ANNUAL REPORT **2010**





marel

INNOVATION

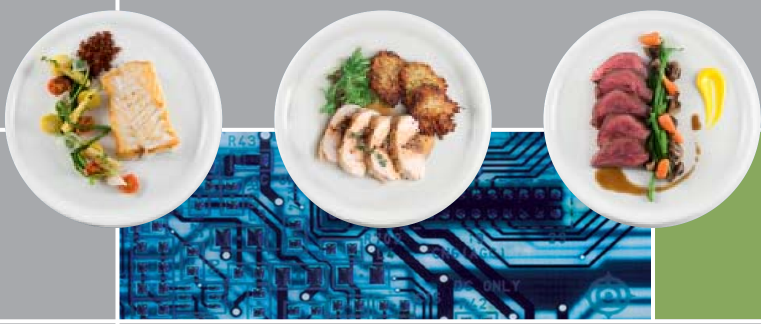
– past, present and future

For decades, Marel has worked side-by-side with some of the world's most forward thinking food processors to constantly find new ways to optimize the production process.

Our annual investment of 5-7% of income in research and development has led to breakthrough innovations that have transformed the way that food is processed around the world. Many of our products have become the industry's benchmark.

We employ more than 400 highly qualified scientists and technicians in the field of engineering and food technology, and our portfolio of some 200 granted patents continues to grow each year.

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.



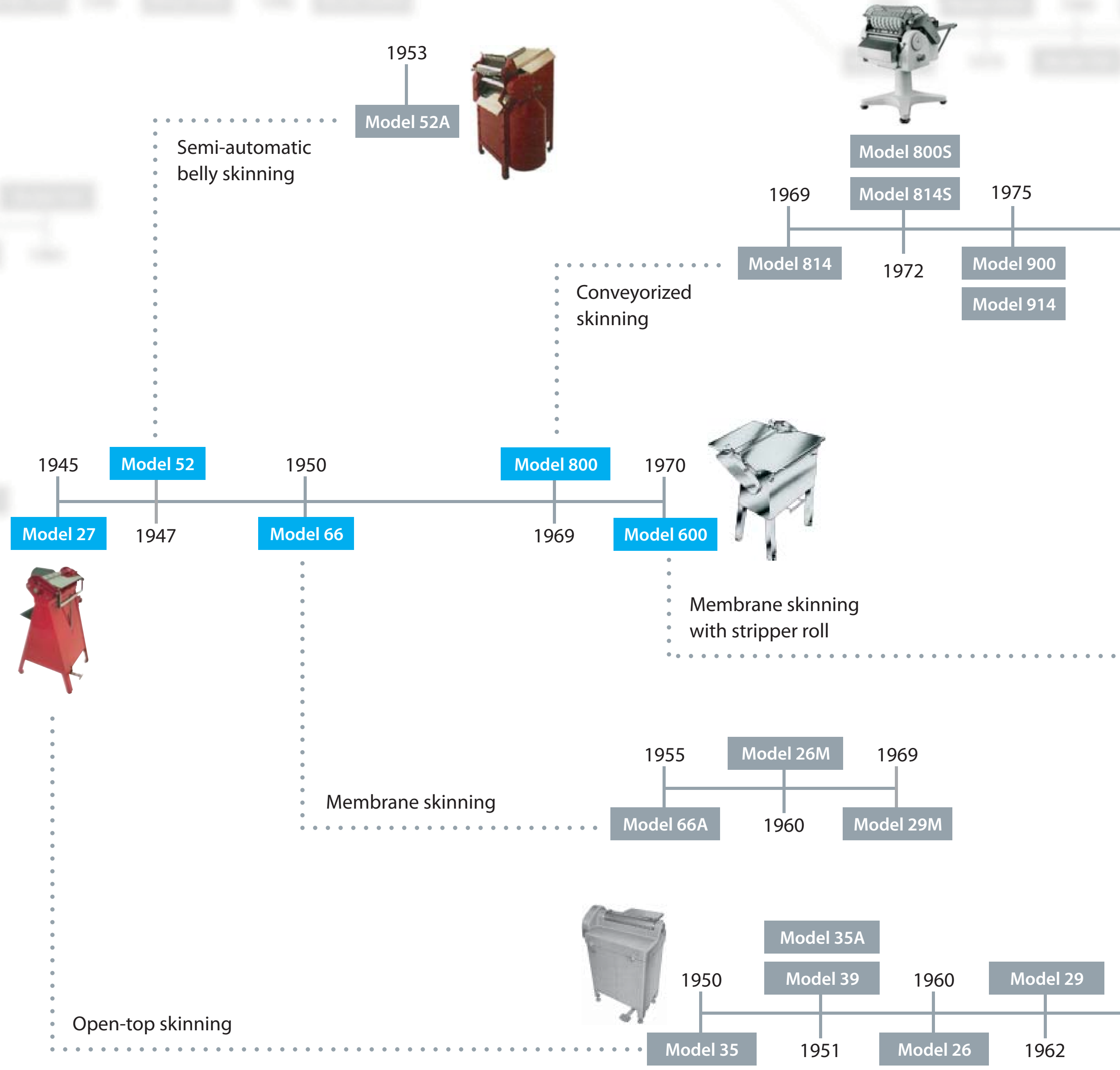
INNOVATION

The Townsend skinner

In the coming year, Marel will be charting and showcasing the company's heritage of breakthrough innovations across our four core industry segments – poultry, fish, meat and further processing.

These innovations span a wide range of applications. To name just a few, they include bone detection, cut up, deboning, evisceration, flow lines, forming, gizzard harvesting, grading, injection, meat harvesting, portioning, sausage making, sawing, skinning, slicing, weighing and weigh price labelling.

As a first glimpse, we feature here a snapshot of the story of our Townsend skinner, which removes skin and membranes from meat.



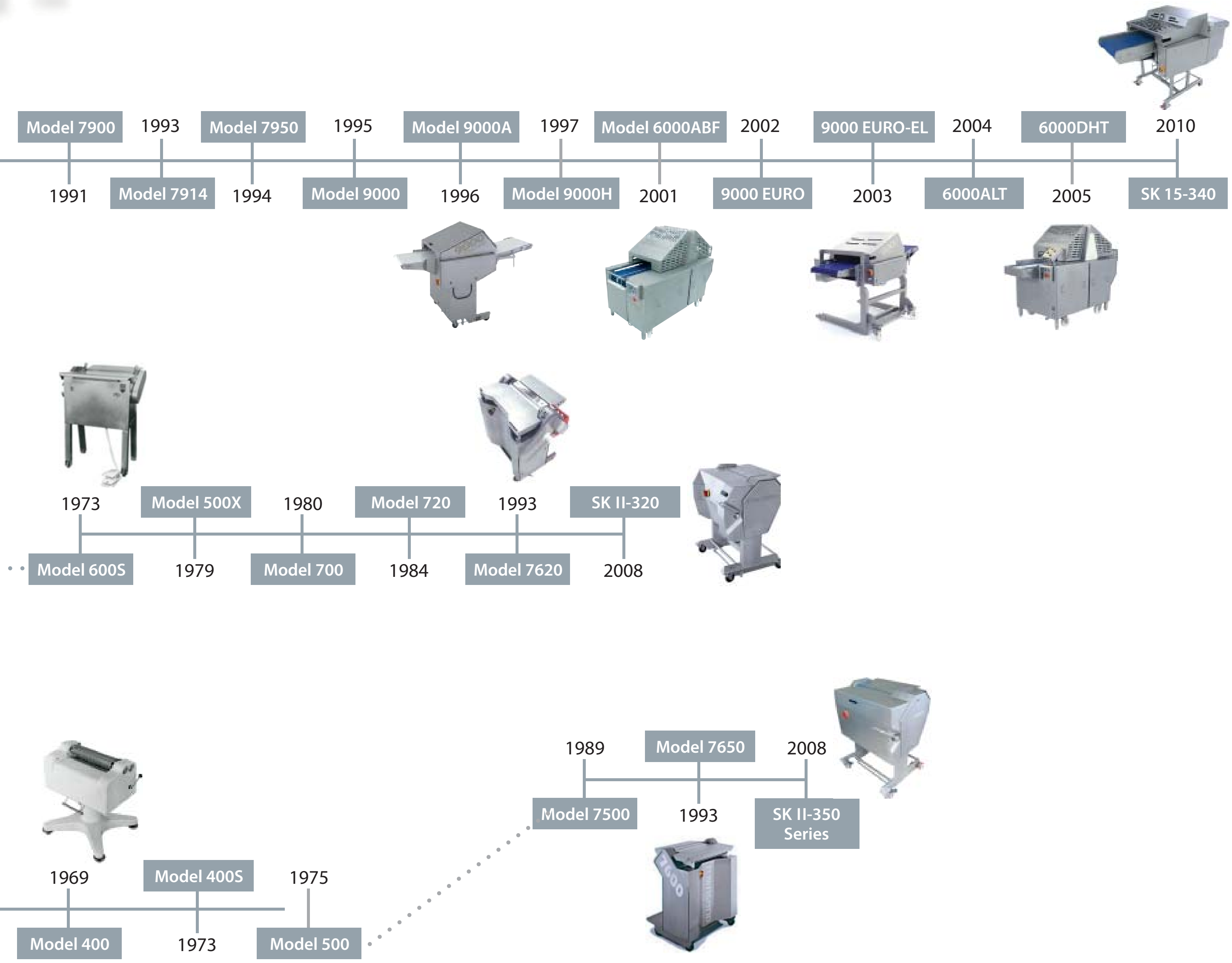
STORK POULTRY PROCESSING

TOWNSEND FURTHER PROCESSING

It's 1945 and the place is Iowa in the United States. The country is at war. Ray Townsend, then working at his family's Star Machine Shop, visits a customer and is appalled to see a group of women wielding 6-inch razor-sharp knives to laboriously loosen skin from hams. The idea for the first skinning machine, the Townsend Model 27 Open-Top Skinner, is born.

The Second World War may have been winding down but that was just the beginning of the story of the skinner and of our ongoing commitment to continuously refining and further developing this irreplaceable piece of equipment. The most recent descendents of the Model 27 – the SK 15-300 Series skinners – have more than 60 years of knowledge and experience behind them. And we think it shows, in the quality of design and build.

INNOVATION: *it's in our DNA.*



Contents

Financial ratios 2
Marel in figures 3
Chairman's address 4
CEO's address 6
Strategy and finance **9**
Strategy 10
Financial performance 12
Risk management 17
Opportunities and outlook **19**
Market outlook 20
Poultry 22
Fish 24
Meat 26
Further processing 28
Business operations **31**
Sales and marketing 32
Service 35
Innovation 36
Manufacturing 39
Human resources 40
To our shareholders **43**
Shares and shareholders 44
Investor relations 47
CEO and Board of Directors 48
Corporate governance 50
Consolidated financial statements for 2010 ..... **55**
The Board of Directors' and CEO's report 56
Independent auditor's report 58
Consolidated income statement 59
Consolidated balance sheet 60
Consolidated statement of changes in shareholders' equity 61
Consolidated cash flow statement 62
Notes to the consolidated financial statements 63

Financial ratios

Amounts in EUR thousands

Results	**2010**	**2009**	**2008**	**2007**	**2006**
Revenues	600,421	531,680	540,149	289,817	208,700
Gross profit	227,074	191,674	178,931	97,236	68,803
Result before depreciation and amortisation (EBITDA)	82,177	58,752	42,108	20,980	15,679
Result from operations (EBIT)	57,334	8,047	20,434	10,029	7,527
Net result for the period	13,626	(11,811)	(8,405)	6,066	159
Cash flow statement					
Cash generated from operating activities, before interest & tax	114,881	75,395	45,852	7,925	6,010
Net cash from (to) operating activities	78,986	25,526	9,602	2,778	(2,992)
Investing activities	(16,757)	10,758	(404,986)	(70,249)	(69,754)
Financing activities	(67,453)	10,168	386,481	34,118	132,318
Financial position					
Total assets	877,623	882,882	920,259	427,304	364,793
Working capital	78,114	109,111	(25,940)	109,887	87,989
Equity	343,269	323,797	288,279	181,835	144,423
Net Debt	256,741	295,012	379,405	129,919	95,468
Various figures in proportion to sales					
Gross profit	37.8%	36.1%	33.1%	33.6%	33.0%
Selling and marketing expenses	11.8%	13.8%	13.3%	15.5%	13.9%
Research and development expenses	6.1%	5.9%	5.1%	5.0%	5.6%
Administrative expenses	9.1%	13.1%	11.1%	10.0%	10.6%
Wages and benefits	31.7%	36.1%	33.7%	41.2%	42.7%
Result before depreciation and amortisation (EBITDA)	13.7%	11.1%	7.8%	7.2%	7.5%
Depreciation/amortisation	4.1%	9.5%	4.0%	3.8%	3.9%
Result from operations (EBIT)	9.5%	1.5%	3.8%	3.5%	3.6%
Net result for the period	2.3%	(2.2%)	(1.6%)	2.1%	0.1%
Other key ratios					
Current ratio	1.4	1.6	0.9	1.9	1.9
Quick ratio	1.0	1.2	0.6	1.4	1.4
Equity ratio	39.1%	36.7%	31.3%	42.5%	39.6%
Return on owners' equity	4.1%	(3.9%)	(3.6%)	3.7%	0.2%
Return on total assets	1.5%	(1.3%)	(1.2%)	1.5%	0.1%

Key figures from Marel's core operations, normalised	**Q4 2010**	**Q4 2009**	**2010**	**2009**
Revenue	167,677	112,492	582,130	434,796
Result from operations (EBIT)	20,063	6,920	64,144	24,760
EBIT as a % of sales	12.0%	6.2%	11.0%	5.7%
Result before depreciation and amortisation (EBITDA)	26,104	12,763	88,060	47,432
EBITDA as a % of sales	15.6%	11.3%	15.1%	10.9%

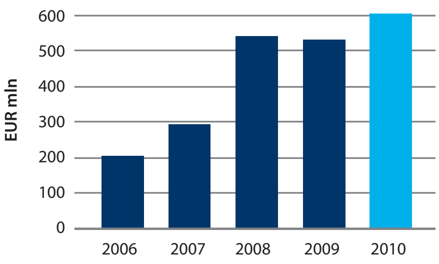
Glossary of terms

Net Debt .... Interest bearing borrowings (current & non-current) -/- cash & cash equivalents -/- restricted cash
Net Cash .... Cash and cash equivalents + restricted cash -/- bank overdrafts
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 liabilites)
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 for the period/2)

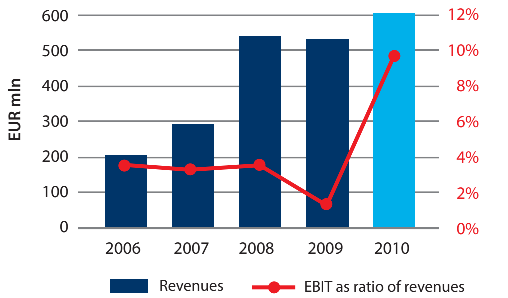
Marel in figures

Note: *The figures below 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 12-16.*

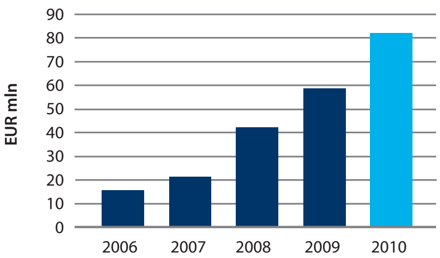
Revenues



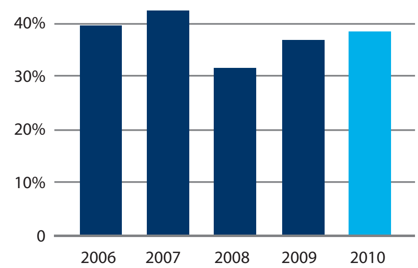
Revenues and profit from operations (EBIT) as percentage of revenues



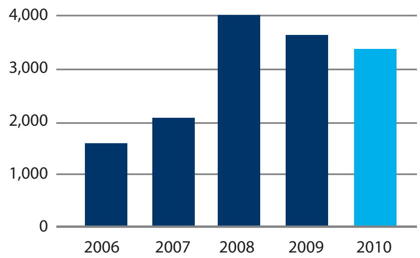
EBITDA



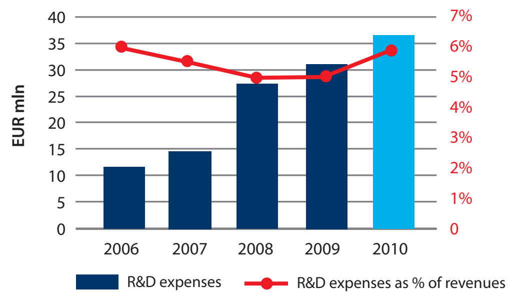
Equity ratio



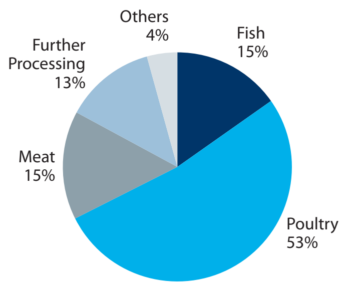
Numer of employees (FTEs), average per year



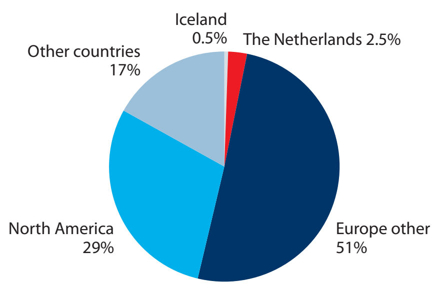
Research and development expenses



Revenues in 2010, by business segment



Revenues in 2010, by geographical location



marel

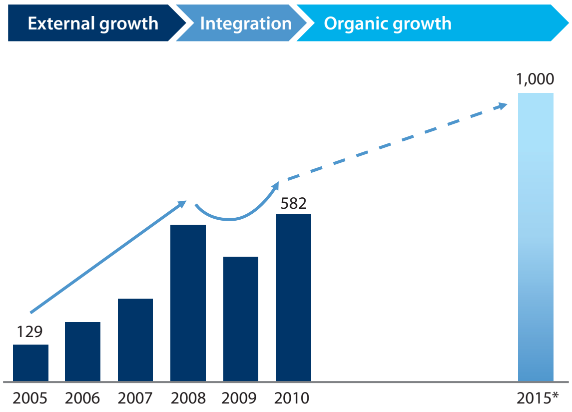
Chairman's address

In 2010, the global economy staged a solid recovery and, looking ahead, seems to be firmly on the path to renewed economic growth. Industrial production, in particular, has recovered well from the economic downturn and demand is increasing, especially in emerging markets, where the most pressing concerns are an increased risk of inflation and overheating. However, economic conditions in developed markets may remain fragile in the near term. The global economy can therefore be described as undergoing a two-track recovery, reflecting the rise of emerging markets and the vast potential and challenges this creates for the global economy as a whole.

For Marel, these economic developments provide an exciting opportunity. For the past few years, we have focused on executing our strategy of becoming a leading player within our industry. Today, Marel is the undisputed leading global provider of equipment and solutions to the poultry, meat and fish processing industries, with an increased focus on the convenience food segment.

Moreover, our industry is directly benefiting from the trends that are driving global economic development. Urbanisation, rapid economic growth and continuously increasing demand for fish, meat and poultry products all come together to create the conditions for a sustained period of high growth for our customers and end-markets.

Marel's growth strategy



* Target

Making quality food affordable

As emerging markets grow, the demand for high quality food products inevitably increases. As consumers begin to attach greater value to nutrition, producers increasingly focus on improving yield and cost efficiency in their production processes. In developed markets, these priorities are already squarely in focus and will continue to be so for years to come.

Marel continues to work tirelessly, side by side with our customers, to help them to capitalise on these key trends. Our strong commitment to innovation has led to continuous advancement in how food is processed, creating higher quality products at lower cost, benefiting producers and consumers alike. We can proudly say that our products positively and directly enhance the overall value of food, contributing to making quality food affordable for people all over the world.

Innovation and globalisation

With our annual investment of 5-7% of revenues in research and development – far above the industry average – we will continue to push the envelope of what is possible to fulfil our vision of being the customers' choice. Despite the slowdown in revenues in 2009 and our relentless focus on cost control, Marel chose not cut down on investments in research and development. Instead, we have continued to strengthen our product pipeline, which we see as a key stepping stone in continuing to provide the best value for our customers. Combined with first-rate service and a strong market presence, this will provide a solid foundation for capturing increased market share in new and fast growing markets.

Aligning strategy and execution

In 2005, Marel's revenues amounted to EUR 130 million serving mainly the fish industry. At our Annual General Meeting in 2006, we stated that we would follow a two-stage growth strategy in the next 10 years. The first phase would consist of two to four strategic acquisitions that would transform Marel into the global leader in its field. During this phase, which would last 3-5 years, revenues would grow to EUR 400-500 million, with an EBIT target of 10-12% of sales. It was expected that this period of high external growth would be followed by a brief period of refocusing of the business, during which time preparations would be made for the second phase of the strategy, a sustained period of high organic growth. Our stated aim was to reach total revenues of approximately EUR 1 billion by the year 2015.

So far, the strategy has been successfully executed according to plan and the goal remains unchanged. In 2010, the company's revenues reached EUR 582 million in a fast growing 4 billion euro market, implying a market share of roughly 15%. And the return on sales was 11% in 2010, in line with the stated target.

The second phase of the strategy has gotten off to a good start with the order book at record levels at the beginning of 2011. We will continue to invest handsomely in innovation and market penetration to support the autonomous growth. Looking ahead, we see good potential for further increasing profitability through operational excellence and economies of scale, leading to higher gross margins and relatively lower overheads. We may also undertake small bolt-on acquisitions financed from cash flow to support our market penetration strategy or to enhance and strengthen our product portfolio.

Well positioned to harvest

Marel's acquisitions in recent years were neither opportunistic nor coincidental. The importance of diversification and a strong global market penetration has become clearly evident in the economic climate of recent years. Looking ahead, Marel is in a unique position to create value for customers and shareholders alike after having transformed the competitive landscape in a highly fragmented industry. As we predicted, consolidation is picking up steam in the industry. We expect that two or three companies, each with a market share of 15-20%, will eventually dominate, and be joined by a number of smaller but powerful niche players. Marel has already taken pole position with its carefully planned acquisitions since 2006, having benefited from having had first pick of our future partners.

Great team performance

I want to thank the Marel team for its dedication and hard work in recent years. Overall, 2010 was a good year for Marel, grounded in the great teamwork of our people during exceptional times. It is no easy task to successfully combine so many companies into ONE in such a relatively short period of time. Our people also achieved outstanding results in securing new financing for the company at favourable terms with a club of six international banks and have successfully maintained a sharp focus on cost control while, at the same time, continuing to strengthen our leading market position through innovation and product development.

The long-term outlook in the industry is favourable. Protein consumption continues to steadily increase, driven by changing consumer habits in established markets and rapid urbanisation in emerging markets. At the same time, the focus on higher quality, improved yield and reduced waste continues to grow.

Marel is fortunate to be operating in an attractive industry. But Marel is also 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 and good quality of earnings for many years to come.

Arni Oddur Thordarson
Chairman of the Board

CEO's address

For Marel, 2010 was a very exciting year. After the last remaining non-core activities were divested in the beginning of the year, we were able to focus fully on our core businesses. We made substantial progress in integrating our different units into "one company" and our customers are beginning to see us as such. The motivation behind everything we do is the desire to be perceived as the BEST company in the business. This is clearly reflected in the vision we have adopted:

> "To be the customers' choice in supplying integrated systems, products and services to the fish, meat and poultry industries."

Market situation

Overall, our customers are doing well, especially in key markets like the U.S. and Russia. The consumption of proteins is still growing worldwide and convenience food continues to gain in popularity. These trends are still the driving forces behind market growth in our industry. The poultry market is especially healthy and our further processing activities have done well in capitalising on the opportunities. Access to bank financing has improved greatly and our customers have taken advantage with major investments to upgrade their facilities and improve profitability.

As a result, the market conditions for Marel have improved during the course of 2010. We have strengthened our market position and have seen a steady growth in order intake quarter after quarter. With larger projects having rebounded, Marel's order intake is back to the level it was at before the financial crisis and our order book has never been stronger.

It is our belief that the outlook for 2011 for our customers continues to be favourable, although increasing feed prices are likely to exert some pressure.

One company

In the past five years, Marel has acquired a number of strong companies and renowned brands such as AEW Delford, Scanvaegt, Stork Food Systems and Townsend. A great deal of effort has been put into integrating them all into one company, while also taking care to honour and benefit from the strong values of our heritage. Some, like Scanvaegt and Townsend, had been successful in this business for well over half a century. The integration process has therefore been geared towards bringing together the strengths that each has to offer. This emphasis is reflected in our new branding strategy where we take advantage of the strengths of particular brands in certain industry segments.

An important cornerstone of the future Marel is the new market-oriented organisational structure. We will serve our core markets – poultry, fish, meat and further processing – from Industry Centers that have been established in each of the four segments. In addition, we now have 12 Product Centers that develop unique products, such as the SensorX, that can be used by customers in more than one protein segment.

In 2010, the integration process focused in particular on three key areas: the global distribution network, the innovation process and the manufacturing organisation.

Our distribution channels have been streamlined and we have merged the sales and service networks of our companies. This has already had a positive effect on our sales, especially in the U.S., which led the way in this effort.

In the innovation area, we are excited about the many new integrated products that are emerging that combine the advanced technologies of our old companies. For customers, this is the most visible advantage that we can offer as one integrated company – even better systems and solutions that create additional value for them. We launched a new integrated product at every major industry exhibition in 2010 and there are many more in the pipeline.

We have also begun to harvest from the economies of scale of our company. Marel is now making much more effective use of its manufacturing capabilities with the implementation of one common manufacturing model. We are also taking better advantage of our manufacturing center in Slovakia, which has significant cost benefits. In addition, we made significant progress during the year in areas like procurement, ICT and human resources management.

Marel on the move

The integration process was formally concluded in the second half of 2010 with our "Marel on the move" initiative, which featured a series of local integration meetings with employees at our largest operating centers in Europe and the United States where we discussed the road forward for Marel. We focused in particular on our vision for the future, our values and the new organisational structure.

I am convinced that in order to succeed in realising our vision, our company needs to be grounded in a set of strong and recognised values that will guide our future actions and decisions. In 2010, employees had a direct hand in defining the values that the company will 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. Many initiatives have already been launched throughout the company to promote and embed these values in daily operations.

Investing in innovation

We feel an obligation to our customers to bring new technologies to the market that provide them with added value. That is why we decided to maintain our level of investment in product development during the past two years, despite the challenging operating environment. That decision is now really paying off. Our most recent innovations – including the SensorX, RevoPortioner, INNOVA and StreamLine – have been very successful and have helped us to recover quickly from the economic downturn. We will continue to invest heavily in innovation and we have chosen it as the main theme of this report in order to offer a glimpse of some of our many breakthrough innovations past and present.

Future outlook

Marel achieved a major milestone when the new long-term financing was secured in 2010. The new financing structure, made possible by the substantial recovery in financial performance in 2010, is the foundation we need to continue to grow and build our business in the future. Having taken this important step, we look ahead with anticipation and optimism to 2011.

Marel is privileged to be operating in a market with strong underlying growth of 5-6%. We have been able to strengthen our position in this market through a combination of targeted market penetration, a dedication to research and development, and a focus on operational excellence. Not to mention the commitment and loyalty of our employees. I have been inspired by the passion of our people during my visits to many of our locations around the world this year. As I look ahead to 2011, I am more convinced than ever that we are well on our way to building a great company that will play a major role in our industry for many years to come. No question, Marel is "on the move".

Theo Hoen
Chief Executive Officer

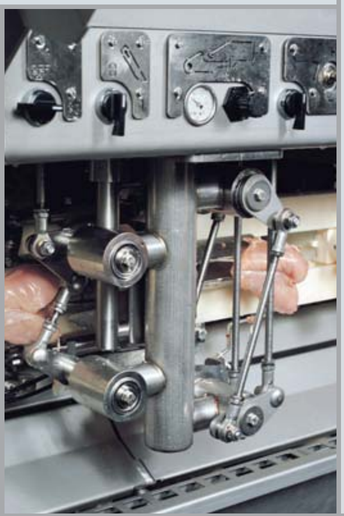
POULTRY PROCESSING

INNOVATION IN POULTRY PROCESSING

"Peace of mind"

- It is widely accepted that the SensorX sets the standard in bone detection in the poultry industry. Thanks to its advanced X-ray technology and software components, the system possesses unprecedented bone detection capabilities.
- The SensorX enables poultry processors to significantly lower bone content in their products. Many of the largest poultry facilities in America and Europe feature the SensorX in their arsenal, ensuring food safety for the world's best known fast food and retail brands.
- *"Now I can go to sleep with peace of mind because I know we will deliver product without bone contamination,"* says Brian Coan, Purchasing Manager - supply chain, Chick-fil-A Inc., about the SensorX.

Strategy and finance



Strategy

Marel has established itself as the leading global provider of advanced equipment and systems for poultry, meat, fish and further processing following the execution of an ambitious growth strategy announced in 2006. Since then Marel's market share has grown from 4% to 15% following strategic acquisitions of three outstanding companies – AEW Delford, Scanvaegt and Stork Food Systems. The focus now in phase two is on organic growth and further development of the company's operations.

But being the biggest was never the company's main goal. The strategy carried out in the last five years has been driven by the ambition of being the best company in the industry, as reflected in the company's new vision statement adopted in 2010:

> "*To be the customers' choice in supplying integrated systems, products and services to the fish, meat and poultry industries.*"

In pursuit of this goal, Marel relies on a simple and proven business model founded on three pillars – market penetration, innovation and operational excellence.

Market penetration

Marel seeks to capitalise on its extensive global sales and service network and knowledge of customers' production processes to continuously expand market share, penetrating further into existing market segments, as well as new geographical areas. With offices and subsidiaries in some 30 countries and a global network of more than 100 agents and distributors, Marel is in a unique position to serve customers all over the world, wherever they may be located.

Innovation

A culture of innovation is a cornerstone of Marel's global leadership. The company invests an average of 5-7% of income each year in research and development – far above the industry average. Marel employs more than 400 highly qualified scientists and technicians in the field of engineering and food technology, and its portfolio of more than 200 granted patents continues to grow each year. The primary goal is to put that know-how at the service of customers – from small family-owned businesses to leading global producers – to help them to operate at peak efficiency.

Operational excellence

Marel strives for continuous learning, improvement and development across the whole range of its activities. This commitment is epitomised by the pursuit of operational excellence that defines the company's manufacturing organisation, from parts production and assembly to quality control, logistics and procurement. It is also reflected in the substantially more efficient use of working capital achieved in the past two years.

With its global presence and unwavering dedication to innovation and operational excellence, Marel strives to earn its customers' trust each and every day.

Focus on core business

A key part of Marel's strategy following the acquisition of Stork Food Systems was the decision to focus on the profitability and organic growth of the company's core business, centring on the four core industry segments of fish, meat, poultry and further processing. Accordingly, the sale of major non-core operating units was completed in February 2010 with the sale of Food & Dairy Systems and Carnitech A/S.

The Food & Dairy Systems division of Stork Food Systems, excluding its operations in Spain, was sold to the Dutch investor Nimbus. The operations of Carnitech A/S in Stovring, Denmark, were sold to the American Industrial Acquisition Corporation (AIAC), a privately held industrial group. Excluded from the agreement were Carnitech's former salmon and freezing divisions, and its operations in the United States, which are integral parts of the core business and are now operated under the Marel name and management.

One company

The integration of the Marel and Stork Food Systems companies into "one company", begun in 2009, was formally completed at the end of 2010. After having implemented a new organisational structure and defined the values and vision of the united company, Marel has now entered a new phase in its development focusing on organic growth. The time has come to reap the benefits of the integration of the technologies developed by the different business units with a steady stream of innovative new products that create more value for customers.

Innovation

Already in 2010, Marel introduced new integrated products to the market at all the major exhibitions in each of the four market segments that the company serves, including at the International Poultry Exhibition in Atlanta and VIV Utrecht (poultry), Seafood Processing Europe in Brussels (fish) and IFFA in Frankfurt (meat and further processing).

Market-oriented organisation

Marel's new organisational structure is designed to support the company's value creation process. The structure is built on the four core market segments that Marel serves – poultry, meat, fish and further processing. Industry Centers have been established in each of the four segments, responsible for product development specifically geared toward their respective segments. The Industry Centers are complemented by Product Centers, which develop products and solutions applicable to more than one market segment.

Distribution channels

The third key component of the new organisational structure, in addition to the Industry Centers and Product Centers, is the company's sales and service organisation. The Sales and Service Units (SSUs), as the field offices are called, provide the global distribution network for all four industry segments and the local interface with customers. The integration of the network initiated in 2010 has strengthened Marel's market presence across the globe and has already begun to contribute to the company's financial performance, especially in the United States, which led the way with the integration of its poultry and further processing teams.

Rebranding

The introduction of the new organisational structure was followed by the launch of the rebranding of the company in Q1 2010. The Annual General Meeting on 3 March 2010 formally approved the change of the company name from Marel Food Systems to Marel. In addition, the brand names to be used in the marketing of products targeting the different industry segments were identified, with the intention of capitalising on the strengths of particular brands in certain industry segments. Consequently, the product range targeting the poultry industry is now marketed under the brand name of Stork Poultry Processing, while the further processing product range is marketed under the name of Townsend Further Processing. Products aimed at the fish and meat segments are marketed under the Marel name.

Financial performance

In 2010, Marel completed the operational transformation begun in 2009. Two major non-core operating units were divested in the first quarter of 2010: Food & Dairy Systems in the Netherlands to the Dutch investor Nimbus and Carnitech A/S in Denmark to the American Industrial Acquisition Corporation (AIAC) in the United States. Though these activities were already represented in the 2009 balance sheet as assets held for sale, their revenues and results until closing are still part of Marel's 2010 consolidated statements.

In order to provide a useful overview of the company's financial performance, the figures for core and non-core activities are presented separately. Furthermore, the 2010 numbers 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. In addition, the 2009 figures are normalised for the restructuring charges incurred that year in order to provide a better comparison of the operational results from the core activities between years.

Operational results – core activities

Marel's revenues in 2010 amounted to EUR 582 mln compared to EUR 435 mln in 2009, an increase of 34%, which can be attributed to the recovery of the markets, Marel's strong market position and the extension of the product portfolio with innovative new products.

EBIT and revenues of core business and non-core operations in 2010

2010 operations in EUR mln	EBIT	Revenues	Share
Core operations, normalised*	64.1*	582.1	97%
Non-core operations and normalisations	(6.8)	18.3	3%
Consolidated operations	57.3	600.4	100%

* Includes normalisation of EUR 7.6 mln in Q2 for pension premium recovery

The year got off to a much better start than 2009. The order book had gradually increased during the course of 2009 and was at a satisfactory level at the beginning of 2010. Orders received grew at a consistently faster rate than revenues throughout the year and the order book reached an excellent level of EUR 167 mln by the end of the year. The growth in the order book enables Marel to make a good start in 2011.

The level of market activity increased gradually during the course of the year and virtually all of the geographical markets have now rebounded to the levels they were at before the financial crisis in 2008. 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. Large orders, including greenfield projects, are now coming in at the same rate as before the crisis and the financing of such projects is no longer an issue for Marel's customers.

Development of order book in 2010

In EUR mln	Total 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Total 2010
Orders received *	474.1	135.0	149.4	165.4	188.6	638.5
Order book	105.8	113.5	125.3	141.2	162.2	162.2

* Includes service revenues

Marel responded very early to the crisis and reduced its workforce by approximately 600 in 2008 and 2009, from 4,100 to 3,500. When the business began to grow again, the company recruited temporary personnel in the Netherlands and increased the size of the workforce in Iceland to respond to the increased level of production. The workforce in Nitra was also strengthened in order to take advantage of the lower production costs there. Through such measures, Marel became more resilient and better equipped to cope with downturns and was able to keep costs under control by benefiting from economies of scale and lower labour costs.

Many other cost categories have been subject to close scrutiny and control, although it was unavoidable that the absolute level of costs would rise in 2010 to cope with the growth in revenues. However, overhead ratios were reduced during the course of the year, indicating improved operational leverage. This will remain a focus area in the years to come.

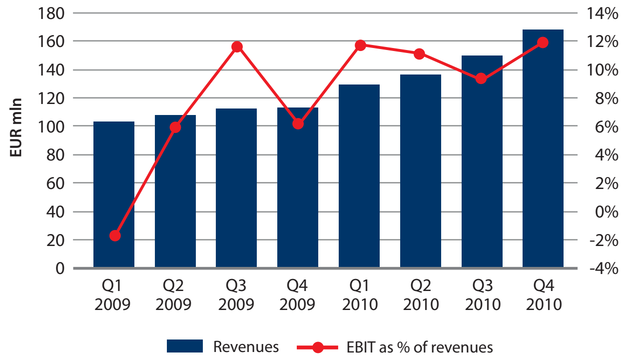
The gross profit margin can be further improved. The long-term aim is to achieve a level of 40%, but the company fell short of that target in 2010 due to specific circumstances, including an atypical product mix, extra costs resulting from integration activities and start-up costs related to the rapid growth in production. Taking all these factors into account, it is clear that Marel nonetheless continued to benefit from the cost efficiency measures undertaken in 2009.

Normalised core operations in 2010 and 2009

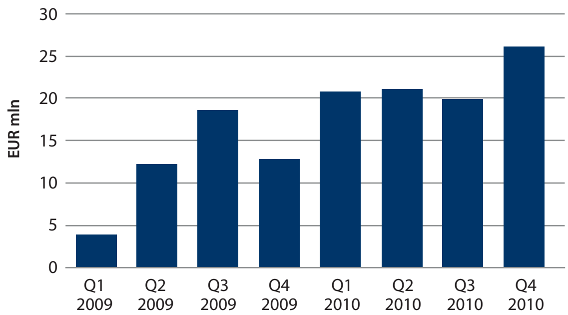
In EUR mln	2010	2009	Change in %
Revenues	582.1	434.8	34%
Cost of sales	(360.7)	(268.6)	34%
Gross profit	221.4	166.2	33%
Gross profit margin	38%	38%	
Other operating income	(0.7)	(0.6)	12%
Selling and marketing expenses	(68.2)	(59.3)	15%
Research and development expenses	(35.9)	(28.4)	26%
Administrative expenses	(52.4)	(53.1)	-1%
Result from operations (EBIT)	64.1	24.8	159%
EBITDA	88.0	47.4	86%

In 2010, the normalised operational profit (EBIT) was EUR 64.1 mln compared to EUR 24.8 mln in 2009, a steep increase resulting from an increase in sales combined with the ongoing focus on cost control. Marel's management considers an 11% return on sales to be a good result as it is in the company's target range of 10-12%. In the fourth quarter, Marel demonstrated that a return at the high end of this range is achievable.

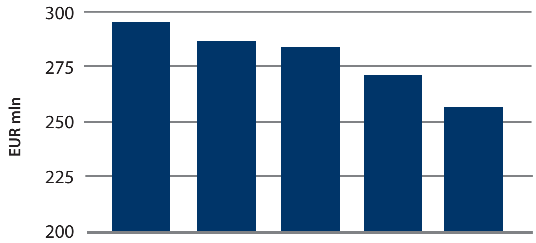
Revenues of core operations and normalised EBIT as % of revenues



Normalised EBITDA core operations



Development of net interest bearing debt



At end of quarter in EUR mln	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Change from Q4 2009
Non-current borrowings	351.5	351.6	347.8	342.4	310.7	(40.8)
Current borrowings	15.4	17.9	17.6	15.4	9.9	(5.5)
Total borrowings	**366.9**	**369.5**	**365.4**	**357.8**	**320.6**	**(46.3)**
Cash and equivalents	71.9	83.2	81.3	86.7	63.9	(8.0)
Net interest bearing debt	**295.0**	**286.3**	**284.1**	**271.1**	**256.7**	**(38.3)**

Financing activities

Marel has made good progress in reducing net debt in 2009 and 2010 by reducing working capital, disposing of non-core assets, issuing new shares (in 2009) and maintaining the level of investment in tangible fixed assets below the depreciation level.

In 2010, the combined effects of these actions, along with a significant growth in EBITDA, led to a reduction in net debt from EUR 295 mln to EUR 257 mln and a substantial deleveraging of the company.

The progress made enabled Marel to secure a new long-term financing package in 2010, well in advance of the maturity of the existing loans. The agreement was concluded on 25 November 2010, in the amount of EUR 350 mln, enabling the company to refinance all of its existing debts at favourable terms and conditions, leading to a reduction in financing cost in the coming years. Equally important, the agreement supports the company's long-term strategy by providing the stability and flexibility needed to continue to grow the business, as well as making the full integration of the company's operations possible. The financing was provided by a group of six international banks, led by ING Bank (which acted as the Coordinating Bookrunner), Rabobank and ABN AMRO (which acted as joint Bookrunners).

The key elements of the financing package, to be drawn in currencies reflecting the company's revenues and assets, 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 company's financial performance. Initial terms are EURIBOR/LIBOR + 500 bps.
- Terms and conditions are in line with Loan Market Association (LMA) corporate standards.

As part of the refinancing strategy, Marel announced on 1 November 2010 a conditional offer to bondholders to repurchase bonds issued by the company and listed on NASDAQ OMX Iceland under the name MARL 06 1. These bonds represented the only debt which could not be unconditionally repaid at Marel's discretion. With the repurchase of the bonds, Marel sought to further reduce the currency risk on its balance sheet. Investors holding approximately 66% of outstanding MARL 06 1 bonds accepted Marel's offer to repurchase the bonds at par. In addition to the repurchase of the MARL 06 1 bonds, Marel repaid bond class MARL 09 1 in full. As a result, the total value of the outstanding debt denominated in ISK was reduced to EUR 7.5 mln, which represents an acceptable currency risk, in Marel's view.

Marel currently relies on natural hedging as much as possible and has no currency hedging contracts at the moment. In connection to the refinancing, Marel extended its interest rates hedging, which matures in 2013, from 2013 to 2015 to mirror the maturity of the new financing structure.

The new financing structure is a major milestone for Marel and provides the company with a strong foundation for the future. With stable and cost-efficient new financing, Marel can move forward and focus on growing the business and capitalising on its operational leverage. Marel considers the refinancing to mark the official closure of the integration process between of the "old" Marel and Stork companies. Marel is now one company with one team and one financing.

Many factors helped Marel to secure the new financing:

- Number 1 globally in poultry, fish and further processing; a major player in meat
- Operates in a fast growing market where there are extensive opportunities
- Innovation is the cornerstone of Marel's global market leadership
- Large acquisitions finalised; focus now is on organic growth
- Revenue growth is back on track
- EBITDA growth due to gross margin improvement as a result of sustainable cost reduction
- Long standing, proven management team
- Proven ability to manage through challenging times
- Proven ability to deleverage despite difficult market circumstances
- Proven ability to generate cash through cost savings and improvement in working capital

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. The company has increased the focus on risk management with the centralisation of the company's financial risk management function 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 30% 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.

FISH PROCESSING

INNOVATION IN FISH PROCESSING

A new vision in slicing

- The trailblazing GEBA SC 125V fixed-weight slicer is the first D-cut salmon slicer on the market to feature an advanced vision system for the slicing of whole salmon fillets.
- *"The new GEBA SC 125V has performed extremely well,"* says Yves Jansen, Plant Director of Marine Harvest Pieters in Oostende, Belgium. *"Not only is it accurate and labour saving, but it also greatly improves the working environment of our operators, which is very important to us."*
- Laser vision technology is used to measure the volume, size and weight of the fillet. The computer then calculates the cutting profile required to deliver slices of the chosen weight, at high speed and with great accuracy.

Opportunities and outlook

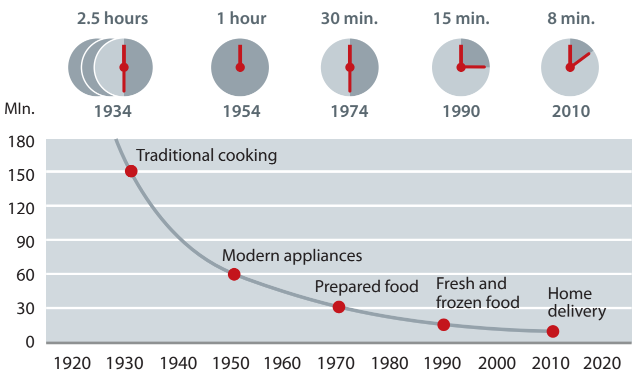
Market outlook

The year 2010 got off to a much better start than the previous year. The recovery that began in the second quarter of 2009 continued and market activity had reached good levels by the beginning of the year, with the poultry segment leading the way. Marel's order book was improving with large orders beginning to come in, a clear sign of growing confidence in the markets.

Notably, large projects were not limited to the company's established markets in Western Europe and North America. Major greenfield projects were also secured early in the year in emerging markets, including in Eastern Europe and Latin America, in addition to a milestone sale in China, evidence that mechanisation and automation are increasing at a robust rate in developing regions.

The underlying demand in the food industry continued to rise during the course of the year and Marel's order book continued to grow, with orders received exceeding orders booked off each successive quarter. By the second half of the year, market conditions were back to the level they were at before the global financial crisis.

Time spent cooking at home



Source: Marel

Growth drivers

The market for equipment and systems for processing of proteins has been growing steadily at an average annual rate of 5-6% (see graph on "Global consumption of fish and meat") for the past two decades, driven by two key trends:

- Changes in consumer habits are a key driver in Western countries. The average time spent in the kitchen cooking each day has dramatically decreased over the past few decades, from hours to minutes in some countries, with the U.S. and U.K. leading the way. The market for convenience food has been growing steadily at a rate of 6-8%.
- Urbanisation drives increased protein consumption in emerging markets. 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.

In addition to these fundamental drivers, another key trend in consumer behaviour that emerged during the financial crisis – increased consumption of less expensive proteins, primarily poultry – continued to manifest itself during the course of the year. Consumers are dining out less frequently, especially at high-end restaurants, and food service companies and retailers active in the low-cost convenience food and fast food segments are profiting. So are Marel's customers, the food processors who supply these outlets with products.

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 and Southern Europe, will continue to grow by an average rate of 4% annually. Even faster growth of 6-8% annually is predicted in emerging economies, including Asia, the Middle East, Latin America, and Central and Eastern Europe.

INDUSTRY OUTLOOK

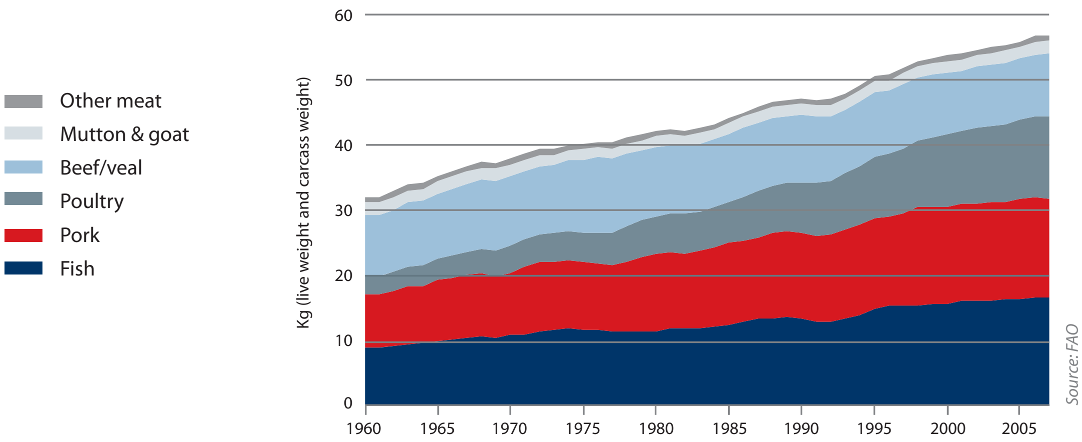
Poultry: Poultry continues to increase in popularity among consumers looking for affordable sources of protein. Accordingly, the poultry segment once again led the way in terms of the growth in order intake in 2010, including in the number of large orders in both established and emerging economies. The outlook for 2011 is positive.

Fish: High raw material prices and consolidation in the industry have led fish processors to continue to invest in increased automation to improve yields, product quality and overall efficiency. Maximising the value extracted from the raw material remains a priority. The strong growth of the aquaculture industry continues.

Meat: Processors are increasingly becoming convinced of the gains to be derived from effective process line monitoring and control. The need for increased efficiency, primarily due to high raw material prices and a shortage of labour, is driving the automation of production processes. The demand for higher value cuts of red meat is expected to increase in 2011.

Further processing: The market for value added products continues to grow. Consumers, who spend less and less time on food preparation, are looking for greater variety in complete ready-made meals. Fast food restaurants also continue to thrive. Processors are investing in innovations that allow them to meet ever changing consumer demands.

Global consumption of fish and meat per capita since 1960



Poultry

Developments in 2010

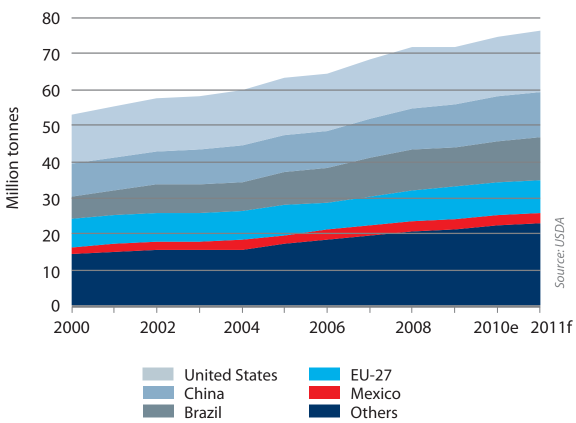
The rebound in investment among poultry processors first evident in the second half 2009 continued in 2010. As consumption shifted from more expensive proteins, such as beef and pork, to less expensive alternatives, primarily poultry, the level of investment gradually returned to pre-crisis levels. While the United States remains Marel's largest market, strategic greenfield projects were also secured in China, Europe, Russia and Latin America in 2010. Overall, orders received were above budget throughout the year.

The strong market position that Marel has established in many parts of the world was a key factor in the company's success in the poultry segment in 2010. This was particularly true in the U.S. market, where the integration of the poultry teams of the former Marel and Stork companies at the end of 2009 began paying off. In 2010, the company's sales and service organisations in the key European markets, as well as Russia and Oceania, were also aligned and integrated, further bolstering Marel's global presence.

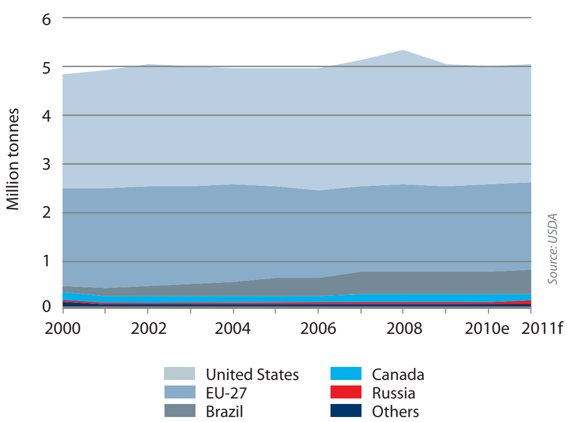
The greenfield projects that Marel secured in 2010 were a reflection of the company's strengths and, especially, its unique ability to provide the complete range of equipment and systems that a high speed processing plant may require. Marel's fillet handling system is a central feature in such a setup and an excellent example of the synergies derived from the integration of the technologies of the "old" Marel and Stork. The system combines, on the one hand, inline deboning developed by Stork and, on the other, Marel's SensorX automatic bone detection with trimming and Robobatcher for packing of fixed-weight trays. The integration of these technologies creates added value for customers by raising product quality, food safety and high-speed automation to new levels. In 2010, a major poultry processor in Germany set a new standard for speed with such an installation with a capacity of 13,500 broilers per hour.

Innovation is also continuously being applied to increasing the efficiency of existing processes and products in order to raise productivity and yield, and reduce the customers' costs even further. A new generation of the AMF-BX deboning system and the new VO-20 RS opening machine, from the evisceration product range, are prime examples of how Marel's commitment to continuous product development is constantly setting new standards for efficiency, yield, hygiene, safety, ergonomics and reliability, to better meet the needs of poultry processors.

Global broiler production 2000-2011f



Global turkey production 2000-2011f



Trends and opportunities

- **Growth:** 2010 was a year of growth in the poultry industry. In a number of markets, investments that had been postponed in the wake of the financial crisis were revived. Added to that were new expansion investments, including several greenfield projects and up-scaling of existing processing lines. The trend is expected to continue into 2011. Growth is also expected to continue in the turkey processing market.
- **Increasing demand for less expensive proteins:** Poultry products continue to increase in popularity among consumers looking for affordable sources of protein. Following the establishment of a new Poultry Industry Center in 2010, bringing together the entire range of the company's products for poultry processing under one umbrella, Marel now offers a truly unique product portfolio to help processors meet this increasing demand.
- **Efficiency:** Processors are increasingly automating their production processes with a view to increasing efficiency and improving yield. Marel, with its Stork Poultry Processing brand, has a strong tradition of bringing innovative products to the market, enabling processors to further optimise their processes, raise product quality and stay ahead of their competition. In 2010, several innovative inline solutions were presented and among the innovative technologies on the schedule for 2011 is a completely new scalding concept.

Focus in 2011

The order intake in 2010 was well above budget, filling the production schedule for the first half of 2011, a very positive sign for the year to come. The projected growth will help to further solidify Marel's position as the leading innovator, manufacturer and supplier of products and complete systems for the poultry processing industry.

With the growing emphasis on automation throughout the industry, production planning and performance monitoring are likely to become increasingly important.

The new generation of the AMF-BX breast filleting system offers improved performance, higher yields and greater control over the end product, helping processors meet ever changing customer demands.

The VO-20 Reference Series opening machine sets a new standard for hygiene, safety, ergonomics and ease of use in evisceration.

Fish

Developments in 2010

Activity in the global fisheries trade in general was high in 2010, with demand growing in most markets and no large changes in supply expected. High raw material prices and consolidation in the industry put pressure on fish processors to continue to improve yields and product quality, requiring further investment in automation.

Prices for many farmed species rose significantly in 2010 as a result of increasing demand. The picture for capture fisheries was more mixed, with some prices affected by good harvests while others eased upward due to restricted quotas. Prices reached record levels in the salmon industry, where demand is outstripping supply by a wide margin after the collapse of the Chilean salmon industry due to viral outbreak. There were major sales in 2010 to customers in Norway, the world's leading producer and exporter of salmon, who sought to capitalise on the undersupply despite being hampered by a harsh winter.

Under pressure from the high prices, processors focused on maximising the value extracted from the raw material. Responding to these needs, Marel has worked hand-in-hand with processors to introduce new ways to improve efficiency and product quality and to shorten processing time. In whitefish processing, Marel has introduced the revolutionary method of "superchilling", which allows for the core of the fish to be cooled to a sub-zero state without freezing the surface. The fillets become firmer and more resilient during subsequent processing stages. The outcome is a much more attractive product with greatly increased primary product ratio. An added advantage is that the fillets are still cold when packed, substantially extending shelf life. Superchilling is now a method recommended by third party scientists.

Salmon processors, meanwhile, were introduced to the new GEBA Slicer SC 125V, the first D-cut slicer on the market with a vision system for whole salmon fillets. The slicer provides high quality slices or portions with a fixed weight at an extremely high accuracy, improving utilisation of the raw material by an impressive 10-20%.

Trends and opportunities

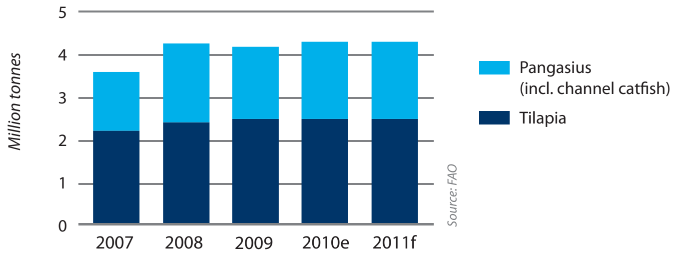
- **Eco-labelling and sustainability:** Cod and haddock stocks around Europe are considered to be healthy or recovering. Groundfish catches are expected to increase worldwide as a result of good resource recoveries in many fishing areas. The drive toward more eco-labelled fisheries, certifying that the product can be traced back to a sustainable fishery, should help to bolster demand, which looks to be increasing. However, faced with strong competition from less expensive farmed whitefish, the opportunities for groundfish processors lie in increasing the value added of their products. With its wide range of solutions that harness the power of the revolutionary Innova production management software, Marel can help processors take advantage of such opportunities. Marel also has the expertise in traceability and labelling to meet the growing demand for credible eco-labelling of products.
- **Demand for less expensive proteins:** The demand for affordable farmed fish products continues to grow. The increase in global fish consumption is expected to be satisfied mostly with farmed species. Marel will continue to seek to transfer the knowledge and experience gained in serving wild fish processors to the processing of farmed species.

- **Undersupply of salmon:** Salmon consumption in the European Union, the largest salmon market in the world, continues to increase. However, with Chile's production reaching rock bottom in 2010 following a virus epidemic, the Atlantic salmon market continued to be undersupplied. The Chilean salmon industry now seems to be on the road to recovery and global salmon supply is expected to increase substantially in the next two years. Nevertheless, there are major opportunities for Marel, as the leading global provider of equipment for modern salmon processing, in equipping producers seeking to fill the supply gap.

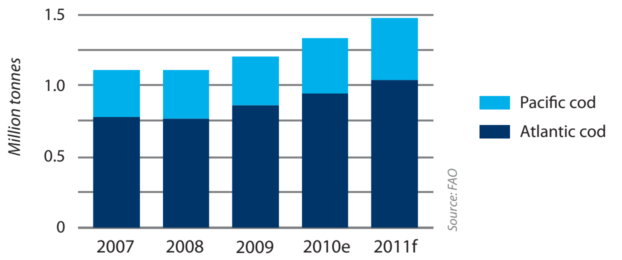
Focus 2011

The generally positive outlook in 2010 is expected to persist into early 2011. In established markets, Marel will continue to build on its position as the leading provider of equipment and systems for fish processing. Moreover, as one integrated company, Marel now has the strength and critical mass needed to enter new and fast growing markets where opportunities lie. Marel is well placed to take advantage of its deep knowledge of the fish industry and strong market presence to respond to shifts in the markets.

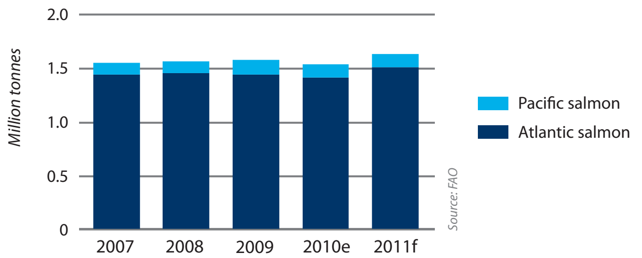
Global production of farmed tilapia and pangasius



Global production of cod



Global production of farmed salmon



The Superchiller cools the core of the fish to a sub-zero state without freezing the surface, making it more resilient during processing and extending its shelf life.

Innova production control software provides full traceability through every processing stage, from reception of raw material to dispatch of the final product.

Meat

Developments in 2010

The newly formed Meat Industry Center brings together the decades of experience and expertise accumulated in five different countries – Denmark, Iceland, the Netherlands, the U.K. and U.S. – for the purpose of supplying top-of-the-line integrated systems and services to the medium and high end segments of the red meat industry, with a focus on beef and pork.

In 2010, the Center conducted a campaign to promote awareness of the Marel brand and product range among meat processors, which has already led to increased activity in key markets. In particular, the level of proposals received in North America, Australasia and Europe in 2010 is well above plan. New opportunities emerged from successful equipment trials conducted with key customers in Brazil, the world's leading beef processing nation, as well as Australasia and the United States. New orders are expected to follow from key customers in the U.S. and South America. Repeat orders have also been secured in Australasia and Europe and the project pipeline remains strong.

In May, Marel participated in IFFA, the world's largest meat industry exhibition, held in Frankfurt every three years. The company exhibited a wide range of new meat processing equipment and systems, including the very successful StreamLine intelligent deboning and trimming system for beef products, featuring online monitoring from carcass intake to product dispatch and robotic bag loading. In today's globalised market, beef processors have to contend with low profit margins, increased costs and labour shortages, making it ever more vital for them to efficiently control, monitor and measure virtually every aspect of their production processes. StreamLine is designed to meet their need for a flexible and easily configured system that provides real-time information on all key performance indicators (KPIs) such as yield and throughput down to each individual operator on the line, which has proven to be a key factor in improving overall yield and efficiency.

Among the other innovations introduced at IFFA were a new I-Cut portioning machine for bone-in products and the PolySlicer 1000, featuring an involute blade and advanced features that combine to deliver high output, product variety and versatility. Both are illustrative of Marel's devotion to continuously seeking new ways to help customers reduce cost and increase flexibility and profitability.

Marel's latest innovation for the meat segment is a new version of the SensorX, which brings the technology used so successfully in bone detection in poultry to the analysis of fat content in red meat. Combined in an integrated solution with StreamLine, it forms a highly effective trim management system.

Trends and Opportunities

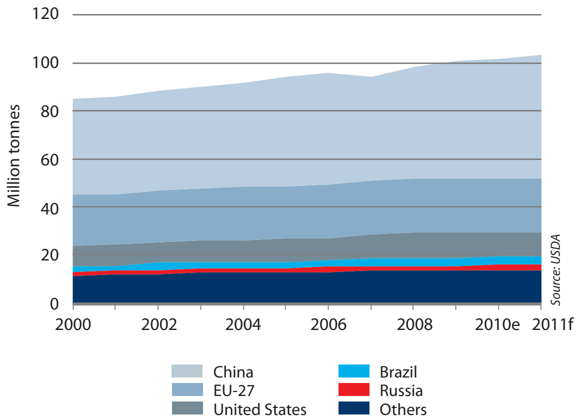
- **Increasing demand for higher value products:** Less expensive proteins, primarily poultry, have dominated the protein segment of the industry as consumers have reigned in expenditures following the global economic downturn. However, the 2011 forecasts for red meat are good, with increasing demand projected for higher value cuts. This is likely to result in increased investment in the kind of advanced equipment and systems that Marel can provide, such as the range of highly accurate I-Cut portioning machines that provide processors with optimal utilisation of the raw material, minimal giveaway and maximal yield and profit.
- **Increased automation:** The need for increased efficiency in the meat industry, primarily due to the current high cost of raw materials and shortage of labour, is driving the automation of production processes. Marel's product range is ideally placed to satisfy this need.

- **Process monitoring:** Processors are increasingly becoming convinced of the gains to be derived from effective process line monitoring and control. Improved monitoring, both of the production process in general and individual operators working on a processing line, typically generates substantial improvements in yield and profitability. The level of proposals in this area, capitalising on the integration of Marel's range of equipment with its Innova production management software, is at an all time high. The success of StreamLine is indicative of this trend.
- **Food safety:** Food safety and hygiene remain a major priority for processors and retailers alike. Marel made significant advances in 2010 in embracing and incorporating the best industry practices with regard to hygienic design of products. All product contact parts of the new PolySlicer 1000, for example, are easily removed for fast and thorough cleaning, earning the slicer a high score on the sanitary design checklist of the American Meat Institute (AMI).

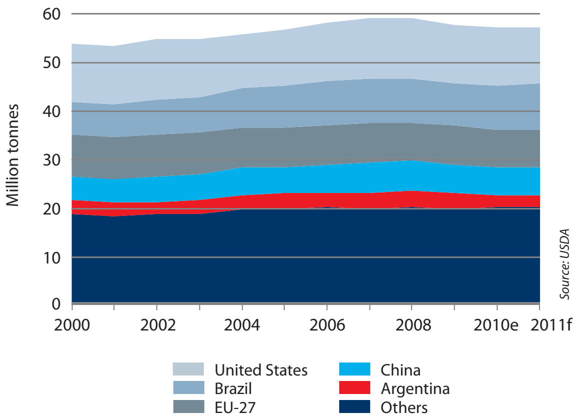
Focus in 2011

In 2011, the Marel Meat Industry Center is expected to continue to strengthen its presence in selected markets in Europe, South America, North America and Australasia. The campaign to raise market awareness of both the Marel brand and Marel's capabilities will continue.

Global pork production 2000-2011f



Global beef and veal production 2000-2011f



The I-Cut Bone provides accurate fixed weight portioning of bone-in products. 3-D scanning is used to calculate where to cut for optimal accuracy.

The PolySlicer 1000 features an involute blade and can handle three logs of product simultaneously to produce stacks or shingles – fast.

Further processing

Developments in 2010

The investment climate grew stronger with every quarter in 2010. Further processors were increasingly willing to invest, although the final acquisition of products and systems still took longer than it did before the global financial crisis. It gradually became apparent that processors were choosing to postpone replacement investments and instead to focus on bona fide innovations, with the goal of further reducing costs, increasing efficiency and acquiring the capacity to produce new and exciting products to meet ever changing consumer demands.

Marel's strategy to invest handsomely in innovative products and solutions proved to be in step with customer expectations. Sales increased substantially in 2010, driven by innovative systems such as the RevoPortioner, the ModularOven and sausage making systems like the QX co-extrusion system.

In 2010, Marel introduced Townsend Further Processing as the new brand name for its further processing product range. Townsend is one of the most reputable brands in the industry, renowned for innovation and quality. All of Marel's products for this industry segment – for portioning, marinating, coating, heat treatment or sausage making – now bear the Townsend Further Processing name with pride.

Trends and opportunities

- **Food service:** The market share for fast food and convenience food continued to grow in 2010. Consumers are spending less and less time on food preparation and fast food restaurants are thriving as a result. The worldwide success of the RevoPortioner, a revolutionary low-pressure forming machine, reflected this trend. A new high-capacity red meat configuration of the machine is strengthening its position in the United States and the new RevoPortioner Small is expected to do very well in markets where there is a need for a stable, reliable and trouble-free production using lines with a 400 mm bandwidth. Both systems were launched at the very successful IFFA tradeshow in May, held every three years in Frankfurt.
- **Value added products:** The market for value added products is also growing. Consumers are looking for greater variety in complete ready-made meals that offer the ultimate in convenience. Demand for well-known classic dishes is increasing and, in some markets, the popularity of new and exciting high-quality products, based on local conventions or reflecting a homemade look and feel, is on the rise. Healthy convenience products that are lower in fat and calories are also very popular. The demand for fully cooked products, sold separately or as part of a ready meal, has created opportunities for Marel's ModularOven high-capacity heating system. The ModularOven is a very flexible, heating system that provides optimum control of the heating parameters and is thus able to produce an extensive range of high quality products.

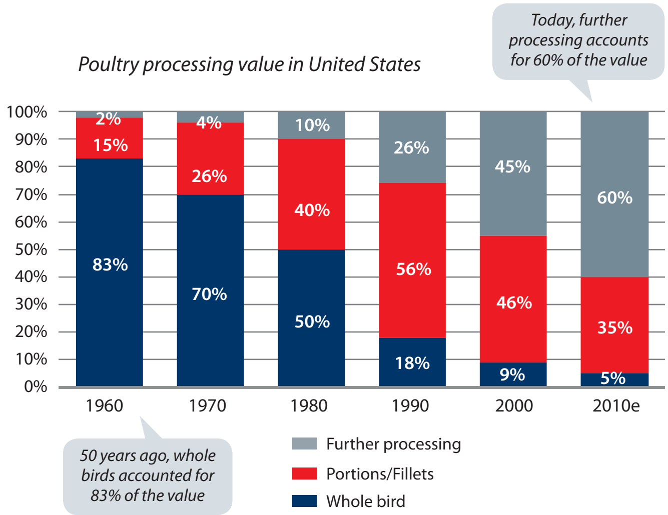
The high-capacity ModularOven is equipped with one or more heating towers, each of which can have its own distinct cooking environment for maximum yield and capacity.

Focus in 2011

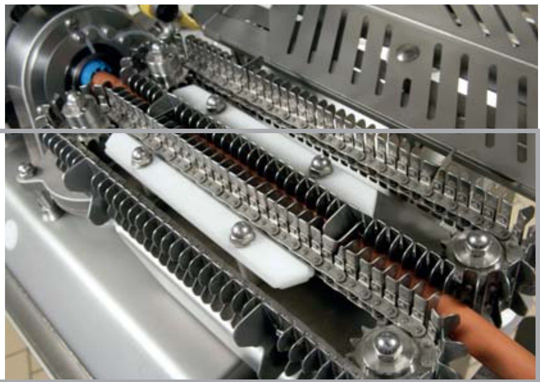
Looking ahead, Marel sees portioning, heat treatment and sausage making as the main pillars on which the future growth of the Townsend Further Processing range will be based. Strong growth is expected for the RevoPortioner family of products, which will be further expanded in 2011.

For sausage making, Marel will focus on the further positioning of the QX system as the new standard for the production of coextruded fresh, cooked/smoked and dry sausage. A number of large U.S. and European processors will begin QX sausage production in 2011. The iLinker and iConveyor system first introduced at IFFA in 2010 will also be a priority in 2011, along with the development of a complete system for the production and packaging of fresh sausage.

Poultry processing value in United States



Superior product quality and food safety, combined with low production costs, are among the key benefits of the QX co-extrusion sausage-making system.



MEAT PROCESSING

INNOVATION IN MEAT PROCESSING

Monitor, measure and maximise

- Beef processing companies looking for greater efficiency are increasingly focusing on key performance indicators (KPIs), such as yield and throughput, which show how effectively their plants are running.
- Marel's StreamLine intelligent deboning and trimming system helps take the guessing out of processing. Integrated with Marel's state-of-the-art Innova production management software, StreamLine provides real-time performance information on every stage of the production process, from carcass intake to product dispatch.
- *"We have seen major improvements and increases in both yield and throughput,"* says Norbert Marcher, owner of Norbert Marcher GmbH, of the StreamLine system the company acquired in 2008.

Business operations

Sales and marketing

Marel's global distribution network includes subsidiaries and Sales and Service Units (SSUs) in 24 countries, and approximately 100 agents and distributors around the world. Building on their knowledge of the market and customer needs, the local SSU teams sell, market, distribute, install and service Marel's standard products. Large-scale projects, on the other hand, are generally managed by the Industry Centers for fish, meat, poultry and further processing.

Global footprint

With the aim of further strengthening Marel's geographical footprint, the integration of the company's sales and service organisations, begun in 2009, remained a key priority in 2010. The integration had an immediate positive effect on sales worldwide, especially in the U.S. poultry market where Marel had a record year. Marel's poultry and further processing customers in the U.S. now have one single point of contact for products from all of the company's brands, an arrangement that has since been introduced in other countries in 2010. This new integrated structure has been rolled-out in Australia/New Zealand, the Benelux countries, Brazil, Denmark/Sweden, France, Italy, Norway, Poland, Portugal, Russia, South Africa, Spain and U.K./Ireland. In several locations, offices have been merged and moved into single premises to lower the fixed cost base and take advantage of potential synergies. Integration of the SSUs is scheduled to be completed by the end of 2011.

Sales in 2010

Already in the first quarter of the year, there were strong signs that investment in the food industry was bouncing back. Sales were approaching the level they had been at before the financial crisis and remained strong throughout the year. Following a very challenging year in 2009, sales increased by 33.9% in 2010. Orders received exceeded revenues for each consecutive quarter, leading to a continuing increase in the order book, which stood at EUR 162.2 mln at the end of the year, compared to EUR 105.8 mln at the same time the year before.

Among the highlights of the year was the success of two stand-alone products, where Marel has a clear competitive technical advantage – the SensorX bone detection system for poultry and the RevoPortioner, a unique machine for forming products. What stood out in the sale of integrated systems in 2010 were the successful projects managed by Marel's new Poultry Industry Center. The Center brought together in one place the expertise and experience previously housed separately by Marel and Stork Poultry, with the members pulling together as one team to design integrated systems for new plants.

International exhibitions

In 2010, Marel participated in close to 40 exhibitions, trade shows and in-house seminars worldwide, including all the major international exhibitions in the industry, such as the International Poultry Exhibition in Atlanta and VIV Utrecht (poultry), Seafood Processing Europe in Brussels (fish) and IFFA in Frankfurt (meat and further processing).

The focus at all these events was on presenting Marel as an innovative single-source supplier with product offerings to meet every need of processors in the fish, meat, poultry and further processing segments of the industry. Integrated systems – featuring products from the Marel, Stork Poultry Processing and Townsend Further Processing product ranges – continued to be showcased at these exhibitions, drawing widespread customer interest and attention.

In addition to participation in the international trade shows, Marel is increasingly taking advantage of the existing facilities housed by many of the company's SSUs around the world to organise its own customer events featuring live demonstration and testing of equipment using the customers' own raw materials and products.

Global marketing

Marel operates a global and multinational marketing department spanning 17 locations. The team is responsible for global marketing – both internal and external – of the company in general, as well as the four industry segments and the products that the company produces.

The marketing activities range from micro and macro analysis of the company's markets to the production of marketing material – including, for example, newsletters, brochures, videos, the website and advertisements – organising the company's participation in global marketing events, including trade shows and exhibitions, and media and public relations. Virtually all of the Sales and Service Units around the world are staffed with marketing personnel who are responsible for local marketing activities such as local product campaigns, trade shows and branch events. This network of marketing personnel provides an important gateway to the local markets.

In May, Marel's innovations for meat and further processing were on display at IFFA, the world's largest meat industry exhibition, held every three years in Frankfurt.

Rebranding

The year 2010 marked the end of the rebranding of the company, which began in 2009. A new logo was introduced for the company's Stork Poultry Processing product range, following the adoption of a new logo for its Townsend Further Processing products the year before. The design of the two logos mirrors the design of the Marel company logo and all three logos are tied together with a gradient banner. The objective with the new design is to continue to transfer value from the Stork Poultry Processing and Townsend Further Processing brand names to Marel, and vice versa.

Marel will continue to use other brand names where feasible but without a separate visual identity. Brands such as Delford, Geba, Scanvaegt, CP, AEW and others will be used as product names in particular industries and production applications.

On-line marketing

Marel seeks to actively promote its global offering through the company website at www.marel.com. Some of the older URLs used prior to integration – including aewdelford.com, scanvaegt.com, storkpoultry.com, and townsendeng.com – are still active but visitors to the former two sites are now redirected to marel.com. Local websites, which cater to the needs of the local markets in the local languages, have also been introduced in 2010.

Newsletters

The year 2010 marked a new beginning for the newsletters published by Marel, with the introduction of individual newsletters for each of the four industry segments that Marel specialises in. The newsletters all share the same blueprint, name (Insight) and overall look. The aim is to provide the reader with up-to-date case stories, product information and interviews with key players in the food processing industry. Readers can subscribe to both the electronic and hard copy versions at marel.com.

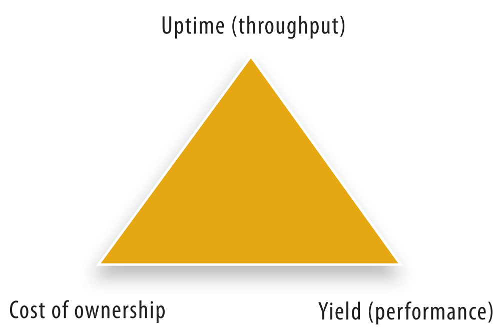
Service

The Marel Service Organisation spans 30 countries and comprises some 625 employees, who perform an average of 1,000 customer visits daily.

Marel's approach to service can best be described with two concepts: "think global, act local" and "big enough to cope, small enough to care". For Marel's customers, this means that the company seeks to find the best balance for each customer within "the golden service triangle". The three dimensions of the triangle are: maximum uptime (throughput), minimal cost of ownership and highest yield (performance).

One voice

The company's service operation is being integrated into one strong and global service organisation, with a consistent level of service across the different operating units. The service teams in several Sales and Service Units around the world – including Brazil, France, Russia, Spain and the U.S. – have been fully integrated and are now communicating with "one voice" to customers at the local level.



As a result of consolidation in the food industry, small and medium size production facilities are being replaced by large production plants. Accordingly, economies of scale and greater efficiency in production have become major priorities. Marel's goal, therefore, is to provide added value to customers worldwide in the form of fast and competent service, no matter where they are located, to ensure peak performance and maximum uptime of their Marel equipment and systems.

Preventive maintenance, through scheduled visits of certified Marel specialists, is the key, along with a wide range of flexible service packages tailored to the requirements of individual customers. Marel process consultants provide expert advice and analysis to help customers optimise production, increase yield and reduce costs, thereby increasing profitability. And timely emergency support is provided to counter unplanned equipment stoppages through remote diagnosis and on site action.

Focus in 2011

Implementation of the new service model will be priority in 2011. Cross training will be carried out to equip the company's Field Service Engineers to provide first line support for the wide range of product for all four industry segments that the company serves.

The service organisation of the future requires a much closer relationship between supplier and customer. The goal of the Marel service organisation is to ensure that the systems that the company provides are always performing at an optimal level and meeting the needs of customers, each and every day.

Innovation

Marel's global leadership is founded on innovation. At the core of the company's strong innovation culture 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.

Marel maintains close ties with leading universities and research institutes, and its close partnerships with some of the most forward thinking processors in the industry have been a key factor in the many breakthrough successes in product development over the years.

Innovation structure

Marel's innovation process is driven by the needs of the market. In 2010, in the context of the integration of the group into one company, Marel adopted a new organisational structure that is geared toward supporting this process and the management of the company's growing portfolio of products. Four new Industry Centers, one for each of the core market segments that the company serves (poultry, meat, fish and further processing), and 12 Product Centers operate their own innovation programmes that are coordinated and aligned to fully support the company's vision. This ensures that the products developed are compatible and can be combined to serve the needs of customers requiring complete integrated lines, as well as those looking for specialised products for single application needs.

The focus of the Product Centers is on individual processing steps that are common across multiple industries – such as portioning, grading or freezing. The brief of the Industry Centers, on the other hand, encompasses the delivery of fully integrated processing lines for a specific industry segment, spanning the entire production process from reception of the raw material all the way through to packaging of the final product.

Integrated products

The integration process is indeed paying off in the innovation area where new products that combine the technologies of the different business units in the group are creating more value added for customers. Major milestones were reached in this regard in 2010. Marel introduced new integrated products to the market at all the major exhibitions during the year, in each of the protein segments that the company serves. Examples include the integration of the Marel SensorX bone detection system and the poultry Front Half Filleting system from Stork, the integration of Townsend skinners into the Marel Streamline processing solution, and the integration of the software platforms developed individually by Marel and Stork, i.e. the Marel INNOVA production control system and the Stork Poultry Processing Product Distribution System (PDS).

Marel's new generation "key technology" platform – consisting of new Human Machine Interface (HMI) displays, control computers and specialised electronic modules for weighing, vision and networking – also made its debut in 2010 in several new products. The new HMIs feature the new graphical user interface that will become the standard in all new equipment from Marel. The new platform allows for more optimal control architecture, common user interfaces and common styling for all products.

The emphasis going forward is on reaping the full benefits of the integration with a steady stream of innovative new products that provide increased value to customers. The new organisational structure is designed to support this value creation process.

Patents and trademarks

Patent protection is vital to Marel. In 2010, the company applied for patents on 29 new inventions and the current patent portfolio consists of 192 granted patent families.

New products

Marel introduced more than 40 new products in the year 2010, including several new INNOVA modules. Examples include:

POULTRY:

- **Evisceration equipment:** New generation of opening and venting machines that set the standard in hygiene and fat retention, and formed the basis of the successful implementation of a new evisceration standard in the U.S.
- **X-ray systems:** Integrated bone detection and bone management solutions for AMF/FHF deboning lines. Based on a new generation of the SensorX X-ray machine, which is helping to ensure the highest standards of food safety for many of the world's best known fast food and retail brands.
- **M-150 Gizzard Harvester:** Truly the "global" standard, featuring best in class technology and manufacturing. Lowers the total cost of ownership for customers by drastically reducing maintenance costs.
- **ACM cutup and AMF/FHF deboning systems:** Excellent cutting accuracy combined with versatile breast or front half deboning. Updated with unique new features and modules, including keel bone harvesting for pharmaceutical purposes.

FISH:

- **SpeedBatcher Marine:** A marine version of the well known Marel SpeedBatcher for batching a continuous flow of product. This version allows for accurate packing of fixed weight packs at sea, ensuring reduced giveaway.

SensorX X-ray systems

ValueDrum

MEAT:

- **Integrated Streamline and skinning solution:** For increased efficiency and convenience, the renowned Townsend skinners can now be offered as an integrated part of a Streamline deboning and cut-up meat processing system.
- **ValueDrum:** New and improved ValueDrum for marinating meat portions, ensures uniform distribution of additives, shorter processing times and improved product shelf life.
- **Fat analyser:** Fat analysis system for trim management, integrated with the Streamline meat processing system.

TurboVar

FURTHER PROCESSING:

- **RevoPortioner 400:** Low pressure former/portioner for medium capacity, with built-in meat pump. Forms perfectly portioned products, while retaining the texture and structure of the raw material.
- **Qx Loader:** High-speed loader for loading smoked sausages into thermoforming packaging machines without the need for manual intervention.
- **TurboVar:** Flexible linker for sausages. Provides perfect sausage presentation with no open ends and significantly reduces the cost price of the sausage.

WPL9040

APPLICATIONS FOR MORE THAN ONE INDUSTRY SEGMENT:

- **Multihead weighers:** New range of weighers, including a large hopper version and an optional screw feeder.
- **PolySlicer 1000:** New and greatly improved PolySlicer for low to mid-range applications. Now includes both orbital and involute blade options and advanced features that combine to deliver high output, product variety and versatility.
- **WPL9040 Weigh Price Labeller:** Part of a new generation of reliable, accurate, easy to use, time saving weigh price labellers that can operate for long periods without interruption. Fully compatible with INNOVA.
- **INNOVA Weigh Price Labelling module:** Provides real-time control and monitoring of all Marel Delford weigh price labellers, including labelling, order processing, boxing and palletising.

Manufacturing

The pursuit of operational excellence defines Marel's manufacturing organisation. The company strives for leadership and continuous improvement across the whole range of manufacturing capabilities, from parts production and assembly to quality control, logistics and procurement.

Marel's global manufacturing operation, which spans 17 sites around the world, is mainly concentrated in the Netherlands, the United States, Iceland and Denmark. Approximately 75% of the company's 1,250 manufacturing employees are based there.

Marel Manufacturing Model

The integration of Marel into "one company" has provided an opportunity to combine the best practices of the different business units, which has served to further strengthen the Marel manufacturing process. A key outcome of this effort is a new Marel Manufacturing Model, rolled out in 2010 across all of the company's manufacturing sites for the purpose of harmonising strategy and methodology globally.

The new model formalises the strong cooperative relationship between product development and manufacturing. It also defines the high-value "knowledge parts" that are manufactured in-house and specifies that final assembly and testing are also preferably done in-house. The roll-out has improved central spend and contract management and provided better leverage vis-à-vis the supplier base, resulting in greater economies of scale. The model also provides for continuous performance improvement processes.

Manufacturing centers

The majority of the company's manufacturing resources are concentrated within the new fish, meat, poultry and further processing Industry Centers. This organisational arrangement ensures close cooperation with sales, service and – most critically – product development.

Marel is also taking advantage of the low-cost manufacturing center established in Slovakia in 2008 in the manufacturing of mature products.

Procurement

The close cooperation with product development is key to successfully incorporating knowledge from selected suppliers in the design and manufacture of Marel products. Focus is being placed on developing global supply bases for the different product groups.

Human resources

The number of Marel employees has increased steadily during the course of 2010 (Q1–3,202; Q2–3,315; Q3–3,372; Q4–3,435)*, in line with increasing level of production and general activity. The largest number of employees is located in the Netherlands, followed by the U.S., Iceland, Denmark and the U.K. Close to 75% of employees are located in Europe.

Marel strives to engage competent employees and to provide a supportive work environment that motivates and encourages them to make the company vision their own. To that end, recruitment processes are carefully planned and emphasis is placed on providing excellent training and opportunities for further education and job development, as well as fostering a spirit of teamwork and co-operation throughout the company. Marel recognises the importance of respecting cultural diversity, while at the same time promoting the values that are shared throughout the company. Open and honest communications and a healthy balance between work and personal life also help to maintain a creative and stimulating work environment that fosters innovation.

* During the year, Marel sold two operating units, Carnitech and Stork Food & Dairy Systems, with a total number of 410 FTEs.

Becoming one company and one team

The implementation phase of the integration process initiated in 2009 was the main priority in human resources (HR) management in 2010. The global team of HR officers, along with the corporate HR department, was assigned main responsibility for setting the priorities and defining the plan of action in this regard. An outcome of this process was the definition of the corporate HR mission and vision:

- **Corporate HR mission:**
  "HR is a strategic partner for talent and organisational development within Marel."
- **Corporate HR vision:**
  "To be an attractive and successful global employer who operates on the basis of shared values, strategy and aligned work culture. Where every employee feels inspired and proud to be a part of the Marel family."

The mission and vision statement were the guiding lights in the development of the corporate HR strategy and two-year action plan. The main focus was on establishing the fundamental systems needed to align and integrate the different operating units under one flag. The projects initiated in this regard include adoption of a system in benchmarking compensation and benefits for management, developing a company-wide appraisal

system based on the company values as a primary evaluation criteria, and establishing one job site for both internal and external recruitment. Management development reviews for all operating units were established. As a part of the management development programme, management training for high potential employees will take place in 2011, a four module session, developed in cooperation with selected universities and professionals within each field of knowledge.

Marel's culture values local knowledge. At the same time that the foundation for joint strategies and policies is established, local work laws and cultural differences are always taken into account.

HR played an active role in the integration process and in shaping the new organisation, especially in the integration of the Sales and Service Units.

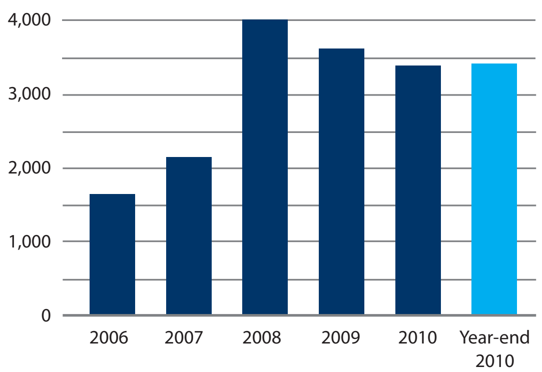
People are our business

As the integration process wound down in the second half of 2010, a series of local integration meetings was held in Europe and the United States under the banner of "Marel on the move". The purpose was to introduce the company's new vision, value and organisational structure, as well as to provide a forum for honest and constructive discussions on the local implications of the integration process. One of the outcomes of the meetings was the decision to develop tailor-made HR agendas for each operating unit to address specific issues and concerns, which vary from one location to another.

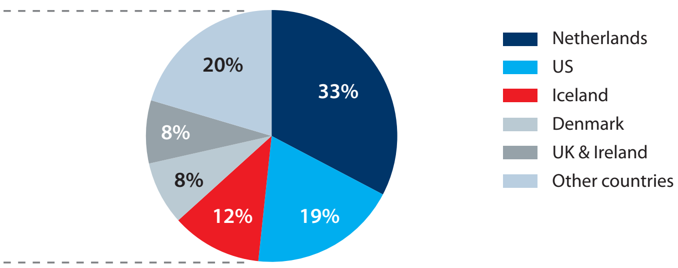
A major priority in 2010, to be continued in 2011, was a project to promote and embed the eight Marel values identified during the year into the company's work processes and decision-making. Particular attention has been devoted to "diversity", identified as one of the values that needed to be strengthened in the company's day-to-day operations. A project plan has been initiated focusing on three dimensions: 1) group diversity, 2) cultural diversity and 3) gender diversity. The first visible step toward increasing diversity was taken in November 2010 when Marel became the one of the first companies to sign the Women's Empowerment Principles, a joint global initiative of the UN Development Fund for Women (UNIFEM) and the UN Global Compact. The Principles are designed to offer practical guidance to business on how to empower women in the workplace, marketplace and community.

Improving market conditions during the year resulted in new recruitments and an increase in the size of the company's work force. The development in the number of employees, measured in the number of FTEs (full time equivalent), can be seen below. The number of employees is expected to increase during the course of 2011.

Number of employees (FTEs), average per year



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



FURTHER PROCESSING

INNOVATION IN FURTHER PROCESSING

A revolution in forming

- The RevoPortioner is a revolutionary low-pressure forming and portioning machine for the production of a wide variety of products – from hamburgers, nuggets and schnitzels to whole muscle and three-dimensional products like tenderloins, steaks and fillets.
- “*We get excellent results with the RevoPortioner and our current products, and it gives us a lot of possibilities for future development,*” says Peter Schulze, Operations Director Europe, OSI Food Solutions Germany GmbH. “*A new generation in forming/portioning has emerged.*”
- Traditional high-pressure forming machines produce non-conformities in the shape of the products. With the RevoPortioner, the structure and texture of the raw material is perfectly retained and the final products always have the same shape and size. Combine that with high process capacity and low maintenance costs, and you have a recipe for success.

To our shareholders

Shares and shareholders

Share performance

Marel is listed on NASDAQ OMX Iceland (symbol: MARL) and has been listed since 1992. Marel's share price stood at ISK 100.00 (EUR 0.65) at the end of 2010, compared to ISK 62.30 (EUR 0.35) at the end of 2009, an increase of 60.5% (in EUR 88.2%). During the same period, the OMXI6 PI ISK index rose by 14.6%. During the year 2010, the highest end-of-day price was ISK 102.50 (EUR 0.67) and the lowest end-of-day price was ISK 57.90 (EUR 0.33).

Share capital

Marel issued 3.2 million new shares in 2010. This issuance was to serve stock option agreements exercisable in November 2010. In total, this share issue raised EUR 1.5 million.

The issue in 2010 was conducted in accordance with a resolution of the Company's Annual General Meeting, held on 3 March 2010, where the shareholders authorised the Board of Directors to increase the company's share capital by 45 million shares to fulfil unexercised stock option agreements. At year-end, Marel's shares totalled 730,291,247.

Shareholders

The number of shareholders in Marel was recorded in the shareholders register to be 1,772 at year-end 2010, compared to 1,751 shareholders at year-end 2009. As of 31 December 2010, Marel holds 37,500 treasury shares.

Eyrir Invest ehf. is Marel's largest shareholder, with 31.89% of shares, followed by the Horn fjárfestingafélag ehf. (13.87%) and Grundtvig Invest A/S (8.45%). The ten largest shareholders hold 77.8%. In total, Icelandic pension funds hold 23.0% of Marel's share capital. International shareholding increased from 16.0% at year-end 2009 to 18.3% at year-end 2010.

TOP 10 SHAREHOLDERS AS OF 31 DECEMBER 2010

	Shareholder		No of shares	%
1	Eyrir Invest ehf	Investment company	232.924.713	31,89
2	Horn Fjárfestingarfélag ehf	Investment company	101.291.743	13,87
3	Grundtvig Invest A/S	Investment company	61.673.494	8,45
4	Lífeyrissjóður verslunarmanna	Pension fund	42.481.031	5,82
5	Columbia Acorn International	Asset management	35.369.999	4,84
6	Lífeyrissjóðir Bankastræti 7	Pension fund	30.500.000	4,18
7	Gildi - lífeyrissjóður	Pension fund	18.310.521	2,51
8	Stafir lífeyrissjóður	Pension fund	17.543.664	2,40
9	Sameinaði lífeyrissjóðurinn	Pension fund	17.043.754	2,33
10	Festa - lífeyrissjóður	Pension fund	11.060.000	1,51
		Total	568.198.919	78
		Others	162.092.328	22
		Total issued shares	730.291.247	100

Liquidity of shares

Marel has made agreements with Landsbankinn, Saga Investment Bank 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 1,182 times in 2010 for a total market value of ISK 11.9 billion (down from ISK 14.2 billion in 2009), which corresponds to a turnover rate of 18%. The average end-of-day spread of Marel was 1.00%. The market value of the Company at year-end 2010 was ISK 73.0 billion (EUR 476.9 million) compared to ISK 45.3 billion (EUR 252.4 million) at year-end 2009, an increase of ISK 27.7 billion (EUR 224.5 million). As the Company's shares are traded in ISK, the fluctuations of the Icelandic krona during the year 2010 affected the market value, when converted into EUR.

Dividend

The Board of Directors will propose that no dividends be paid in 2011. No dividends were paid in 2010.

Share options to key employees

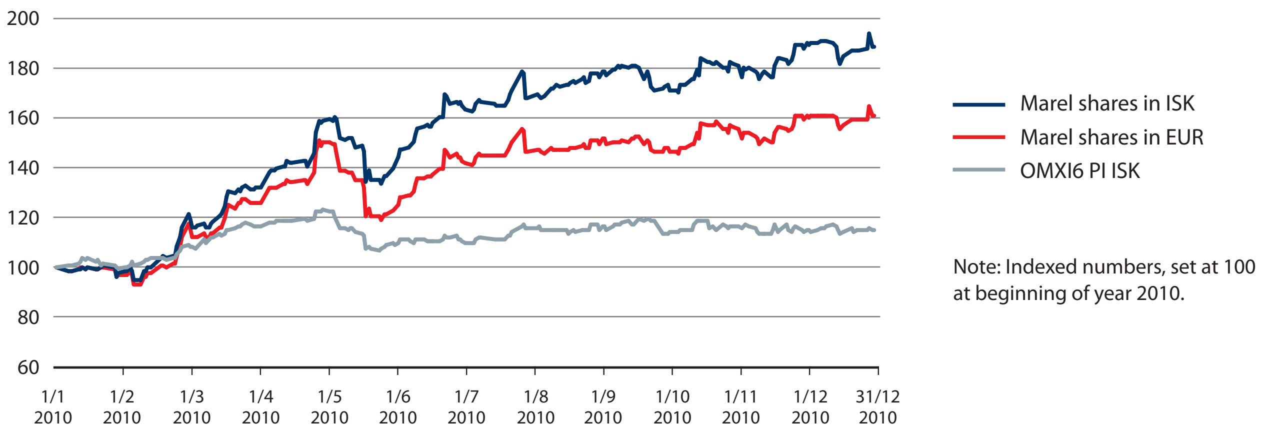
At end of year 2010, six share-option programs were in place for employees at Marel.

DISTRIBUTION OF SHARES AS OF 31, DECEMBER 2010

Number of Shares			Shareholders	%	Shares	%
1	-	9,999	1,130	63.77%	4,280,305	0.59%
10,000	-	99,999	489	27.60%	14,308,593	1.96%
100,000	-	199,999	54	3.05%	6,884,159	0.94%
200,000	-	799,999	54	3.05%	19,909,071	2.73%
800,000	-	1,399,999	7	0.40%	7,831,343	1.07%
1,400,000	-	2,999,999	12	0.68%	23,151,892	3.17%
3,000,000	-	9,999,999	15	0.85%	75,726,965	10.37%
10,000,000	-	99,999,999	9	0.51%	243,982,463	33.41%
100,000,000	-	>100,000,000	2	0.11%	334,216,456	45.76%
			1,772	100.00%	730.291.247	100.00%

Program initiated	Number of shares in thousands	Exercise price per share	Exercisable in
February 2006	4,013	ISK 70.00	2009–2011
September 2006	2,000	ISK 74.00	2007–2011
January 2007	75	ISK 74.00	2009–2011
December 2007	850	ISK 92.00	2010–2012
June 2008	8,025	ISK 89.00	2011–2013
May 2010	17,902	EUR 0.546–0.591	2012–2015
Total	32,865		

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



Note: Indexed numbers, set at 100 at beginning of year 2010.

Marel's Board of Management

From left:
Sigsteinn Gretarsson, Managing Director of Marel ehf.
Theo Hoen, CEO
Erik Kaman, CFO

"The passion and commitment of our employees was a key factor in the success we had in 2010. And our decision to maintain our level of investment in product development during the past two years, despite the challenging operating environment, is now really paying off. We have introduced a steady stream of innovative new products to the market during the year, with many more in the pipeline."

Theo Hoen, CEO of Marel

Investor relations

Marel places great emphasis on providing investors, analysts and other stakeholders with timely and accurate information about the company. This approach is fundamental to achieving a fair market price for the company's shares.

Information policy

The cornerstone of the company's information policy is to provide current and potential investors with equal access to consistent and transparent data, in as much detail as is commercially sensible.

Through efficient reporting, Marel ensures that all necessary information concerning the progress of the company is clear, and contributes to the correct price formation of the company's shares.

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

Marel places great importance on developing its relations with existing and potential investors. This is achieved by several means, most notably through regular investor meetings.

Investor website

Marel's website contains detailed information about the company, its history, operations and activities, which is presented in a clear and appealing manner. Current and past press releases, presentations and annual reports are archived on the website and available for download, and the company's current and historic share prices are available for review against key indices.

Annual report

The Marel Annual Report is an important communications tool, and the company strives to provide a balanced picture of all key aspects of the business, both financial and non-financial. A hard copy of the Annual Report is available upon request by writing to investors@marel.com. Downloadable versions of current and past annual reports are available on the company's website. An interactive version is also available there, which facilitates page by page downloads and printing.

Publication schedule for 2010-2011

Reports:

27 April 2011	1st Quarter
27 July 2011	2nd Quarter
26 October 2011	3rd Quarter
1 February 2012	4th Quarter
29 February 2012	Annual General Meeting

Investor relations contacts

Jon Ingi Herbertsson
Investor and Public Relations Manager
Tel: +354 563 8451
Email: *jon.herbertsson@marel.com*

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 (in thousand shares): 1,500.

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 (in thousand shares): 233,057.

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 (in thousand shares): 1,000.

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.

Lars Grundtvig

- Education: Bachelor of Commerce, Aarhus and Silkeborg Business College, Denmark.
- Elected: 2007.
- Holdings in Marel, including those of financially related parties (in thousand shares): 61,673.

Lars Grundtvig is the Managing Director and a Member of the Board of Directors of Grundtvig Invest A/S. He joined Scanvaegt International A/S in 1959, and served the company in several different capacities, including as Managing Director for 19 years and as Executive Chairman for thirteen years prior to the sale of the Scanvaegt Group to Marel hf. in 2006. Grundtvig also sits on the boards of directors of JJ Steel Holding A/S, JJ Steel A/S, Anker Andersen Holding A/S, Anker Andersen A/S, Scanvaegt Nordic Holding Aps, Scanvaegt Nordic A/S, Black Lily A/S, DanProTex A/S and Alvibra A/S.

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 (in thousand shares): 4,300.

Fridrik Johannsson is the Managing Director of Icora Partners ehf. 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 the Chairman of the Board of Directors of Eignarhaldsfélag hlutafélaga ehf. He is also a member of the Board of Directors of Bru II GP sarl, P/F Vónin, 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 (in thousand shares): 200.

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 (in thousand shares): 6,308.

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: 0.

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): Lars Grundtvig, Smari Runar Thorvaldsson, Arni Oddur Thordarson, Arnar Thor Masson, Margret Jonsdottir, Helgi Magnusson, Asthildur Margret Otharsdottir, Fridrik Johannsson and Theo Bruinsma.

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 2.25.3 in the Rules for issuers of financial instruments on NASDAQ OMX Iceland issued in July 2008.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 plans to do so.

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 3 March 2010. 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 2010.

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 at the end of 2010, 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 the Company's Articles of Association and the Board's Rules of Procedure. The Board currently comprises nine members who were elected at the Company's AGM on 3 March 2010.

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.

Board meetings shall normally be called on a monthly basis. 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 48-49.

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 wage 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 CEO, CFO and Managing Director of Marel Iceland ehf. 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, Managing Director of Marel Iceland ehf.

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 11 times in 2010, with a weighted average attendance of 89%. The Audit Committee and the Remuneration Committee had four meetings each in 2010. They were all fully attended.

8. Access information for the written rules of procedure for the Board of Directors and its sub-committees

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 48-49.

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. Six of nine Board members are considered independent of the Company: Fridrik Johannsson, Arnar Thor Masson, Asthildur Margret Otharsdottir, Helgi Magnusson, Lars Grundtvig and Smari Runar Thorvaldsson. Furthermore, six of nine Board members are considered independent of the Company's major shareholders; Fridrik Johannsson, Arnar Thor Masson, Asthildur Margret Otharsdottir, Helgi Magnusson, Lars Grundtvig 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 48.

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 2010 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

INTEGRATED SYSTEMS

INNOVATIVE INTEGRATED SYSTEMS

Scaling new heights

- Marel is uniquely equipped to provide state-of-the-art integrated systems for today's modern processing plants, combining the proven technologies of the "old" Marel and Stork companies to create added value for customers.
- Marel's poultry fillet handling system features a Stork FHF-XB deboning system combined with a Marel SensorX bone detection system and RoboBatcher for packing of fixed-weight trays. The integration makes it possible to develop new features, such as the feeding of data from the SensorX to the FHF for calibration of the line to ensure an optimal balance between bone content and giveaway.
- In the meat segment, Marel's integrated beef boning hall system ensures optimal performance by seamlessly integrating a StreamLine deboning and trimming line with equipment for harvesting, skinning, portioning, slicing and labelling.

Consolidated financial statements for 2010

The Board of Directors' and CEO's Report

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

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

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

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

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

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

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

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

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

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

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

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

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

Garðabær,   2 February 2011

Board of Directors

Árni Oddur Þórðarson
Chairman of the board

Arnar Þór Másson

Friðrik Jóhannsson

Helgi Magnússon

Lars Grundtvig

Margrét Jónsdóttir

Theo Bruinsma

Smári Rúnar Þorvaldsson

Ásthildur Margrét Otharsdóttir

Chief Executive Officer

Theo G.M. Hoen

Independent auditor's report

To the Board of Directors and Shareholders of Marel hf.

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

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

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

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

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

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

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

Garðabær, 2 February 2011

KPMG ehf.

Sæmundur Valdimarsson

Kristrún H. Ingólfsdóttir

Consolidated Statement of Comprehensive Income

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

Other Comprehensive Income

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

The notes on pages 63-103 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Financial Position

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

The notes on pages 63-103 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Changes in Shareholders' Equity

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

Dividend per share
No dividends were paid in 2009 and 2010.

The notes on pages 63-103 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Cash Flows

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

The notes on pages 63-103 are an integral part of the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1 General information

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

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

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

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

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

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

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

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

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

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

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

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

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

2.2 Consolidation

Subsidiaries

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

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

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

Transactions and non-controlling interests

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

Associates

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

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

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

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

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

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

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

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

2.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit / (loss) for the period during the financial period in which they are incurred.

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

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

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

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

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

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

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

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

2.6 Intangible assets

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

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

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

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

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

2.9 Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

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

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

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

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

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

2.10 Inventories

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

2.11 Production contracts

Production costs are recognised when incurred.

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

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

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

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

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

2.12 Receivables and prepayments

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

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

2.13 Cash and cash equivalents

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

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

2.14 Share capital

Ordinary shares are classified as equity.

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

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

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

2.15 Trade payables

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

2.16 Borrowings

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

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

2.17 Current and deferred income tax

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

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

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

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

2.18 Employee benefits

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

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

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

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

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

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

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

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

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

2.19 Provisions

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

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

2.20 Revenue recognition

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

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

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

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

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

2.21 Leases

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

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

2.22 Dividend distribution

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

3 Financial risk management

Financial risk factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Exposure to credit risk

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

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

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

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

(c) Liquidity risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Level 3:
Valuation techniques using significant unobservable inputs.

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

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

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

4 Critical accounting estimates and assumptions

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

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

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

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

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

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

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

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

Carrying amounts of the items mentioned above:

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

5 Segment information

Business segments

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

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

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

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

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

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

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

*) restated for inter-company assets taken out.

Geographical information

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

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

6 Other operating income (expenses)

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

7 Net finance costs

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

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

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

8 Staff & Reorganisation costs

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

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

9 Income Tax

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

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

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

10 Earnings per share

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

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

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

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

11 Property, plant and equipment

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

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

*) recategorised

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

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

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

12 Intangible Assets

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

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

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

*) recategorised

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

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

Impairment of Goodwill

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

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

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

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

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

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

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

13 Investments in associates

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

14 Receivables

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

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

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

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

The ageing of these receivables is as follows:

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

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

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

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

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

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

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

15 Deferred income tax

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

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

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

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

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

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

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

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

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

16 Inventories

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

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

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

17 Production Contracts

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

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

18 Assets and liabilities held for sale

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

19 Cash, cash equivalents and restricted cash

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

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

20 Shareholders' Equity

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

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

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

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

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

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

In 2010, 2,992 thousand shares were exercised at exercise price ISK 70 per share, 25 thousand shares were exercised at exercise price ISK 74 per share and 100 thousand shares were exercised at exercise price ISK 92 per share. Options equal to 2,013 thousand shares were cash settled as decided by the Group, due to rules on foreign exchange in Iceland, which make it complicated at the moment for employees of Marel subsidiaries abroad to exercise and settle their share options with share purchasing. After completion of the current exercise the Group has no plans to cash settle share options in the future. The weighted average exercise price of the cash settled options was 70.74 ISK per share.

Variables used in the Black Scholes calculation:

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

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

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

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

21 Borrowings

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

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

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

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

The Group has the following undrawn borrowing facilities:

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

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

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

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

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

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

22 Provisions

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

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

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

Specification of major items in provisions:

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

23 Employee benefits

The liability as per 31 December 2009 is given below:

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

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

The liability as per 31 December 2010 is given below:

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

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

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

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

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

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

The net period pension costs of the above pension plans:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 Derivate financial instruments

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

The contractual maturities are as follows:

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

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

25 Trade and other payables

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

26 Contingencies

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

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

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

27 Commitments and insurance

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

Operational non-cancellable lease liabilities - minimum lease payments:

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

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

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

28 Related party transactions

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

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

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

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

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

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

29 Fees to Auditors

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

30 Events after the balance sheet date

There are no subsequent events to disclose.

31 Business combinations

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

32 Subsidiaries

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

33 Quarterly results (unaudited)

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

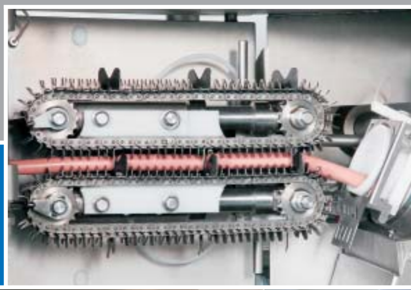
	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Revenue	135,685	133,659	132,002	130,334
Cost of sales	(84,966)	(83,915)	(82,771)	(88,354)
Gross profit	50,719	49,744	49,231	41,980
Other operating income (expenses)	(24,577)	(339)	15,715	32
Selling and marketing expenses	(18,309)	(16,960)	(18,441)	(19,733)
Research and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

Publication schedule for 2011-2012

Wednesday, 27 April 2011	1st quarter results
Wednesday, 27 July 2011	2nd quarter results
Wednesday, 26 October 2011	3rd quarter results
Wednesday, 1 February 2012	4th quarter results and annual results
Wednesday, 29 February 2012	Annual General Meeting

Design and layout: Hvita husid
Printing: Prentmet

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



STORK
POULTRY PROCESSING

TOWNSEND
FURTHER PROCESSING

marel