2012, the Company's employees in the Netherlands, 1038 in full-time employees ("FTEs"), participate in a multi-employer union plan ("Bedrijfstakpensioenfonds Metalektro", PME) determined in accordance with the collective bargaining agreements effective for the industry in which Marel operates.

This multi-employer plan covers approximately 1,260 companies and 142,000 contributing members. The plan monitors its risks on a global basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By law (the Dutch Pension Act), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan's assets to its obligations. This coverage ratio must exceed 104.3 percent for the total plan. Every company participating in a Dutch multi-employer union plan contributes a premium calculated as a percentage of its total pensionable salaries, with each company subject to the same percentage contribution rate.

The pension rights of each employee are based upon the employee's average salary during employment. Marel's net periodic pension cost for this multi-employer plan for any period is the amount of the required contribution for that period. A contingent liability may arise from, for example, possible actuarial losses relating to other participating entities because each entity that participates in a multi-employer plan shares in the actuarial risks of every other participating entity or any responsibility under the terms of a plan to finance any shortfall in the plan if other entities cease to participate. The coverage ratio of the multi-employer plan increased to 93.9 percent as per end of December 2012 (December 31, 2011: 90.7 percent). Because of the low coverage ratio, PME prepared and executed a so-called "Recovery Plan" which was approved by De Nederlandsche Bank (the Dutch central bank, which is the supervisor of all pension companies in the Netherlands).

For 2013, the pension premium percentage will not increase as the current premium level, which is 24.0 percent of the total pensionable salaries, is the maximum premium determined in the articles of association of the Pension Fund. The coverage ratio is calculated by dividing the fund's capital by the total sum of pension liabilities and is based on actual market interest.

The Company's pension costs for all employees for 2012 were EUR 13,492.

This includes the pension plan based on multi-employer union plan for EUR 6,704 (2011: see tables below), the Defined benefit plan of the US up to settlement of EUR 408 and other Defined Contribution plans for EUR 6,395 (2011: EUR 5,448).

The comparable amounts for the Dutch employees are disclosed in the tables below, as part of the Defined Benefit plans of the Stork Pension Fund, which has transferred to PME as per 1 January 2012.



The liability as per 31 December 2012 is given below:

	The	Other	
	Netherlands	countries	Total
Defined Benefit Obligation	610	1,696	2,306
Plan Assets	0	0	0
Net Position	(610)	(1,695)	(2,305)
Unrecognised actuarial gains and losses	0	1,282	1,282
Settlement	0	(754)	(754)
Others recognised in the consolidated statement of financial position	0	0	0
Pension assets / (liabilities)	(610)	(1,167)	(1,777)

¹⁾ As per end December 2012, the approval for the settlement of the Defined Benefit plan in the USA was received. The last confirmation by IRS is a formality. Effectively all risks and rewards are settled and the estimated cash payment, which will be executed in 2013, has been included in the other current liabilities.

The liability as per 31 December 2011 is given below:

	The	Other	
	Netherlands	countries	Total
Defined Benefit Obligation	610	11,122	11,732
Plan Assets	0	5,077	5,077
Net Position	(610)	(6,045)	(6,655)
Unrecognised actuarial gains and losses2	0	2,992	2,992
Others recognised in the consolidated statement of financial position	0	(978)	(978)
Pension liabilities	(610)	(4,031)	(4,641)

²⁾ At 14 December 2011 the agreement to transfer the Dutch Benefit pension plan to PME became definitive. As of that date effectively all risks and rewards are transferred to PME

that date effectively all risks and rewards are transferred to PME.

3) Additional provision for the settlement of the Defined Benefit plan in the USA in 2012, with cash settlement in 2013.



Defined Benefit Obligation	The Netherlands		Total
At 1 January 2011	271,675	8,589	280,264
Current service costs	2,877	345	3,222
Interest costs	12,245	463	12,708
Plan participants contributions	4,187	0	4,187
Actuarial gains and losses	27,023	1,506	28,529
Benefits paid	(14,601)	(219)	(14,820)
Settlement	²⁾ (302,796)	0	(302,796)
Changes in exchange rates	0	438	438
At 31 December 2011	610	11,122	11,732
Current service costs	0	449	449
Interest costs	0	520	520
Plan participants contributions	0	0	0
Actuarial gains and losses	0	710	710
Benefits paid	0	(241)	(241)
Settlement	1) 0	(10,577)	(10,577)
Changes in exchange rates	0	(287)	(287)
At 31 December 2012	610	1,696	2,306

¹⁾ As per end December 2012, the approval for the settlement of the Defined Benefit plan in the USA was received. The last confirmation by IRS is a formality. Effectively all risks and rewards are settled and the estimated cash payment, which will be executed in 2013, has been included in the other current liabilities.
2) At 14 December 2011 the agreement to reaction of the Dutch Benefit pension plan to PME became definitive. As of

that date effectively all risks and rewards are transferred to PME.



Plan Assets	The Netherlands	Other countries	Total
At 1 January 2011	275,943	4,609	280,552
Expected returns on plan assets	16,212	346	16,558
Employer's contribution	5,824	606	6,430
Plan participants contributions	4,187	0	4,187
Actuarial gains and losses	39,561	(437)	39,124
Benefits paid	(14,601)	(219)	(14,820)
Settlement	^(327,126)	0	(327,126)
Changes in exchange rates	0	172	172
At 31 December 2011	0	5,077	5,077
Expected returns on plan assets	0	390	390
Employer's contribution	0	487	487
Plan participants contributions	0	0	0
Actuarial gains and losses	0	154	154
Benefits paid	0	(241)	(241)
Settlement	0	(5,732)	(5,732)
Changes in exchange rates	0	(135)	(135)
At 31 December 2012	0	0	0

¹⁾ As per end December 2012, the approval for the settlement of the Defined Benefit plan in the USA was received. The last confirmation by IRS is a formality. Effectively all risks and rewards are settled and the estimated cash payment, which will be executed in 2013, has been included in the other current liabilities.

payment, which will be executed in 2013, has been included in the other current liabilities.

2) At 14 December 2011 the agreement of 7 October 2011 to transfer the Dutch Benefit pension plan to PME became definitive. As of that date effectively all risks and rewards are transferred to PME.



The net period pension costs of the above pension plans:

	The	Other	
2012	Netherlands	countries	Total
Current service costs	0	449	449
Interest costs	0	520	520
Expected returns on plan assets	0	(390)	(390)
Amortised actuarial gains and losses	0	149	149
Plan participants contributions	0	0	0
Administration costs	0	0	0
Pension expense 2012	0	728	728
2011			
Current service costs	7,064	345	7,409
Interest costs	12,245	463	12,708
Expected returns on plan assets	(16,212)	(346)	(16,558)
Amortised actuarial gains and losses	461	24	485
Plan participants contributions	(4,187)	0	(4,187)
Settlement	4,820	0	4,820
Administration costs	428	0	428
Addition for anticipated settlement in 2012	0	885	885
Pension expense 2011	4,619	1,371	5,990

²⁾ At 14 December 2011 the agreement to transfer the Dutch Benefit pension plan to PME became definitive. As of that date effectively all risks and rewards are transferred to PME. The settlement result is explained by the write-off of plan assets, defined benefit obligation and actuarial gains / losses of EUR 19,510.

The industry-wide pension fund Stichting Pensioenfonds van de Metalektro (PME) has taken over the execution of the pension plan from Stork Pension Fund (SPF) as of 1 January 2012. The agreement has become definitive at 14 December 2011. Marel is party to the agreement due to its acquisition of Stork Food Systems. The costs for Marel of the pension related issues amounted to EUR 11.0 million, booked in 2011.

⁴⁾ Excluding the outstanding part of the additional pension costs related to transfer of Stork Pension Fund to PME (EUR 8.6 million); including additional costs related to the anticipated settlement of the Defined Benefit plan in the USA in 2012 (EUR 0.9 million).



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

	The	Other	
Parameters used in actuarial calculation December 2012	Netherlands	countries	Total
Discount rate	-	4.0%	4.0%
Expected return on plan assets	-	7.5%	7.5%
Future salary increases	-	2.5%	2.5%
	year		year
Future pension increases	dependent	0.0%	dependent
Parameters used in actuarial calculation December 2011			
Discount rate	4.6%	4.8%	4.6%
Expected return on plan assets	5.9%	7.5%	7.4%
Future salary increases	2.0%	2.5%	2.5%
	year		year
Future pension increases	dependent	0.0%	dependent

The mortality table used for the Netherlands in 2011 was based on the Prognosis table 2010-2060 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 were made. The historic returns on these asset categories were weighted on the basis of the expected long-term allocation of the plan assets.

The expected return on plan assets for the Netherlands for 2011 was 5.9% positive and the actual return resulted at 8.1% positive plus a positive effect of increased consolidation rate of 12.1%. The actual return on plan assets in 2011 for the other countries was 15.1% (expected 7.8%).



The allocation of the investments per asset category for the pension plans is as follows:

	The	Other
Percentage allocation of investments as per December 2012	Netherlands	countries
Shares and related instruments	-	-
Fixed-interest securities	-	-
Property	-	-
Other	-	100%
Total	0%	100%
Percentage allocation of investments as per December 2011		
Shares and related instruments	22%	77%
Fixed-interest securities	47%	21%
Property	7%	2%
Other	24%	0%
Total	100%	100%

The plan assets consisted primarily of fixed-interest securities, listed shares and related instruments, as well as property.

Historical summary	2012	2011	2010	2009	2008	May-08
Cash value of the obligations related to Def. Ben. plans	2,306	11,732	280,264	281,347	276,197	275,013
Fair value of the plan assets	0	5,077	280,552	290,316	257,474	298,998
Net obligations	(2,305)	(6,655)	288	8,969	(18,723)	23,985
Experience adjustments incurred on plan liabilities						
(rounded)	2012	2011	2010	2009	2008	May-08
For the Netherlands						
Actuarial gains / (losses) plan liabilities	0	(27,023)	(47,500)	6,313	5,000	n.a.
Effect of the change in assumptions	0	12,140	(34,696)	25,417	0	n.a.
Effect of the change in consolidation rate	0	(20,297)	(11,694)	(6,906)	11,000	n.a.
Experience adjustments	0	(18,866)	(1,110)	(12,198)	(6,000)	n.a.
Experience adjustments incurred on plan assets						
(rounded)	2012	2011	2010	2009	2008	May-08
For the Netherlands						
Actuarial gains / (losses) plan assets	0	39,561	(24,275)	(18,408)	47,000	n.a.
Effect of the change in assumptions	0	0	0	0	0	n.a.
Effect of the change in consolidation rate	0	33,338	(17,240)	(10,811)	15,000	n.a.
Experience adjustments	0	6,223	(7,035)	(7,597)	32,000	n.a.



22 Derivative 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 2012 was EUR 135,490 (2011: EUR 145,550).

The contractual maturities are as follows:

Interest rate SWAP	Currency EUR USD EUR USD	Principal 104,325 53,387 80,000 50,000	Maturity 2013 2013 2015 2015	Interest % 4.3% 4.1% 3.0% 2.8%
Interest rate SWAP	Currency EUR USD EUR USD	Principal 104,325 53,387 80,000 50,000	Maturity 2013 2013 2015 2015	Interest % 4.3% 4.1% 3.0% 2.8%

⁽b) Hedge of net investment in foreign entity

There are no net investment hedges as per end of 2012 (2011: zero)

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.

23 Trade and other payables

	2012	2011
Trade payables	55,562	55,933
Accruals	3,435	2,486
Other payables	66,420	67,151
	125,417	125,570



24 Contingencies

At 31 December 2012 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 15,882 (2011: EUR 41,690) to third parties.

The Supreme Court of Iceland has given its judgment at 27 September 2012, in the case Glitnir bank hf. brought against Marel hf. The verdict is in favor of Marel. The District Court of Reykjanes ruled in favor of Marel 12 April 2011, and the Supreme Court of Iceland has given its verdict on the matter, reaffirming the ruling of the District Court. The contingency reported in the former publications is herewith concluded without impact on the results.

From time to time claims are filed against the Group. Although the outcome of current claims cannot be predicted with any certainty, it is assumed – partly on the basis of legal advice – that these will not have any significant impact on the consolidated financial statements.

25 Commitments and insurance

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

	2012	2011
Less than 1 year	4,237	3,546
Between 1 and 5 years	5,581	4,040
Later than 5 years	1,147	1,209
Total operational lease liabilities	10,965	8,795

During the year an amount of EUR 4,513 was recognised as an expense in profit or loss in respect of operating leases (2011: EUR 4,091).

Insurance

The Group has covered Business Interruption Risks with an insurance policy underwritten by an independent insurance company for a maximum period of 24 months. The insurance benefits for Business Interruption amount to EUR 494 million for 2012 for the whole Group. The Group Insurance value of buildings amounts to EUR 136 million, productions machinery and equipment including software and office equipment amount to EUR 117 million and inventories to EUR 102 million. Currently there are no major differences between appraisal value and insured value.



26 Related party transactions

At the end of December 2012 and 2011, there are no loans to directors.

						Bought	
Board fee for the year 2012 and shares at year-	and					shares acc.	
Board lee for the year 2012 and shares at years	u			Pension	Stock	to stock	Shares at
			Board fee	contribution ¹⁾	options ²⁾	options ²⁾	year-end 2)
Árni Oddur Þórðarson, Chairman			87	7	0	0	243,499 ³⁾
Arnar Þór Másson, Board Member			29	2	0	0	0
Ásthildur Margrét Otharsdóttir , Board Member			58	5	0	0	32
Friðrik Jóhannsson, Board Member			33	3	0	0	4,300
Helgi Magnússon, Board Member			29	2	0	0	5,105
Margrét Jónsdóttir, Board Member			29	2	0	0	200
Smári Rúnar Þorvaldsson, Board Member (until 29 Feb	oruary 2012)		4	0	0	0	0
Theo Bruinsma, Board Member			29	2	0	375	1,000 4)
						Bought	
		Share				shares acc.	
	Salary and	based	Incentive	Pension	Stock	to stock	Shares at
	benefits	benefits	payments	contribution ¹⁾	options 2)	options ²⁾	year-end 2)
Theo Hoen, CEO	418	0	136	92	2,950	0	1,500
Erik Kaman, CFO	376	0	109	32	2,300	0	1,675
Sigsteinn Gretarsson, COO	333	285	93	24	625	825	26
Five Managing Directors	925	150	177	107	3,435	425	124 ⁵⁾

¹⁾ Pension contributions for all board members are part of a defined contribution plan.

²⁾ Number of shares * 1000

Shares owned by Eyrir Invest hf., where Árni Oddur Þórðarson is CEO, including those of financially related parties.

Margrét Jónsdóttir is the CFO of Eyrir Invest hf.

Theo Bruinsma was previously President of Townsend Inc. which was acquired by Stork in 2006. Thereafter, he was part of Stork and Marel's management team until 2010. In accordance with his employment agreement, Mr. Bruinsma received payments in 2012 in addition to the board fee amounting to EUR 433 as well as share based benefits amounting to EUR 128. At the year-end 2012 he does not hold any stock options.

⁵⁾ Marel has identified five managers other than the members of the Board of Management who have material significance for Marel's operations. This group consists of the four Managing Directors of Marel's Industry Centers and the Managing Director of Marel's international sales and service network.



Stock options	Number of	Average exercise	
	shares 2)	price	
Theo Hoen, CEO	2,000	87.41	ISK per share
	350	0.553	EUR per share
	600	1.083	EUR per share
Erik Kaman, CFO	1,500	87.41	ISK per share
	350	0.553	EUR per share
	450	1,083	EUR per share
Sigsteinn Gretarsson, COO	175	0.570	EUR per share
	450	1,083	EUR per share
Five Managing Directors	1,250		ISK per share
	2,185	0.86	EUR per share

Devil of the second of the second		Bought shares acc.						
Board fee for the year 2011 and shares at year-end	Board fee	Pension contribution ¹⁾	Stock options ²⁾	to stock options ²⁾	Shares at year-end ²⁾			
Árni Oddur Þórðarson, Chairman	60	5	0	0	262,099 ³)		
Arnar Þór Másson, Board Member	23	2	0	0	0			
Ásthildur Margrét Otharsdóttir , Board Member	43	3	0	0	32			
Friðrik Jóhannsson, Board Member	45	4	0	0	4,300			
Helgi Magnússon, Board Member	23	2	0	0	5,308			
Lars Grundtvig, Board Member (until 2 March 2011)	3	0	0	0	61,673 ⁴)		
Margrét Jónsdóttir, Board Member	23	2	0	0	200			
Smári Rúnar Þorvaldsson, Board Member	23	2	0	0	0			
Theo Bruinsma, Board Member	23	2	375	375	1,000 5))		

Contributions for Theo Hoen and Erik Kaman were part of a defined benefit plan; contributions for the other board members are part of a defined contribution plan.
 Number of shares * 1000
 Shares owned by Eyrir Invest hf., where Árni Oddur Þórðarson is CEO, including those of financially related parties. Margrét Jónsdóttir is the CFO of Eyrir Invest hf.
 Shares owned by Grundvigt Invest AsP.
 Theo Partiesme holds a managarial position along with boing a member of the heard of directors. Solary and

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.



Theo Hoen, CEOErik Kaman, CFOSigsteinn Gretarsson, COO	Salary and benefits 384 351 297	Incentive payments 144 115 82	Pension contribution ¹⁾ 88 28 36	Stock options ²⁾ 2,350 1,850 1,000		c. k Shares at year-end ²⁾ 1,500 1,675
Stock options				Number of	Average exercise	
				shares 2)	price	
Theo Hoen, CEO				2,000		ISK per share
				350	0.563	EUR per share
Erik Kaman, CFO				1,500	89	ISK per share
				350	0.563	EUR per share
Sigsteinn Gretarsson, COO				150	92	ISK per share
				500	89	ISK per share
				350	0.563	EUR per share
Theo Bruinsma, Board Member				375	89	ISK per share

¹⁾ Contributions for Theo Hoen and Erik Kaman were part of a defined benefit plan; contributions for the other board members are part of a defined contribution plan.
²⁾ Number of shares * 1000

27 Fees to Auditors

	2012	2011
Audit of financial statements	639	675
Other services - audit related	68	261
Other services	92	47
	799	983



Ownership

Notes to the Consolidated Financial Statements

Country of

28 Events after the balance sheet date

No significant events have taken place since the reporting date.

29 Subsidiaries

The largest subsidiaries are listed below:

	<u>Incorporation</u>	<u>Interest</u>
Marel Iceland ehf.	Iceland	100%
Marel A/S	Denmark	100%
Marel Salmon A/S	Denmark	100%
Marel Seattle Inc	USA	100%
Marel Singapore 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 Benelux B.V.	Netherlands	100%
Marel Australia Pty Ltd.	Australia	100%
Marel Stork Food Systems Máquinas Alimenticias Ltda	Brazil	100%



30 Quarterly results (unaudited)

Q4 2012	Q3 2012	Q2 2012	Q1 2012	Total
178,363 (118,277) 60,086	164,264 (105,393) 58,871	186,469 (124,192) 62,277	184,864 (116,872) 67,992	713,960 (464,734) 249,226
(23,100) (9,943) (14,061) 650 13,632	(21,440) (10,638) (12,547) (127) 14,119	(23,666) (10,940) (15,681) 220 12,210	(21,913) (10,045) (14,656) (258) 21,120	(90,119) (41,566) (56,945) 485 61,081
(5,271) (6) (5,278)	(4,303) (264) (4,567)	(4,103) 24 (4,079)	(4,689) 582 (4,107)	(18,366) 336 (18,030)
8,354	9,552	8,131	17,013	43,051
(1,211) 7,143	(1,144) 8,408	(1,143) 6,988	(3,944)	(7,442) 35,609 85,963
	178,363 (118,277) 60,086 (23,100) (9,943) (14,061) 650 13,632 (5,271) (6) (5,278) 8,354 (1,211)	178,363	178,363 164,264 186,469 (118,277) (105,393) (124,192) 60,086 58,871 62,277 (23,100) (21,440) (23,666) (9,943) (10,638) (10,940) (14,061) (12,547) (15,681) 650 (127) 220 13,632 14,119 12,210 (5,271) (4,303) (4,103) (6) (264) 24 (5,278) (4,567) (4,079) 8,354 9,552 8,131 (1,211) (1,144) (1,143) 7,143 8,408 6,988	178,363 164,264 186,469 184,864 (118,277) (105,393) (124,192) (116,872) 60,086 58,871 62,277 67,992 (23,100) (21,440) (23,666) (21,913) (9,943) (10,638) (10,940) (10,045) (14,061) (12,547) (15,681) (14,656) 650 (127) 220 (258) 13,632 14,119 12,210 21,120 (5,271) (4,303) (4,103) (4,689) (6) (264) 24 582 (5,278) (4,567) (4,079) (4,107) 8,354 9,552 8,131 17,013 (1,211) (1,144) (1,143) (3,944) 7,143 8,408 6,988 13,069



	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total
Revenue Cost of sales Gross profit	183,903 (114,105) 69,798	169,063 (108,371) 60,692	161,854 (103,971) 57,883	153,537 (94,619) 58,918	668,357 (421,068) 247,291
Selling and marketing expenses	(21,563) (11,343) (15,089) (62) 21,741	(18,499) (9,501) (13,120) (119) 19,453	(20,282) (9,839) (12,794) (11,116) 3,852	(19,471) (9,640) (12,690) 4 17,121	(79,815) (40,323) (53,693) (11,293) 62,167
Finance costs Finance income	(3,109) 852 (2,257)	(5,729) (572) (6,301)	(4,418) 1,229 (3,189)	(6,596) 235 (6,361)	(19,852) 1,744 (18,108)
Result before income tax	19,484	13,152	663	10,760	44,059
Income tax Profit for the period	(4,497) 14,987	(2,680) 10,472	(434)	(1,984) 8,776	(9,595) 34,464
Profit before deprec. & amortisation (EBITDA)	28,029	25,819	9,835	23,323	87,006