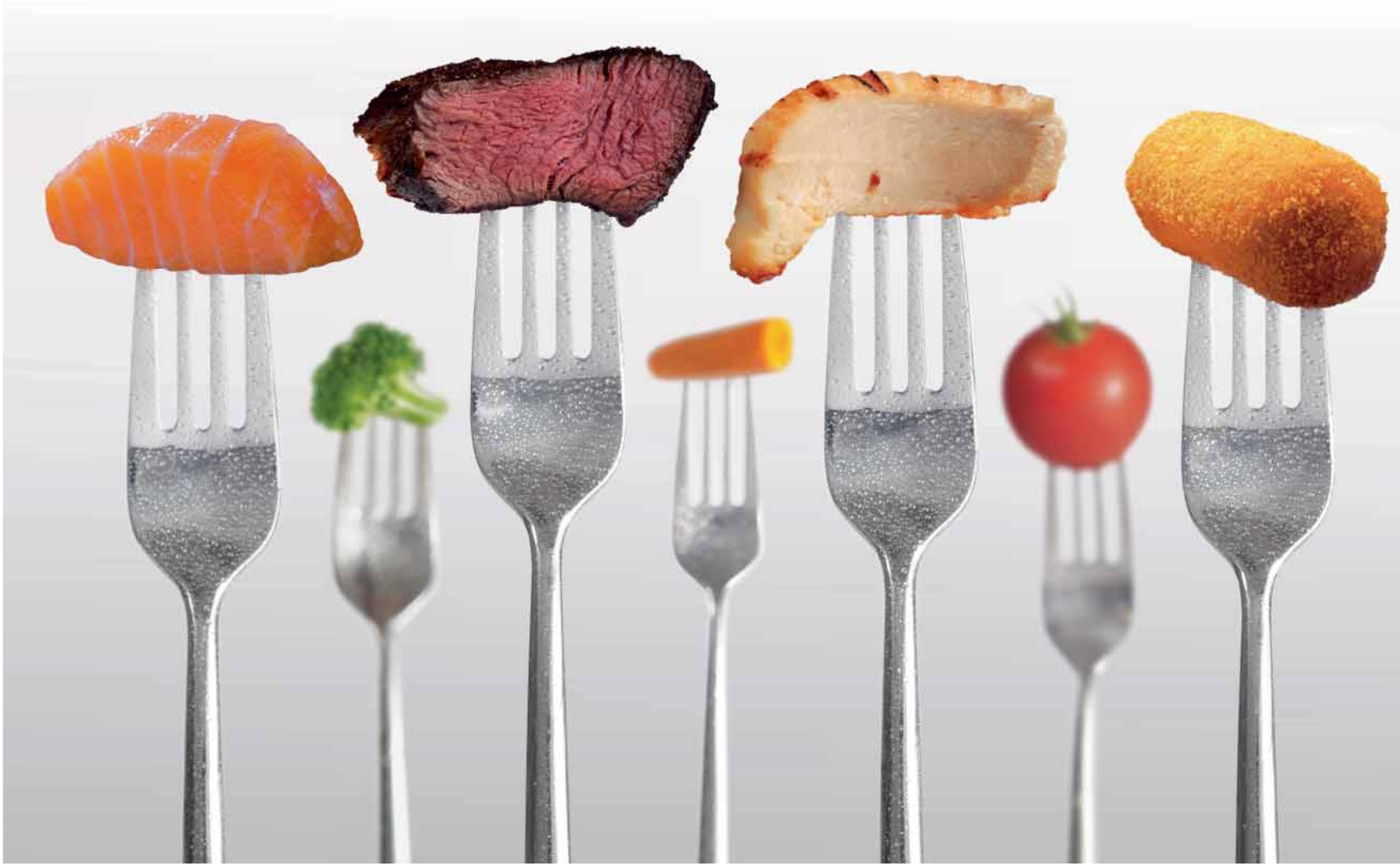
ANNUAL REPORT **2011**



marel

Who we are

Marel is the leading global provider of advanced equipment, systems and services to the poultry, fish, meat and further processing industries.

Our state-of-the-art equipment and systems help food processors of all sizes, in all markets, to operate at peak productivity.

GLOBAL PRESENCE

With more than 3,900 employees worldwide, offices and subsidiaries in some 30 countries, and a network of more than 100 agents and distributors, Marel is in a unique position to serve our customers wherever they may be located.

A SINGLE SOURCE

Our brands – Marel, Stork Poultry Processing and Townsend Further Processing – are among the most respected in the industry. United in one company, we offer our customers the convenience of a single source for products to meet their every need.

INNOVATION: IT'S IN OUR DNA

Our annual investment of 5-7% of revenues in research and development has led to breakthrough innovations that have transformed the way food is processed around the world.

Our primary goal is to put our devotion to market-driven innovation at the service of our customers – from small family-owned businesses to leading global producers – to help them to be profitable.

ONE COMPANY... SERVING FOUR INDUSTRIES

Our four Industry Centres gather together all the knowledge, expertise and decades of experience accumulated across our company in each of the four core industries we serve.

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 specialises 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 sausage-making under the brand name of Townsend Further Processing.

POULTRY



FISH



MEAT



FURTHER PROCESSING



TABLE OF CONTENTS

Marel in figures 2

Chairman's address 4

CEO's address 6

I. Strategy and finance 9

Vision 10

Strategy 11

Financial performance 14

II. Market overview 19

Introduction: "Expanding into new markets" 20

Poultry processing: "Growth continues unabated" 22

Velskaya, Russia: "Working together towards a great future" 25

Fish processing: "Focus on China bears fruit" 26

Bremnes Seashore, Norway: "Innova software – from planning to dispatch" 29

Meat processing: "Automation and process monitoring are key" 30

Las Piedras, Uruguay: "Marel flowline forms backbone at Las Piedras" 33

Further processing: "Processors focus on smart investments" 34

Mar-Ne-Váll , Hungary: "Reduced water consumption and improved profitability" 37

III. Business operations 39

Introduction: "Providing sustainable value". 40

Market penetration: "A strong foundation for the future" 41

Innovation: "Sustainability by design" 44

Operational excellence: "Continuous learning and improvement" 47

Our People 48

IV. To our shareholders 51

Shares and shareholders 52

CEO and Board of Directors 54

Investor relations 56

Risk management 57

Corporate governance 58

V. Consolidated financial statements for 2011 63

MAREL IN FIGURES

Amounts in EUR thousands

Results	2011	2010	2009	2008	2007
Revenue	668,357	600,421	531,680	540,149	289,817
Gross profit	247,289	227,074	191,674	178,931	97,236
Result before depreciation (EBITDA)	87,006	82,177	58,752	42,108	20,980
Result from operations (EBIT)	62,166	57,334	8,047	20,434	10,029
Net result for the period	34,463	13,626	(11,811)	(8,405)	6,066
Cash flow statement					
Cash generated from operating activities, before interest & tax	63,716	114,881	75,395	45,852	7,925
Net cash from (to) operating activities	43,183	78,988	25,526	9,602	2,778
Investing activities	(28,690)	(16,757)	10,758	(404,986)	(70,249)
Financing activities	(47,120)	(67,453)	10,168	386,481	34,118
Financial position					
Total assets	877,818	877,623	882,882	920,259	427,304
Working capital	52,487	78,114	109,111	(25,940)	109,887
Equity	373,471	343,269	323,797	288,279	181,835
Net debt	250,489	256,741	295,012	379,405	129,919
Various figures in proportion to sales					
Gross profit	37.0%	37.8%	36.1%	33.1%	33.6%
Selling and marketing expenses	11.9%	11.8%	13.8%	13.3%	15.5%
Research and development expenses	6.0%	6.1%	5.9%	5.1%	5.0%
Administrative expenses	8.0%	9.1%	13.1%	11.1%	10.0%
Wages and benefits	31.4%	31.7%	36.1%	33.7%	41.2%
Result before depreciation (EBITDA)	13.0%	13.7%	11.1%	7.8%	7.2%
Depreciation/amortisation	3.7%	4.1%	9.5%	4.0%	3.8%
Result from operations (EBIT)	9.3%	9.5%	1.5%	3.8%	3.5%
Net result for the period	5.2%	2.3%	(2.2%)	(1.6%)	2.1%
Other key ratios					
Current ratio	1.2	1.4	1.6	0.9	1.9
Quick ratio	0.8	1.0	1.2	0.6	1.4
Equity ratio	42.5%	39.1%	36.7%	31.3%	42.5%
Return on owners' equity	9.6%	4.1%	(3.9%)	(3.6%)	3.7%
Return on total assets	3.9%	1.5%	(1.3%)	(1.2%)	1.5%

Key figures from Marel's core operations, normalised	2011	2010	2009
Revenue	668,357	582,130	434,796
Result from operations (EBIT)	73,152	64,144	24,760
EBIT as a % of sales	10.9%	11.0%	5.7%
Result before depreciation and amortisation (EBITDA)	97,992	88,060	47,432
EBITDA as a % of sales	14.7%	15.1%	10,9%
Leverage	2.56	2.92	N/A

Glossary of terms

Net interest bearing debt
Interest bearing borrowings (current & non-current) - Cash & cash equivalents - Restricted cash

Net cash
Cash and cash equivalents + Restricted cash - Bankoverdrafts

Full time equivalents
Number of personnel, where part time employees are counted for the percentage of a full time job

EBITDA
Earnings before interest, tax, depreciation and amortisation

Current ratio
Current assets / Current liabilities

Quick ratio
(Current assets - Inventories) / Current liabilities

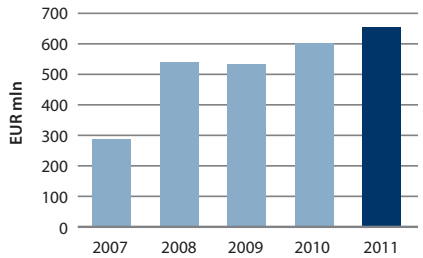
Equity ratio
Total equity / (Total equity + Total liabilities)

Return on owners' equity
Result for the period / Average of total equity (beginning balance + ending balance for the period / 2)

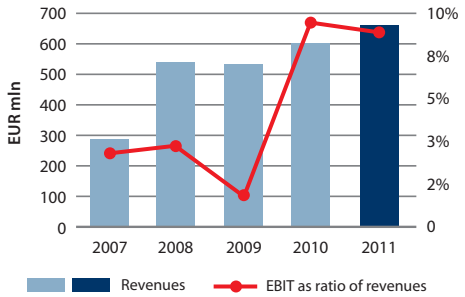
Return on total assets
Result for the period / Average of total assets (beginning balance + ending balance fo the period / 2)

Leverage
Net interest bearing debt / Normalised last twelve months EBITDA

Revenues

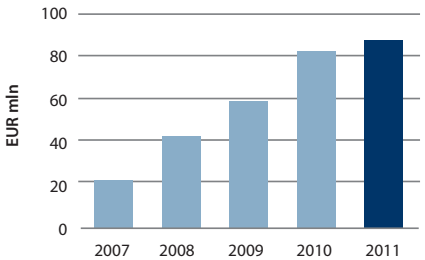


Revenues and profit from operations (EBIT) as percentage of revenues

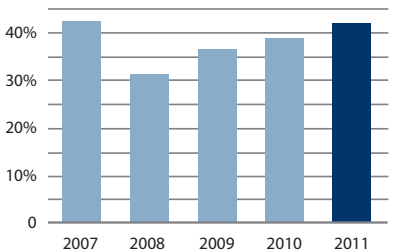


Note: The figures to the left are from the consolidated accounts of Marel. For key figures from Marel's normalised core operations, see relevant section on page 2. For further information, see chapter on Financial performance on pages 14-17.

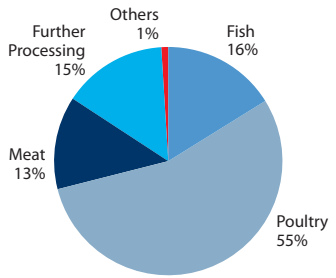
EBITDA



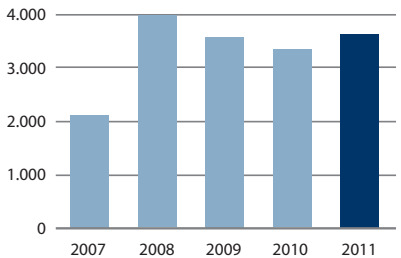
Equity ratio



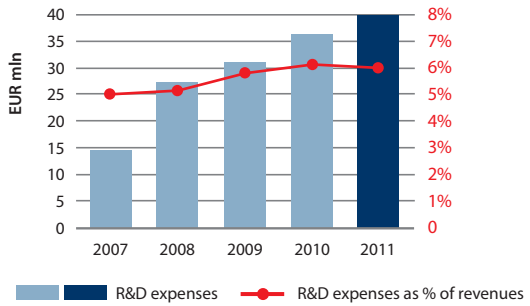
Sales in 2011, by business segments



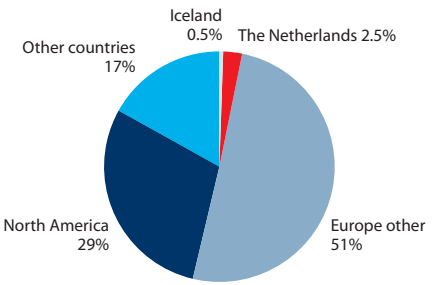
Number of employees (FTEs), average per year



Research and development expenses



Sales in 2011, by geographical location





CHAIRMAN'S ADDRESS

Marel's best days are ahead!

In 2011, we had strong and profitable organic growth. The revenues expanded by 15% compared to the previous year and profitability was well within stated targets. The quality of earnings is high in our company with a good distribution of earnings among the poultry, fish, meat and further processing segments. Moreover, one-third of revenues are service-related and two-thirds from new equipment sales. We are a truly global company with a good balance in new orders between emerging markets and more established markets in North America and Western Europe.

Our industry is directly benefitting from the trends that are driving global economic development. Urbanisation continues at a pace in emerging markets, resulting in a rise in average family incomes, which is in turn driving increased protein consumption. In the developed world, there is a continuous need for modernisation. Marel is the partner of choice in the production of high-quality food that is affordable, convenient and nutritious. With a proven business model based on market penetration, innovation and operational excellence, Marel is well aligned with these prevailing trends.

Aligning strategy and execution

In the 2006 Chairman's address, I announced that Marel was taking the lead in the consolidation that was looming for the food systems industry. I stated our view that companies needed a certain size and critical mass in order to be able to take advantage of opportunities developing in newer markets, such as in Eastern Europe, Asia and South America. Marel's excellent performance in 2011 is a direct result of the successful execution of this strategy.

Today, Marel is the undisputed global leader in its field. I would like to express my sincere appreciation to the Marel team for their admirable performance in recent years.

Consolidation is picking up steam in the industry

As we predicted, consolidation is picking up steam in the industry. Marel has already taken pole position with its carefully planned acquisitions since 2006 and having benefited from having had first pick of future partners. Following a brief period of refocusing of the business once the period of high external growth was completed, we have entered the second phase of our growth strategy – a sustained period of high organic growth. Our goal is to continue to grow faster than the market and to achieve sales of EUR 1 billion EUR by 2015. The performance in recent years shows that Marel is already on the fast track to achieving this ambitious goal.

There are many reasons to invest in Marel

- A global leader in an attractive industry, growing at a steady and sustainable rate
- A healthy balance between standard products, large projects and service revenues
- A truly global company with a good geographical distribution of revenues
- Execution that is fully aligned with a clear and focused growth strategy
- Long standing management team with proven track record
- Strong product pipeline fuelled by innovation
- Successful acquisitions and integration, with a full focus on organic growth moving forward
- Gross margin improvement and sustainable cost reduction resulting in healthy EBITDA growth
- Long-term financing at favourable terms
- Healthy cash flow generation and clear capital allocation strategy, including distribution of profits

A focus on sustainability

Fish, meat and poultry consumption continues to steadily increase. At the same time, the focus on higher quality, improved yield and reduced waste continues to grow.

Increasingly, the company is harnessing its drive to innovate in the development of products that promote sustainability. The Marel RevoPortioner is an example of how the company is using the latest technology to reduce energy use and waste. The RevoPortioner produces perfectly portioned products, such as chicken nuggets and hamburgers, at low pressure, while retaining the texture and structure of the raw material. It is encouraging to see that our efforts are having an impact.

Strong financials and shareholder return

Marel's financing costs decreased significantly between years due to a reduction in debts and a favourable long-term financing agreement executed in November 2010. We introduced our target financial ratios and a dividend policy at the 2011 Annual General Meeting. In line with these targets, the Board of Directors will propose to pay a dividend equal to 20% of profits for the operational year 2011.

Ready for the future

In order to be able to capitalise on the opportunities that a fast-growing market presents, Marel has undergone major changes in the past two years. We now have a new market-driven organisational structure and all key processes have been strengthened. We know that we also have to remain focused. Our people have shown their abilities in the past and we are all set on delivering what is required to ensure that Marel continues to be the customers' choice.

Marel is shaping its own destiny by continuing to invest well above the industry average in innovation and further market penetration, laying the foundation for high organic sales growth, good quality of earnings and profitability for many years to come. Marel's best days are ahead!



Arni Oddur Thordarson

Chairman of the Board



CEO'S ADDRESS

Ready for the future

Marel has come a long way since 2006, when an ambitious two-phase growth strategy was announced. Today, thanks to the success of that strategy, Marel is the market leader in advanced equipment for the processing of proteins. After completing the first phase, defined by a series of strategic acquisitions, we are now in the second phase, where the focus is on strong organic growth. Our target is to reach EUR 1 billion in turnover by 2015.

We made significant strides toward this goal in 2011. We achieved pure organic growth of close to 15%, primarily thanks to two factors: the further expansion of our global market network, and our ability to consistently bring innovative new products to the market. Once again, our strong innovation drive was a key factor in our success.

Market situation

Market conditions were favourable for our customers in 2011. Global protein consumption continues to increase by 3-5% annually, mainly driven by urbanisation in the emerging economies. In developed countries, the rising popularity of convenience food is a key factor. Consumer habits are constantly changing and we spend less and less time in the kitchen. Marel is responding by helping processors to meet growing consumer demand for food that is easy to prepare.

Globally, poultry processors had a very good year, although it was a difficult time for our customers in the U.S. They were not in a position to pass rising feed prices on to consumers, which limited capital investment. Meat processors had a decent year and their financial situation improved. Fish processors did well and we have seen rapid developments especially in China, with new farmed species such as tilapia and pangasius gaining market share.

Looking ahead to 2012, we are optimistic and we expect market conditions to remain favourable for our customers. In the U.S., we anticipate a recovery in the poultry market.

Innovation

We are driven by our commitment to bring new technologies to the market that provide added value for our customers. In 2011, our innovation strategy produced a number of big success stories.

We saw excellent sales of unique products like the SensorX bone detection system and RevoPortioner low-pressure forming and portioning machine. Innovations for the meat industry, especially our StreamLine intelligent deboning and trimming systems, made good headway in key markets. The success of our INNOVA production management software systems shows how crucial it is for processors to have oversight and control in order to be able to optimise their production processes. And the reception that our bacon slicers enjoyed in the U.S. market in 2011 was a major milestone.

Throughout this report, we take the opportunity to highlight a number of innovations that we have recently introduced to the market. Our customers can expect to see more exciting new products in 2012 that will help them to improve profitability.

One Marel

In the first phase of our growth strategy, Marel grew aggressively through acquisitions, tripling turnover in less than three years. One significant outcome is that in a short period of time, we have integrated roughly 10 companies into one. Only five years ago, most of them were independent but now they have come together to make Marel what it is today.

In 2010, we launched our "Marel on the move" campaign, which laid out a roadmap for the 'new Marel'. In 2011, we set off on the new path and made tremendous progress. We have now defined a clear branding strategy vis-à-vis the market. We have established a new market-oriented organisational structure and expanded the reach of our strong sales and service network. And we have taken advantage of our economies of scale, especially in procurement and manufacturing. All in all, we took a big step forward in becoming 'one Marel' and in establishing the foundation that will enable us to realise our growth ambitions.

Future outlook

We expect market conditions to remain favourable, reflecting the underlying growth of 5-6% projected for the protein segment of the food processing industry in the years to come. Marel has established a strong market position and is ideally placed to take advantage of the many exciting opportunities that lie ahead.

The milestones we have achieved in the past few years in creating the new Marel would not have been possible if we did not have people who are passionate about what they do. I feel privileged to work with them and I am confident that together we will create a fantastic future for Marel and for all our stakeholders.



Theo Hoen
Chief Executive Officer

See Theo's video introduction in the online report:
www.marel.com/ar2011

INNOVATION IN POULTRY PROCESSING



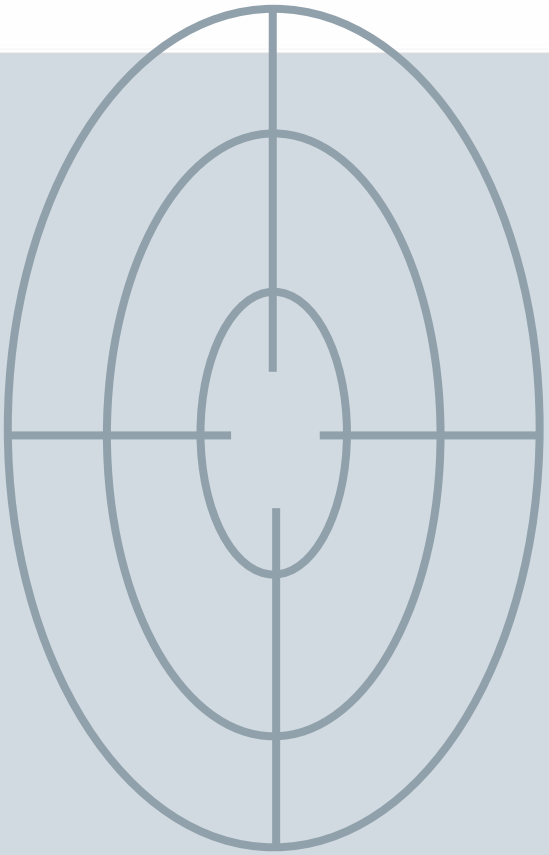
The AeroScalder:
Conserving scarce resources

The innovative AeroScalder is an example of how Marel promotes sustainability in its product design.

The AeroScalder uses conditioned air for scalding, thereby reducing the reliance on water – an increasingly scarce resource globally – by as much as 75%. In addition, it uses 50% less energy than traditional scalders.

To go with its environmentally friendly design, the AeroScalder helps customers reduce costs and improve the quality of their products.

STRATEGY AND FINANCE





VISION

Marel's vision is to be the customers' choice in supplying integrated systems, products and services to the poultry, fish and meat industries.



Helle Klitlund,
Quality Control Manager
at Chrisfish, Denmark

STRATEGY

The rising tide of consolidation and integration is transforming the global economy. The food industry is no exception. The processors who are Marel's customers have grown in size and reach. They need to be able to count on equipment providers who can supply them with superior technology and who have the critical mass needed to follow them into new markets.

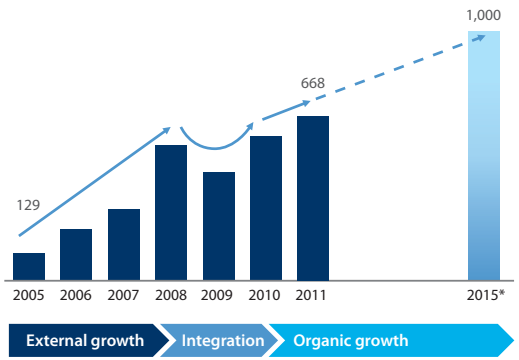
Marel has risen to the challenge and positioned itself to become the customers' choice in an increasingly global industry.

1

In 2006, we introduced a two-phased growth strategy designed to establish Marel as the market leader.

- In phase 1, turnover was to be more than tripled over a period of 3-5 years through strategic acquisitions. By 2010, Marel's revenues had grown from EUR 130 to EUR 582 million and market share from 4% to 15%.

- The company is now in phase 2, where the goal is to reach a turnover of EUR 1 billion by 2015 through strong organic growth and smaller bolt-on acquisitions.

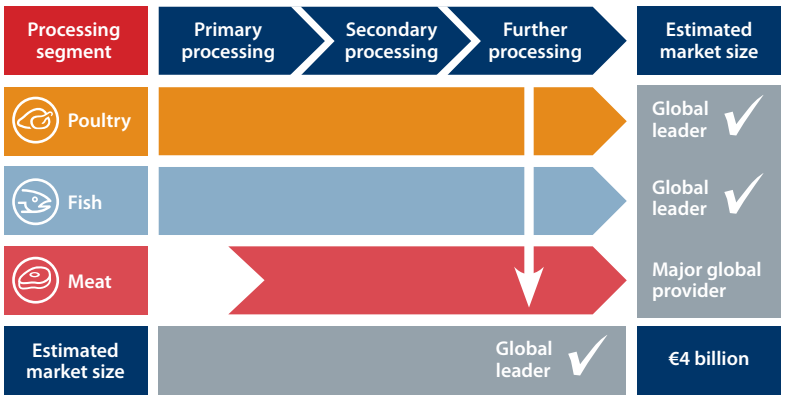


*Target

2

We expanded and transformed our product offering through strategic acquisitions.

Today, we are the only company to offer complete integrated systems in all four industries that we serve, i.e. poultry, fish, meat and further processing.

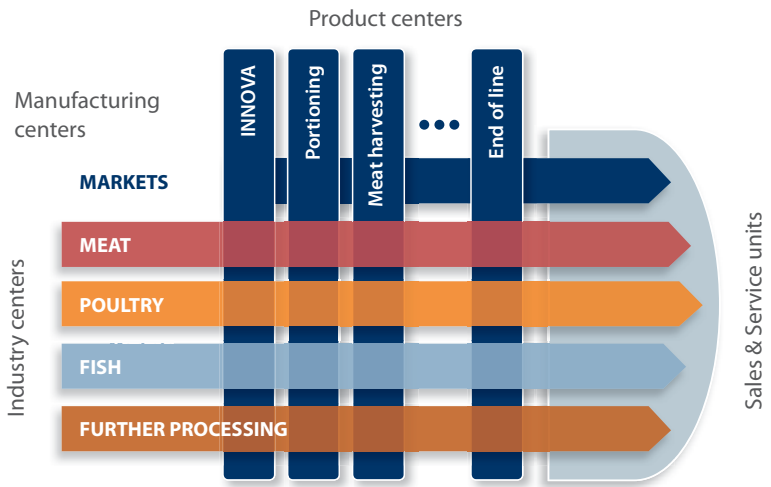


Marel share price at end of day



3 We integrated all our business units into one united Marel and transformed the company into a market-oriented organisation serving four industries.

Sales process



4 We adopted a business model that delivers long-term and sustainable value for all our stakeholders.

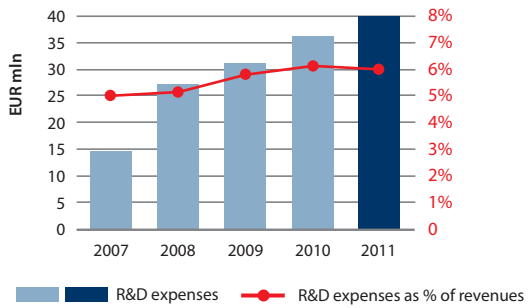
Market penetration: We are capitalising on our extensive global sales and service network and knowledge of customers' production processes to continuously expand market share.
Innovation: Our devotion to market-driven innovation creates value for all our stakeholders – customers, shareholders, employees and society at large.
Operational excellence: We strive for continuous learning, improvement and development across the whole range of our activities.

5 We decided to focus on the profitability and growth of our core business.

By February 2010, Marel had divested of all major non-core activities.

Date	Divestment
Q3 2008	Scanvaegt Norfo sawing system division
Q2 2009	Scanvaegt Nordic
Q1 2010	Operations of Carnitech in Stovring
Q1 2010	Stork Food and Dairy Systems

Research and development expenses



6

We continued to invest handsomely in R&D following the global financial crisis.

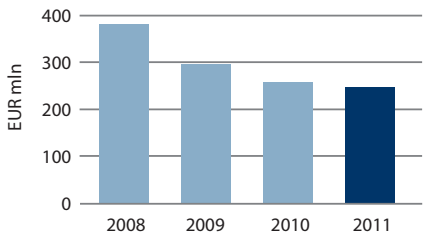
Today, we are reaping the benefits with a steady stream of innovative products.

7

We secured new long-term financing in November 2010 at favourable terms, leading to a reduction in financing costs in 2011 and in the years to come.

Equally important, it provides the stability needed for further growth and makes the full integration of the company's operations possible.

Net debt at end of year



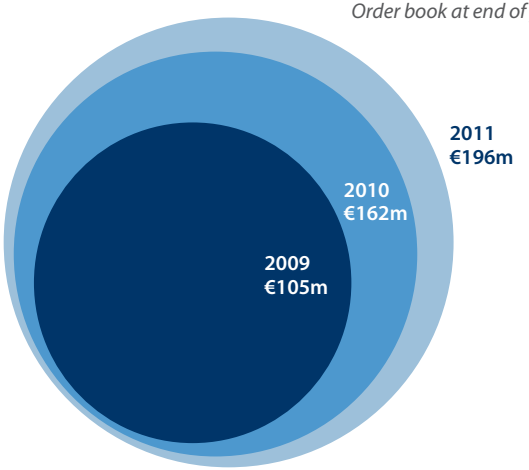
8

Today, Marel is the global leader in its field and has begun to harvest the returns of the growth strategy.

We achieved a record order intake in 2011, with EUR 702.4 mln in orders received compared to EUR 638.5 mln the year before.

The order book now stands at EUR 196.2 mln, a year-end record.

Order book at end of year



FINANCIAL PERFORMANCE

Marel had a very good year in 2011. Revenues amounted to EUR 668.4 mln compared to EUR 582.1 mln in 2010, an increase of 14.8%. The EBIT margin was 10.9%, which is in line with the company's target of 10-12% return on revenues for the year.[1]

Order book at record level

Following a very good performance in 2010 and a record fourth quarter, 2011 got off to a good start with substantial growth in revenues compared to the same period the year before. Revenue reached a record level in Q4 2011, totalling 183.9 mln. The order book grew from EUR 162.2 mln at the end of 2010 to a year-end record of 196.2 mln at the end of 2011.

Development of order book in 2010

In EUR mln	Total 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Total 2011
Orders received*	638.5	160.7	168.8	197.0	175.9	702.4
Order book	162.2	169.3	176.3	204.2	196.2	196.2

* Includes service revenues

"The results this year reflect our strong market position and pipeline of innovative new products," says Erik Kaman, CFO of Marel. "The effort we've invested in expanding our geographical reach has paid off with sizeable orders and increased activity in new and expanding markets, including Asia, Eastern Europe and South America. We're also benefiting from having maintained our level of investment in product development during the economic downturn. There has been no reduction in the steady stream of new Marel products in the past 2-3 years."

The company's revenue base is strong and divided into three roughly equal components: 1) the sale of large systems, often for new factories, 2) the sale of stand-alone equipment and smaller standardised systems, and 3) service and spare parts. After having recovered in 2010, greenfield and other large projects continued to come in at a steady pace in 2011 and the sale of standard solutions remained healthy, with the poultry industry continuing to lead the way.

1 The figures for 2011 are normalised for one-off costs of 11.0 mln for pension-related issues. Furthermore, the 2010 figures are normalised for the pension recovery premium costs of EUR 7.6 mln, which Marel was obliged to pay to the Stork Pension Fund because of under coverage of the Fund.

Normalised core operations in 2011 and 2010

In EUR mln	2011	2010	Change in %
Revenues	668.4	582.1	15%
Cost of sales	(421.1)	(360.7)	17%
Gross profit	247.3	221.4	12%
Gross profit margin	37%	38%	(3%)
Other operating income	(0.3)	(0.7)	(133%)
Selling and marketing expenses	(79.8)	(68.2)	17%
Research and development expenses	(40.3)	(35.9)	12%
Administrative expenses	(53.7)	(52.4)	2%
Result from operations (EBIT)	73.2	64.1	14%
EBITDA	98.0	88.0	11%

Response to growth

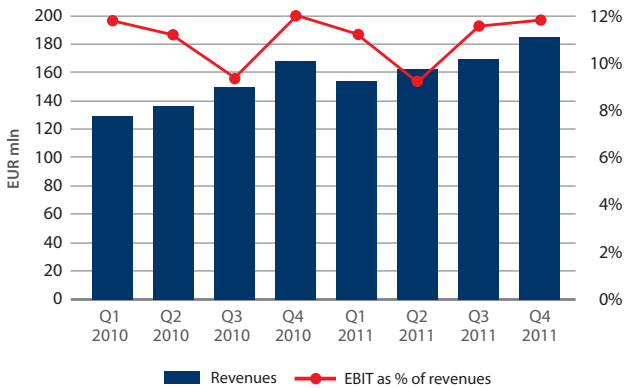
With the growth in business and the order book, the company is able to make better use of its facilities and take advantage of operating leverage with regard to sales, general and administrative costs.

"We're working hard to build a stable foundation to support the growth in our business by improving processes and promoting operational excellence in all areas," says Erik. "We continue to keep working capital under control through active credit management related to order intake and by running programmes to improve Days Sales Outstanding and Inventory Turn parameters." In the area of corporate procurement, projects are in process aimed at taking better advantage of economies of scale and the company's global presence.

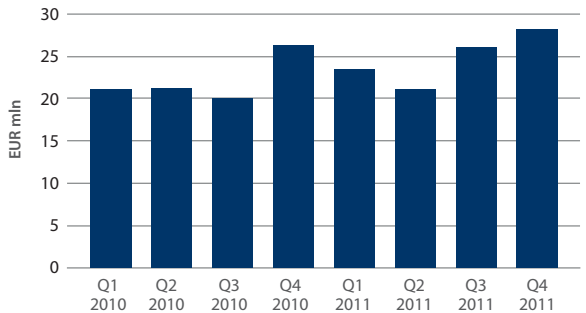


"The results this year reflect our strong market position and pipeline of innovative new products." Erik Kaman, CFO.

Revenues of core operations and normalised EBIT as % of revenues



Normalised EBITDA core operations



EBIT and gross profit margins

In 2011, the normalised operating profit (EBIT) was EUR 73.2 mln, or 10.9% of revenues, compared to EUR 64.1 mln in 2010. "This is a good result and within our target range of 10-12% of revenues," says Erik.

"The gross profit margin can be further improved, however. Even though it has grown in both absolute and relative terms compared to the previous year, we fell short of our target of 40%. We've been expanding geographically and increasing our manufacturing capacity in response to the increased market activity, and this has put temporary pressure on our margins."

Financing

With new long-term financing having been secured in November 2010, Marel has been working throughout the year to rationalise its financing resources worldwide to optimally benefit from the new structure. For this reason, cash which was previously restricted has been used to lower finance costs as much as possible. Having reduced leverage, Marel has been able to reduce the average interest terms on the financing package to EURIBOR/LIBOR + 250 bps. Total interest cost on borrowings is approximately EUR 11 million lower in 2011 than it was 2010, reflecting the lower financing cost associated with the new financing structure. In February 2012 the only outstanding ISK denominated financing (EUR 7.6 million bond issue MARL 06 1) matures, further reducing interest cost and currency risk.

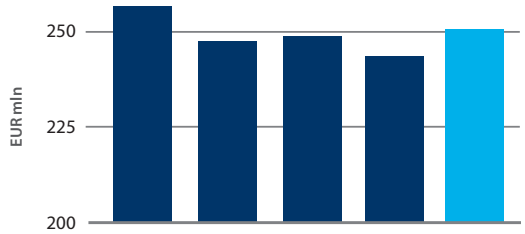
"The efficiency and effectiveness of our financing is greatly improved by centrally financing all entities from the holding, by automated daily worldwide liquidity information and by establishing a worldwide cash pool," says Erik.

Key events during the year

On 1 January 2012, management of the pensions previously under the purview of the Stork Pension Fund was officially taken over by the industry-wide pension fund Metal-Electro (PME) in the Netherlands. The transfer of the pension arrangements was the result of a principle agreement announced on 19 April 2011. In addition to the Stork Pension Fund, the parties to the agreement included Stork BV and a number of companies that were formerly part of the Stork group. Marel was party to the agreement through Stork Food Systems.

The total cost to Marel of pension related issues is EUR 11.0 mln, accounted as a one-off cost in 2011. EUR 1.6 mln of that amount was paid in 2011, with the majority of the remainder to be paid in monthly instalments in 2012.

Development of net interest bearing debt



At end of quarter in EUR mln	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Change in 2011
Non-current borrowings	310.7	274.3	262.8	249.6	254.3	(56.4)
Current borrowings	9.9	16.7	16.7	27.0	27.1	17.2
Total borrowings	**320.6**	**291.0**	**279.5**	**276.6**	**281.4**	**(39.2)**
Cash and equivalents	63.9	43.4	30.7	33.2	30.9	(33.0)
Net interest bearing debt	**256.7**	**247.6**	**248.8**	**243.3**	**250.5**	**(6.2)**

INNOVATION IN FISH PROCESSING



The MS 2730:
Next-generation salmon filleting

The MS 2730 takes salmon filleting to a new level in terms of automation, yield and throughput.

The machine has a capacity of 25 fish per minute and ensures optimal yield in two ways:

- Settings are automatically adjusted to accommodate a variety of fish sizes, between 2-8 kg.
- A set of new circular knives cuts the fish from gut to tail, ensuring that the meat close to the centre bone is included in the fillets.

With the addition of the MS 2730 to its arsenal, Marel can now offer customers a complete salmon processing line that is fully optimised – from filleting all the way through to production of value-added products.



See a video of the MS 2730 in the online report:
www.marel.com/ar2011



MARKET OVERVIEW

EXPANDING INTO NEW MARKETS



Following a very good year in 2010 and a record fourth quarter, 2011 got off to a good start with substantial growth in sales compared to the same period the year before. After having recovered in 2010, greenfield and other large projects continued to come in at a steady pace and the sale of standard solutions remained healthy, with the poultry industry continuing to lead the way.

The order book, which had already reached record levels by the end of 2010, continued to grow reflecting strong underlying demand in the food industry. The order book for 2011 established a new year-end record for the company.

Marel continued to benefit from its strong market position and product pipeline. With the company investing in further geographical expansion, there was good growth in newer geographical markets, compensating for reduced growth in the U.S. Sizeable orders and increased activity were seen in Asia, particularly China and South Korea; Eastern Europe, especially Ukraine and Russia; and in South America, most notably in Brazil.

"There was good growth in newer geographical markets, such as Asia, Eastern Europe, and South America."



Growth drivers

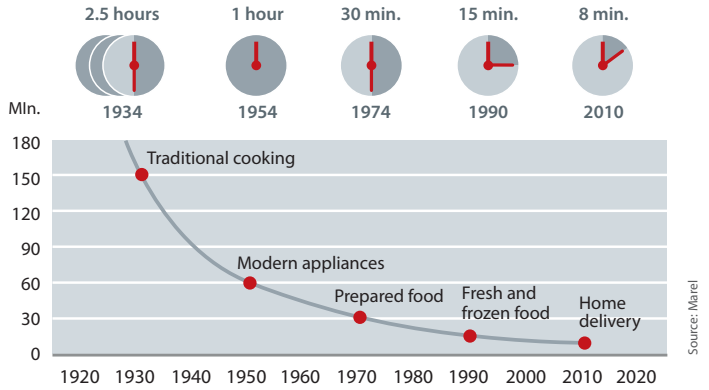
The protein market has been growing steadily at an average annual rate of 5-6% for the past two decades and is expected to continue to do so in the coming decades. This growth is driven by two key trends:

- **Changes in consumer habits** are a key driver in Western countries where the time spent in the kitchen cooking each day has dramatically decreased over the past few decades, from hours to minutes in some countries. The popularity of convenience food has grown tremendously.
- **Urbanisation** drives increased protein consumption in emerging economies. Globally, some 1 billion people are expected to move from the country to the city in the next decade, resulting in a rise in the average family income. As soon as people have more money to spend, their consumption of proteins increases at the expense of grain.

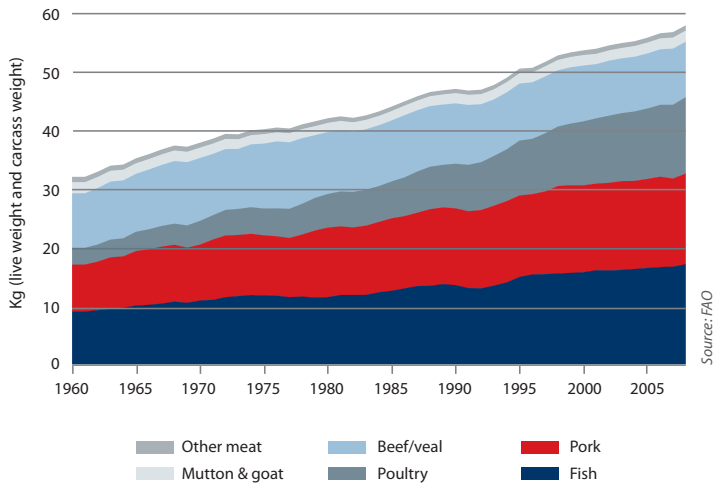
The company's view of the long-term prospects of the market remains unchanged. There is strong underlying growth in the protein segment of the food processing industry and consumers see proteins as a necessary component of their regular diets. It is expected that established markets, such as North America and Western Europe, will continue to grow by an average rate of 4% annually. Growth of 6-8% annually is predicted in emerging economies, including Asia, the Middle East, Latin America, and Central and Eastern Europe.



Changing consumer habits: Time spent cooking at home



Global consumption of fish and meat per capita since 1960





POULTRY PROCESSING

GROWTH CONTINUES UNABATED

"An all time high." That is what 2011 was for Marel Stork Poultry Processing, according to Ton de Weerd, Managing Director of Marel's Poultry Industry Centre. "Growth has continued unabated within the poultry processing industry and the order book was full throughout the year. Overall, it was our most successful year ever."

"The growth in Asia reflected the increasing popularity of poultry as a healthy and cheap alternative to other sources of protein."

Sun rises in the east

The growth in Asia reflected the increasing popularity of poultry as a healthy and cheap alternative to other sources of protein. "In addition to China, the main activity was in South Korea where we were able to secure a number of very good projects. Among them, a completely new installation that included a 6,000 bird per hour (bph) duck line," says Ton.

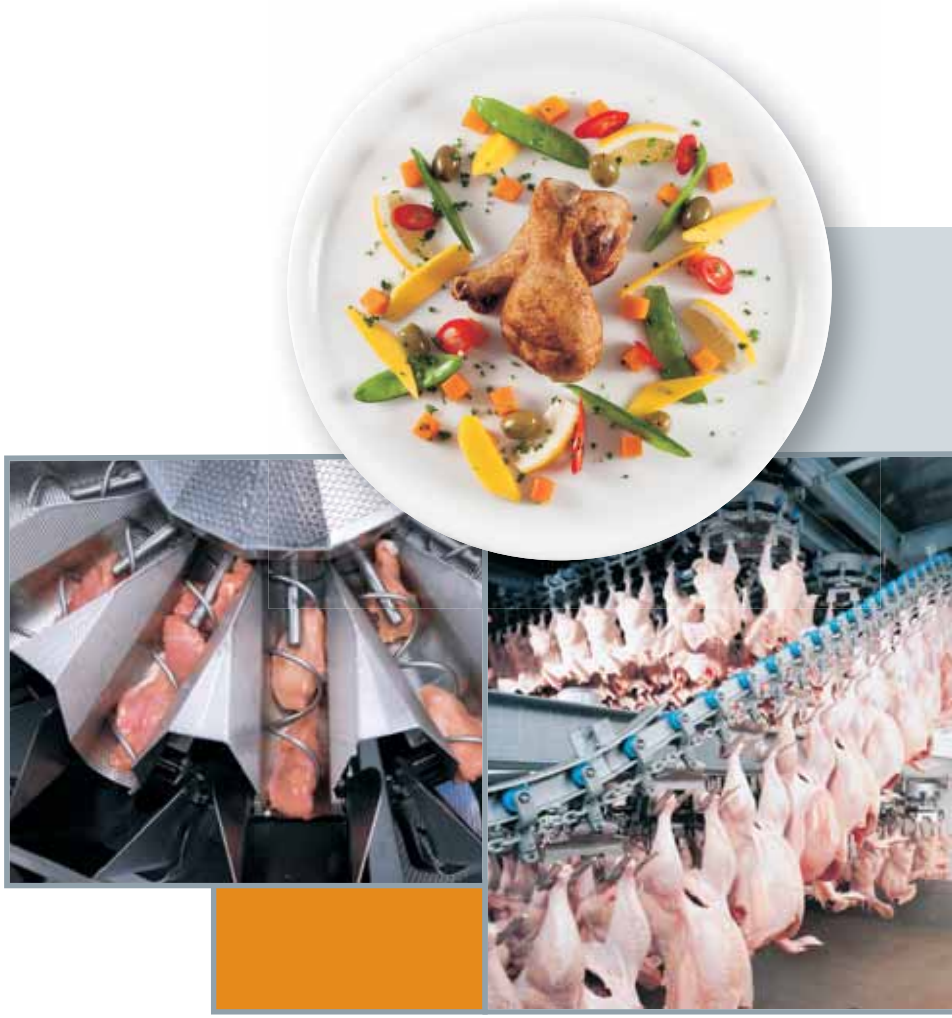
The projects in the region are prime examples of the integrated approach that has been growing in popularity in the industry, where the solutions cover multiple processing steps. Including, for example, further processing.

"The growing success of large international food service companies offers many opportunities for poultry processors. And also for Marel, because when it comes to issues like traceability and food safety, our integrated approach provides the most complete solutions available on the market."

Europe invests in high-speed automation

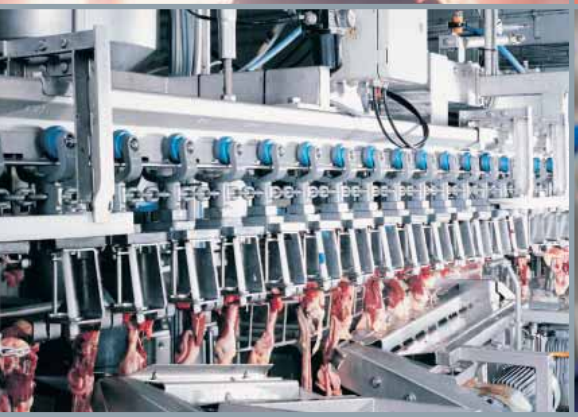
In Western Europe and Russia, processors have mainly been focusing on improving efficiency and lowering costs further through increased automation. Integrated solutions launched in 2011 under the Stork Poultry Processing brand have responded to this need.

"Systems with a maximum processing speed of 13,500 bph – a new high in the industry – have been successfully adopted at a number of locations," explains Ton. "In Germany, we've established a bench-mark for the most complete system operating at this speed. It includes our new TrayTrack system, a logistical concept for handling of product trays, which we expect a lot from in the future."





Confidence levels are high going into 2012, says Ton. "We are assuming that investment levels will remain high."





Processing speeds of up to 13,500 bph are now on offer.

A boost in South America

Contrary to most other regions, investment was below expectations in the U.S. poultry market in 2011, partly due to high feed costs and low prices on poultry products. "Nevertheless, we did score a success in the U.S. with a complete greenfield plant for a very large turkey processor. The turkey market in the U.S. offers good possibilities for us," says Ton. The South American market has received a boost in 2011. "Investments are clearly on the rise in Argentina and the Brazilian market is investing in further automation."

Sustainable innovation

A number of innovative new products are in the pipeline for 2012, with an ever-growing focus on sustainability. "Each step that contributes to a responsible and sustainable future is a good one. That's why we build machines of the highest quality that last and are reliable. And that's why we are very focused on issues such as water and energy consumption.

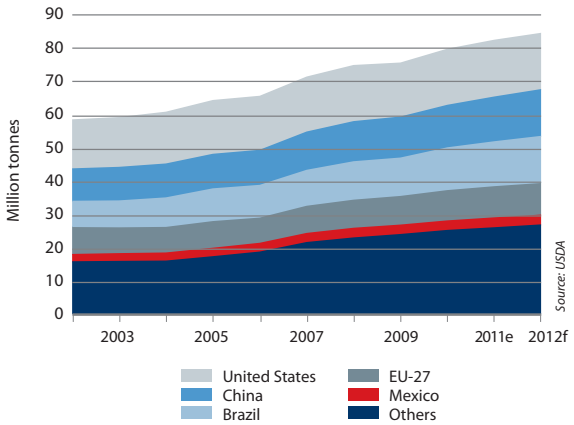
"We're very proud of our new development, the AeroScalder, to be introduced to the market in 2012," adds Ton. "It sets a new standard; it uses up to 75% less water and 50% less energy than traditional scalders.

"It's an example of the path that Marel is choosing ever more often, supporting the customer with innovative solutions, while at the same time keeping a close eye on the benefits to the environment and society as a whole."

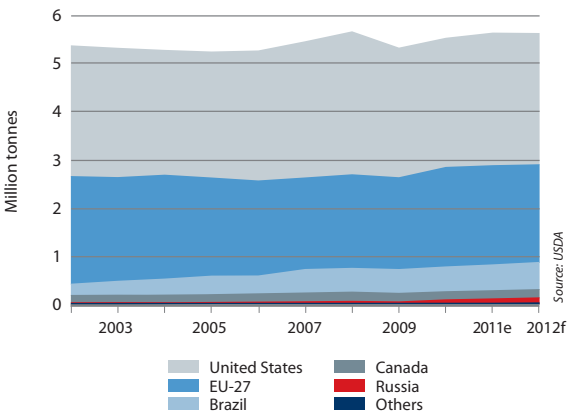
Confidence levels are high going into 2012, says Ton. "We are assuming that investment levels will remain high, although not all markets will develop equally well. We are expecting to see more projects in the U.S. in particular."

See video of an integrated poultry processing system
www.marel.com/ar2011

Global broiler production 2002-2012f



Global turkey production 2002-2012f



CUSTOMER STORY

Velskaya, Russia

Working together towards a great future

When the Velskaya poultry factory, 750 km to the North-East of Moscow, chose Stork Poultry Processing as a partner in 2010, it was the beginning of a period of growth for the company. Both the quantity and quality of Velskaya's production have increased enormously.

"To reach our growth and quality targets, we work closely with Marel Stork Poultry Processing," explains Velskaya Director Oxana Lukinyuk. The company is increasingly positioning itself as a producer of top-class fresh products and a higher degree of automation and optimal product flow is essential to guaranteeing product quality and improving efficiency.



Oxana Lukinyuk, Director of Velskaya



"To me the most important word is trust. We trust Marel Stork Poultry Processing and are convinced of the quality of their equipment. Besides that, their employees respond quickly and are very knowledgeable. They always find the right solution. We're working together towards a great future."



The supply of fresh fish is on the rise globally, with a growing emphasis on value-added and further processed products.

FISH PROCESSING

FOCUS ON CHINA BEARS FRUIT

"Performance in our key markets – Norway, North America and the U.K. – was in line with expectations in 2011 and, in some cases, exceeded them," says Jon Birgir Gunnarsson, General Manager of Marel's Fish Industry Centre. "In addition, new and emerging markets have come in strong. We've focused in particular on the Chinese market and been successful there. China has traditionally relied heavily on manual labour but pressure to reduce labour costs is growing, creating tremendous opportunities for us."

Value-added fresh fish in demand

Overall, the supply of fresh fish is on the rise globally, says Jon Birgir, with a growing emphasis on value-added and further processed products. "People would rather buy fillets today than whole fish. And they prefer it to be skinned and boneless. And taking it one step further, they would rather buy portions than whole fillets. So you can say that the fish industry is developing along the same path as the meat and poultry industries have, toward fresh tray ready," says Jon Birgir.

At the same time, processors are increasingly focusing on improving yield, especially in processing of wild whitefish. "There, the future opportunities for processors lie in extracting more value from the fish that is caught, not in a larger quantity of fish. Both these trends create opportunities for us."

With tropical fish gaining market acceptance in the EU, farmed fresh water whitefish is likely to gain a higher share in the fillet market. "It's no secret that farmed fish is where the increase in supply is predominantly going to come from in the future. It's a segment that we're interested in helping to shape."

A breakthrough in salmon

The most significant market development in salmon is the gradual re-emergence of the Chilean salmon industry following a disastrous collapse due to viral outbreak. The increased supply is likely to mean a drop in prices, which fluctuated widely in 2011.

For Marel, the introduction of the new MS 2730 next-generation salmon filleting machine in 2011 was a major milestone. "As good as this machine is on its own, even more important is what it brings to our integrated processing line. We can now offer our customers a complete Marel line where the performance of the line as a whole is optimised – from filleting all the way through to production of value-added products – rather than just the performance of individual components," says Jon Birgir. After generating a lot of pre-sale buzz, expectations are high that the MS 2730 will be well received by the market in 2012.





"I'm proud of what we've been able to achieve in solving very complex challenges for our customers."





Meanwhile, the standout projects in 2011 for Marel centred on large-scale and complex logistics systems for handling of whole salmon. "I'm proud of what we've been able to achieve in solving very complex challenges for our customers," says Jon Birgir. "These projects spanned the entire production process, from reception of the raw material through to the dispatch of the final product. The 30 years behind the development of our Innova production management system is what's made it possible."

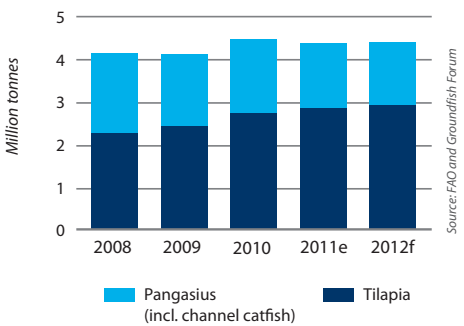
ShowHow strikes a chord

"I'm equally proud of the fact that our in-house event, the annual Salmon ShowHow, is now recognised as one of the major events in the salmon industry, alongside the big international trade shows and conferences," says Jon Birgir in conclusion. "We look forward to welcoming our customers once again next year for a review of the major industry trends, along with demonstrations of the latest technology we have to offer."

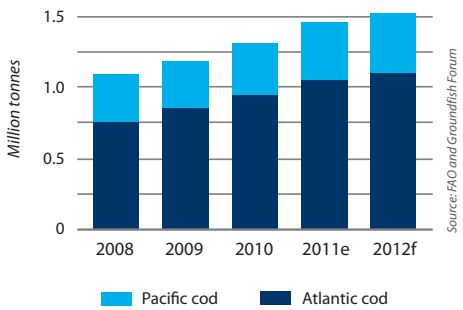
See videos in the online report:
www.marel.com/ar2011

- MS 2730 salmon filleting machine
- Advanced whitefish flowline

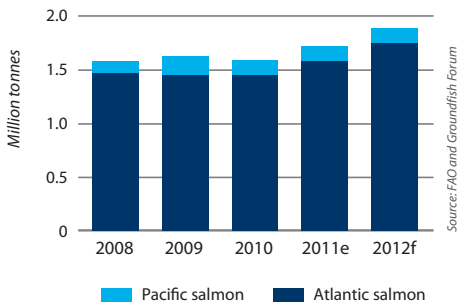
Global production of farmed tilapia and pangasius



Global production of cod



Global production of farmed salmon



CUSTOMER STORY

Bremnes Seashore, Norway

Innova software – from planning to dispatch

"The upgrade of our Brømlo plant and the introduction of the Marel whole salmon packing grader and Innova production management software are key elements in our goal of continuing to produce high-quality fish, while increasing our mix of value-added products such as fillets," explains Bjørn Willy Sæverud, COO of Norwegian salmon processor Bremnes Seashore.



Bjørn Willy Sæverud, COO of Norwegian salmon processor Bremnes Seashore.

Founded in 1937 on the island Bømlo, just off Norway's southwest coast, Bremnes has been producing farmed salmon since 1958. A pioneer in Norwegian aquaculture, the company operates salmon farms at 22 locations in the Stavanger-Hardanger region and processes some 200 tonnes of live salmon – 35,000 fish – each day, a total of about 40,000 tonnes in 2011.

"The grader gives us the option of processing several different types of products at the same time, resulting in a continual flow of product on-line, while Innova provides us with logistics in terms of production planning, packing, labelling and registration for a variety of purposes, among them traceability."

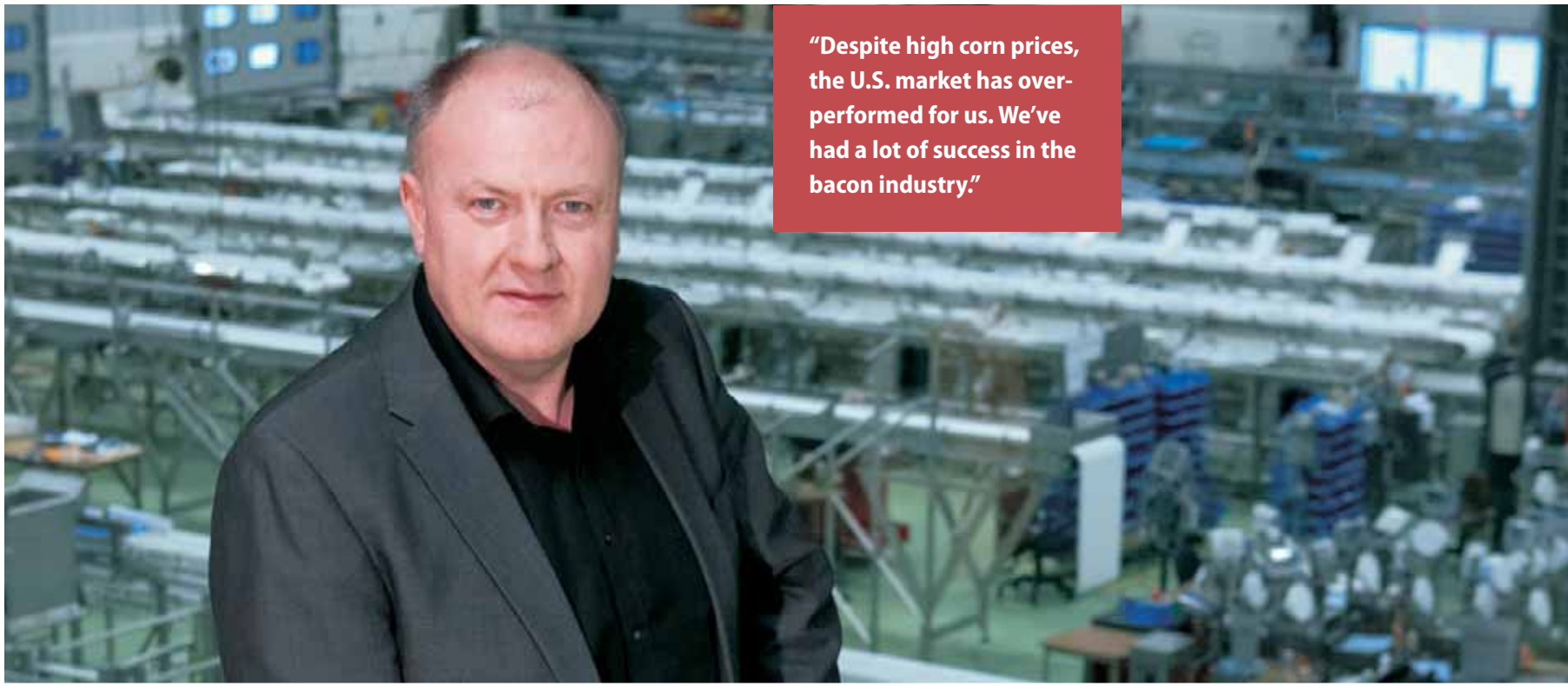
See video from Bremnes in the online report:
www.marel.com/ar2011



MEAT PROCESSING

AUTOMATION AND PROCESS MONITORING ARE KEY

"Marel is making a strong name for itself in the meat industry globally," says **Sigsteinn P. Gretarsson, Chief Operating Officer of Marel.** "We see it in the increased activity in all our key markets, including North and South America, Europe and Australasia."



"Despite high corn prices, the U.S. market has over-performed for us. We've had a lot of success in the bacon industry."

Growing brand awareness

In the past two years, the company has focused on increasing awareness of the Marel brand and product range for meat processing and it's paying off, says Sigsteinn. "Despite high corn prices, the U.S. market has over-performed for us, for example," says Sigsteinn. "We've had a lot of success in the bacon industry and the new IBS4600 multi-blade slicer, launched early in the year, has sold particularly well. It's brought the production of pre-cooked bacon – a major ingredient for burgers, sandwiches, ready meals and the food service industry – to a whole new level."

Recent developments in Eastern Europe have also been very encouraging, with significant new opportunities emerging in Russia in the second half of the year. "And in Australasia, we received substantial orders from many of our existing customers who have been upgrading to the latest Marel technology, including large turnkey beef deboning and trimming systems." StreamLine, Marel's successful intelligent deboning and trimming line, is an integral part of these systems.

X-ray system making waves

There are new innovations pushing through the pipeline that are likely to begin making waves next year, including a new Trim Management System. "We're excited about this system," says Sigsteinn. "It uses the X-ray technology from the SensorX bone detection system, which has been so successful in the poultry industry, to identify and accurately classify the chemical lean content of meat trim. This is especially vital for producers of sausages and burgers, for example, who have contractual and legal obligations regarding lean content."

Among the highlights of the year was an innovation of a different type, namely the first ever in-house exhibition that Marel's Meat Industry Centre has ever held. "At the Meat ShowHow, held at our facility in Denmark in September, we had an opportunity to demonstrate our latest equipment and systems to more than 200 visitors from as far away as New Zealand.



The IBS4600 bacon slicer was a hit in the U.S.



"Automation and process monitoring are without a doubt essential to improving yield and profitability in the meat industry."





The show was very well received and the consensus seemed to be that we should make this an annual event so I'm already looking forward to next year."

Process monitoring is key

High raw material costs and a shortage of labour continue to be the main drivers in the sale of meat processing equipment. "These factors are fuelling the demand for increased automation and process monitoring, which are without a doubt essential to improving yield and profitability in the meat industry," says Sigsteinn.

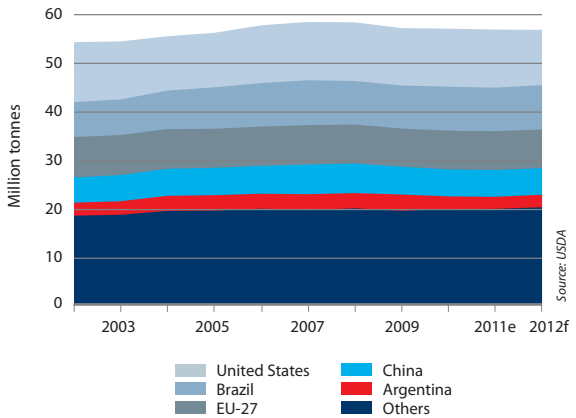
"Processors are ready to invest in technologies that allow them to monitor and control their production processes and our Innova production management software does just that."

Food safety also remains a major priority for processors and retailers alike. The new Trim Management System is a prime example of the emphasis Marel places on meeting their needs in this regard.

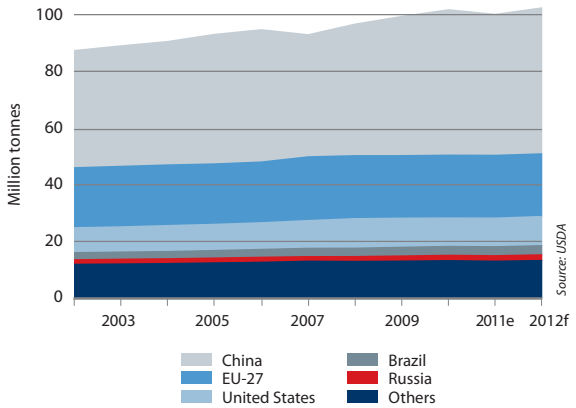
Marel's meat industry specialists stand ready to serve, says Sigsteinn in conclusion. "We've put a lot of effort into strengthening the Industry Centre this year to better equip it to handle future growth. We look forward to forging new partnerships with processors in the coming year and to putting our expertise, experience and extensive product portfolio at their service."

See video of IBS4600 in the online report:
www.marel.com/ar2011

Global beef and veal production 2002-2012f



Global pork production 2002-2012f



CUSTOMER STORY

Las Piedras, Uruguay:

Marel flowline forms backbone at Las Piedras

"After seeing what the Marel flowline did for processors in Europe and Australia, we could easily see the opportunity that we had for improving quality, logistics and traceability," says Martin Bazterrica, General Manager of Uruguayan company Las Piedras. "We consulted Marel and, together with their meat processing experts, we designed a full production hall catering for the future."

A pioneer in the Uruguayan beef processing industry, Las Piedras accounts for 10% of the country's total beef exports. The company is committed to innovation in processing. And now, five intelligent Marel flowlines form an impressive backbone of the deboning room of its state-of-the-art processing plant just 20 minutes away from the capital of Montevideo. The system features full monitoring of the performance, yield and quality of each individual operator, as well as of the whole line.

"We are getting better results every day," says Bazterrica, "and improvements in both yield and throughput."



Martin Bazterrica, General Manager of Uruguayan company Las Piedras.



See video of meat deboning and trimming flowline in the online report:
www.marel.com/ar2011



"Sales in Asia and Eastern Europe increased substantially, in particular for complete, new production lines."

FURTHER PROCESSING

PROCESSORS FOCUS ON SMART INVESTMENTS

"The main players in our established markets were focused on making smart investments in 2011, particularly in the newest innovations," says **Bert Jan Hardenbol, Managing Director of Marel's Industry Center for Further Processing.** "Further processors are a very creative group, constantly searching for new ways in which to produce on a large scale and with the utmost flexibility."

Making a splash

Established markets in Europe and the United States developed well during 2011 and in line with expectations. In addition, there were good results in some other parts of the world. "Sales in Asia and Eastern Europe increased substantially, in particular for complete, new production lines, including ovens like the SpiralOven and the ModularOven," says Bert Jan.

"The ModularOven is the largest oven system in the Townsend Further Processing product range, capable of preparing products in extremely large quantities at an excellent price per kilo," Bert Jan explains. The oven features highly advanced heating technology, including two separate towers with distinct environments in which the heating and cooking of products takes place. The technology provides exceptional versatility and the ability to process new products that would not have been possible before.

Other products making a splash in 2011 included the company's sausage-making systems. "Co-extrusion technology made a breakthrough in the U.S. and Europe and proved to be a good investment," says Bert Jan. "And the market for the breakthrough RevoPortioner low-pressure forming range also continued to grow as expected."

Healthier foods in demand

The growing demand for healthier food products over the past few years is a key trend in further processing that is reflected in Marel's product development. "The use of ingredients like salt has decreased and calories and fat content have been reduced," explains Bert Jan.

"The use of local produce is also gaining in popularity and the size of portions is becoming smaller. These are all gradual developments that reflect the fact that consumers are becoming increasingly aware of health and social issues. We incorporate these factors in our latest innovations, with a focus on developing technology with the consumer's needs of tomorrow in mind."



Sausage-making with the iLinker and iConveyor; the RevoPortioner.







"We will have more capacity to specialise and to react in a more flexible manner to our customers' wishes."

Further growth ahead

Looking ahead to the coming year, Bert Jan expects developments to continue unabated. "The success of co-extrusion, certainly for hotdog production, will be further expanded, as well as the success of the ModularOven. I also expect to see further growth in the number of complete production lines in Asia and Eastern Europe."

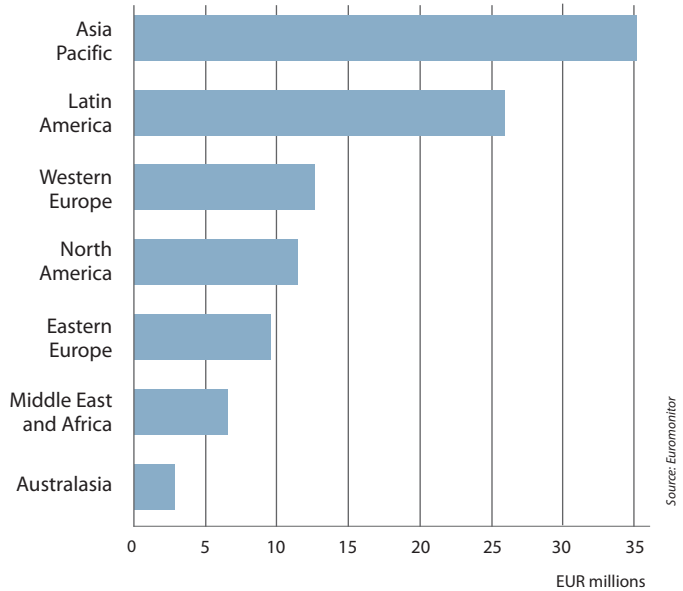
Bert Jan is excited about the benefits to be derived from further integration of Marel's wider product portfolio with the Townsend Further Processing production lines. "This will unquestionably create more added value for the customers as more functionality is added to existing concepts. It's a key benefit of being a full-line supplier."

With the success of the expanding Townsend Further Processing product portfolio, the Industry Center has finally outgrown its current location in the Netherlands. "Yes, we're moving!" Bert Jan exclaims and explains that a move to larger premises is on the plan for next year. "Our new building is within walking distance of the Boxmeer manufacturing site and the main benefit is that we will now have all of our functions under one roof. We will have more capacity to specialise and to react in a more flexible manner to our customers' wishes."

See videos in the the online report:
www.marel.com/ar2011

- ModularOven
- Sausage-making: iLinker and iConveyor

Growth in global food retail 2006-2010 (retail value)



Source: Euromonitor







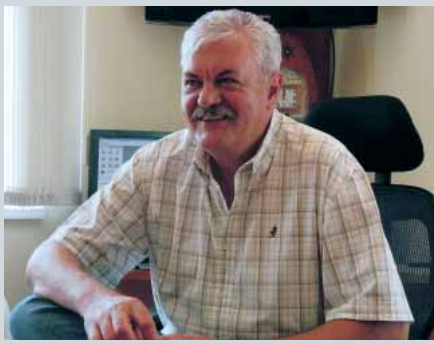
CUSTOMER STORY

Mar-Ne-Váll, Hungary

Reduced water consumption and improved profitability

After installing a complete new Townsend Further Processing line in 2011, Hungarian company Mar-Ne-Váll saw a dramatic rise in throughput, product quality and efficiency. At the same time, water consumption decreased substantially. The bottom line: greatly improved profitability.

"In a single year, production went up by some 500%," says Mr. Markovits, owner of Mar-Ne-Váll. "At the same time, energy costs and water consumption per kilogramme of product decreased by an average of 33%. To date, profitability has increased by 7% with the new line."



Mr. Markovits, owner of Mar-Ne-Váll



Mar-Ne-Váll produces a wide variety of pre-cooked, ready-to-eat products, coated and uncoated, filled and unfilled. The booming growth since installing the new line has taken the company to the top of the industry in Hungary as far as quantity, quality and product range is concerned. "The whole line is a real success for us and our people like working with it," concludes Mr. Markovits

See video of complete processing line in the online report:
www.marel.com/ar2011

INNOVATION IN MEAT PROCESSING



Trim management system:

Hits the target every time

For processors, knowing the accurate fat percentage of incoming raw material is valuable. But controlling what actually comes out of their production process provides them with even more added value.

Marel's new trim management system analyses the fat/lean ratio of meat using the X-ray technology of the SensorX, previously used so successfully to detect bones in poultry. The SensorX scans for density variations in the product and can detect hazardous contaminants, as well as accurately classify the lean content of the meat trim.

Accurate trim management is especially important for producers of sausages and burgers, who have to fulfill contractual and legal obligations regarding lean content.



BUSINESS OPERATIONS

PROVIDING SUSTAINABLE VALUE

As a provider of advanced equipment and systems for food processing, Marel has an obligation to bring new technologies to the market that add value for our customers and our shareholders. But as a global leader, the company's responsibility extends well beyond that, to embracing sustainable and ethical business practices, and ensuring that its operations benefit society at large.

In pursuit of this goal, Marel relies on a simple and proven business model founded on three pillars – **market penetration**, **innovation** and **operational excellence**. They are at the core of Marel's commitment to provide long-term and sustainable value for all our stakeholders – customers, shareholders, employees and communities alike.



Marel is proud of the fact that our commitment to providing sustainable value has led to continuous advancement in how food is processed, benefiting consumers all over the world.

By rapidly responding to ever-changing consumer demand	**we make sure that mealtime is quality time for families everywhere.**
By reducing our customers' reliance on energy and water	**we promote sustainability and conservation of scarce resources.**
By helping food processors reduce costs and increase efficiency	**we make food more affordable.**
By improving the handling of raw material and embracing hygienic design principles	**we ensure that the food we eat is safe.**
By reducing waste by-products and increasing efficiency in food processing	**we help protect the environment.**



A STRONG FOUNDATION FOR THE FUTURE

Strengthening Marel's geographical footprint has been a major priority in the past two years. The company has integrated offices in a number of countries and expanded its presence in up and coming markets. Petur Gudjonsson, Managing Director of Marel's International Sales and Service Network, surveils the key focus areas in 2011 and looks at the opportunities that lie ahead.

"Countries we've been focusing on this year include France where we've put together a very strong team and are creating new opportunities. We've also put a lot of energy into Brazil and Russia, where we've integrated the former Marel and Stork offices, brought the people together and created a good framework for them to thrive in. Brazil is the breadbasket of the future and it's crucial to establish a strong foundation there for what is to come," says Petur.

"Brazil is the breadbasket of the future and it's crucial to establish a strong foundation there for what is to come."

China automates

Laying the groundwork for the future is also behind Marel's decision to bolster its presence in other fast-growing new markets. "We started systematically building up our presence in China 2-3 years ago. We've moved fast there and made great strides in both the fish and poultry industries. We can say without hesitation that the future is bright. Increased automation is really a necessity for Chinese processors. They're competing for labour with the electronics industry and having difficulty attracting workers. The employee turnover is tremendously high."

The same goes for Southeast Asia where Marel has been developing more of a regional structure. "That way we can make better use of our specialists, by having them serve multiple countries."

India rising

India is another exciting prospect where the food industry is progressing rapidly. "India is likely to take a giant leap in the next 5-10 years, similar to what we saw with China maybe five years ago," says Petur. "We intend to be present there from the beginning and to take part in shaping the development of the industry." Marel will be building on the track record that it already has in India, having focused primarily on freezers for the shrimp and fish industries with good results.

North American operation expanded

Marel is also solidifying its presence in key established markets. "As far as North America is concerned, we now have a tremendously strong operation in the U.S. with specialised teams focusing on each of the four industries we serve," explains Petur. "Until now, they've been serving the U.S. and Canada but now we're expanding to include Mexico. We established an office there that is an integral part of our North American operation."

In the area of service, the "One Number" campaign in the U.S. and Canada represented an important step on the road towards completely integrated service for all customers in the region.

Another thing that Marel is doing to strengthen the sales and service network is to devote more resources to systematic training. With the integration of the company, sales and service representatives are now responsible for an expanded portfolio of products and are expected to devote several weeks each year to training.

Network of agents delivers

In addition its own sales and service offices, Marel's network of more than 100 agents around the world has delivered excellent results this year. "We're devoting more attention to our agents, many of whom specialise in particular product groups or industries. We're providing them with even more support than we have in the past, and it's resulted in big sales in places like South Korea, Ukraine and Argentina."

Summing up, Petur says that the results this year show what an attractive industry the food industry is. "Processors can only delay their investments for so long. We've seen virtually all our markets bounce back, and even faster than we expected."

Taking the worry out of service

Marel's approach to service can best be described in terms of two concepts: "think global, act local" and "big enough to cope, small enough to care". This means that we constantly seek to ensure that our systems perform at an optimal level and meet our customers' needs, each and every day.

Global presence

Marel's global distribution network includes offices and subsidiaries in some 30 countries, and approximately 100 agents and distributors around the world. Building on their knowledge of the market and customer needs, our local teams sell, market, distribute, install and service Marel's standard products. Large-scale projects, on the other hand, are generally managed by the Industry Centres for fish, meat, poultry and further processing.







In May, Marel's innovations for fish processing were on display in Brussels at Seafood Processing Europe, one of the industry's largest trade shows.



INNOVATION

SUSTAINABILITY BY DESIGN

"Besides fulfilling a basic need, food has become an emotional issue," says Chief Technological Officer Jos van de Nieuwelaar, who takes a broad view of the role that food plays in our day-to-day lives. "What consumers in Western Europe and the United States, for example, are satisfying with food is often an emotional need. It can be related to health, pleasure, ease or convenience, price, responsible behaviour or any number of things.

"For many end products, the relationship to the raw material that they originate from has become so distant. So our customers have to operate in the context of these emotions, which are changing faster than they used to. It is our job to develop machines and systems that help them to satisfy these changing needs. Or, better still, to anticipate tomorrow's requirements."

Creativity and speed

Jos is convinced that Marel is better placed than ever to rise to that challenge. It's a challenge that demands creativity and close collaboration with the customer, who sets the final aim of a project, although how the contours will be fleshed out often remains to be defined. "You have



"Issues such as water and energy consumption and the responsible use of raw materials are becoming ever more important."

to have a true partnership with the customer in order to arrive at the best possible solution," explains Jos. "And you have to be able to act very quickly and take risks. Having a flexible organisation allows us to arrive at the perfect customer-specific solution."

Sustainability and social responsibility

The pace of change is increasing in all facets of life and the food industry is no exception. Ever changing consumer habits pose a steady stream of challenges to processors, which Marel helps meet through constant innovation. But there is a growing awareness that technological advances also have to be approached responsibly and in keeping with today's pursuit of sustainability.

"Issues such as water and energy consumption and the responsible use of raw materials are becoming ever more important. Our AeroScalder, to be launched in 2012, is the clearest example of how we are promoting sustainability in the design of our equipment. But the development of our in-line systems – for poultry processing, pinboning of fish and deboning of pork, to name some examples – is also substantially lowering the $C0_2$ footprint of our food by lowering energy and water usage, while at the same time increasing yield and quality," says Jos.

Avoid waste, add value

Reducing waste is also a priority. The more use that is made of every fish or bird, the better. In the past, in a poultry market primarily focused on harvesting chicken breasts, a substantial percentage of the rest of the bird was quite simply thrown away. "Now we offer smart solutions that help our customers to market new end products, which fit in well with the pursuit of sustainability and which are commercially interesting. Every day we are working to add still more value to raw materials and by-products."

Vision and teamwork

Innovation does not always happen along a straight line. It's a process that requires vision, leadership, focus and the ability to learn as you go along. And it requires close collaboration. Whereas products were previously assembled from inputs from various disciplines within Marel, today a single solution is developed on the basis of a common vision.

Jos puts it like this: "With the people we now have on board and the type of people we will be looking for in the years to come, we are building up the strengths we need for the future. We are working in a highly dynamic organisation in a highly dynamic marketplace. Teamwork and co-operation is what generates the right products for our customers. It can't be done any other way."

At the core of Marel's strong culture of innovation is a team of over 400 engineers and food scientists, supported by an annual investment of 5-7% of revenues in research and product development.

Patents and trademarks

Patent protection is vital to Marel. In 2011, the company applied for 10 new patents. The current patent portfolio consists of 281 granted patent families.

Sustainability is increasingly a key criteria in the design and production of Marel's products. Marel's equipment is built to the highest quality standards and is built to last. It is designed to be energy efficient and to help customers reduce their reliance on scarce resources like water.

In its latest sustainability report, the OSI Group, a leading global food processing company, cites its use of the RevoPortioner from Marel as an example of how the company is taking advantage of innovative new technologies to reduce energy use and waste, thereby minimising the environmental impact of its operations.
View OSI's sustainability report: http://www.osigroup.com/sustainability.html



" Through incremental improvements and lean initiatives, we are removing waste in order to increase speed and agility." Fred Vijverstra, Global Manufacturing Director



CONTINUOUS LEARNING AND IMPROVEMENT

Effective management requires a holistic view of the company's operations. Value flows horizontally through multiple divisions and disciplines within a company before it reaches the customer. Therefore, when seeking to improve processes, the key to success is to look at the company's total value stream. Only by taking a step back and surveying the complete picture can we make real improvements that benefit our customers.

That is why Marel strives for continuous learning, improvement and development across the whole range of our activities. We firmly believe that only by doing so can we truly create value for all our stakeholders – customers, shareholders and employees alike.

In the past year, we have continued to maintain a strict focus on rationalization, cost control and reducing waste, while at the same time seeking to shorten lead times, improve quality and decrease the total cost of our products and services for our customers. Great effort continues to be invested in ensuring that the company's reduced cost base is sustainable despite the growth in activity.

Manufacturing

"The Marel manufacturing organization has adopted a strong vision for the future, of a dynamic manufacturing process defined by three key factors – speed, flexibility and innovation," says Fred Vijverstra, Global Manufacturing Director. "All 16 of our manufacturing sites around the world have been aligned under this common vision."

Continuous improvement is the driver for success in fulfilling this vision. "Through incremental improvements and lean initiatives, we are removing waste in order to increase speed and agility in the manufacturing process – from parts production and assembly to quality control, logistics and procurement. This will lead to the lowest total cost for the company," explains Fred.

To promote a holistic approach, best practices are now combined in one common Marel Manufacturing System. In addition, a key focus is now placed on strengthening the core competences that are strategically important to supporting Marel´s value proposition.

"Now that we have one common vision and approach in place, the focus in the coming year will be on harvesting the synergies to the fullest, as well as on growing the manufacturing operation to match the needs of the market."

Procurement and working capital

In the procurement area, projects are in process aimed at taking better advantage of economies of scale. The main focus in 2011 was on 1) standardising the parts used across the company, 2) selecting suppliers who are a good fit with Marel's strategy and 3) on leveraging spend. Moreover, emphasis continues to be placed on improving working capital parameters, such as Inventory Turn and Days Sales Outstanding.



OUR PEOPLE

"The major milestone for me was the completion of the integration of all our business units into one company at the end of 2010," says Hrund Rudolfsdottir, Corporate Director of Human Resources. "In 2011, we focused heavily on following that process through, on shaping a unified global team that marches together along the same path."

In 2010, the company launched a campaign under the banner of 'Marel on the move' that included a series of integration meetings at the company's key locations around the world where the future vision, values and structure of the 'new' Marel were defined. In 2011, promotion of the set of values adopted during this process was a key priority for HR.

Success grounded in values

"We all recognise that in order to be successful, we need to be grounded in a set of strong and recognisable values that can guide our decisions in the future. Each of our locations put a tremendous amount of effort this year into analysing what these values mean, why we consider them to be important and how we apply them in a practical sense to our daily work," Hrund explains.

Diversity, one of the eight Marel values, was a particular focus area for HR in 2011. "We've been working with three dimensions of diversity – culture, team composition and gender. We are not all alike and that's a good thing. In a company like ours that thrives on innovation, we need a diversity of talents and points of view in order to constantly generate new ideas."

"In a company like ours that thrives on innovation, we need a diversity of talents and points of view."

Spotting future talent

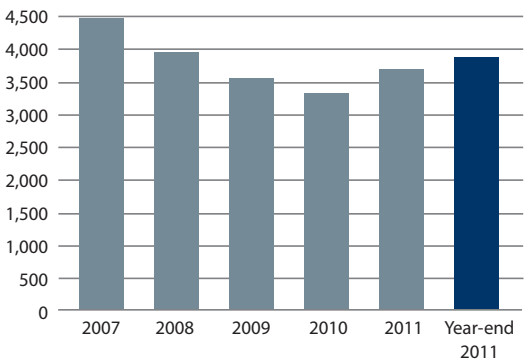
The new HR tools and processes implemented in 2011, including a new global appraisal system, all support the 'one company' approach.

"Undoubtedly, one of the highlights of the year in this regard was our new Management Leadership Programme, aimed at spotting and developing future talent. These are the people who will be stepping into leadership roles in the next 5-10 years," says Hrund. "We're half-way through the first year-long programme and so far the results are very promising. It's a programme that goes hand-in-hand with our regular assessments of the composition of our management team."

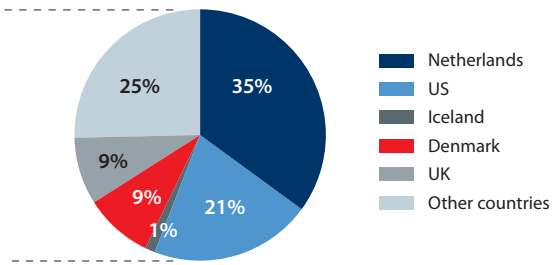
Growth in numbers

With the increasing activity and constant growth in the order book, the number of employees continued to steadily increase during the course of 2011 (Q1–3,570; Q2–3,754; Q3–3,834; Q4–3,919). The largest number of employees is located in the Netherlands, followed by the U.S., Iceland, Denmark and the U.K. Just over 70% of employees are located in Europe.

Number of employees (FTEs), average per year



Number of employees (FTEs) by geographical location at year end 2010



Marel's values

COMMITMENT

PARTNERSHIPS WITH CUSTOMERS

DIVERSITY

TEAMWORK

LEARNING AND EXCELLENCE

OPEN COMMUNICATION

HUMOUR AND FUN

SUCCESS



INNOVATION IN FURTHER PROCESSING



The ModularOven:

The power of two towers

The ModularOven is the largest oven system in the Townsend Further Processing product range, capable of steaming, cooking and roasting a wide variety of products.

The oven features highly advanced heating technology, including two separate towers with completely distinct cooking environments, providing maximum yield and capacity.

The combination of two towers increases the ModularOven's capacity and versatility. The first tower may be used for high dew point steaming, for example, followed by high temperature, low dew point cooking in the second tower.

See a video of the ModularOven in the online report:
www.marel.com/ar2011



TO OUR SHAREHOLDERS

SHARES AND SHAREHOLDERS

Share performance

Marel shares have been listed on the NASDAQ OMX Nordic Exchange Iceland since 1992 under the symbol MARL. Marel's share price stood at ISK 125.50 at the end of 2011, compared to ISK 100.00 at the end of 2010, an increase of 25.5%. In Euros, the shares stood at 79 cents per share at year end compared to 65 cents at the beginning of the year.

Shareholders

The number of shareholders in Marel was recorded in the shareholders register to be 1,799 at year-end 2011, compared to 1,772 shareholders at year-end 2010. As of 31 December 2011, Marel holds 6,725,000 treasury shares.

Eyrir Invest ehf. is Marel's largest shareholder, with 35.6% of shares, followed by Grundtvig Invest A/S (8.4%) and Lífeyrissjóður verzlunarmanna – the Pension Fund of Commerce (6.4%). The ten biggest shareholders hold 74%. In total, Icelandic pension funds hold around 25% of Marel's share capital. International shareholding was 18% at year-end 2011. The free float of Marel shares was 64% and free float adjusted market value of the company was EUR 373 million.

Share capital

At year-end, Marel's shares totalled 735.6 million, all in one class; thereof Marel holds 6.7 million treasury shares.

In 2011, the Company issued 5.3 million new shares and sold 0.4 million treasury shares for a total amount of EUR 2.6 million to fulfil the employees' stock option programme. In 2011, Marel purchased at market 7.1 million shares for EUR 5.7 million to fulfil future stock option obligations.

Share purchase options are granted to management and selected employees. Total granted and unexercised share purchase options at end of the year 2011 were 25.7 million shares, of which 4.0 million are exercisable at the end of 2011 and the remainder will become exercisable in the years 2012 to 2015.

TOP 10 SHAREHOLDERS AS OF 31 DECEMBER 2011

	Shareholder		No of shares	%
1	Eyrir Invest ehf	Investment company	261,966,838	35.61
2	Grundtvig Invest A/S	Investment company	61,560,494	8.37
3	Lífeyrissjóður verslunarmanna	Pension fund	46,681,031	6.35
4	Landsbankinn hf.	Bank	40,487,544	5.50
5	Columbia Acorn International	Asset management	35,982,499	4.89
6	Lífeyrissjóðir Bankastræti 7	Pension fund	30,000,000	4.08
7	Gildi - lífeyrissjóður	Pension fund	21,320,091	2.90
8	Stafir lífeyrissjóður	Pension fund	17,853,664	2.43
9	Sameinaði lífeyrissjóðurinn	Pension fund	17,082,328	2.32
10	Festa - lífeyrissjóður	Pension fund	11,060,000	1.50
		Top 10 total	543,994,489	74
		Other shareholders	191,574,508	26
		Total issued shares	735,568,997	100

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 2011. The Company's Board of Directors is also authorised to increase its share capital by up to ISK 240.0 million nominal value, where ISK 146.8 million have already been issued. Shareholders waived their pre-emptive rights.

Liquidity of shares

Marel has made agreements with Landsbankinn hf. and MP bank hf. regarding market making for the issued shares of Marel. The purpose of the agreements is to improve liquidity and to enhance transparent price formation in the Company's shares on NASDAQ OMX Iceland. The duration of these agreements is unspecified but they can be terminated with one month's notice.

Shares in Marel were traded 1,532 times in 2011 for a total market value of ISK 25.5 billion (up from ISK 11.9 billion in 2010), which corresponds to a turnover rate of 29%. The average end-of-day spread of Marel was 1.01%. The market value of the Company at year-end 2011 was ISK 92.3 billion (EUR 579,5 million) compared to ISK 73.0 billion (EUR 476.9 million) at year-end 2010, an increase of ISK 19.3 billion (EUR 102.6 million). As the Company's shares are traded in ISK, the fluctuations of the Icelandic krona during the year 2011 effected the market value, when converted into EUR.

Dividend

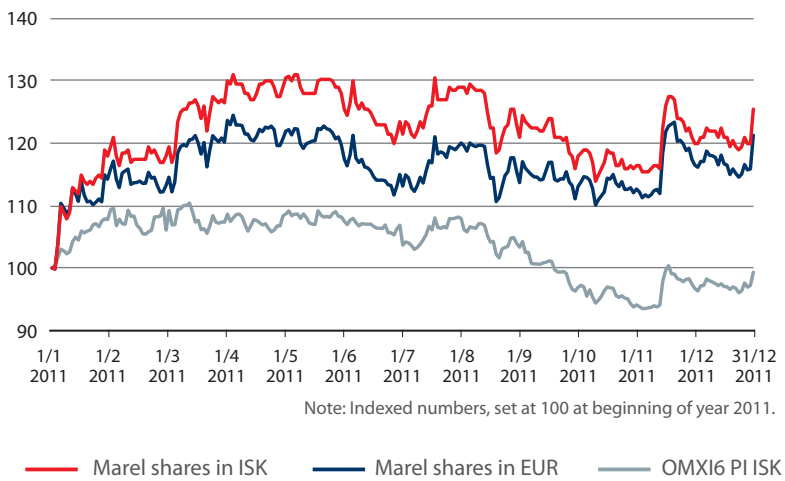
The Board of Directors will propose to the Annual General Meeting on 29 February 2012 that a dividend of 0.95 euro cents per share be paid for the operational year 2011. Based on the current number of outstanding shares, the estimated total dividend payment will be approximately EUR 6.9 million, corresponding to about 20% of profits for the year. The proposed dividend is in line with Marel's targeted capital allocation and dividend policy introduced at the 2011 Annual General Meeting.

DISTRIBUTION OF SHARES AS OF 31 DECEMBER 2011

Number of Shares		Shareholders	%	Shares	%
1 -	9,999	1,102	61.26%	4,199,359	0.57%
10,000 -	99,999	531	29.52%	16,506,247	2.24%
100,000 -	199,999	57	3.17%	7,763,543	1.06%
200,000 -	799,999	62	3.45%	24,042,471	3.27%
800,000 -	1,399,999	7	0.39%	7,631,363	1.04%
1,400,000 -	2,999,999	11	0.61%	22,013,576	2.99%
3,000,000 -	9,999,999	17	0.94%	88,480,082	12.03%
10,000,000 -	99,999,999	11	0.61%	302,965,518	41.19%
100,000,000 -	>100,000,000	1	0.06%	261,966,838	35.61%
		1,799	100.00%	735,568,997	100,00%

Program initiated	Number of shares in thousands	Exercise price per share	Exercisable in
December 2007	500	ISK 92.00	2010-2012
June 2008	7,525	ISK 89.00	2011-2013
May 2010	17,643	EUR 0.546 - 0.591	2012-2015
Total	25,668		

MAREL'S STOCK PRICE COMPARED TO THE OMXI6 PI ISK INDEX



CEO AND BOARD OF DIRECTORS



Chief Executive Officer

Theo Hoen

- Education: Masters degree in mechanical engineering, Technical University of Eindhoven, The Netherlands, 1984.
- Holdings in Marel, including those of financially related parties: 1,500,000.

Theo Hoen became CEO of Marel in March 2009 after having served as CEO of Stork Food Systems since January 2006. He first joined Stork PMT in 1986, originally in manufacturing, and later became the company's Technical and Manufacturing Director. He was appointed General Manager of Stork Titan in 2001 and Managing Director Stork PMT, Stork Gamco and Stork Titan in 2002.

Chairman of the Board

Arni Oddur Thordarson

- Education: MBA, IMD, Switzerland, 2004; Cand. Oecon. in Business Administration, University of Iceland, 1993.
- Elected: 2005.
- Holdings in Marel by Eyrir Invest ehf and financially related parties: 262,098,707.

Arni Oddur Thordarson is co-founder of Eyrir Invest ehf and has been the company's CEO since foundation. He has over 15 years of extensive international experience in various businesses. Prior to co-founding Eyrir Invest, Thordarson was Head of Corporate Finance & Capital Markets at Bunadarbanki Islands, which later merged with Kaupthing, now Arion Bank. He has been a board member of Stork BV since 2008 and Egils Brewery since 2003.

Board Members

Theo Bruinsma

- Education: Atheneum (HBSb); Service Management, Technical University; Certified pilot.
- Elected: 2010.
- Holdings in Marel, including those of financially related parties: 1,000,000.

After having worked independently for a number of years in various international patent and translation offices, Theo Bruinsma joined Townsend Engineering in 1976 as Service Coordinator. He was named Technical Director in 1979 and held a number of positions in the European and USA operations of the company before being appointed General Manager in 1992. He was named President in 2000. When Townsend Engineering was acquired by Stork in 2006, Bruinsma became a member of Stork Food Systems' management team, with responsibility for meat operations. He sits on the board of Salm Partners/USA and is an honorary member of the Dutch Service Management Association and representative in the European Standardization Committee for the Food Industry.

Fridrik Johannsson

- Education: Cand. Oecon., University of Iceland, 1983; Certified Public Accountant, 1987.
- Elected: Alternate 1997-2004. Board member since 2004. Chairman of the Board from the AGM 2005 until October 2005.
- Holdings in Marel, including those of financially related parties: 4,300,000.

Fridrik Johannsson is a partner of Icora Partners, a corporate finance advisory firm. He served previously as CEO of Straumur-Burðarás Investment Bank hf. from June 2006 to May 2007, and CEO of Burðarás hf. from March 2004 to September 2005. Mr. Johannsson is a member of the Board of Vörður tryggingar hf., A1988 hf. (Eimskipafélag Íslands), Áning ehf. and Icora Partners ehf.

Margret Jonsdottir

- Education: Master of Accounting and Auditing, University of Iceland, 2006; Cand. Oecon. in Business Administration, University of Iceland, 1983.
- Elected: 2006.
- Holdings in Marel, including those of financially related parties: 200,419.

Margret Jonsdottir is the CFO of Eyrir Invest ehf. Previously, she was the Director of Finance at Edda Publishing hf from December 2001 until October 2002. She was Director of Finance at Kreditkort hf from August 2000 until December 2001, and Manager of Accounts and Planning at FBA Investment Bank (later Íslandsbanki), and Director of Finance at the Industrial Loan Fund (FBA predecessor), from September 1988 until June 2000.

Helgi Magnusson

- Education: Business Administration, University of Iceland, 1974; CPA, 1975.
- Elected: 2005.
- Holdings in Marel, including those of financially related parties: 5,308,044.

Helgi Magnusson is the Chairman of the Federation of Icelandic Industries and a member of the Board of Directors and the Executive Board of the Confederation of Icelandic Employers. He is also Chairman of the Board of the Pension Fund of Commerce, Blue Lagoon hf. and Harpa Holding Ltd, and a board member of several other Icelandic companies. Mr. Magnusson served previously as a board member of Islandsbanki hf, Framsyn Pension Fund and the Icelandic Chamber of Commerce. For several years, he was the Chairman of the Board of Harpa and Harpa-Sjöfn Paint Factory and Flügger Iceland Paint Factory.

Arnar Thor Masson

- Education: Political Science with an M.Sc. in Comparative Politics, the London School of Economics and Political Science, U.K., 1997. BA in Political Science, University of Iceland, 1996. Studied securities brokerage in 2007.
- Elected: 2001.
- Holdings in Marel, including those of financially related parties: 0.

Arnar Thor Masson is the Director General of the Department of Administrative and Social Development at the Prime Minister's Office in Iceland. Prior to that, he was Deputy Director General of the Financial Management Department at the Ministry of Finance. Masson was an adjunct lecturer at the Department of Political Science of the University of Iceland from 2000 until 2008. He does not sit on the board of any other company than Marel.

Asthildur Margret Otharsdottir

- Education: MBA, Rotterdam School of Management, The Netherlands, 1996; Cand. Oecon., University of Iceland, 1992.
- Elected: 2010
- Holdings in Marel, including those of financially related parties: 32,000.

Asthildur Margret Otharsdottir is an independent consultant with extensive prior business experience as a Director of Treasury and Corporate Development at Össur hf. from 2006 to 2010, Senior Account Manager at Kaupthing Bank hf., now Arion bank, from 2004 to 2006, and Consultant at Accenture from 1996 to 2000. She is a member of the Board of Directors of Marorka ehf. and Lagerinn Dutch Holding BV.

Smari Runar Thorvaldsson

- Education: BSc in Economics, University of Iceland, 1999.
- Elected: 2010
- Holdings in Marel, including those of financially related parties: 0.

Smari Runar Thorvaldsson is an independent investor and advisor. Previously, he was Managing Director of Horn Invest from 2008 to 2009. He served as Director of Proprietary Trading and Private Equity at Landsbanki Íslands hf. from 2003 to 2008, and Director of Proprietary Trading and Principal Investment at Búnaðarbanki Íslands hf. from 2001 to 2003. He has previously served on the boards of several companies.



The Board of Directors (from left to right): Smari Runar Thorvaldsson, Arni Oddur Thordarson, Arnar Thor Masson, Margret Jonsdottir, Helgi Magnusson, Asthildur Margret Otharsdottir, Fridrik Johannsson and Theo Bruinsma.

INVESTOR RELATIONS

Providing timely and accurate information about a company's operations is fundamental to achieving a fair market price for its shares. Marel's information policy is focused on providing current and potential investors with equal access to consistent and transparent data, in as much detail as is commercially sensible.

All price-sensitive information, regulatory announcements about Marel and announcements regarding performance and future prospects are published in a timely manner, initially on the website of NASDAQ OMX Iceland, www.nasdaqomxnordic.com, and subsequently on Marel's official website, www.marel.com. Financial results are issued quarterly in accordance with the requirements of NASDAQ OMX Iceland.



Investor meetings

In addition, information is conveyed to investors and analysts in a variety of ways, most notably through regular investor meetings following the publication of the company's quarterly results.

In March 2011, Marel also participated in a Capital Markets Day event organised by Arion Bank in Iceland, where the company was presented to investors and analysts.

Website and annual report

Marel's website contains detailed information about the company, its history, operations and activities. Current and past press releases, presentations and annual reports are archived on the Investor relations section of the website and available for download, and the company's current and historic share prices are available for review against key indices.

A hard copy of the Annual Report is available upon request by writing to investors@marel.com.

Publication schedule for 2012-2013

1st quarter 2012	26 April 2012
2nd quarter 2012	25 July 2012
3rd quarter 2012	24 October 2012
4th quarter 2012	30 January 2013
Annual General Meeting 2013	27 February 2013

RISK MANAGEMENT

Marel's activities expose it to a variety of financial risks: market risk, including foreign exchange risk and price risk, credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures when needed to manage its exposure to interest rate and foreign exchange rate risk. Risk management is carried out within the company, where applicable, under policies approved by the Board of Directors. Financial risk is monitored and managed centrally in group treasury.

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR/USD, EUR/GBP and EUR/ISK on the cost side. The general policy is to apply natural currency hedging to the extent possible and prohibit any speculative trading of financial instruments. The company has now drawn approximately 35% of the outstanding loans in USD to create natural hedging in the balance sheet. Where needed, financial exposure is hedged in accordance with company's general policy on permitted instruments and exposure limits.

Credit risk

The company minimises credit risk by monitoring credits granted to customers and assigns collateral to cover potential claims. The company 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 proportion of sales to Icelandic customers is approximately 0.5% of the total. Marel has not incurred any losses of outstanding receivables due to the economic crisis in Iceland. Marel has banking relations with a diversified set of financial institutions around the world. There are policies in place that limit the amount of credit exposure to any one financial institution.

Liquidity risk

Due to the dynamic nature of the underlying businesses, the company has prudent liquidity risk management to ensure sufficient flexibility in funding under the revolving part of the facilities agreement and current financial assets available.

Cash flow and fair-value interest rate risk

The company's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates of finance leases to which the company is lessor or lessee are fixed at inception of the lease. These leases expose the company to fair-value interest rate risk. The company's cash-flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash-flow interest rate risk, while borrowings issued at fixed rates expose it to fair-value interest rate risk.

The company manages its cash-flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The company raises long-term borrowings at floating rates, and swaps a portion of them into fixed rates. The risk, measured as the potential increase in interest paid during the coming year based on a defined movement in interest rates, is monitored and evaluated regularly.

Insurance policies

The company 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 company believes that its current insurance coverage is adequate.

CORPORATE GOVERNANCE

Icelandic law and Marel's corporate governance framework determine the duties of the various bodies within the Company. Corporate governance defines the way in which the company is directed and controlled – it involves the broader interworkings of the day-to-day management, the Board of Directors, the shareholders at large, and other interested parties to formulate and implement corporate strategy.

1. Rules on corporate governance which the Company follows

The Company's corporate governance policy is based on the Guidelines on Corporate Governance issued in June 2009 by the Iceland Chamber of Commerce, NASDAQ OMX Iceland hf. and the Confederation of Icelandic Employers, in accordance with Clause 2.27 in the Rules for issuers of financial instruments on NASDAQ OMX Iceland issued in December 2009.The Guidelines can be found and accessed on the website of the Iceland Chamber of Commerce, www.chamber.is/english.

2. Departures from the Guidelines on Corporate Governance

In general, the Company is in compliance with the Guidelines on Corporate Governance. The Board of Directors evaluates at least once a year the performance of the CEO, but not specifically the performance of other members of the Board of Management. The CEO is responsible to the Board of Directors for the performance of the Board of Management.

The Board of Directors has not established a nomination committee, as such a committee is currently not considered necessary, taking into account the balanced and relevant expertise and experience of the current Board members. Furthermore, the Rules of Procedure for the Board of Directors clearly stipulate what items shall be taken into consideration when preparing the nomination of Directors. The Board of Directors has not issued a specific written code of ethics and social responsibility policy for the Company but both such documents are currently being prepared.

3. Main aspects of internal controls and the Company's risk management in connection with the preparation of financial statements

External audit

An independent auditing firm is elected at the Annual General Meeting (AGM) for a term of one year. The auditor shall examine the Company's annual accounts in accordance with generally accepted accounting standards, and shall for this purpose inspect account records and other material relating to the operation and financial position of the Company. KPMG hf. was elected as the Company's auditor at the AGM on 2 March 2011. Auditors on its behalf are Saemundur Valdimarsson and Kristrun H. Ingolfsdottir, both State Authorized Public Accountants. They have audited and signed without reservation Marel's consolidated financial statements for the year 2011.

Internal audit and control

The Company's risk management and internal controls, in relation to financial processes, are designed with the purpose of effectively controlling the risk of material misstatements in financial reporting. Marel's internal auditor, a position which was established in late 2010, plays a key role in relation to internal control along with the external auditors, as applicable.

4. The Company's values, code of ethics and social responsibility policy

Values

Marel's company values are shared ideals and standards that provide direction in day to day operations. As part of the integration process in 2010, employees had a direct hand in defining the values that the company will henceforth embrace. The outcome was a set of eight values: commitment, partnerships with customers, diversity, teamwork, learning and excellence, open communication, humour and fun, and success. Initiatives have been launched throughout the company to promote and embed these values in daily operations.

Corporate social responsibility
Being a responsible corporate citizen means going beyond statutory legal requirements to aligning all business operations with socially accepted principles and contributing to society in a positive way. Following the formal conclusion of the company's integration process, focus will now be placed on the development of a global social responsibility policy for the company has a whole.

5. Composition and activities of the Board of Directors, Board of Management and sub-committees of the Board of Directors

Board of Directors
The Company's Board of Directors is the supreme authority in the affairs of the Company between shareholders' meetings. It is elected by shareholders at the AGM for a term of one year and operates in accordance with theCompany's Articles of Association and the Board's Rules of Procedure. The Board currently comprises eight members who were elected at the Company's AGM on 2 March 2011.

The Board is responsible for the organisation of the Company and for ensuring the proper conduct of its operation at all times. The Board of Directors shall decide on all matters regarded as extraordinary or of major consequence. The same applies to major borrowing requiring pledging of the Company's property and assets. The Board shall establish goals for the Company in accordance with the Company's objectives and shall formulate the policy and strategy required to achieve these goals.

Regular board meetings are held with management over the course of the year, including quarterly results meetings, a strategy meeting in autumn and a next-year budget meeting in December. In addition, the Board of Directors meets twice a year without the management. Additional meetings are convened as needed. All matters brought before a Board meeting shall be decided by majority vote, provided that the Board meeting has been lawfully convened. In the event of a tie vote, the Chairman of the Board casts the deciding vote. However, important decisions shall not be taken unless all members of the Board have had the opportunity to discuss the matter, if possible.

Profiles of the Board members are provided on pages 54-55.

Board sub-committees
The Board's work is supported by its working committees: Remuneration Committee and Auditing Committee. Members of the Remuneration Committee are Arnar Thor Masson, Arni Oddur Thordarson and Asthildur Margret Otharsdottir. Its field of work involves negotiating wages and other benefits for the CEO and senior management, and framing the company's remuneration policy, including wage incentives and stock option rights for company shares. Members of the Auditing Committee are Fridrik Johannsson, Asthildur Margret Otharsdottir, Margret Jonsdottir and Smari Runar Thorvaldsson. Its field of work includes monitoring Marel's financial status and evaluating the Company's internal monitoring and risk management systems, management reporting on finances, whether laws and regulations are followed, and the work of the Company's statutory auditors.

Board of Management
The Board of Management is composed of the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Operating Officer (COO). Theo Hoen, CEO, is responsible for daily operations of the company. A further description of the CEO's responsibilities is provided under item 12. Other members of the Board of Management are: Erik Kaman, CFO, and Sigsteinn P. Gretarsson, COO.

6. Arrangement of the appointment of sub-committee members

Sub-committee members are appointed by the Board of Directors for a term of one year, in accordance with the rules of each sub-committee adopted by the Board.

The Audit Committee is composed of either three or four members of the Board of Directors, unless the Board decides otherwise. The majority of the Audit Committee shall be independent of the Company and its external auditors. At least one member of the Audit Committee shall be independent of shareholders that hold 10% or more of the total share capital of the Company. The members of the Audit Committee shall possess the knowledge and expertise needed to perform the tasks of the Audit Committee. At least one Member of the Audit Committee shall have solid knowledge and experience in the field of financial statements or auditing.

The Remuneration Committee is composed of either three or four members of the Board of Directors, unless the Board decides otherwise. The majority of the Remuneration Committee shall be independent of the Company. The members of the Remuneration Committee shall possess the knowledge and expertise needed to perform the tasks of the Committee.

7. Information on the number of Board Meetings and sub-committee meetings as well as their attendance

The Board of Directors convened 10 times in 2011, with a weighted average attendance of 91.4%. The sub-committees of the Board of Directors, the Audit Committee and Remuneration Committee, had seven and six meetings respectively in 2011. They were all fully attended.

8. Access information for the written rules of procedure for the Board of Directors and its subcommittees

The rules of procedures for the Board of Directors and its sub-committees can be found on the Company's website: http://www.marel.com/investors/Corporate-Governance/

9. Members of the Board of Directors

Profiles of the members of the Board of Directors are provided on pages 54-55.

10. Information on which Board Members are independent of the Company and its major shareholders

The Board of Directors has made an assessment on which Board members are independent according to the Guidelines on Corporate Governance. Five of eight Board members are considered independent of the Company: Fridrik Johannsson, Arnar Thor Masson, Asthildur Margret Otharsdottir, Helgi Magnusson and Smari Runar Thorvaldsson. Furthermore, five of eight Board members are considered independent of the Company's major shareholders; Fridrik Johannsson, Arnar Thor Masson, Asthildur Margret Otharsdottir, Helgi Magnusson and Theo Bruinsma.

11. Principal aspects in the Board of Directors' performance assessment

At least once a year, the Board of Directors evaluates the work, results, size and composition of the Board, as well as the work and results of individual Board members and the Board's sub-committees. Furthermore, the Board evaluates the work and results of the CEO according to previously established criteria, including whether the CEO has prepared and carried out a business strategy which is consistent with the established goals. The Board shall discuss the results of the assessment and decide which actions are to be taken, if any.

At least once a year the CEO shall evaluate the work and results of the Board of Management, for which he is responsible, according to previously established criteria. The CEO shall discuss the results of the assessment with each member of the Board of Management and decide which actions shall be taken, if any.

At least once a year, the Chairman and the CEO shall have a meeting to discuss the results of the Board's assessment of the CEO's work and results and the proposed actions to be taken, if any. The CEO shall inform the Chairman of the results of his/her evaluation of the Board of Management and which actions will be taken, if any. The Chairman shall inform the Board of Directors of the discussions with the CEO as he/she deems necessary and appropriate.

12. Information on the Company's CEO and a description of his main duties

A profile of Theo Hoen, CEO of Marel, is provided on page 54.

The principal duties of the CEO are as follows:

1. The CEO is responsible for daily operations and is obliged to follow the Board's policy and instructions in that regard. The daily operations do not include measures which are unusual or extraordinary. The CEO may only take such measures if specially authorised by the Board, unless it impossible to wait for the Board's decision without substantial disadvantage to the

   Company's operations. In such an event, the CEO shall inform the Board of his/her measures, without delay.

2. The CEO shall act as chairman in the Company's material subsidiaries which are connected with the sales and manufacturing activities and/or the core activities of the Company, unless the Board decides otherwise.

3. The CEO is responsible for the work and results of the Board of Management. See further information of this part of his duties in item no. 11 above.

4. The CEO shall ensure that the accounts of the Company conform to the law and accepted practices and that the treatment of the property of the Company is secure. The CEO shall provide any information that may be requested by the Company's Auditors.

13. Information on violations of laws and regulations that the appropriate supervisory or ruling body has determined

No violations of laws and regulations have been determined in 2011 by supervisory or ruling body.

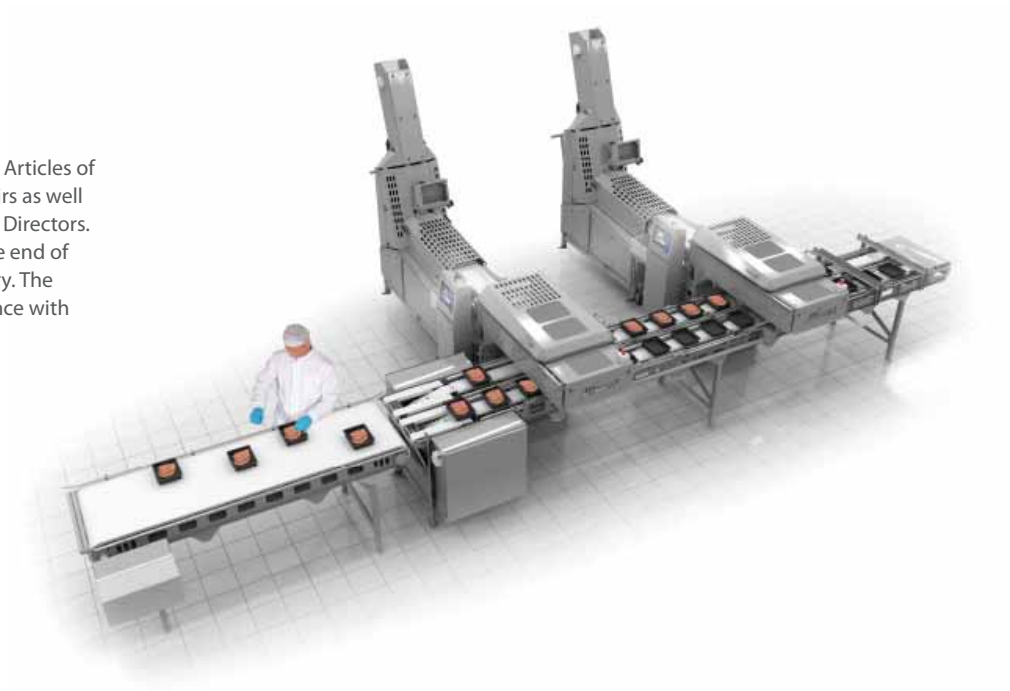
14. Arrangement of communications between shareholders and the Board of Directors

Shareholders' meetings, within the limits established by the Company's Articles of Association and statutory law, are the supreme authority in Marel's affairs as well as the primary communication between shareholders and the Board of Directors. The Annual General Meeting (AGM) is scheduled once a year, before the end of August, and other shareholders' meetings are convened when necessary. The AGM is advertised publicly with at least three-week's notice in accordance with Icelandic law.

Additionally, Marel's communication to shareholders and furthermore to the market shall be in compliance with relevant regulatory bodies at all times and disseminated via recognised distribution vehicles.

15. Analysis of environmental factors and social factors

The Company's Annual Report contains analysis of environmental factors and social factors that help to understand the development, success and position of the Company. The Annual Report is available on the Company's website: www.marel.com/investors



INNOVATION IN PROCESS MANAGEMENT



Innova:
Monitor, measure, maximise

It has become ever more vital for food processors to have the ability to control, measure and monitor their production processes. Innova, Marel's production management software suite, does just that.

Innova tracks and controls key performance indicators (KPIs) – such as yield, throughput and quality – in real-time, from reception of raw material all the way through to dispatch of the final product.

In addition to optimising performance, Innova ensures full traceability of the raw material all the way back to its origin, provides a top-of-the-line quality control system, and offers advanced inventory and order processing capabilities.

Innova ties it all together.

See a video on Innova in the online report:
www.marel.com/ar2011



CONSOLIDATED FINANCIAL STATEMENTS FOR 2010

The Board of Directors' and CEO's Report

Marel is a leading global provider of advanced equipment, systems and services for the poultry, meat and fish processing industry. 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 2011 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 2011
According to the Consolidated Statement of Comprehensive Income, the Group's operating revenue amounted to EUR 668.4 million in 2011, compared to EUR 600.4 million in 2010. Profit for the period amounted to EUR 34.5 million (2010: EUR 13.6 million). Total comprehensive income amounted to EUR 33.2 million (2010: EUR 17.7 million).

Financial cost decreased significantly between years due to lower total debt and a favourable long term financing agreement executed in November 2010.

No acquisitions or divestments were made in 2011.

A new execution agreement for the Dutch pension plan and the agreement on the transfer of the Dutch pension liabilities and assets from the Stork Pension Fund to the industry-wide pension fund PME were resolved in 2011. The incidental costs expensed in 2011 for pension related issues amounted to EUR 11.0 million.

According to the Consolidated Statement of Financial Position, the Company's assets amounted to EUR 877.8 million at the end of 2011 (2010: EUR 877.6 million). Equity amounted to EUR 373.5 million at the end of 2011 (at year-end 2010: EUR 343.3 million) or 42.5% of total assets (at year-end 2010: 39.1%). Net interest bearing debt decreased from EUR 256.7 million at the end of 2010 to EUR 250.5 million at the end of 2011. The Group was in full compliance with bank covenants in 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.

At the end of 2011, the Group had a strong order book, with orders from customers 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 6.7 million treasury shares. The number of shareholders at year-end 2011 was 1,799, compared to 1,772 at the end of 2010. One shareholder had a holding interest of more than 10% in the Company, Eyrir Invest ehf., with 35.6%.

In 2011, the Company issued 5.3 million new shares and sold 0.4 million treasury shares for a total amount of EUR 2.6 million to fulfil the employees„ stock option program. In 2011, Marel purchased at market 7.1 million shares for EUR 5.7 million to fulfil future stock option obligations.

Share purchase options are granted to management and selected employees. Total granted and unexercised share purchase options at end of the year 2011 were 25.7 million shares, of which 4.0 million are exercisable at the end of 2011 and the remainder will become exercisable in the years 2012 to 2015.

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 2011. The Company's Board of Directors is also authorised to increase its share capital by up to ISK 240.0 million nominal value, where ISK 146.8 million have already been issued. Shareholders waived their pre-emptive rights.

The Board of Directors will propose to the 2012 Annual General Meeting that EUR cents 0.95 dividend per share will be paid for the operational year 2011, equalling to approximately EUR 6.9 million or 20% of total profit of EUR 34.5 million for the year 2011, 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 June 2009 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. Further disclosures regarding Marel's Corporate Governance are in the Annual Report 2011.

Those who want to be candidates for the Board of Directors of the Company have to notify the Board of Directors in writing at least 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 2011, operating performance and the cash flow for the year ended 31 December 2011 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 2011 with their signatures.

Garðabær, 1 February 2012

Board of Directors

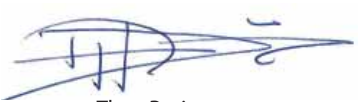

Arnar Þór Másson


Árni Oddur Þórðarson
Chairman of the board


Friðrik Jóhannsson


Helgi Magnússon


Margrét Jónsdóttir


Theo Bruinsma


Smári Rúnar Þorvaldsson


Ásthildur Margrét Otharsdóttir

Chief Executive Officer


Theo G.M. Hoen

Independent auditors' report

To the Board of Directors and Shareholders of Marel hf.

We have audited the accompanying consolidated financial statements of Marel hf., which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Marel hf. as at 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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

Garðabær, 1 February 2012

KPMG ehf.



Sæmundur Valdimarsson



Kristrún H. Ingólfsdóttir

Consolidated Statement of Comprehensive Income

	Notes	2011	2010
Revenue	5	668,357	600,421
Cost of sales		(421,068)	(373,347)
Gross profit		247,289	227,074
Other operating expenses	6	(11,292)	(8,073)
Selling and marketing expenses		(79,815)	(70,674)
Research and development expenses		(40,323)	(36,474)
Administrative expenses		(53,693)	(54,519)
Result from operations		62,166	57,334
Finance costs	7	(19,852)	(43,012)
Finance income	7	1,744	916
Net finance costs	7	(18,108)	(42,096)
Result before income tax		44,058	15,238
Income tax	9	(9,595)	(1,612)
Profit for the period		34,463	13,626

Other Comprehensive Income

Currency translation differences		779	3,130
Cash flow hedges		(2,686)	1,266
Income tax relating to cash flow hedges and currency translation differences		672	(323)
Other comprehensive income for the period, net of tax		(1,235)	4,073
Total comprehensive income for the period		33,228	17,698
Profit (loss) attributable to:			
Shareholders of the Company		34,463	13,626
		34,463	13,626
Comprehensive income attributable to:			
Shareholders of the Company		33,228	17,698
		33,228	17,698
Earnings per share for result attributable to equity holders of the company during the period (expressed in EUR cent per share):			
- basic	10	4.70	1.87
- diluted	10	4.65	1.87
Earnings per share for total comprehensive income attributable to equity holders of the company during the period (expressed in EUR cent per share):			
- basic		4.53	2.43
- diluted		4.48	2.43

The notes on pages 72-128 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Financial Position

	Notes	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	11	108,088	109,418
Goodwill	12	380,419	379,879
Other intangible assets	12	100,073	92,884
Investments in associates	13	109	109
Receivables	14	3,115	3,669
Deferred income tax assets	15	11,567	12,619
		603,371	598,578
Current assets			
Inventories	16	99,364	80,590
Production contracts	17	38,046	18,354
Trade receivables	14	77,497	87,780
Assets held for sale	18	555	598
Other receivables and prepayments	14	28,051	27,815
Restricted cash	19	752	12,509
Cash and cash equivalents	19	30,182	51,399
		274,447	279,045
Total assets		877,818	877,623
EQUITY			
Capital and reserves attributable to equity holders of Marel hf.			
Share capital	20	6,667	6,694
Share premium	20	317,100	320,250
Reserves	20	(8,612)	(7,377)
Retained earnings		58,316	23,702
Total shareholders' equity		373,471	343,269
LIABILITIES			
Non-current liabilities			
Borrowings	21	254,361	310,751
Deferred income tax liabilities	15	8,705	4,925
Provisions	22	6,902	6,719
Derivative financial instruments	24	12,419	11,028
		282,387	333,423
Current liabilities			
Production Contracts	17	64,029	78,306
Trade and other payables	25	125,570	107,783
Current income tax liabilities		2,293	1,624
Borrowings	21	27,062	9,898
Provisions	22	3,006	3,320
		221,960	200,931
Total liabilities		504,347	534,354
Total equity and liabilities		877,818	877,623

Consolidated Statement of Changes in Shareholders' Equity

	Attributable to equity holders of the Company					
	Share Capital	Share premium *)	Hedge reserve	Translation reserve	Retained earnings	Total equity
Balance at 1 January 2010	6,674	318,495	(8,243)	(3,207)	10,077	323,796
Total comprehensive income			943	3,130	13,626	17,699
Employee share option scheme:						
Value of services provided		330				330
Issue of share capital in regarding Stock Options	20	1,431				1,451
Issue of share capital, transaction costs		(6)				(6)
	20	1,755	943	3,130	13,626	19,474
Balance at 31 December 2010	6,694	320,250	(7,300)	(77)	23,703	343,269
Total comprehensive income			(2,014)	779	34,463	33,228
Employee share option scheme:						
Treasury shares purchased	(65)	(5,618)				(5,683)
Treasury shares sold	4	221				225
Treasury shares, transaction costs		(17)				(17)
Value of services provided		411				411
Value of services provided released		(529)			150	(379)
Issue of share capital in regarding Stock Options	34	2,383				2,417
Issue of share capital, transaction costs		(1)				(1)
	(27)	(3,150)	(2,014)	779	34,613	30,201
Balance at 31 December 2011	6,667	317,100	(9,314)	702	58,316	373,471

*) Includes reserve for share based payments as per 31 December 2011 of EUR 1,610 (2010: EUR 1,330).

Dividend per share

No dividends were paid in 2010 and 2011.

The notes on pages 72-128 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Cash Flows

	Notes	2011	2010
Cash flows from operating activities			
Result from operations		62,166	57,334
Adjustments to reconcile result from operations to net cash provided by operating activities:			
Depreciation and impairment of property, plant and equipment	10	10,899	12,084
Amortisation and impairment of intangible assets	11	13,941	12,758
Gain on sale of subsidiary		-	(292)
Gain on sale of property, plant and equipment		(71)	(335)
Changes in non current receivables		554	(992)
Changes in non current payables		-	487
Working capital provided by / (used in) operating activities		87,489	81,044
Changes in working capital:			
Inventories and production contracts		(51,469)	31,669
Trade and other receivables		9,623	(22,509)
Trade and other payables		18,278	27,090
Provisions		(205)	(2,413)
Changes in operating assets and liabilities		(23,773)	33,837
Cash generated from operating activities		63,716	114,881
Income tax paid		(3,133)	(1,344)
Interest and finance costs paid		(17,400)	(34,551)
Net cash from operating activities		43,183	78,986

	Notes	2011	2010
Cash flows from Investing activities			
Interest received		682	836
Divestment of subsidiary, net of cash		-	3,032
Purchase of property, plant and equipment		(8,850)	(4,745)
Investments in intangibles		(20,715)	(18,110)
Proceeds from sale of property, plant and equipment		193	1,531
Other changes		-	699
Net cash used in investing activities		(28,690)	(16,757)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		2,417	1,452
Purchase of treasury shares		(5,700)	(157)
Sale of treasury shares		225	-
Proceeds from borrowings		20,363	314,053
Repayments of borrowings		(64,652)	(380,064)
Loans to third parties		500	(2,500)
Finance lease principal payments		(273)	(239)
Other changes		-	2
Net cash used in financing activities		(47,120)	(67,453)
Net decrease in net cash		(32,627)	(5,224)
Exchange (loss) / gain on net cash		(342)	1,245
Net cash at beginning of the period		63,903	67,882
Net cash at end of the period		30,934	63,903
Cash and cash equivalents		30,182	51,399
Restricted cash		752	12,509
Bankoverdrafts		-	(5)
Net cash at end of the period		30,934	63,903

The notes on pages 72-128 are an integral part of the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1 General information

Marel hf. ("the Company") is a limited liability company incorporated and domiciled in Iceland. The address of its registered office is Austurhraun 9, Gardabaer.

The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together "the Group"). The Group is primarily involved in the manufacture, development, distribution and sales of solutions for use in all major sectors of the food processing industry.

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

The Financial Statements as presented in this report are subject to the adoption by the Annual General Meeting of Shareholders, to be held on 29 February 2012.

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 1 February 2012.

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 but have an effective date on or after 1 January 2011 and have not been early adopted in the Group's accounting periods beginning on or after 1 January 2011:

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

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

Amendments to IFRS 7	*Disclosures – Transfers of Financial Assets*[1]
IFRS 9	*Financial Instruments*[2]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 13	*Fair Value Measurement*[2]
Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*[3]
Amendments to IAS 12	*Deferred Tax – Recovery of Underlying Assets*[4]
IAS 19 (as revised in 2011)	*Employee Benefits*[2]
IAS 27 (as revised in 2011)	*Separate Financial Statements*[2]
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2012.

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

2.2 Consolidation

Subsidiaries
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. The principal subsidiaries are listed in note 32.

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 reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO and strategic decisions are based on these operating segments. The operating structure in the Group is developing further towards the operating segments.

2.4 Foreign currency translation

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

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

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

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

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

2.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the 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 consolidated statement of financial position date.

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

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

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

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

2.6 Intangible assets

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

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

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

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

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

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

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

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

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

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

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are recognised initially at fair value and included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.
Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially

all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Receivables are carried at amortised cost using the effective interest method.

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

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from shareholders' equity and recognised in the 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 quoted market price used for financial assets held by the Group is the current bid price.

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

2.9 Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

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

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

(c) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any 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 statement of comprehensive income within Administrative expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against Administrative expenses in the statement of comprehensive income.

2.13 Cash and cash equivalents

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

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

2.14 Share capital

Ordinary shares are classified as equity.

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

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

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

2.15 Trade payables

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

2.16 Borrowings

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

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

2.17 Current and deferred income tax

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

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

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

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

2.18 Employee benefits

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

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

Profit sharing and bonus plans
Under some circumstances, a liability for key employee benefits in the form of profit sharing and bonus plans is recognised in other provisions when there is no realistic alternative but to settle the liability and at least the condition is met that there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements.
Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

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

The most important defined benefit plan is administered by Stichting Pensioenfonds Stork (Stork Pension Fund Foundation, SPF) up to and including 31 December 2011. This plan is transferred to Stichting Pensioenfonds van de

Metalectro (industry-wide pension fund; PME) as per 1 January 2012. At 14 December 2011 the agreement of 7 October 2011 has become definitive; therefore the settlement of the plan has been accounted for in the Consolidated Financial Statements of 2011. The coverage ratio is determined annually, based on actuarial calculations and guidelines issued by the Dutch Central Bank. Taking into account the outcome of this determination, the pension contributions are determined and if possible the conditional indexation is affected. Of the pension contributions as determined annually, 50% are payable by the Group and 50% by the employee. At year-end 2011 the coverage ratio of SPF was 94%, and of PME 90.7%.

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

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

If the calculation results in a benefit, the recognised asset is limited to an amount maximally equal to the economic benefits available. The calculation is performed by qualified actuaries. Assets resulting from actuarial losses are not recognised. The Group applies an allowed alternative under IAS 19.58A and IAS 19.58B.

A defined contribution plan is a plan to provide benefits after retirement in which an entity makes fixed contributions to a separate entity, and legally has no constructive obligation to make further contributions. Obligations relating to defined contribution pension plans are charged to the statement of comprehensive income as employee remuneration expenses when the contributions are payable. Contributions paid in advance are presented as assets to the extent that cash repayment or a reduction in future contributions is available.

2.19 Provisions

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

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

2.20 Revenue recognition

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

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

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

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

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

2.21 Leases

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

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

2.22 Dividend distribution

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

3 Financial risk management

Financial risk factors

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

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

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

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

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

The Group has reached a financing structure which can accomodate the Group´s financing requirements till 2015 with USD and EUR borrowings matching the Group´s exposure in these currencies to a large extent. The ISK risk in borrowings is reduced to a minimum, amounting to EUR 7.6 million at 31 December 2011 (2010: EUR 7.5 million) and will dissappear ultimately in February 2012 when bond issue MARL 06 1 matures.

(i) Foreign exchange risk
The Group operates internationally and is exposed to currency risk arising from 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 & 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.

	USD impact	GBP impact
Profit or (loss)	(913)	(887)
Equity	0	0

On the operational side, only a fraction of a percentage of revenues is denominated in ISK, while around 4.9% (2010: 4.6%) of costs is in ISK. In the past the Group had cash flow hedges to manage the risk originating in this imbalance. These hedges were closed and settled in 2009.

The Group reduced in 2010 the currency risk from ISK denominated debt by converting to euro or equity and by repurchasing ISK bonds in 2010. In 2011 2.7% of borrowings are in ISK compared to 2.3% at year end 2010 and will dissappear ultimately in February 2012 when bond issue MARL 06 1 matures. Other borrowings are mostly in EUR and USD.

Liabilities in currency recorded in EUR:	Finance lease liabilities	Capitalised finance charges	Other borrowings	Total **2011**
Liabilities in DKK	108	0	9,597	9,705
Liabilities in EUR	0	(3,873)	165,000	161,127
Liabilities in ISK, partially index linked	0	0	7,640	7,640
Liabilities in USD	113	(1,543)	104,247	102,817
Liabilities in other currencies	134	0	0	134
	355	(5,416)	286,484	281,423
Current matures	(195)	1,382	(28,249)	(27,062)
	160	(4,034)	258,235	254,361

Liabilities in currency recorded in EUR:	Finance lease liabilities	Capitalised finance charges	Other borrowings	Total **2010**
Liabilities in DKK	144	0	10,181	10,325
Liabilities in EUR	0	(4,860)	223,051	218,191
Liabilities in GBP	20	0	0	20
Liabilities in ISK, partially index linked	0	(23)	7,523	7,500
Liabilities in USD	200	(1,876)	86,021	84,345
Liabilities in other currencies	268	0	0	268
	632	(6,759)	326,776	320,649
Current matures	(241)	1,011	(10,668)	(9,898)
	391	(5,748)	316,108	310,751

(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 60% (2010: 57%) of the core debt has floating interest rates and the rest is fixed.

As at balance sheet date a total of EUR 145.6 million (2010: EUR 149.0 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 3.60% (2010: 3.74%).

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 2011 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 2.0 million loss net of deferred taxes and was charged in other comprehensive income, resulting in a year end hedge reserve of EUR 9.3 million. In 2011 an amount of EUR 1.2 million was reclassified from Other Comprehensive Income to other finance income. In 2011 no ineffectiveness was identified. The amounts deferred in equity at year-end are expected to affect interest costs within the coming 4 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 4.55% (2010: 4.5%) of the shares, assuming that all outstanding share options vest and / or are executed.

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

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

	2011	2010
Total borrowings	281,423	320,649
Cash and cash equivalents, including restricted cash	30,934	63,908
Net Debt	250,489	256,741
Total Equity	373,471	343,269
Hedge Reserve	(9,314)	(7,300)
Adjusted Capital	364,157	335,969
Debt to adjusted capital ratio	0.69	0.76

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 no higher than 10% over and no lower than 10% under the posted average price of shares in the Company for the two weeks immediately preceding the acquisition.

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

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

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

		Carrying amount	
		2011	2010
	Note		
Trade receivables	14	80,612	91,449
Other recievables and prepayments	14	28,051	27,815
Restricted cash	19	752	12,509
Net cash	19	30,182	51,399
		139,597	183,172

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

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

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and committed credit facilities to give reasonable operating headroom. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by maintaining availability under committed credit lines. The Group has EUR 100 million of committed 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 25.4 million (2010: EUR 58.0 million) on the revolver and issued EUR 41.1 million (2010: 25.0 million) of guarantees under the facility, therefore the total usage is EUR 66.4 million (2010: 83.0 million), leaving a headroom of EUR 33.5 million (2010: EUR 17.0 million). All facilities are subject to operational and Consolidated Statement of Financial Position covenants (interest cover and leverage). At the end of 2011 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 our 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 2011	Less than 1 year	Between 1 and 5 years	Over 5 years
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)
At 31 December 2010			
Borrowings	(9,657)	(265,590)	(37,247)
Interest on borrowings	(12,197)	(36,769)	(1,368)
Debentures	0	(7,522)	0
Finance lease liabilities	(241)	(392)	0
Trade and other payables	(107,783)	0	0
Interest rate swaps:	(5,188)	(5,799)	0
Total	(135,066)	(316,072)	(38,615)

Fair value estimation

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At year-end 2011, 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 253 (2010: EUR 367) higher/lower.

At year-end 2011, 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 138 (2010:EUR 136) higher/lower.

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 5.11% (2010: 5.58%).

The fair value of the finance lease liabilities equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the average interest rate of 7.99% (2010: 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:

2011	Note	Fair value-hedging instruments	Loans & receivables	Other financial liabilities	Total carrying amount	Fair Value
Cash and cash equivalents	19	0	30,934	0	30,934	30,934
Receivables	14	0	108,663	0	108,663	108,663
		0	139,597	0	139,597	139,597
Interest rate swaps used for hedging	24	(12,419)	0	0	(12,419)	(12,419)
Secured bank loans	21	0	0	(261,253)	(261,253)	(261,253)
Debentures	21	0	0	(7,639)	(7,639)	(7,639)
Finance lease liabilities	21	0	0	(355)	(355)	(355)
Unsecured bank loan	21	0	0	(12,176)	(12,176)	(12,176)
Trade and other payables	25	0	0	(125,570)	(125,570)	(125,570)
		(12,419)	0	(406,992)	(419,413)	(419,413)
2010						
Cash and cash equivalents						
Receivables	14	0	119,264	0	119,264	119,264
		0	119,264	0	119,264	119,264
Interest rate swaps used for hedging	24	(11,028)	0	0	(11,028)	(11,028)
Secured bank loans	21	0	0	(300,860)	(300,860)	(300,860)
Debentures	21	0	0	(7,522)	(7,522)	(7,522)
Finance lease liabilities	21	0	0	(633)	(633)	(633)
Unsecured bank loan	21	0	0	(11,634)	(11,634)	(11,634)
Trade and other payables	25	0	0	(107,783)	(107,783)	(107,783)
Bank overdraft	19	0	0	(5)	(5)	(5)
		(11,028)	0	(428,437)	(439,465)	(439,465)

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

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

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

Level 3:
Valuation techniques using significant unobservable inputs.

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

At 31 December 2011	level 1	level 2	level 3	Total
Derrivate liabilities held for risk management	0	12,419	0	12,419
At 31 December 2010				
Derrivate liabilities held for risk management	0	11,028	0	11,028

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.

Carrying amounts of the items mentioned above:

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Goodwill	380,419	0	379,879	0
Other intangible assets	100,073	0	92,884	0
Current and deferred income taxes	11,567	10,998	12,619	6,549
Financial instruments	0	12,419	0	11,028
Assets & liabilities held for sale	555	0	598	0
Investments in associates	109	0	109	0
Production contracts	38,046	64,029	18,354	78,306

5 Segment information

Business segments

The segments comprise the industries, which form the basis for managerial decision taking.
The Group does not allocate financial income and expenses between business segments. The segments are held responsible for the result from operations. Decisions on Tax and Financing structures are taken on corporate level. Inter-segment transfers or transactions are entered into under at arm's length terms and conditions comparable to those available to unrelated parties.

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

	Fish	Poultry	Meat	Further Processing	Others	Total
Total gross segment revenues	122,348	373,808	108,117	146,686	6,556	757,515
Inter-segment revenues	(14,382)	(6,978)	(20,047)	(47,729)	(22)	(89,158)
	107,966	366,830	88,070	98,957	6,534	668,357
Result from operations	12,672	46,219	6,864	7,173	(10,762)	62,166
Finance costs - net						(18,108)
Result before income tax						44,058
Income tax						(9,595)
Profit for the period						34,463
Assets	76,979	228,094	96,963	93,024	382,758	877,818
Depreciation and amortisation	(3,522)	(9,781)	(3,824)	(5,459)	(2,254)	(24,840)

The Others segment includes the holdings (with the extraordinary pension costs of EUR 10,101) and a packaging company, which was not part of the Food & Dairy activities divestment in 2010.

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

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

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

Geographical information

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

Revenues, allocated based on country where the customer is located.	2011	2010
Iceland	2,779	3,195
The Netherlands	26,743	15,860
Europe other	277,062	303,431
North America	145,675	176,371
Other countries	216,098	101,564
	668,357	600,421
Total assets		
Iceland	226,060	199,826
The Netherlands	483,504	472,206
Other countries	168,254	205,591
	877,818	877,623
Capital expenditure		
Iceland	5,145	3,024
The Netherlands	14,671	10,253
Other countries	9,749	9,578
	29,565	22,855

6 Other operating income (expenses)

2011
Stork Pension Fund (SPF), the Dutch company Stork BV and a number of companies that were formerly part of the Stork group have agreed that the industry-wide pension fund PME will take over the execution of the pension plan from SPF as of 1 January 2012. Marel is party to the agreement due to its acquisition of Stork Food Systems.
A key part of the agreement is a new execution agreement on pension arrangements, which safeguards employees' interests to the extent possible and which is beneficial to Marel as it reduces open-ended financial exposure to pension obligations. The costs for Marel of the pension related issues amounted to EUR 11.0 million, booked in Q2.

2010
The result of the divestments of Stork Food & Dairy systems and Carnitech A/S in the first quarter of 2010 are included in the other operating income for an amount of EUR 0.3 million.
During 2008 the Stork Pension Fund was in a situation of underfunding (coverage ratio end of 2008 was below the required 104.5%). As a consequence the pension fund was required by the Dutch Central Bank to make a recovery plan in 2009. To close the discussions, Marel has accepted the amount of recovery premium of EUR 8 million, to be paid in a 3 year period (2009 EUR 4 million, 2010 and 2011 EUR 2 million each). In 2010 the full costs for the recovery plan are included in other operational income (expenses), of which up to end of December 2011 EUR 7.8 million is paid to the pension fund and EUR 0.2 million is provided for in the Consolidated Statement of Financial Position under current liabilities.

7 Net finance costs

Finance costs:	2011	2010
Interest on borrowings	(16,632)	(28,022)
Interest on finance leases	(21)	(32)
Other finance expenses	(1,884)	(11,663)
Net foreign exchange transaction losses	(1,315)	(3,295)
Subtotal Finance costs	(19,852)	(43,012)
Finance income:		
Interest income	515	916
Other finance income	1,229	0
Subtotal Finance income	1,744	916
Net Finance costs	(18,108)	(42,096)

Other finance expenses/income consists of:
As a result of the refinancing in 2010 an amount of EUR 6,995 of capitalized finance charges related to the former financing agreements were written off to the Consolidated Statement of Comprehensive Income. Finance costs related to the new financing agreement were capitalised. The amortisation of capitalised finance charges in 2011 amounted to EUR 1,345 (2010: EUR 2,331).

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 ineffecitivity 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

	2011	2010
Salaries & Wages	174,707	160,076
Related expenses	21,989	19,924
Post retirement costs	13,114	10,315
	209,810	190,315
Staff costs analyses as follows in the Consolidated Statement of Comprehensive Income:		
Cost of sales	96,180	87,026
Selling and marketing expenses	50,594	45,400
Research and development expenses	30,302	28,565
Administrative expenses	32,732	29,324
	209,810	190,315
Average number of Full Time Equivalents	3,726	3,359

9 Income Tax

	2011	2010
Current tax	(3,950)	(2,577)
Deferred tax	(5,645)	965
	(9,595)	(1,612)

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	2011	%	2010	%
Result before income tax	44,058		15,238	
Income tax using Iceland rate	(8,812)	20.0	(2,743)	18.0
Effect tax rates in other jurisdictions	(2,362)	5.4	(1,865)	12.2
Weighted average applicable tax	(11,174)	25.4	(4,608)	30.2
FX effect Iceland	31	(0.1)	172	(1.1)
R&D tax incentives	2,137	(4.9)	1,526	(10.0)
Permanent differences	385	(0.9)	1,604	(10.5)
Tax losses (un)recognised	(217)	0.5	431	(2.8)
Impairment of tax losses	(944)	2.1	(454)	3.0
Effect of tax rate changes	141	(0.3)	0	0.0
Effect of discontinued operations	0	0.0	(428)	2.8
Others	46	(0.1)	145	(1.0)
Tax charge included in the profit for the period	(9,595)	21.7	(1,612)	10.6

10 Earnings per share

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

	2011	2010
Net profit attributable to shareholders	34,463	13,626
Weighted average number of outstanding shares in issue (thousands)	733,944	727,410
Basic earnings per share (EUR cent per share)	4.70	1.87

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.

	2011	2010
Net profit used to determine diluted earnings per share	34,463	13,626
Weighted average number of outstanding shares in issue (thousands)	733,944	727,410
Adjustments for share options (thousands)	7,135	2,311
Weighted average number of outstanding shares for diluted earnings per share (thousands)	741,079	729,721
Diluted earnings per share (EUR cent)	4.65	1.87

11 Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2010				
Cost	110,004	56,653	51,962	218,619
Accumulated depreciation	(23,701)	(37,416)	(42,176)	(103,293)
Net book amount	86,303	19,237	9,786	115,326
Year ended 31 December 2010				
Opening net book amount	86,303	19,237	9,786	115,326
Reclassifications	1	220	(205)	16
Exchange differences	937	1,345	524	2,806
Additions	703	2,081	1,961	4,745
Disposals	(652)	(222)	(323)	(1,197)
Reclassification to intangible assets	0	(194)	0	(194)
Depreciation charge	(3,130)	(5,564)	(3,390)	(12,084)
Closing net book amount	84,162	16,903	8,353	109,418
At 1 January 2011				
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 31 December 2011				
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

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

	2011	2010
Cost of sales	6,932	7,843
Selling and marketing expenses	800	890
Research and development expenses	359	381
Administrative expenses	2,808	2,970
	10,899	12,084

As of 31 December 2011 mortgages included in interest bearing debt amounted to EUR 9,597 (2010: EUR 10,181), which are secured against a pledge on the real estate for the amount of EUR 12,406 (2010: EUR 12,374).

12 Intangible Assets

	Goodwill	Developm. costs	Patents & Trade name	Other Intangibles	Total other Intangibles
At 1 January 2010					
Cost	377,959	49,628	48,566	9,554	107,748
Accumulated amortisation	0	(13,811)	(5,443)	(3,061)	(22,315)
Net book amount	377,959	35,817	43,123	6,493	85,433
Year ended 31 December 2010					
Opening net book amount	377,959	35,817	43,123	6,493	85,433
Exchange differences	1,692	85	1,904	(84)	1,905
Acquisitions - internally developed	228	16,121	0	1,989	18,110
Reclassification from tangible assets	0	0	0	194	194
Amortisation charge	0	(9,110)	(2,622)	(1,026)	(12,758)
Closing net book amount	379,879	42,913	42,405	7,566	92,884
At 1 January 2011					
Cost	379,879	66,132	50,701	10,814	127,647
Accumulated depreciation	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
At 31 December 2011					
Cost	380,419	80,305	51,661	14,480	146,446
Accumulated amortisation	0	(29,438)	(12,060)	(4,875)	(46,373)
Net book amount	380,419	50,867	39,601	9,605	100,073

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

	2011	2010
Cost of sales	71	59
Selling and marketing expenses	54	78
Research and development expenses	10,432	9,963
Administrative expenses	3,385	2,658
	13,942	12,758

Impairment of Goodwill
Goodwill is allocated to the Group's Cash Generating Units (CGUs). In 2011 the CGUs are defined as the business units, as was done in 2010. The test includes all fixed assets and net working capital.

The recoverable amount of the CGU is determined using the discounted cash flow (DCF) method based on financial budgets approved by management, covering a five-year period. Cash flows beyond the five year period are extrapolated using estimated growth rates and EBITDA margins as shown in the table below, as well as a pre-tax discount rate of 10.0% and a post-tax discount rate of 9.6%. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The recoverable amount is based on value in use.
Since the outcome of the impairment testing exceeded the carrying amounts with more than 10%, sensitivity testing is not required. Except for the discount rate, the assumptions were not changed compared to last year. Based on the outcome of these calculations impairment is not required.

The key assumptions used for the impairment tests are listed below. The amounts of goodwill as per year-end showed minor differences, caused mainly by currency translation. The impairment tests will therefore not result in a different conclusion.

2011		Marel ehf.	Marel Limited	Poultry Processing	Further Processing
Goodwill		86,027	8,164	272,635	11,213
EBITDA margin	[1]	16.5%	15.5%	16.6%	14.1%
Growth rate	[2]	3.0%	3.0%	3.0%	3.0%
Discount rate	[3]	9.6%	9.6%	9.6%	9.6%

The key assumptions used for the impairment test in 2010 are:

2010		Marel ehf.	Marel Limited	Poultry Processing	Further Processing
Goodwill		85,526	8,259	273,101	11,331
EBITDA margin	[1]	16.5%	15.5%	16.6%	14.1%
Growth rate	[2]	3.0%	3.0%	3.0%	3.0%
Discount rate	[3]	9.7%	9.7%	9.7%	9.7%

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

13 Investments in associates

	2011	2010
Beginning of the period	109	97
Additions (impairments)	0	12
End of period	109	109

14 Receivables

Current receivables and pre-payments:	2011	2010
Trade receivables	84,059	95,330
Less: write-down to net-realisable value	(3,447)	(3,881)
Trade receivables - net	80,612	91,449
Less non-current portion	(3,115)	(3,669)
Current Portion	77,497	87,780
Other receivables and pre-payments		
Pre-payments	6,445	7,120
Other receivables	21,606	20,695
	28,051	27,815

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

The carrying amounts of receivables and pre-payments approximate their fair value. Trade receivables that are less than 90 days past due are not considered impaired. As of 31 December 2011, trade receivables of EUR 18,697 (2010: EUR 21,969) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. As of 31 December 2011, trade receivables of EUR 13,413 (2010: EUR 13,970) were tested for impairment and written down when necessary. The amount of the write-down to net-realisable value was EUR 3,447 as of 31 December 2011 (2010: EUR 3,881). 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:

	2011		2010	
	Gross amount	Provision for Impairment	Gross amount	Provision for Impairment
Up to 90 days	73,436	0	80,011	0
Over 90 days	10,623	(3,447)	15,319	(3,881)
	84,059	(3,447)	95,330	(3,881)

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

	2011	2010
EUR	51,025	54,111
US Dollar	9,343	20,257
UK Pound	8,300	3,771
Other currencies	12,276	13,522
	80,944	91,661
Provision	(3,447)	(3,881)
	77,497	87,780

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

	2011	2010
At 1 January	3,881	3,841
Provision for receivables impairment	1,175	1,377
Receivables written off during the year as uncollectible	(1,058)	(283)
Unused amounts reversed	(551)	(1,054)
At 31 December	3,447	3,881

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 2010	7,085
Divestments / assets held for sale	(563)
Exchange differences and changes within the Group	625
Consolidated Statement of Comprehensive Income charge (excluding rate change)	669
Effect of change in tax rates	297
Hedge reserve & translation reserve directly booked through equity	(323)
Others	(96)
At 31 December 2010	7,694

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

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:	**2011**	**2010**
Fair value reserves in shareholders' equity		
- Translation Reserve mutation on permanent financing	(15)	0
- Hedging Reserve	672	(323)
	657	(323)

Deferred income tax assets	11,567	12,619
Deferred income tax liabilities	(8,705)	(4,925)
	2,862	7,694

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 944 (2010: EUR 454) has been applied. Sensitivity analysis on impairment of tax losses used the assumption of decreasing the forecasted profit before tax by 5%. Based on the outcome of this calculation the impairment is not affected.

Taxable effects of losses will expire according below schedule:

	2011		2010	
	Total tax losses	Of which not capitalised	Total tax losses	Of which not capitalised
Less than 6 years	6,010	4,635	13,974	9,890
Between 6 and 10 years	27,804	1,288	22,531	1,906
More than 10 years	15,694	1,578	11,463	2,433
Indefinite	23,737	6,396	19,365	3,387
	73,245	13,897	67,333	17,616

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	At 1 January 2010	Exchange differences	Booked in Comprehensive income	Comprehensive income charge	Effect of change in tax rates	Others	**At 31 December 2010**
Property, plant and equipment	(4,640)	22	0	(1,564)	(299)	(3)	(6,484)
Intangible assets	(8,361)	(6)	0	923	1,076	362	(6,006)
Other financial assets	2,822	(4)	(278)	(17)	(48)	(99)	2,376
Receivables	(1,194)	(14)	0	779	(69)	(3)	(501)
Inventories	1,685	91	0	507	(50)	0	2,233
Current liabilities	(1,111)	34	0	2,018	(101)	(120)	720
Long term liabilities	(1,385)	(126)	0	3,131	109	103	1,832
Provisions for pensions	1,011	35	0	(105)	4	(773)	172
Provisions for reorganisations	12	0	0	(58)	1	46	1
Provisions for guarantees	300	13	0	(323)	5	(43)	(48)
Provisions others	(366)	5	0	444	(1)	5	87
Others	33	0	0	55	0	104	192
Subtotal	(11,194)	50	(278)	5,791	627	(421)	(5,425)
Subtotal tax losses	18,279	575	0	(5,122)	(330)	(282)	13,120
Overall total	7,085	625	(278)	669	297	(703)	7,695

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

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Property, plant and equipment	596	831	(6,854)	(7,315)	(6,258)	(6,484)
Intangible assets	3,066	11,714	(13,691)	(17,720)	(10,625)	(6,006)
Other financial assets	3,120	2,813	(198)	(437)	2,922	2,376
Receivables	69	591	(3,064)	(1,092)	(2,995)	(501)
Inventories	2,320	2,660	(173)	(427)	2,147	2,233
Current liabilities	1,233	1,589	(537)	(869)	696	720
Long term liabilities	1,207	1,836	0	(4)	1,207	1,832
Provisions for pensions	232	321	(128)	(149)	104	172
Provisions for reorganisations	0	27	0	(26)	0	1
Provisions for guarantees	278	347	(367)	(395)	(89)	(48)
Provisions others	292	308	(53)	(221)	239	87
Others	0	192	0	0	0	192
Subtotal	12,413	23,229	(25,065)	(28,655)	(12,652)	(5,426)
Tax losses	19,192	31,410	(3,678)	(18,290)	15,514	13,120
Overall total	31,605	54,639	(28,743)	(46,945)	2,862	7,694

16 Inventories

	2011	2010
Raw materials	14,119	26,035
Semi-finished goods	70,596	45,818
Finished goods	31,223	24,559
	115,938	96,412
Provision	(16,574)	(15,822)
	99,364	80,590

The cost of inventories recognised as expense and included in Cost of sales amounted to EUR 340,195 (2010: EUR 288,402). In 2011 the write-down of inventories to fair value amounted to EUR 3,929 (2010: EUR 5,204).

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

17 Production Contracts

	2011	2010
Ordered work in progress	24,550	10,370
Advances received on ordered work in progress	(50,533)	(70,322)
	(25,983)	(59,952)
Cost exceed billing	38,046	18,354
Billing exceed cost	(64,029)	(78,306)
	(25,983)	(59,952)

18 Assets and liabilities held for sale

Assets held for sale at the end of 2011 contain the fair value of real estate for sale EUR 555 (2010: EUR 598).

19 Cash, cash equivalents and restricted cash

	2011	2010
Cash at bank and in hand	30,182	51,399
Restricted cash	752	12,509
	30,934	63,908

The restricted cash is a collateral for guarantees towards clients for down payments in the amount of EUR 602 which will mature in 2012 (2010: 12,359) . This amount decreased after refinancing in 2010 when the new Ancillary Facility became available which has a EUR 50 million Guarantee Facility. The old guarantees matured or were transferred under this new facility. The remainder is related to credit cards.

20 Shareholders' Equity

Share Capital	Ordinary shares (thousands)	Treasury shares (thousands)	Number of shares (thousands)
At 1 January 2010	727,136	0	727,136
Issue of shares	3,155	0	3,155
Treasury shares	0	(38)	(38)
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 31 December 2011	735,569	(6,725)	728,844

Class of share capital:	
Nominal value	6,667
Share premium	315,490
Reserve for share based payments	1,610
Total share premium reserve	317,100

*) The numbers at 1 January 2011 have been restated.

The total authorised number of ordinary shares is 735.6 million shares (2010: 730.3 million shares) with a par value of ISK 1 per share. All issued shares are fully paid.

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

	Average exercise price per share	Options (thousands)
At 1 January 2010	ISK 80	25,575
Granted 2010	EUR 0.563	18,020
Exercised	ISK 71	(3,117)
Cash settled	ISK 71	(3,567)
Forfeited in 2010	ISK 87	(4,046)
At 31 December 2010	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
Exercisable options at 31 December 2011		4,013

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

In 2011, 3,315 thousand shares were exercised at exercise price ISK 70 per share, 2,000 thousand shares were exercised at exercise price ISK 74 per share, 125 thousand shares were exercised at exercise price ISK 89 per share and 275 thousand shares were exercised at exercise price ISK 92 per share. Options equal to 1,238 thousand shares were cash settled as decided by the Group, due to rules on foreign exchange in Iceland, which make it complicated at the moment for employees of Marel subsidiaries abroad to exercise and settle their share options with share purchasing. After completion of the current exercise the Group has no plans to cash settle share options in the future. The weighted average exercise price of the cash settled options was 77.33 ISK per share.

Variables used in the Black Scholes calculation:

	Exercise price per share (ISK)	Expected term (years)	Annual dividend yield	Expected risk-free interest rate	Estimated volatility	Weigthed average remaining contr. life in months *
Option plan December 2007	92	4	0.22%	4%	12.36%	1.3
Option plan June 2008	89	4	0.22%	4%	12.36%	19.4

	Exercise price per share (EUR)	Expected term (years)	Annual dividend yield	Expected risk-free interest rate	Estimated volatility	Weigthed average remaining contr. life in months *
Option plan May 2010, 50% exercisable > 1 May 2012	0.546	5	0.00%	4%	21.29%	40.3
Option plan May 2010, 25% exercisable > 1 May 2013	0.568	5	0.00%	4%	21.29%	40.3
Option plan May 2010, 25% exercisable > 1 May 2014	0.591	5	0.00%	4%	21.29%	40.3

*) based on last possible exercise dates in each option plan.

Reserves

The hedge reserve contains revaluations on derivatives, on which hedge accounting is applied. The value of 31 December 2011 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 (2010: EUR 2,573).This contract was terminated in 2009 and the permanent financing has been transferred into equity in 2011.

21 Borrowings

Non-current:	2011	2010
Bank borrowings	254,201	302,837
Debentures	0	7,522
Finance lease liabilities	160	392
	254,361	310,751
Current:		
Bank borrowings excluding bank overdrafts	19,228	9,652
Bank overdrafts	0	5
Debentures	7,639	0
Finance lease liabilities	195	241
	27,062	9,898
Total borrowings	281,423	320,649

Annual maturates of non-current liabilities:	Finance lease liabilities	Capitalised finance charges	Other borrowings	Total **2011**
Year 2013	102	(1,383)	20,484	19,203
Year 2014	54	(1,383)	20,503	19,174
Year 2015	4	(1,268)	45,930	44,666
Year 2016	0	0	164,345	164,345
Later	0	0	6,973	6,973
	160	(4,034)	258,235	254,361

Annual maturates of non-current liabilities:	Finance lease liabilities	Capitalised finance charges	Other borrowings	Total **2010**
Year 2012	241	(1,370)	27,991	26,862
Year 2013	95	(1,370)	20,486	19,211
Year 2014	55	(1,370)	20,501	19,186
Year 2015	0	(1,288)	209,533	208,245
Later	0	(350)	37,597	37,247
	391	(5,748)	316,108	310,751

As of 31 December 2011, interest bearing debt amounted to EUR 281,423, (2010: EUR 320,649) of which EUR 269,247 (2010: EUR 309,015) are secured against shares that Marel hf. holds in certain subsidiaries and EUR 9,597 (2010: EUR 10,181) against real estate with a book value of EUR 12,406 (2010: EUR 12,374). 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:	2011	2010
- Expiring within one year	0	0
- Expiring beyond one year	33,508	17,000
	33,508	17,000

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 5.11%.

An amount of EUR 21 was recognised as an expense in the Consolidated Statement of Comprehensive Income in respect of finance leases (2010: EUR 303).

	Future minimum lease payments 2011	Interest 2011	Present value of min. lease payments 2011	Future minimum lease payments 2010	Interest 2010	Present value of min. lease payments 2010
Less than 1 year	211	16	195	260	19	241
Between 1-5 years	187	26	161	422	31	391
Total	398	42	356	682	50	632

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

22 Provisions

	Guarantee commitments	Pension commitments *	Other provisions	Total
At 1 January 2010	2,700	5648	3,432	11,780
Release	(66)	(101)	(1,338)	(1,505)
Additions	1,451	584	1,842	3,877
Used	(22)	(2,532)	(1,558)	(4,113)
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 31 December 2011	4,464	4,586	857	9,908

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

Analysis of total provisions	**2011**	**2010**
Current	3,006	3,320
Non current	6,902	6,719
	9,908	10,039

Specification of major items in provisions:

Nature of obligation	**Country**	**Maturity**	**Likelihood**	**Amount**
Reorganisation	Neth.	< 1 year	90%	390
Guarantee	Neth.	Dynamic	Dynamic	2,368
Guarantee	Denmark	Dynamic	Dynamic	540
Guarantee	US	Dynamic	Dynamic	680

Total reorganisation cost expensed in 2010 was EUR 619.
In 2011 the reorganisation costs amount to EUR 59 positive which can be explained by a release of the provision for reorganisation in France for an amount of EUR 234, and an addition to the provision in the Netherlands for an amount of EUR 175.

23 Employee benefits

The liability as per 31 December 2010 is given below:

		The Netherlands	Other countries	Total
Defined Benefit Obligation		271,675	8,589	280,264
Plan Assets		275,943	4,609	280,552
Net Position		4,268	(3,980)	288
Unrecognised actuarial gains		9,965	899	10,864
The effect of limiting the asset	[1]	(14,463)	0	(14,463)
Pension liabilities		(228)	(3,081)	(3,311)

[1)] A net pension asset will be recognised for the first time when economic benefits become available; excludes outstanding liability for recovery premium.

The liability as per 31 December 2011 is given below:

		The Netherlands	Other 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 losses	[2]	0	2,992	2,992
Others recognised in the consolidated statement of financial position	[3]	0	(978)	(978)
Pension assets / (liabilities)		(610)	(4,031)	(4,641)

[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.
[3)] Additional provision for the anticipated settlement of the Defined Benefit plan in the US in 2012.

Defined Benefit Obligation		The Netherlands	Other countries	Total
At 1 January 2010		265,795	15,552	281,347
Current service costs		3,652	398	4,050
Interest costs		13,280	440	13,720
Plan participants contributions		3,328	0	3,328
Actuarial gains and losses		47,500	605	48,105
Benefits paid		(12,717)	(234)	(12,951)
Curtailment	4	(49,163)	(8,694)	(57,857)
Changes in exchange rates		0	522	522
At 31 December 2010		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

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

Plan Assets		The Netherlands	Other countries	Total
At 1 January 2010		280,537	9,779	290,316
Expected returns on plan assets		16,487	324	16,811
Employer's contribution		9,805	499	10,304
Plan participants contributions		3,328	0	3,328
Actuarial gains and losses		24,275	251	24,526
Benefits paid		(12,717)	(234)	(12,951)
Curtailment	4	(45,772)	(6,275)	(52,047)
Changes in exchange rates		0	265	265
At 31 December 2010		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	2	(327,126)	0	(327,126)
Changes in exchange rates		0	172	172
At 31 December 2011		0	5,077	5,077

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

The net period pension costs of the above pension plans:

2011		The Netherlands	Other countries	Total
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	[2]	4,820	0	4,820
Administration costs		428	0	428
Addition for anticipated settlement in 2012		0	885	885
Pension expense 2011	[6]	4,619	1,371	5,990

2010				
Current service costs		3,652	398	4,050
Interest costs		13,280	440	13,720
Expected returns on plan assets		(16,487)	(324)	(16,811)
Amortised actuarial gains and losses		(76)	0	(76)
The effect of limiting the asset	[1]	13,812	0	13,812
Administration costs		650	0	650
Effect of curtailment	[4]	(5,275)	0	(5,275)
Pension expense 2010	[5]	9,556	514	10,070

[1] A net pension asset will be recognised for the first time when economic benefits become available.
[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 settlement result is explained by the write-off of plan assets, defined benefit obligation and actuarial gains / losses of 19,510.
[4] Curtailment relates to Stork Food & Dairy Systems in the Netherlands and the UK. This amount is completely offset by the effect of limiting the assets and has therefore no impact on the Group's Consolidated Statement of Comprehensive Income.
[5] Including the part of recovery premium for the years 2009, 2010 and 2011 paid in 2010 (EUR 5.6 million).
[6] 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 US in 2012 (EUR 0.9 million).

Stork Pension Fund (SPF), the Dutch company Stork BV and a number of companies that were formerly part of the Stork group have agreed that the industry-wide pension fund Stichting Pensioenfonds van de Metalectro (PME) will take over the execution of the pension plan from 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.
A key part of the agreement is a new execution agreement on pension arrangements, which safeguards employees' interests to the extent possible and which is beneficial to Marel as it reduces open-ended financial exposure to pension obligations. The costs for Marel of the pension related issues amounted to EUR 11.0 million, booked in Q2.

The other pension plans in the Group are Defined Contribution plans. The costs of these plans were EUR 5,488 in 2011 (2010: EUR 5,034).

The net period pension costs also include costs in relation to the early retirement scheme for the industry in the Netherlands (so-called TOP regulation). In fact this involves a Defined Benefit plan. This is processed as a Defined Contribution plan, because the administration of the industry pension fund is not structured to provide the required information. There is no obligation to compensate for any shortfalls in the fund, nor is there any entitlement to any surpluses. These costs largely explain the difference between amounts included in this note and the total pension costs disclosed in note 8.

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

Parameters used in actuarial calculation December 2011	The Netherlands	Other countries	Total
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%
Future pension increases	year dependent	0.0%	year dependent
Parameters used in actuarial calculation December 2010			
Discount rate	4.5%	5.7%	4.5%
Expected return on plan assets	5.9%	7.8%	6.0%
Future salary increases	2.0%	3.0%	2.0%
Future pension increases	year dependent	0.0%	year dependent

The mortality table used for the Netherlands is 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 are made. The historic returns on these asset categories are weighted on the basis of the expected long-term allocation of the plan assets.

The expected return on plan assets for the Netherlands for 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 expected return on plan assets for 2012 was maintained at 5.9% positive. The actual return on plan assets in 2011 for the other countries was 15.1% (expected 7.8%) and the estimated return for 2012 is 7.5%.

The plan assets consisted primarily of fixed-interest securities, listed shares and related instruments, as well as property. The allocation of the investments per asset category for the pension plans is as follows:

Percentage allocation of investments as per December 2011	The Netherlands	Other countries
Shares and related instruments	22%	77%
Fixed-interest securities	47%	21%
Property	7%	2%
Other	24%	0%
Total	100%	100%
Percentage allocation of investments as per December 2010		
Shares and related instruments	36%	72%
Fixed-interest securities	49%	26%
Property	12%	0%
Other	3%	2%
Total	100%	100%

Historical summary	**2011**	**2010**	**2009**	**2008**	**mei-08**
Cash value of the obligations related to Def. Ben. plans	11,732	280,264	281,347	276,197	275,013
Fair value of the plan assets	5,077	280,552	290,316	257,474	298,998
Net obligations	(6,655)	288	8,969	(18,723)	23,985

Experience adjustments incurred on plan liabilities (rounded)	**2011**	**2010**	**2009**	**2008**	**mei-08**
For the Netherlands					
Actuarial gains / (losses) plan liabilities	(27,023)	(47,500)	6,313	5,000	n.a.
Effect of the change in assumptions	12,140	(34,696)	25,417	0	n.a.
Effect of the change in consolidation rate	(20,297)	(11,694)	(6,906)	11,000	n.a.
Experience adjustments	(18,866)	(1,110)	(12,198)	(6,000)	n.a.

Experience adjustments incurred on plan assets (rounded)	**2011**	**2010**	**2009**	**2008**	**mei-08**
For the Netherlands					
Actuarial gains / (losses) plan assets	39,561	(24,275)	(18,408)	47,000	n.a.
Effect of the change in assumptions	-	-	-	-	n.a.
Effect of the change in consolidation rate	33,338	(17,240)	(10,811)	15,000	n.a.
Experience adjustments	6,223	(7,035)	(7,597)	32,000	n.a.

24 Derivate financial instruments

(a) Interest-rate swap
To protect Marel from fluctuations in Euribor-EUR-Reuters/Libor-BBA and in accordance with Interest hedge policy Marel has entered into interest rate Swaps (the hedging instruments) to receive floating interest and to pay fixed interest.
The notional principal amount of the outstanding interest rate swap contract at 31 December 2011 was EUR 145,550 (2010: EUR 149,026).

The contractual maturities are as follows:

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

(b) Hedge of net investment in foreign entity
There are no net investment hedges as per end of 2011 (2010: 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.

25 Trade and other payables

	2011	2010
Trade payables	55,933	48,624
Accruals	2,486	2,791
Other payables	67,151	56,367
	125,570	107,783

26 Contingencies

At 31 December 2011 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 41,690 (2010: EUR 35,656) to third parties.

The Group is involved in a dispute between Marel hf. and Glitnir hf. which can be traced to different calculation methods applied to settlement of five interest and currency swap agreements with the bank. The disputed difference is amounting to EUR 3.9 million, which the bank has requested the Company to pay. Parties decided in mutual agreement to bring this disagreement to an Icelandic court to reach a settlement. On 12 April 2011 the case was ruled in favor of Marel in District Court. Glitnir hf. has appealed to Supreme Court in July 2011.

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.

27 Commitments and insurance

Operating lease commitments – where the Group is the lessee
The Group has made some rental agreements for building, motor vehicles and office equipment, now with the remaining balance of EUR 8,593 (2010: EUR 12,865). The amount will be charged at the relevant rental time of each agreement. The rental agreements will materialise in the years 2012 - 2018.

Operational non-cancellable lease liabilities - minimum lease payments:

	2011	2010
Less than 1 year	3,546	2,791
Between 1 and 5 years	4,040	3,872
Later than 5 years	1,209	1,621
Present value of operational lease liabilities	8,795	8,284

During the year an amount of EUR 4,091 was recognised as an expense in profit or loss in respect of operating leases (2010: EUR 3,915).

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 amounts to EUR 385 million for 2011 for the whole Group. The Group Insurance value of buildings amounts to EUR 142 million, productions machinery and equipment including software and office equipment amount to EUR 100 million and inventories to EUR 95 million. Currently there are no major differences between appraisal value and insured value.

28 Related party transactions

At the end of December 2011 and 2010, there are no loans to directors.

Board fee for the year 2011 and shares at year-end	Board fee	Pension contribution	Stock options	Bought shares acc. to stock options	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]

	Salary and benefits	Incentive payments	Pension contribution [1]	Stock options [2]	Bought shares acc. to stock options	Shares at year-end [2]
Theo Hoen, CEO	384	144	88	2,350	0	1,500
Erik Kaman, CFO	351	115	28	1,850	0	1,675
Sigsteinn Gretarsson, COO	297	82	36	1,000	350	26

1) Contributions for Theo Hoen and Erik Kaman are part of a defined benefit plan; contributions for the other board members are part of a defined contribution plan.
2) Number of shares * 1000
3) Shares owned by Eyrir Invest ehf., where Árni Oddur Þórðarson is CEO, including those of financially related parties. Margrét Jónsdóttir is the CFO of Eyrir Invest ehf.
4) Shares owned by Grundtvig Invest AsP.
5) Theo Bruinsma holds a managerial position along with being a member of the board of directors. Salary and benefits for his management position are not included. At year-end 2011 he holds stock options for 375,000 shares.

Stock options

	Number of shares [2]	Average exercise price	
Theo Hoen, CEO	2,000	89	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

[2)] Number of shares * 1000

29 Fees to Auditors

	2011	2010
Audit of financial statements	675	702
Other services - audit related	261	94
Other services	47	4
	983	800

30 Events after the balance sheet date

None.

31 Business combinations

There were no Mergers & Acquisitions, nor divestments in 2011.

32 Subsidiaries

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

33 Quarterly results (unaudited)

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total
Revenue	183,903	169,063	161,854	153,537	668,357
Cost of sales	(114,105)	(108,371)	(103,971)	(94,619)	(421,066)
Gross profit	69,798	60,692	57,883	58,918	247,291
Other operating income / (expenses)	(62)	(119)	(11,116)	4	(11,293)
Selling and marketing expenses	(21,563)	(18,499)	(20,282)	(19,471)	(79,815)
Research and development expenses	(11,343)	(9,501)	(9,839)	(9,640)	(40,323)
Administrative expenses	(15,089)	(13,120)	(12,794)	(12,690)	(53,693)
Result from operations (EBIT)	21,741	19,453	3,852	17,121	62,167
Finance costs	(3,109)	(5,729)	(4,418)	(6,596)	(19,852)
Finance income	852	(572)	1,229	235	1,744
Net finance costs	(2,257)	(6,301)	(3,189)	(6,361)	(18,108)
Result before income tax	19,484	13,152	663	10,760	44,059
Income tax	(4,497)	(2,680)	(434)	(1,984)	(9,595)
Profit for the period	14,987	10,472	229	8,776	34,464
Profit before deprec. & amortisation (EBITDA)	28,029	25,819	9,835	23,323	87,006

	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Total
Revenue	167,677	149,523	136,055	147,166	600,421
Cost of sales	(104,515)	(97,283)	(81,087)	(90,462)	(373,347)
Gross profit	63,162	52,240	54,968	56,704	227,074
Other operating income / (expenses)	110	(243)	(8,099)	159	(8,073)
Selling and marketing expenses	(17,658)	(16,891)	(17,150)	(18,975)	(70,674)
Research and development expenses	(9,896)	(9,033)	(8,837)	(8,708)	(36,474)
Administrative expenses	(15,655)	(12,267)	(13,289)	(13,308)	(54,519)
Result from operations (EBIT)	20,063	13,806	7,593	15,872	57,334
Finance costs	(13,461)	(11,079)	(9,680)	(8,792)	(43,012)
Finance income	226	276	160	254	916
Net finance costs	(13,235)	(10,803)	(9,520)	(8,538)	(42,096)
Result before income tax	6,828	3,003	(1,927)	7,334	15,238
Income tax	(1,329)	(607)	2,045	(1,721)	(1,612)
Profit for the period	5,499	2,396	118	5,613	13,626
Profit before deprec. & amortisation (EBITDA)	26,104	19,938	13,584	22,551	82,176

Publication schedule for 2012-2013

1st quarter 2012	26 April 2012
2nd quarter 2012	25 July 2012
3rd quarter 2012	24 October 2012
4th quarter 2012	30 January 2013
Annual General Meeting 2013	27 February 2013

Design and layout: Hvita husid
Printing: Prentmet

Marel
Austurhraun 9
IS-210 • Gardabaer • Iceland
www.marel.com

STORK POULTRY PROCESSING

TOWNSEND FURTHER PROCESSING

marel