ANNUAL REPORT 2012

marel

Who we are

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

GLOBAL PRESENCE

With more than 4,000 employees worldwide, offices and subsidiaries in some 30 countries, and a network of more than 100 agents and distributors, Marel is in a unique position to serve its customers wherever they may be located.

A SINGLE SOURCE

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

INNOVATION: IT'S IN OUR DNA

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

ONE COMPANY ... SERVING FOUR INDUSTRIES

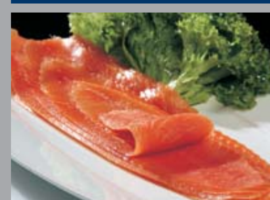
Our four Industry Centers gather together all the knowledge, expertise and decades of experience accumulated across our company in each of the four core industries we serve.

POULTRY

POULTRY PROCESSING:

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

FISH



FISH PROCESSING:

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

MEAT

MEAT PROCESSING:

Marel Meat Industry Center specializes in the key processes of deboning and trimming, case ready, food service and bacon processing.

FURTHER PROCESSING

FURTHER PROCESSING:

Marel offers an extensive range of products for portioning, coating, heat treatment and sausage-making under the brand name of Townsend Further Processing.

See corporate video in online report:
marel.com/corpvideo

TABLE OF CONTENTS

STORK POULTRY PROCESSING

TOWNSEND FURTHER PROCESSING

marel

MAREL IN FIGURES

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 Liabilities)

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

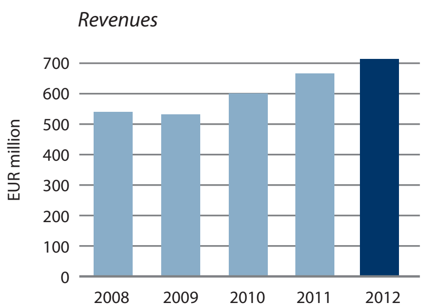
Return on total assets
Annualised result for the period / Average of total assets (beginning balance + ending balance for the period / 2)

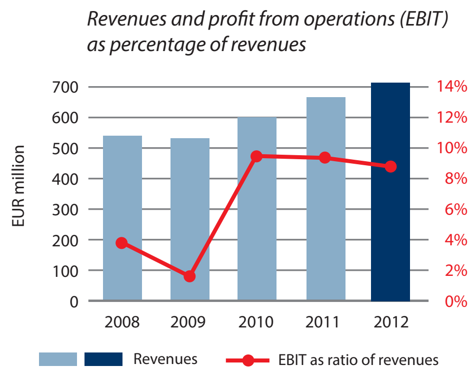
Leverage
Net interest bearing debt / Normalised last twelve months EBITDA

Amounts in EUR thousands

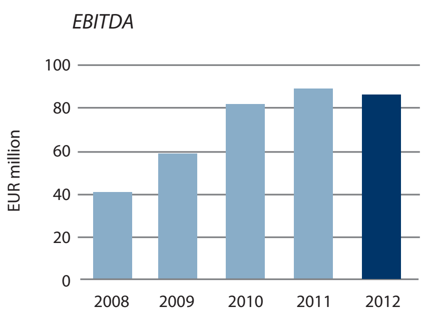
Results	**2012**	**2011**	**2010**	**2009**	**2008**
Revenue	713,960	668,357	600,421	531,680	540,149
Gross profit	249,226	247,289	227,074	191,674	178,931
Result before depreciation (EBITDA)	85,963	87,006	82,177	58,752	42,108
Result from operations (EBIT)	61,081	62,166	57,334	8,047	20,434
Net result for the period	35,609	34,463	13,626	(11,811)	(8,405)
Cash flow statement					
Cash generated from operating activities, before interest & tax	65,569	63,716	114,881	75,395	45,852
Net cash from (to) operating activities	49,095	43,183	78,988	25,526	9,602
Investing activities	(37,294)	(28,690)	(16,757)	10,758	(404,986)
Financing activities	(26,486)	(47,120)	(67,453)	10,168	386,481
Financial position					
Total assets	865,128	877,818	877,623	882,882	920,259
Working capital	59,076	52,487	78,114	109,111	(25,940)
Equity	403,748	373,471	343,269	323,797	288,279
Net debt	243,242	250,489	256,741	295,012	379,405
Various figures in proportion to sales					
Gross profit	34.9%	37.0%	37.8%	36.1%	33.1%
Selling and marketing expenses	12.6%	11.9%	11.8%	13.8%	13.3%
Research and development expenses	5.8%	6.0%	6.1%	5.9%	5.1%
Administrative expenses	8.0%	8.0%	9.1%	13.1%	11.1%
Wages and benefits	33.9%	31.4%	31.7%	36.1%	33.7%
Result before depreciation (EBITDA)	12.0%	13.0%	13.7%	11.1%	7.8%
Depreciation/amortisation	3.5%	3.7%	4.1%	9.5%	4.0%
Result from operations (EBIT)	8.6%	9.3%	9.5%	1.5%	3.8%
Net result for the period	5.0%	5.2%	2.3%	(2.2%)	(1.6%)
Other key ratios					
Current ratio	1.3	1.2	1.4	1.6	0.9
Quick ratio	0.8	0.8	1.0	1.2	0.6
Equity ratio	46.7%	42.5%	39.1%	36.7%	31.3%
Return on owners' equity	9.2%	9.6%	4.1%	(3.9%)	(3.6%)
Return on total assets	4.1%	3.9%	1.5%	(1.3%)	(1.2%)

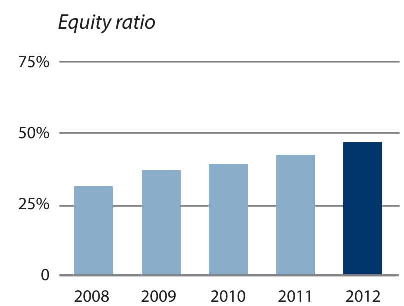
Key figures from Marel's core operations, normalised	**2012**	**2011**	**2010**	**2009**
Revenue	713,960	668,357	582,130	434,796
Result from operations (EBIT)	61,081	73,152	64,144	24,760
EBIT as a % of sales	8.6%	10.9%	11.0%	5.7%
Result before depreciation and amortisation (EBITDA)	85,963	97,992	88,060	47,432
EBITDA as a % of sales	12.0%	14.7%	15.1%	10.9%
Leverage	2.83	2.56	2.92	N/A

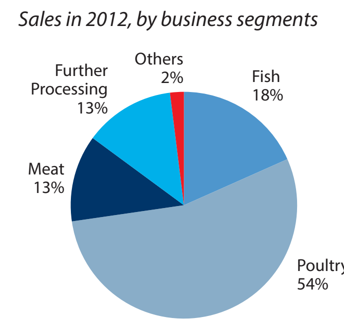


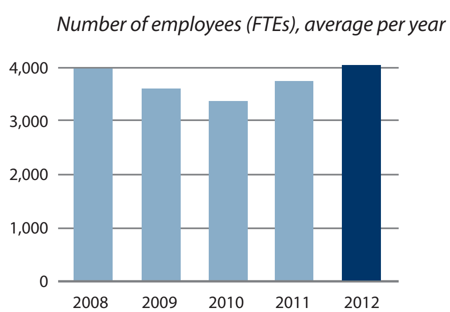


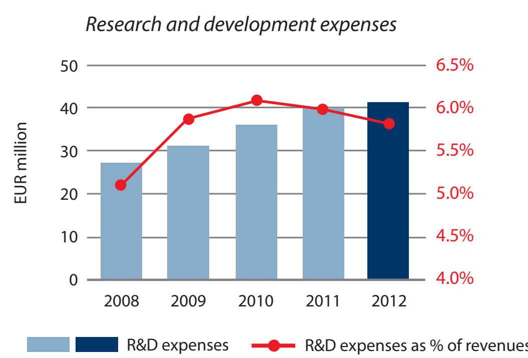
Note: The figures to the left are from the consolidated accounts of Marel. For key figures from Marel's normalised core operations, see relevant section on page 2. For further information, see chapter on Financial performance on pages 14-17.

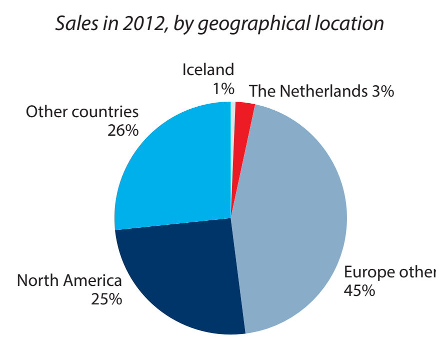












CHAIRMAN'S ADDRESS

We are proud of what we have accomplished. We are equally excited about Marel's future potential. Marel is at the center point of prevailing trends which are driving global economic development.

Our commitment to providing sustainable value has led to continuous advancement in how food is processed, benefitting consumers all over the world. Marel is the partner of choice in the production of high-quality food that is affordable, convenient, nutritious and environmentally friendly.

With a proven business model based on market penetration, innovation and operational excellence, Marel has grown revenues organically by 29% in the past four years, a period which has been economically challenging. At the same time we have introduced a steady pipeline of new products and strengthened our sales and service network.

Sales network in all regions of the world

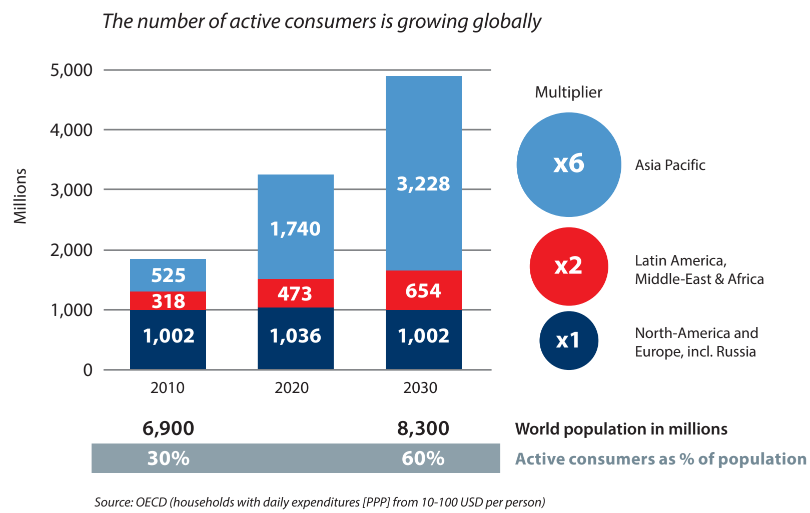
Marel is a truly global company with around 50% of new equipment sales originating from markets outside the more established markets in North America and Western Europe, compared with around 20% a few years back.

Sales of greenfield projects today will increase the installment base in new markets, leading to additional sales of standard equipment and maintenance services down the road. We serve our clients on a global basis through our extensive sales and service network that spans over 30 countries in all regions. All in all, Marel´s underlying quality of earnings remains high.

Last year I had the opportunity to visit our dedicated employees and long-term customers in Argentina, Uruguay and Brazil. Our clients in those countries operate highly automative and advanced beef and poultry processing plants. I am convinced that our opportunities in this region are immense in the near future.

The global middle class is growing

Our industry is directly benefitting from prevailing trends. Urbanization continues at an enormous pace in emerging markets, resulting in a rise in average family incomes, which in turn drives increased protein consumption. Moreover, the demand for convenience food is rising on a global scale.



In the past 20 years, our industry has been growing at a fast pace. That will continue. In the next two decades or so, the economic landscape will totally transform. The number of active consumers will be relatively stable in North America and Europe, including Russia, while we can expect to see multiple growths in South America, Africa and Asia Pacific resulting in the total number of active consumers rising to around 5 billion, compared with around 2 billion currently. An active consumer is defined as a person belonging to a family that has a steady income stream high enough to serve for base consumption.

Sustainability is a core driver

For decades, Marel has worked closely with the world's most forward thinking food processors in their unceasing quest for new ways of optimizing their processes and increasing yield.

Today, business is not only about increasing yield, it is about reducing Marel's customers' reliance on scarce resources. A great example of this is our poultry AeroScalder that enables our customers to reduce water usage by 75% and energy consumption by 50%, thus lowering considerably CO^2 emissions. Another important example of how Marel meets the challenges facing processers is the advanced flowlines and Innova software, which enable automatic traceability through the entire value chain.

Ready for the future

Marel's clients in historically strong markets in USA and Europe have been delaying modernization of their equipment in the recent economic turmoil, while underlying demand for healthy and convenient food continues to grow. It is clear that the US market, especially, is underinvested, which will most likely result in increased demand for advanced solutions and standard equipment in the near-term.

Now acting as one company and a market driven organization, Marel is fully ready to serve current and future customers in all regions of the world. In recent years, Marel has invested well in market oriented infrastructure. Marel is committed to continue investing above industry standards in innovation, thereby securing a strong pipeline of new solutions tailored to market needs.

I want to thank the Marel team for their committed work in recent years. Our competitive position is excellent, and we are well positioned to capture great value from prevailing trends. At the same time, we need to stay vigilant with strict focus on lean operations with the aim of delivering increased value to customers and shareholders.

Arni Oddur Thordarson
Chairman of the Board

CEO'S ADDRESS

Marel's two-phased strategy was announced during the Annual General Meeting in 2006. We are now implementing the second phase of this strategy. In phase one, Marel's growth was fuelled by acquisitions, which were concluded with the acquisition of Stork Food Systems in 2008. We are now in the middle of the second phase, where our focus is on strong organic growth.

Healthy growth in 2012

Despite rather difficult market conditions in 2012, Marel's revenues grew by a healthy 6.8% compared to the previous year. The market showed some slowdown in 2012 and therefore the growth rate of recent years could not be maintained. Growth drivers are our global market presence and commitment to innovation. Marel also made steps forward in operational excellence, such as significant improvements in several manufacturing locations.

Market situation

In general, the market situation in 2012 was not favorable. Nevertheless, Marel's revenue growth was well above market growth.

The major markets for Marel's Poultry Industry Center are Western Europe and USA. These two markets were difficult last year due to the global economic situation, but above all because of higher feed costs. Poultry customers were unable to raise their prices to offset higher feed costs, which put their margins under pressure. In the second half of 2013, we expect significant improvements in this situation, especially in USA. Marel realized important projects in growing markets such as China, South Korea and Brazil.

Moreover, the pork market was not in a strong position in 2012. Pork producers were struggling on account of higher feed prices as well as from overproduction in their markets. Several pork producers faced quite difficult situation in 2012.

Marel maintained a solid revenue base in Further Processing and showed very strong growth in the Fish segment. All in all, Marel revenues grew by a solid 6.8% in the face of challenging economic conditions, which I see as a great achievement by the hard working team at Marel.

Innovation

Innovation is one of the cornerstones of our strategy. Marel invests 5-7% of revenues in innovation annually, and in 2012 we launched 57 new products. By continuously bringing new products and solutions to our customers, Marel contributes to improved profitability in the industry. Our aim is that each new product has a payback time shorter than two years.

In all our industries we had major releases of new products. At the Brussels seafood exhibition we introduced the new MS 2730 filleting machine. In the further processing market, Marel launched the unique ModularOven, which gives our customers endless new cooking possibilities. A new version of the StreamLine has been launched in the meat industry, and the first sales have already been concluded. Finally, during the EuroTier show, Marel received a prestigious innovation award for the AeroScalder - an innovation which reduces both energy and water consumption and is therefore recognized as a major contribution to sustainability.

To sum up, as in previous years we launched great innovations in 2012, which will improve the profitability of our customers while ensuring future revenues for Marel.

Market oriented organization

Two years ago Marel changed from a more or less product oriented organization into a market oriented one. We established four industry centers: Poultry, Meat, Fish and Further Processing. These industry centers are all focused on the four markets we are serving. Excellent first results of this reorganization are clearly seen in all our industries. In particular, our activity serving the fish industry has brought about very strong growth of 21%, which we attribute to the new market oriented approach. In 2013, we expect that our four industry centers will further strengthen, enabling Marel to become even more focused on our core markets and loyal customers.

Outlook

Supported by recent industry reports, we expect our market to continue growing in coming years. Marel is excellently positioned to serve this ever-expanding market. With our wide global network and focus, Marel is capable of achieving strong growth in coming years. Looking at 2013, we expect that our major poultry markets in Europe and USA will improve. We could start to see this in the second half of the year, when Marel will be poised to resume the growth rate of past years.

Finally, I want to express my appreciation to our employees. When I am travelling to our operations, I am always impressed by the dedication and passion our employees have for what they are doing. Therefore, we pay special attention to the Marel team in this year's Annual Report.

Theo Hoen
Chief Executive Officer

See video introduction in online report:
marel.com/ceo

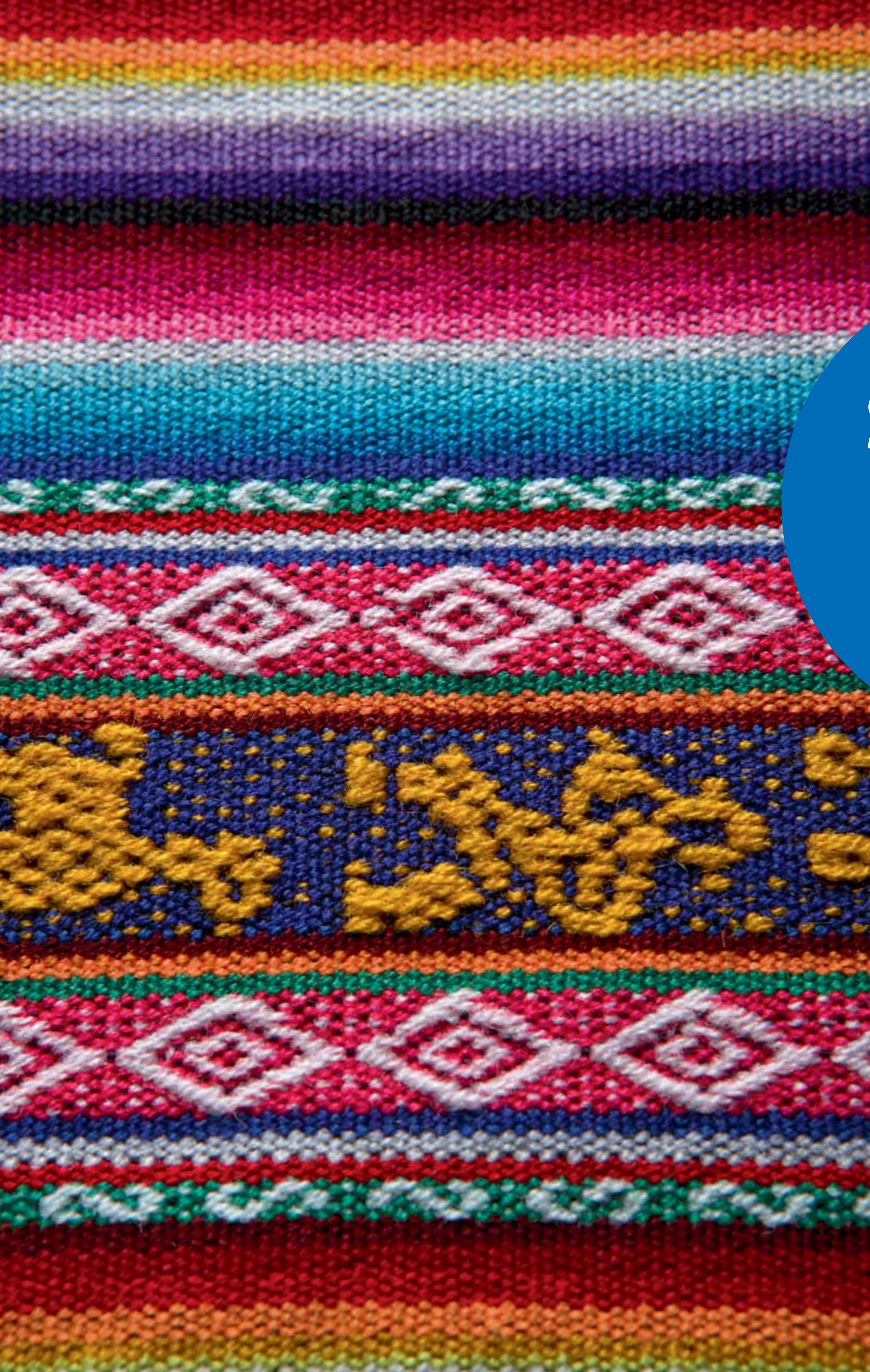
S-AMERICA

Close to 200 people work for Marel in five locations across South America

In the last decade, **BRAZIL** has overtaken the European Union as both the 2nd largest producer of **beef** and the 3rd largest of **chicken**, and is currently the world's largest exporter of chicken

COLOMBIA, where Marel recently opened an office, produces more than a million tonnes of **chicken** a year

PERU is the world's largest producer of **pelagic fish** and the 3rd largest of **seafood**



STRATEGY AND FINANCE

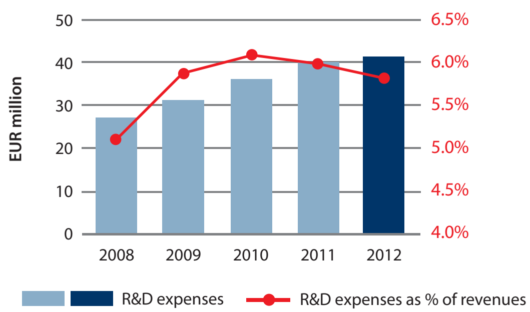
VISION

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

STRATEGY

Marel's growth strategy

Research and development expenses



In 2012, Marel celebrated 20 years of being listed on Nasdaq OMX Iceland. Now a market leader in providing systems, products and services to the protein industry, the Company has grown from its humble beginnings as a research project at the University of Iceland. Today, Marel is the largest company listed with more than 2,000 shareholders. It is fair to say that the continued support of shareholders and other financial partners has supported Marel in becoming an international leader.

The year 2012 was about maintaining strategic focus in a climate of challenging economic conditions, especially in Europe and North America. The growth strategy set in 2006 has been Marel's guiding light in all parts of its operations. Its foothold is the new market-driven organisation that aims to bring all employees together in one Marel, serving customers in the fish, meat and poultry industries.

Marel keeps its ear to the ground, communicating constantly with its customers worldwide. This is reflected in the Company's strong commitment to innovation for the benefit of its customers, consumers, shareholders and all other stakeholders.

An important factor in executing the Company's strategy is strengthening and expanding the sales and service network around the globe, which is Marel's first line of contact for customers at the local level. The Marel promise is to bring first-rate service, consistency and continuity to its partnership with customers.

Many other projects are underway to align the Company's resources towards reaching strategic goals. The management of the Company is well aware that the key to any successful business is the people who work together as a team to deliver benefits to customers.

The 4,000 people of Marel are based in over 30 locations on six continents. They have different backgrounds, education and experience but they share common Marel values and goals. The following summary of milestones shows only a fraction of what the Marel team has achieved in 2012, and how their activities are supporting the Company's strategy.

MILESTONES, ACHIEVEMENTS AND EVENTS

2012

was an exciting and productive year for Marel. The people of Marel around the globe have shown that through team work and commitment important milestones can be achieved. The Company is well placed for future endeavours.

JANUARY

4
Sales and Service Unit in Benelux launches local website

23
The Poultry Industry Center opens new website

24-26
International Poultry Expo, Atlanta

FEBRUARY

1
The 11th annual Marel Salmon ShowHow in Norresundby, Denmark

22-24
VIV India exhibition, Bangalore

MARCH

15
Marel awarded 'Knowledge Company of the Year' in Iceland

17
A new internal communications platform launched

27-30
Anuga FoodTec exhibition, Cologne

APRIL

3
Marel Blues Project plays at Reykjavik Blues Festival

24-26
Top results for Marel at the Seafood Processing show, Brussels

MAY

21
Marel's Meat and Further Processing sales divisions join forces in North America

JUNE

4
Marel's Further Processing Industry Center moves to a new office in Boxmeer

MAREL LIVE

20
Marel Live TV for sales training premieres

29
Twenty years of trading on Nasdaq OMX Iceland

We introduced
57 new products this year

We have
224 active patent families

We applied for a patent on
24 new inventions

We took part in
45 trade shows

We arranged
8 ShowHows
and **customer events**

JULY

11-13
A successful Avicola Porcinos trade show in Buenos Aires

AUGUST

5-9
Sponsoring the World's Poultry Congress

20-31
'Make It with Marel Days' Event in the Lenexa Innovation Center

SEPTEMBER

23-25
The success of the 2012 VIV China trade show was a proof of Marel's strong local presence in China

15
'Tour de Marel' raises close to €50,000 for local charities

OCTOBER

16
New HR section launched on marel.com

18
Marel opens the Nasdaq market in Times Square, NY

23
Meat ShowHow 2012 in Aarhus, Denmark

NOVEMBER

1
A regional Sales and Service Unit for Scandinavia is launched

8
Marel wins 'Marketing Company of the Year 2012' in Iceland

21-22
Coating Customer Event in Boxmeer

29
Marel now offers 19 local websites in 15 languages

13-16
Eleven brand new poultry processing solutions unveiled at EuroTier 2012

EuroTier Golden Innovation Award for AeroScalder

DECEMBER

21 Marel extends maturity of financing and converts all loans to senior level

FINANCIAL PERFORMANCE

Marel kicked off 2012 with a strong first quarter, both in terms of revenues and orders received. As the year progressed the strong growth of previous quarters slowed in line with prevailing trends in the global economy. Overall, 2012 was a good year for Marel with revenues amounting to EUR 714.0 million compared to EUR 668.4 million in 2011, an increase of 6.8%. The EBIT margin was 8.6%, which is below the Company's target of 10-12% return on revenues for the year.[1]

„The Company can expand its production capacity without heavy investments in facilities and equipment."

Erik Kaman, CFO of Marel.

Development of order book in 2012

In EUR million	Total 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Total 2012
Orders received*	702.4	185.4	179.6	133.1	152.3	650.4
Order book	188.9	189.4	182.6	151.4	125.4	125.4

** Includes service revenues*

Order book at acceptable level

Following very good performance in 2011, the year 2012 got off to a good start with substantial growth in revenues and a strong order book at the end of first quarter. The rest of the year was marked by slower growth and a decrease in orders received. Food processors delayed their investment decisions because of higher feed prices and difficult economic conditions. The order book at the end of 2012 amounted to EUR 125.4 million compared to 188.9 million at the end of 2011.

"The year has been challenging due to slower recovery in our most important markets," says Erik Kaman, CFO of Marel. "On the positive side, we know that our customers are delaying their investments; we are not seeing cancellations of orders. We have maintained our focus on strengthening our global network, and streamlining our sales and service teams in order to enhance our customer relationships. We have also continued to invest considerably in research and development.

1 The figures for 2011 were normalised for one-off costs of 11.1 million in Q2 2011 related to a principle agreement on the future arrangement of the pensions currently managed by the Stork Pension Fund.

2012 results in comparison to normalised core operations of 2011

In EUR mln	**2012**	**2011**	**Change in %**
Revenues	714.0	668.4	7%
Cost of sales	(464.7)	(421.1)	10%
Gross profit	249.3	247.3	1%
Gross profit margin	35%	37%	(6%)
Other operating income	0.5	(0.3)	–
Selling and marketing expenses	(90.1)	(79.8)	13%
Research and development expenses	(41.6)	(40.3)	3%
Administrative expenses	(56.9)	(53.7)	6%
Result from operations (EBIT)	61.1	73.2	(17%)
EBITDA	86.0	98.0	(12%)

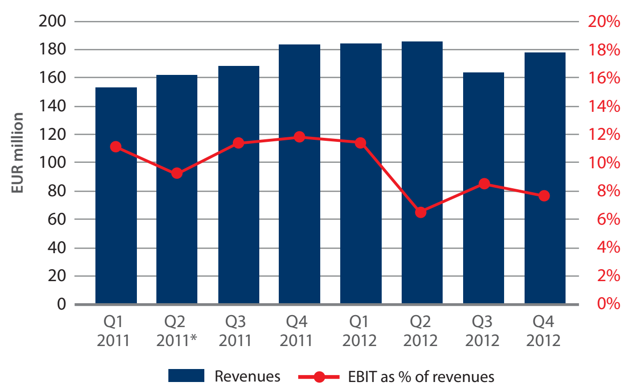
Marel's Board of Management

From left:
Sigsteinn Gretarsson, Chief Operating Officer
Theo Hoen, Chief Executive Officer
Erik Kaman, Chief Financial Officer

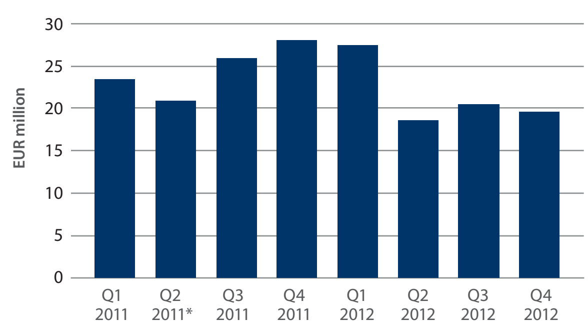
We aim to strengthen our position as a market leader by bringing a steady pipeline of innovative products to food processors worldwide that cater the ever-changing consumer needs."

The Company's revenue base remains strong and can generally be divided into three approximately equal components: 1) the sale of large systems, often for greenfield projects, 2) the sale of stand-alone equipment and smaller standardised systems, and 3) service and spare parts. However, last year large projects generated around 40% of revenues, whereas standard solutions accounted for less than 25%, lagging behind the previous two years, resulting in lower gross profit in 2012. Marel's poultry industry sector still accounts for over 50% of the company's revenues; however there are signs that other segments may grow faster in the coming years.

Revenues of core operations and normalised EBIT as % of revenues



Normalised EBITDA from core operations



** Results are normalised*

Response to economic environment

In the present economic situation, Marel's key emphasis will be on keeping the sustainability of the cost level without lowering the resources allocated to research and development. According to the strategy laid out in 2006, Marel is now in its organic growth phase. The Company can expand its production capacity without heavy investments in facilities and equipment. "We have taken many important steps in recent years in order to align the Company's resources, and to become more efficient in processes throughout the Company's operations. This will be the foundation which supports our long-term business goals. Our guiding light is operational excellence in every aspect of our business," says Erik. "We continue to restrict our investments in working capital by accelerating our cash conversion cycle. During 2012, we were once again able to improve our Days of Sales Outstanding and our Inventory Turnover Rate. However, we were unable to compensate for the impact of decreased orders received, which resulted in lower down payments on our Work in Progress at the end of 2012."

EBIT and cost efficiency

In 2012, the operational profit (EBIT) was 61.1 million, or 8.6% compared to normalised EBIT of EUR 73.2 million (10.9%) in 2011. "We feel this is a good result in a difficult environment even though it falls below our target range of 10-12% of revenues," says Erik. "The gross profit margin must improve, and our target is to reach 40% in 3-5 years. We will continue to maintain a strict focus on rationalisation, manufacturing efficiency and costs. There are many ongoing projects which aim at streamlining the business and further reducing Marel's cost base in a sustainable manner despite continued growth in line with strategic goals."

Financing

In December 2012, Marel signed agreements with its lenders to amend and extend the term of present loan facilities from November 2010 by one year, or to the end of 2016. This important achievement in global, turbulent financial markets will lead to more efficient financing and lower financing cost.

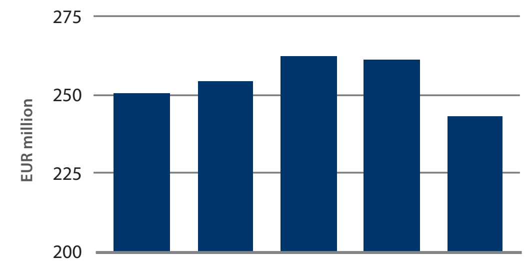
Marel's remaining ISK denominated EUR 7.6 million equivalent bond issue was repaid during 2012. Thus Marel has removed the remaining exposure to the Icelandic krona (ISK) in the Group Financing and is now only financed in EUR and USD in a proportion that gives a good natural hedge to exposure.

Key events during the year

A dividend of 0.95 euro cents per share, EUR 6.9 million, was paid out to shareholders, corresponding to about 20% of Company profits for the year 2011. The Company also purchased treasury shares to cover employee stock option agreements.

On 1 January 2012, management of the pensions previously under the purview of the Stork Pension Fund was officially taken over by the industry-wide Pension Fund for the Metal and Electrical Engineering Industries (PME) in the Netherlands. The agreement and subsequent transfer of the pension arrangements to PME is beneficial to Marel as it eliminates open-ended financial exposure to pension obligations in the future. At the same time, it safeguards employees' interests by establishing a stable and more secure foundation for the pension plans for the long-term future.

Development of net interest bearing debt



At end of quarter in EUR million	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Change from Q4 2011
Non-current borrowings	254.3	267.0	262.8	255.0	239.7	(14.6)
Current borrowings	27.1	19.4	19.5	19.5	19.4	(7.7)
Total borrowings	**281.4**	**286.4**	**282.3**	**274.5**	**259.1**	**(22.2)**
Cash and equivalents	30.9	32.2	20.3	13.4	15.9	(15.0)
Net interest bearing debt	**250.5**	**254.2**	**262.0**	**261.1**	**243.2**	**(7.3)**

ASIA & OCEANIA

Over 200 people work for Marel in twelve locations across Asia and Oceania

MARKET OVERVIEW

MAINTAINING LEADERSHIP IN A CHALLENGING ENVIRONMENT

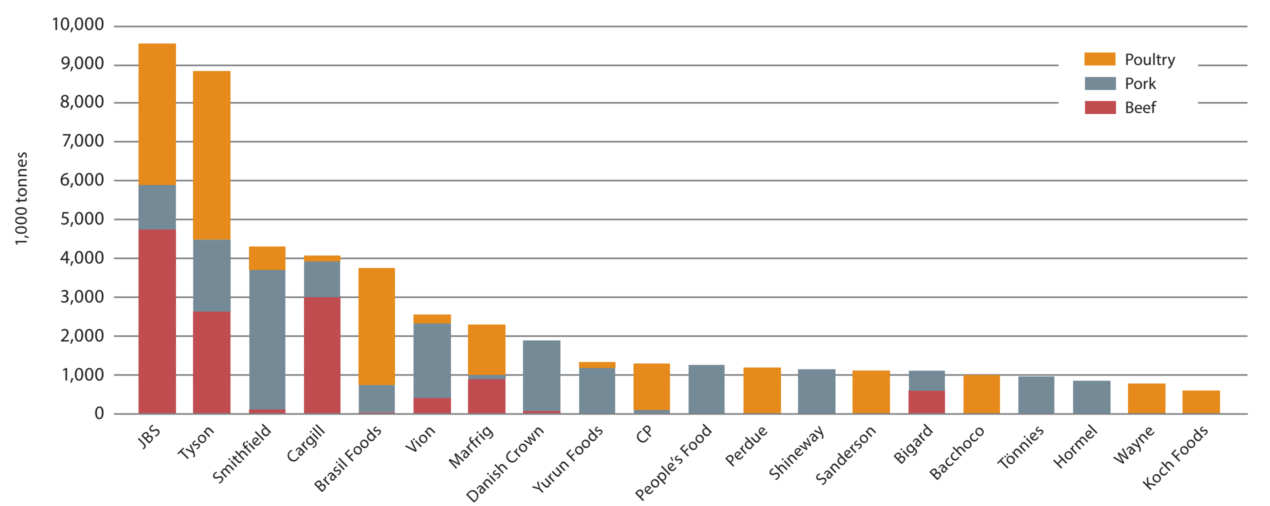
In 2012, Marel's strengths as a market oriented organisation with a solid international network of sales and service, and an unrivalled commitment to innovation, were put to the test.

The year started off strong, with the order book at the end of first quarter being at a similar level to the record fourth quarter of 2011. As the year progressed Marel's main markets, Europe and North America, struggled with difficult economic conditions and slower recovery than anticipated. Food processors were also pressured by higher feed prices. The result was fewer orders received in the latter half of the year.

Marel's geographical spread and broad range of solutions spanning from standard products to large systems for new factories, present Marel with opportunities to shift emphasis to meet different needs in various markets.

Marel relies on partnerships within the industry based on its longstanding commitment to innovation. The goal is to bring further benefits to Marel's customers and improve the profitability of the protein processing industry as a whole. There has been consolidation in the food processing industry resulting in larger players worldwide. Currently, most of the top twenty meat and poultry processors in the world are long-term Marel customers.

Global ranking - top 20 processors in meat and poultry in 2012



Marel's four industry centers are experiencing the benefits of the market oriented structure. Focusing on customers' needs means that Marel teams worldwide work together in supporting the customers in their ongoing quest for improved yield, more efficient processes and new equipment to serve changing consumer habits.

In conclusion, Marel maintained its leadership position in a challenging environment by building further on the Company's strengths. The Company grew faster than the market during last year, showing a solid revenue growth of 6.8%. Industry reports predict that the global fish, poultry, pork and beef markets will grow by 40% until 2030, which increases further the demand for advanced processing equipment. Marel is well placed to capture the future growth, and well equipped to deal with fluctuations of demand.

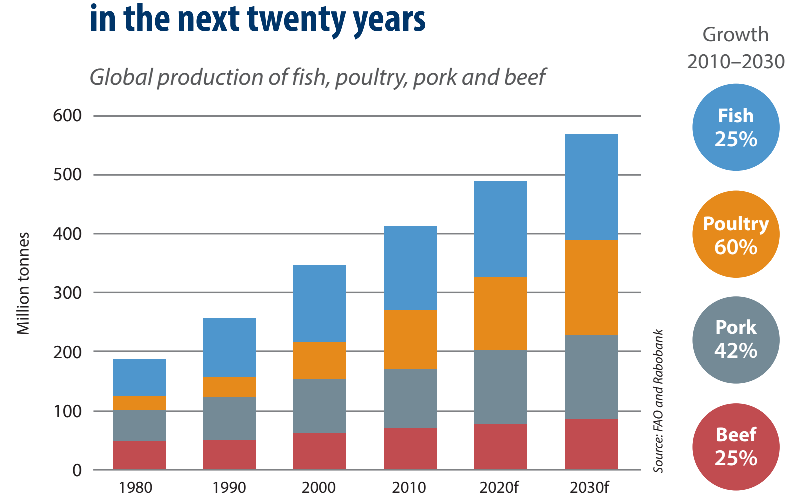
Industry drivers bring social benefits

Marel's commitment to providing sustainable value has led to continuous advancement in how food is processed, benefiting consumers all over the world.

- By reducing our customers' reliance on energy and water, ***we promote sustainability and conservation of scarce resources.***
- By helping food processors reduce costs and increase efficiency, ***we make food more affordable.***
- By rapidly responding to ever-changing consumer demand, ***we contribute to making mealtime a quality time for families worldwide.***
- By improving the handling of raw material and embracing hygienic design principles, ***we elevate the quality and nutritional value of food.***
- By developing highly advanced inspection and traceability systems, ***we ensure that the food we eat is safer.***
- By reducing waste by-products and increasing efficiency in food processing, ***we help protect the environment.***

40% increase in protein production in the next twenty years

Global production of fish, poultry, pork and beef



INNOVATION CREATES VALUE

“100% innovation: that’s how you could describe 2012 for Marel Stork Poultry Processing”, says Ton de Weerd, Managing Director of Marel’s Poultry Processing. “We launched over 10 innovative solutions, products that offer our customers important benefits in various areas. Although 2012 was challenging for processors in various markets, we realized numerous projects, large and small, that confirm our position as global technology and market leader. We further strengthened our position in several countries.”

„The Company’s position in Latin America has been strengthened during the year.“

Innovation

Important drivers behind the many innovative Marel Stork solutions launched in 2012 are the challenges that many processors face day in day out. Those challenges include rising costs, e.g. for feed, energy and water, the availability of labor and the ever growing demand for more and safer end products.

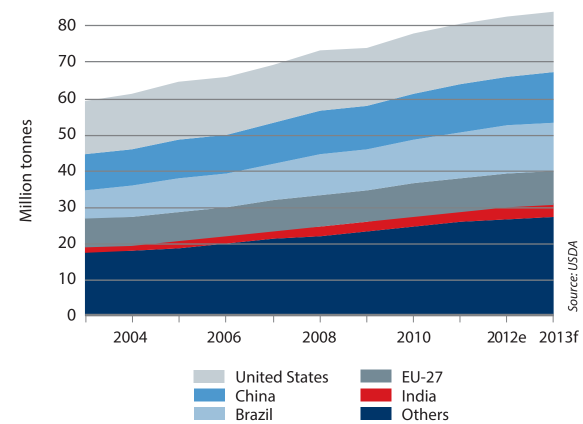
This is where Marel's innovative solutions like TrayTrack, SmartWeigher and IRIS contribute to better selection and product allocation in various steps in the process by raising overall process efficiency. Ton de Weerd explains: "Our new Final Inspection Machine (FIM-20 RotoVac RS) sets the new standard in product cleanliness and solutions like the new Linear RoboBatcher and the Multihead Weigher Fresh Products lower giveaway." The new products, developed in cooperation with our customers, were well received during their launch at EuroTier. The AeroScalder was awarded with the Golden Medal for Innovation by the EuroTier organization. The innovations will contribute to further growth of the Company over the next few years.

Growth and consolidation

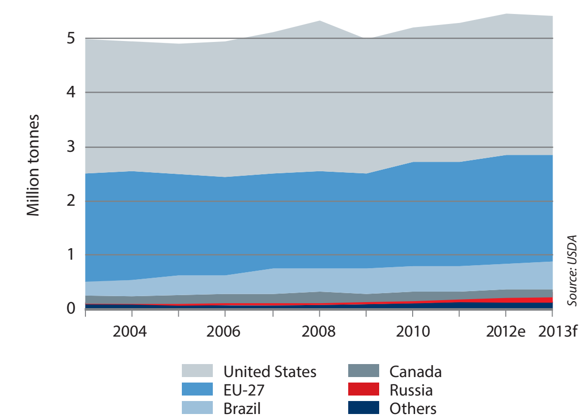
In the Far East Marel successfully realized several key projects, among them large scale greenfield plants that offer the most complete, automatic high speed processing solutions for processing broilers and a high capacity duck processing line (6,000 bph). In China we strengthened local presence further by scaling up the sales and service teams and by starting the production of parts of the processing lines in the Marel facility.

Besides high speed primary processing, chances for further automation of cut-up and also further processing are being capitalized. Food safety and full traceability are important themes, especially for the growing international food service and fast food companies in this region. With its expertise Marel is optimally suited to support these important distribution channels of poultry products.

Global broiler production 2003-2013f



Global turkey production 2003-2013f



"Marel is a place where commitment, quality, teamwork and service are second to none"

MEET OUR PEOPLE
marel.com/people

Europe

In Europe consolidation is ongoing. Many projects are focused on raising efficiency and yields, sustainability and cost reduction. Our solutions enable processors to face these challenges. The AMF-BX FlexControl breast cap deboning systems now offers menu control, a new product holder and new product possibilities. All together the filleting line runs up to 20% faster. The overall systems' yield and performance is raised once again.

In Russia several large projects were realized, amongst which two high speed processing lines and a completely integrated greenfield project, especially designed for the production of fresh products. Several other projects were secured and are under construction. One project sets the new standard in high speed duck processing in the whole region.

The American continent

In the United States, but also in Brazil, high feed prices influence margins for poultry processors. These markets now develop moderately. Marel continues to support customers by offering solutions that can contribute to further optimization of their processes. Marel's successful programs for preventative maintenance enable them to keep yields at an optimal level.

The Company's position in Latin America has been strengthened during the year. The new offices in Mexico and Colombia form an excellent platform for a more intensive market approach and enable further growth and development in the whole region. The successful realization of projects is a clear indication that this part of the global poultry market is rationalizing its industry.

Product spotlight

SmartWeigher

SmartWeigher is the all new whole product weighing module of the ACM-NT high-speed cut-up system for broilers. The system gives excellent weighing results at very high speed. It combines Marel's latest knowledge of accurate weighing in the dynamic environment of the northern seas with decades of experience in poultry processing. Hanging in the cut up shackle and without acceleration or deceleration, products are weighed in line.

The SmartWeigher's design is simple, robust and very compact. Once installed it is virtually maintenance-free. The cost of ownership is extremely low. SmartWeigher is made to work: it is a perfect example of how Marel makes equipment simpler by integrating technical solutions in an intelligent way.

See SmartWeigher in action:
marel.com/smartweigher

CUSTOMER STORY

Hazeldene's in Australia

"The Stork AeroScalder has improved efficiencies and streamlined our operation. It's just another in a long line of Marel Stork Poultry Processing solutions that we have invested in at Hazeldene's and it will not be the last," says Adam Hazeldene, Technical Services Manager at Hazeldene's (Bendigo, Australia).

The all new AeroScalder, that uses moisturized air to scald broilers, integrates seamlessly into the GP live bird handling system and the CAS Multiphase Stunning systems that Hazeldene's acquired earlier. The new setup makes Hazeldene's the most modern poultry processing plant in Australia. Adam Hazeldene says: "The new equipment has proven to be a successful upgrade on all fronts. The AeroScalder is good for the product quality, the productivity and the environment. It uses up to 75% less water and up to 50% less energy than conventional systems."

The Stork AersoScalder helps significantly in reducing Hazeldene's carbon footprint. With the cost of carbon now being a major factor for Australian businesses, a reduction in carbon use is paramount.

Adam Hazeldene, Technical Services Manager at Hazeldene's

See AeroScalder at EuroTier:
marel.com/aeroscalder

„Many of the Company's greatest innovations originate from partnerships where we have combined the customer's processing knowledge with our technical know-how."

IMPORTANT ROLE IN A GROWING INDUSTRY

"Marel has facilitated innovation in our customers' fish processing operations throughout 2012, and it is clear that facilitating and driving innovation will remain Marel's key role in the seafood industry's bright future," says Jón Birgir Gunnarsson, General Manager of Marel's Fish Industry Center. "We use our extensive knowledge of fish processing to focus on defining the needs of our customers, and provide advice on how we can add value with machinery, innovations and ongoing service."

Customer focus in foreground

In 2012, Marel's fish industry team has followed its strategy that puts fish processing and customer focus in the foreground. The strategy builds on the three pillars of sales – service – innovation. In practice, this means strategically implementing processing knowledge into systems on all levels, thereby raising the overall service level to Marel's customers. It is Marel's goal to add even further value to customers by systematically integrating processing knowhow into our solutions.

Marel has always placed much emphasis on developing strong partnerships within the industry. Many of the Company's greatest innovations originate from partnerships where we have combined the customer's processing knowledge with our technical know-how. In today's challenging marketplace, many companies are very much driven by ongoing improvements to their efficiency, yield and value creation, which make them an ideal fit with Marel.

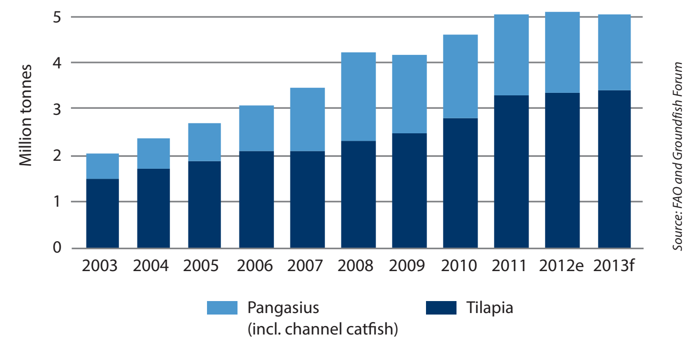
The fish industry is very dynamic, but various external factors affect industry players differently. Since Marel is serving both captured and farmed fish needs, the Company responds to different challenges in both segments. The general slowdown in the world economy in 2012 has affected the seafood industry, and has not passed Marel unnoticed. At the same time, these challenging market conditions present opportunities for Marel to provide individual customers with solutions to improve overall efficiency in their operations.

In 2012, we put great emphasis on maintaining our strong position in the traditional salmon and whitefish producing markets, where we delivered several important projects during the year. Moreover, we are aware of the strategic importance of reaping growth potentials in emerging markets where we are expanding our presence to grow opportunities.

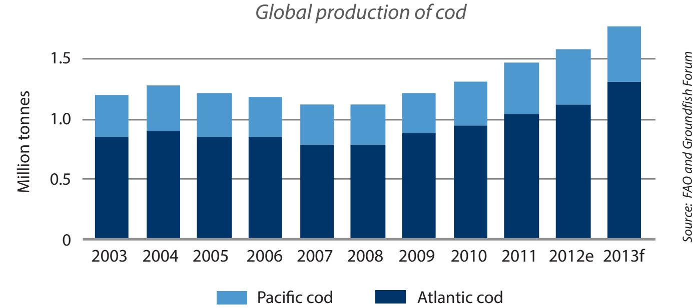
Building on previous successes in China

Marel had a strong focus on China in 2012. The combination of a challenging labor market and higher operating costs has increased the demand for more automation in China. This creates a niche for Marel's economic and labor-saving solutions, which deliver faster processing times, increased yield and improved product handling, as well as better management tools.

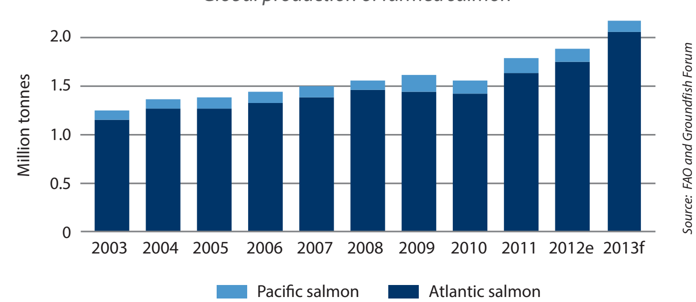
Global production of farmed tilapia and pangasius



Global production of cod



Global production of farmed salmon



"Working in a global team in a global company, really feels like you can make a difference!"

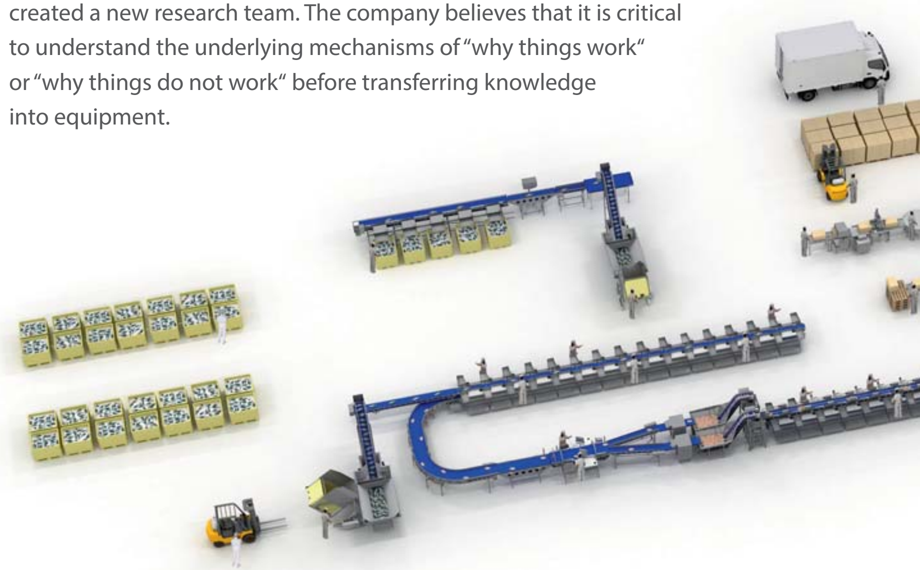
MEET OUR PEOPLE
marel.com/people

Early in 2012, Marel concluded its largest-ever single sale to the fish processing industry with a seafood processor in northeast China. The new whitefish processing flowlines feature solutions specifically developed to meet the requirements of Chinese fish processors. Furthermore, rapidly changing consumer behavior will create further opportunities for more sophisticated Marel products in the future.

Aligning resources

A running theme in 2012 has been to align the Company's resources to achieve further synergies between the three key components of sales, service and innovation. We have begun to reap the benefits of our clear strategy, which is feeding into increasing profits and is expected to continue to build on Marel's successes.

Innovation and research in fish processing technology are at the core of Marel's Fish Industry Center. There has been a switch in focus from 'machines' to 'processing technology' with a strong emphasis on research projects. To strengthen further its position in the fish industry, Marel created a new research team. The company believes that it is critical to understand the underlying mechanisms of "why things work" or "why things do not work" before transferring knowledge into equipment.



Product spotlight
Standard Flowline

Marel's Standard Flowline for the fish industry, with a focus on Tilapia, was demonstrated for the first time at the Seafood Exhibition, in Brussels. The new flowline for manual trimming and filleting is developed specifically to meet the requirements of processors in China and other emerging markets, where processing needs are changing as this traditional labor-intensive industry develops in favor of a higher level of automation. The flowline provides quality control assurance and full product traceability throughout processing, and gives processors more flexibility to compete in a very competitive industry.

See fish industry video:
marel.com/fishvideo

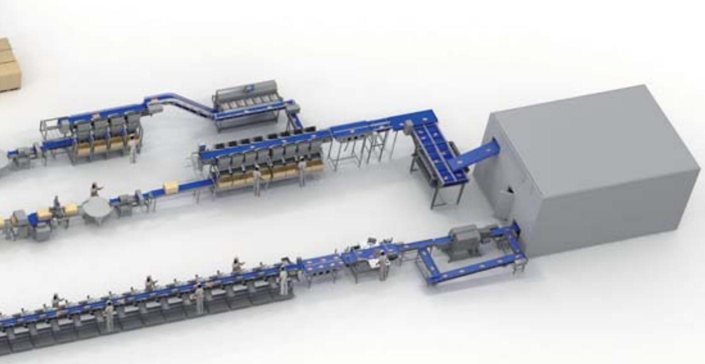
CUSTOMER STORY

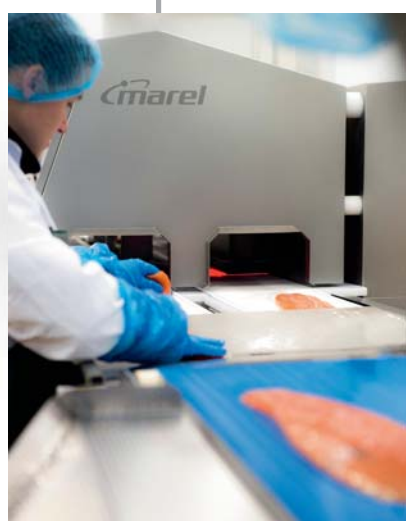
Morrisons in Grimsby, UK

Morrisons is the first supermarket chain in the UK to take on responsibility for the whole fish processing chain, from source to shelf. Marel was Morrison's partner of choice for complete processing lines for white fish and salmon.

"It was very important to us early on in the project to select people that we knew and trusted, and because of the short time frame – effectively we had to complete the first phase in six months – we wanted Marel," says Howard Sims, Managing Director of the Grimsby plant. "We're absolutely delighted with the equipment that we've got. It was on time, within budget, and it's working well."

Howard Sims and Rob Smith, Head of Operations, are the innovators behind this business idea. In addition to securing the supply of fish to Morrisons, improving quality and freshness were at the core of the business plan. "We're going directly to the source," says Rob, "making sure that we shorten the logistics chain into this business, trying to take four days out of it in order to get the freshest fish possible into the facility. Using the Innova system – giving it traceability all the way through – the factory is helped tremendously."





Howard Sims, Managing Director of the Grimsby plant

Rob Smith, Head of Operations

See video interviews and factory buildup:
marel.com/morrisons

FOOD SAFETY AND YIELD ARE IMPORTANT DRIVERS

"2012 posed several challenges to the global meat industry," explains David Wilson, Managing Director of Marel's Meat Industry Center. "Our customers compete on thin margins and feed prices have been high for most of the year. This has led to less investment in new processing technologies in mature markets, such as USA and Europe. However, we saw increasing activity in Asia and South America over the second half of the year."

"Food safety also remains a major priority for processors and retailers alike."

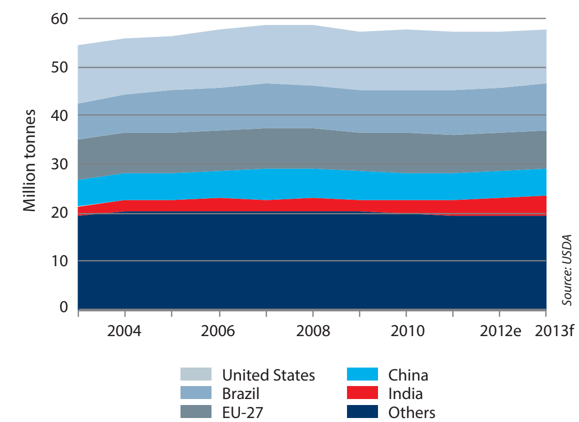
Yield is one of the most important KPIs in fresh meat processing. 65-70% of the cost of the finished product is in raw materials (meat or animal). Consequently, red meat processors need to be in complete control of their process and where possible maximize their overall yields, with particular focus on their products with the highest value. However, effective yield management is a very difficult discipline to master.

Marel's StreamLine deboning and trimming system is a unique technology enabling meat processors to optimize their product flow and throughput, while providing management information to monitor overall yield performance.

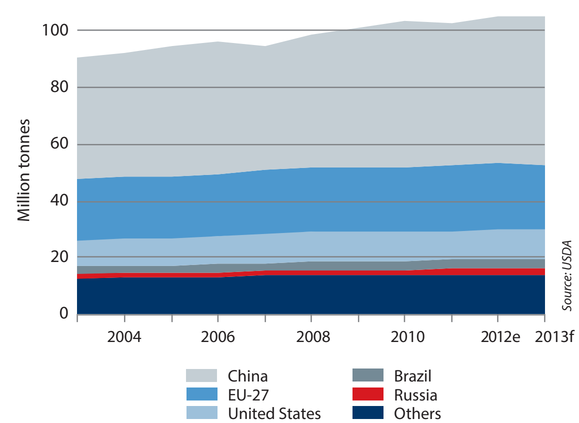
"We have begun to see the effect of the fast growing demand for meat in the developing countries," says David. "During the course of 2012 we have been successful with large beef deboning and trimming solutions in Australia, Finland and Germany - but also in new markets such as China, Chile and Mexico."

Food safety also remains a major priority for processors and retailers alike. Marel's new Trim Management System, with its very successful SensorX technology as the heart of the system, is a prime example of the emphasis Marel places on meeting their needs in this regard. This system combines the X-ray technology for bone detection, with the capability to determine the Chemically Lean (CL) level of trim. This enables the production of batches of trim to best meet the customer's requirements, through optimum utilization of the incoming material.

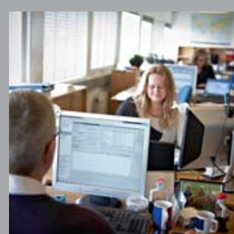
Global beef and veal production 2003-2013f



Global pork production 2003-2013f



"The place where I forget time"



MEET OUR PEOPLE
marel.com/people

MEAT PROCESSING

At its very successful Meat ShowHow event, Marel recently exhibited solutions which support the value optimization from by-products. Maximizing yield and minimizing give-away of such by-products is extremely important to maintain a competitive edge. Examples of these systems include Marel's Pig Head Deboning system and the newly developed Multihead Weigher.

In the Case Ready sector, which is an increasingly competitive industry, fresh food processors must be able to keep pace with the ever-increasing demands of supermarkets, the food service industry and consumers. In Australia one of the major supermarket chains recently purchased a Case Ready line for red meat including a StreamLine trimming solution, an I-Crust freezer, and an I-Cut 55 portioning machine.

It is important to understand the business models and drivers of our customers in various parts of the world. In Oceania, and North and South America, the focus is on lower cost production to match a growing export market; whereas in Europe the drivers are more towards synergy in distribution. In Russia and Asia we see more local market growth. To serve these markets and work according to these trends Marel meat specialists are constantly in contact with our local customers, putting their expertise, knowledge, experience and extensive product portfolio at our customers' service.

In 2012 we continued to be successful in the high end red meat markets, where customers are looking ever more towards cost control and yield monitoring. Our solutions in combination with our unique Innova software, as a monitoring tool providing management information and feedback from the production floor, are gaining ever more popularity.

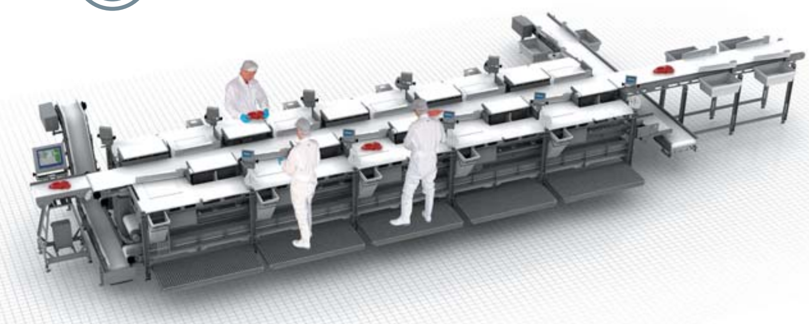
See meat industry video:
marel.com/meatvideo

Product spotlight

StreamLine Meat

The Marel StreamLine deboning and trimming system enables meat processors to monitor and collect data on yield, throughput and quality throughout the entire processing cycle. StreamLine can be configured for a variety of tasks, including deboning, trimming, membrane skinning, tying and sawing, allowing processors to cater entirely to their customers' specifications.

See StreamLine Meat in action:
marel.com/streamline



CUSTOMER STORY

Krasno in the Czech Republic

A yield improvement of 1.3% and productivity increase of 20% is reality at Krasno, the largest pork processor in the Czech Republic after having installed a StreamLine deboning and trimming system in one of their production facilities.

"Seeing the positive results of the line, we should have made it bigger from the start" says Mr. Pilcik, Director and owner of Krasno – about the StreamLine system which was installed in 2011, "We spent some time getting the line fully tuned in to our production and getting the operators trained, but once those things were sorted the results have been really positive."

Purchasing Director Tomas Lesa continues, "We bought the StreamLine system to better control and measure yield, get a transparent evaluation of the operators and of course increase productivity. We have reached all of that plus more." In addition to the mentioned measurables, Krasno has also experienced positive side effects, including a very successful connection to their warehouse system, faster run-through time of raw material, and new ways of thinking of the operators as well as quality evaluation of supplies.

See video interview:
marel.com/krasno

Mr Pilcik, Director and owner of Krasno

Tomas Lesa, Purchasing Director

BUILDING ON CUSTOMER RELATIONSHIPS

“The year 2012 can be summed up in two words for Marel Further Processing: steady growth,” says Bert Jan Hardenbol, Managing Director of Marel’s Further Processing Industry Center.

“Throughout 2012, Marel’s Further Processing industry segment has seen the most growth in South America, Eastern Europe and the Far East, due largely to the high number of start-ups.” There are strong developments in these parts of the world, apparent from the many investments in complete production lines. The demand for co-extrusion sausage equipment in these and other regions has increased further and is expected to continue to do so over the coming years.

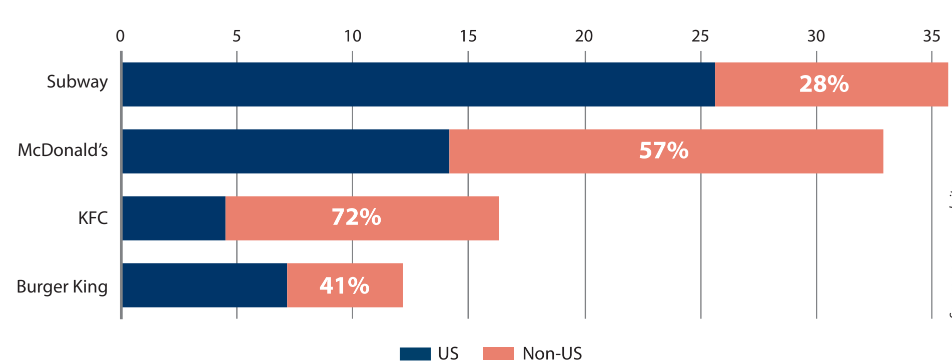
„Marel has a loyal customer base that is growing steadily. This trend has the positive flow-on effect of boosting Marel’s after-sales business.“

In North America, Marel installed no fewer than three QX sausage production lines for one customer in 2012. This trend is likely to continue, as more sausage producers become aware of the technology available to them and the advantages that it brings.

As prices for natural casings have risen sharply, sausage producers have been looking for alternatives. Gel casings have proven to fit the bill as they can come closest to the original specifications of the product in bite, color and taste. Marel has achieved much in this area, thanks to a considerable investment in research and development. Gel casings, applied through co-extrusion technology, result in much lower costs, increased process efficiency and shelf-life. There is far less human involvement, decreasing costs and increasing hygiene.

In other parts of the world, many customers have expanded by adding new solutions to their existing Marel Townsend equipment portfolio or by replacing certain machinery with a higher capacity model. Marel has a loyal customer base that is growing steadily. This trend has the positive flow-on effect of boosting Marel's after-sales business. In response to this, new service products are continuously being developed, such as Service Level Agreements, customer training courses and spare parts kits.

Internationalisation of selected quick service restaurants



Marel, where mind meets imagination and innovation is born

MEET OUR PEOPLE
marel.com/people

FURTHER PROCESSING

In June, the Marel Further Processing Industry Center headquarters in Boxmeer moved to a brand new building. After a construction period of a little less than a year, the new office building for the approximately 165 Marel employees was ready. The new building consists of two floors of office space with two large production halls towards the rear of the building. The empty offices left behind have since been filled by Marel Poultry Processing colleagues, who welcomed the extra space.

This expansion of facilities was necessary following sustained growth, both in personnel and machines in development, and to prepare for future growth. The new building will allow the Further Processing Industry Center to increase its focus on the business units and the market, since almost all functions are now under one roof. There will be more capacity to specialize, more integrated project work and greater efficiency, as well as an increased ability to be flexible when responding to customers.

See industry video for further processing:
marel.com/fpvideo

Product spotlight
Co-extrusion technology

Co-extrusion is a completely automated process for producing sausage with a gel casing. A uniform thin layer of gel is applied ingeniously to the outside of the sausage just as it is being formed, eliminating human contact with the sausage product. This allows producers to produce higher volumes set against lower costs, with results that are almost indistinguishable from traditional production methods. Marel Further Processing has amassed a great deal of knowledge on the different types of gels (collagen, alginate, hybrids) that can be used in an extremely wide range of fresh and cooked/smoked sausage applications.

See co-extrusion in action:
marel.com/coextrusion

CUSTOMER STORY

Salm Partners in the United States

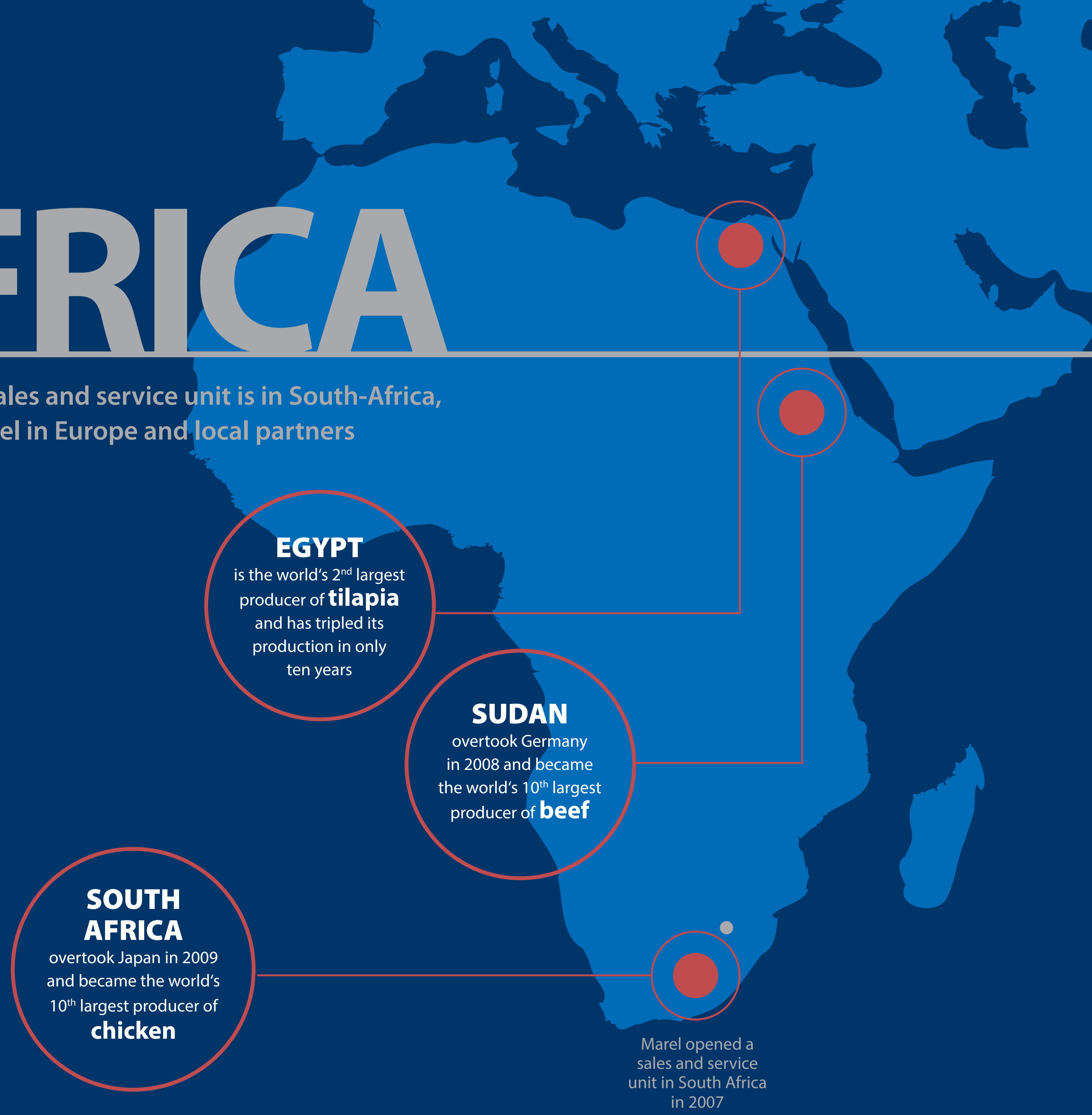
Salm Partners is a manufacturer of smoked sausage and hot dog products for brand marketing customers. They use an innovative production process, which is why they have chosen Marel Townsend Further Processing solutions several times in a row. "They have an inventive nature about them," says CEO Chris Salm. He sees the partnership with Marel as a two-way relationship, "From them to us and us to them." He explains how the partnership has enhanced both his business and Marel's Further Processing: "There have been changes made at Marel because of experiences we had. They not only allow us to have these experiences with the equipment, but they turn around and they listen and make changes as a result."

Christopher P. Salm, CEO
Salm Partners LLC

See co-extrusion production in action:
marel.com/salm

AFRICA

Marel's regional sales and service unit is in South-Africa, supported by Marel in Europe and local partners



BUSINESS OPERATION

ALIGNING OUR RESOURCES WORLDWIDE

Important steps were taken to strengthen Marel's geographical network in 2012. "In recent years we have expanded significantly into new markets. Now the focus is on clustering areas together in a critical mass so that we can best serve our customers, as well as gearing up for new areas. We are aligning our resources worldwide to be better equipped for the future," says Petur Gudjonsson, Managing Director of Marel's International Sales and Service Network.

In South Africa, all business activities have been placed under the umbrella of the Marel office, a move that has been well received by our customers. "In Brazil, we had a very successful year delivered by our fully integrated Marel offices, and UK didn't show any signs of economic downturn and performed well," adds Peter Gudjonsson.

Summing up the year 2012, the results show that Marel is penetrating its target markets with more strength every year. The Company's global network is well balanced to address industry downturns in certain areas and growth in others.

China still in focus

Marel's groundwork and strategic penetration into China and other fast-growing new markets has resulted in great successes during 2012. China is taking significant automation steps in protein processing, and Marel intends to be a major player in the modernization taking place at Chinese food processors. Marel successfully sold large high level systems to all of its core industries of fish, poultry and meat. Furthermore, Marel's single largest sale to the fish industry in 2012 was in China. Marel strengthened local presence further by scaling up the sales and service teams and by starting the production of parts of the processing lines in the Marel facility.

New Marel offices

Committed to broadening its sales and service network, Marel opened an office in Mexico in mid-year, and has already had an impact on the market. The Marel brand is gaining more attention and becoming well known in all industries. We are already realizing our first projects in the region.

Marel formally opened its office in India during the latter part of the year where we experienced a successful first year, especially in freezers. "We expect this market to be a key one in the future as India is likely to take a giant leap in the next five to ten years, similar to what we saw in China roughly five years ago," says Petur.

Regional approach

In 2012, Marel clustered two areas into regional concepts: Scandinavia and South America. The Scandinavian region consists of Norway, Sweden and Denmark, which is now headed by one management team. The idea is to better tap into our specialists' knowledge and experience in each industry, so that Marel's customers will receive expert service at all times.

The South America region includes Chile, Peru, Uruguay, Argentina and Paraguay as the primary countries. In addition, Marel conducted business in other countries in the northern part of the continent with very good results in 2012. Marel views South America as one of its most important market regions going forward.

Training across the globe

Operating an international network of sales and services comes with many logistical and cultural challenges. One challenge is how to keep all the sales people around the world updated on new equipment and solutions that Marel steadily introduces to the market. To be more effective in training its sales teams, Marel launched its very own live broadcast channel for its people located all around the globe. In fact, this is a mobile Internet TV station operated by Marel's multimedia and communications experts. In live broadcasts, Marel's newest solutions are introduced monthly by sales specialists. At the end of each session, the Marel viewers can send in questions which are answered in real-time by the specialists. The aim is to expand this to service training, and other ideas are also being discussed.

See video on Marel LIVE:
marel.com/marellive

SHARPENING THE SERVICE EDGE

In 2012, alignment and optimization of Marel's resources were particularly important for the service part of operations. The Company's product portfolio covers a broad scope that calls for a new and enhanced service structure. "We still have some work to do in aligning and optimizing the supply chain and service offerings between industries, product lines and markets. However, the customer expects reliable and responsive service at all times, as any disturbance can negatively affect the bottom line. We are constantly gearing the Company to meet that challenge with better coverage and service offerings," says Trausti Arnason, Global Service Director.

Integration work continued as former Stork and Marel service teams worked together to strengthen Marel's workforces, and bring them closer to customers. Brazil, Australia, Spain, China and Poland are now fully integrated. "We have also integrated smaller offices on the regional level, and our service teams in Romania and Poland are now under one management. We are completing integration in Norway, Sweden and Denmark, and South America is now under one service management," says John Prendergast, Global Service Advisor.

Expanding Marel's geographical coverage ranks high on the to-do list. India and Vietnam are the latest markets to join the company's global service organization, two very exciting markets with new opportunities and challenges.

Service vision and strategy

Marel's service vision is to support the customers' preferred balance between maximum uptime (throughput), minimal cost of ownership, and maximum yield (performance).

Marel's service strategy is to generate added value for customers by developing, maintaining and improving customer relationships, as well as to create a balanced service triangle for each customer, thereby transforming from a product oriented organization to a customer based entity.

The Company's service portfolio covers everything from help desk and remote support, to preventive maintenance programs, emergency support, process consultancy, user training and spare-parts deliveries.

"The customer expects us to outperform in all areas, including cost, knowhow and logistics. We have now aligned our spare-parts business to be market compliant on prices and logistics, and to fulfill customer expectations as well as our own strategic objectives and vision. While we optimize our reactive service levels, we will also continue to build up and develop managed services regarding proactive maintenance concepts and performance agreements," says Trausti.

A knowledge driven service organization

Marel provides professional service solutions to the food processing industry worldwide with a service organization that spans 30 countries comprising more than 600 employees, who perform an average of 1000 customer visits daily.

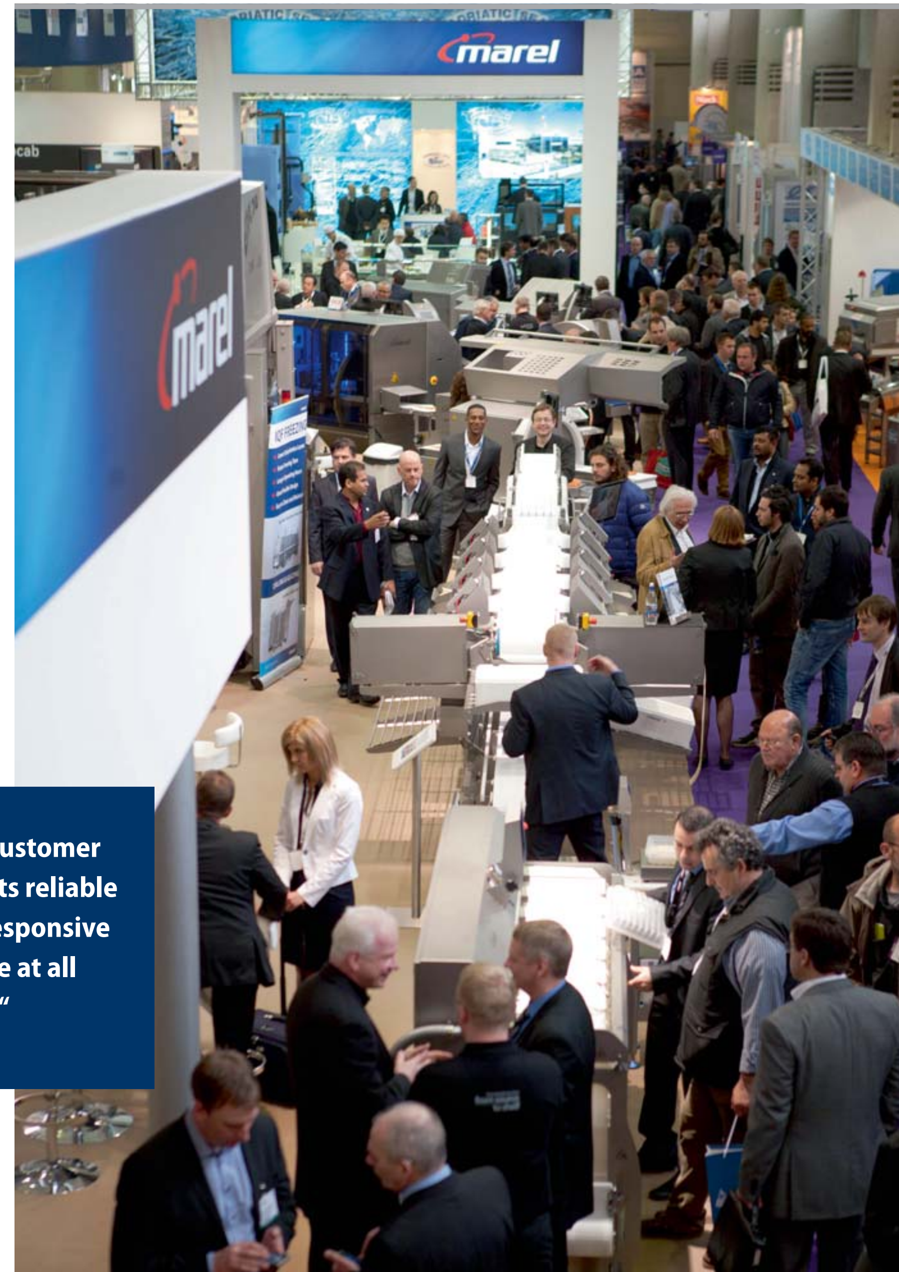
Being a major market leader in its field, Marel is constantly challenged to develop innovative products and solutions, in addition to meeting customer demands for excellent service. Marel needs to be a dynamic, knowledge driven organization to remain a market leader. To this end the Marel Academy was established, and has been growing steadily. In 2012, the Marel Academy conducted more courses and graduated more students than ever before: 80 service courses were held for 650 participants.

“Every year, hundreds of engineers and customers take our training programs, either through traditional classroom and hands-on courses, or through e-learning and online webinars. Our ability to deliver quality service comes down to the ability and motivation of our employees. Our service engineers, consultants and service coordinators are on the frontline of Marel’s customer experience, and they are expected to deliver value every day. A skilled and efficient service workforce is therefore critical to provide our customers with the quality service they expect and deserve,” says Trausti.

Taking the worry out of service

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

„The customer expects reliable and responsive service at all times.“



INNOVATION IS OUR PASSION

For Marel, 'innovation' is not just a trendy word; it is the essential element when striving to offer the best, every single day. The Company's goal is to provide its customers with solutions that give them the edge over their competitors. To achieve this goal, Marel introduced 57 new products in 2012. Marel believes that bringing innovative products to its customers is the best way to keep them ahead in a competitive market.

"Marel has brought a large number of new solutions to the market over the years, many of which have become benchmarks for the industry as a whole. You might say that innovation is coded into the DNA of our organization; it is almost second nature to us," says Wim Beeftink, Technical Director at Marel's Poultry Industry Center in the Netherlands.

Investment in innovation is key

The structure of Marel reflects our emphasis on innovation. For every market and application, Marel designates a team of sales, service and innovation specialists to make sure there is a continuous flow of valuable ideas being developed into new additions to the product portfolio. Innovation is not luck, but hard work that involves leaving the office to learn and work in the field with customers.

The ultimate aim is to simplify existing processing methods and use intelligent thinking to develop the breakthroughs that mean real changes for the industry and consumers. With the current product and high speed requirements of protein processing, this is becoming more and more challenging, which is why Marel maintains a large and strong research and development team. Marel enjoys good relations with many suppliers of knowledge and solutions. The Company's annual investment in innovation is well above the industry average. Investment in innovation means investing in people who are dedicated to finding increasingly ingenious ways to benefit customers and consumers.

Understanding our customers

The literature states that good innovation starts with the market. At Marel, we commit to understanding the business models and drivers of our customers in various parts of the world. We have created not only an environment but also a formal process to make sure that the market plays a central role throughout the whole development cycle. Intensive cooperation between Marel's team of experts – in sales, service, innovation and manufacturing – and the Company's entrepreneurial customers is the real reason Marel excels in innovation each year. This partnership ensures that Marel can assist its customers in reacting to ever-changing consumer habits and in rising against challenges in the external environment such as the need to save energy and water or improve the yield of the protein being processed.

Marel's new Standard Flowline for manual trimming and filleting is developed specifically to meet the requirements of tilapia processors in China and other emerging markets, where processing needs are changing as this traditional labor-intensive industry develops in favor of a higher level of automation.

In Oceania, North and South America, the focus of meat processors is on low-cost production with a growing export market, whereas in Europe the drivers are more towards synergy in distribution. To serve these markets and work according to these trends, Marel meat specialists are constantly working with customers, putting their expertise, experience and extensive product portfolio at the customers' service.

100% Innovation at EuroTier

Marel's theme for EuroTier 2012 in Hannover was "100% innovation" and all the products the company exhibited at the show were genuinely new. The eleven innovative new products Marel launched at the show targeted "higher yields", "process control", "food safety" and "sustainability" in order to offer customers profitable improvements to their processing operations. Marel proudly received a EuroTier Golden Innovation Award for its AeroScalder, one of the innovations exhibited at EuroTier. The benefits of the AeroScalder include water reduction of up to 75% and an energy reduction of up to 50%.

"Marel is a place for unified **creativity** and **innovation** formed through roots of diversity"

MEET OUR PEOPLE
marel.com/people

Benefits of integration

We are already seeing the results of Marel's successful integration process on the product portfolio. Key technology of hardware and software modules has been introduced across the entire Company to enable seamless communication and data integration in INNOVA, the backbone of many processing plants. A less visible example of active knowledge sharing is the SmartWeigher for weighing whole poultry carcasses in overhead conveyors, a new and much simpler weighing concept giving excellent weighing results at very high speed. It is a true example of the knowledge transfer that takes place in the new organization, as the system combines the best solutions for accurate weighing in dynamic environments with years of experience in poultry processing.

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

Patents and inventions

Patent protection is vital to Marel. In 2012, the company applied for a patent on 24 new inventions. The current patent portfolio consists of 224 granted patent families. Marel introduced 57 new products during the year.

OPERATIONAL EXCELLENCE

A WAY OF THINKING

Manufacturing

As part of the ongoing implementation of the Marel Manufacturing System (MMS), all 16 manufacturing sites have ongoing initiatives aimed at process improvement and increasing flexibility and speed. Some sites have been undergoing a transformation process; rethinking their operations entirely to create value. We have being seeing that cooperation in the global community is creating energy and presenting new opportunities, and the success stories that have been reported from different corners of the world confirm our belief in one shared vision.

The Marel team is well aware that this journey to continuously improve business processes is a never-ending task. At Marel, we believe in constantly challenging the status quo; yesterday's thinking will not solve tomorrow's problems. For that reason, we strive to get as many people as possible involved in the improvement process. Our motto – "everybody every day" – reminds us that doing little things all the time generates big achievements over time. An intensive focus will now be placed on making the overall vision and strategy within manufacturing accessible for all manufacturing employees. "This will enable us to carry the momentum forward to create an MMS force that will transform our process making and help us achieve the Company's overall goals," says Fred Vijverstra, Global Director of Manufacturing.

We are now considering which products can be transferred from current manufacturing locations to new manufacturing locations like Slovakia, China, Brazil and the USA, to better utilise all locations, to reduce overall costs and/or be closer to the market.

Operational excellence

An important prioritisation has been made in defining three strategic focus points: *improved customer service, improved data integrity* and *modularisation of products*. Each of these strategic focus points call for operational excellence practices to enhance performance and make it possible to realise strategic goals. In 2012, we promoted operational excellence in several parts of the organisation and as a result we see increased activity in the operating units.

Mariette Ferrari, Corporate Director of Finance: "By analysing the total value stream and creating transparency in the cash conversion cycle, we are identifying and creating awareness of the improvement potential in many parts of the Company." In the Modularisation program, as well as the Working capital/business process improvement program, activities are defined to make the cash conversion cycle shorter, which should help the organisation in many ways; such as minimising time-to-market in innovation or shortening the processes of delivering products and services to our customers.

In our Corporate Procurement program we have realised and are continuously identifying further potential improvements in creating global contracts and long-term relationships with our suppliers. We strive to increase the volumes in these contracts by standardising our parts. All these initiatives lead to improved bottom-line results, but will at the same time improve control on our working capital.

By promoting *operational excellence* we encourage our people to become problem solvers so that as many employees as possible are improving processes as part of their daily work and are identifying further improvement potential while doing so. The result should be that Marel will do more with less; i.e. increase throughput with minimal capital investments, with resulting positive effects on our profit margins. We use operational excellence to free up time, energy and space for our valuable employees to create breakthrough products, penetrate new markets and fulfil the needs of our existing and future customers.

,, Marel is by far the **best company** I have ever worked for ''

MEET OUR PEOPLE
marel.com/people

OUR PEOPLE

2012 was an interesting and rewarding year in HR, where the first fruits, growing from a challenging integration process of past years, were picked and harvested," says Hrund Rudolfsdottir, Corporate Director of Human Resources.

2012 was the first year when we really could see everything come together like a nicely finished jigsaw. New teams were created in 2011 and this was their first whole year. One could see that geographic border became blurry or disappeared, making Marel a truly global company.

Last pieces of implementation were made by appointing managers for some of our key positions and it was rewarding to see that in most of our appointments of global positions there was no shortage of internal management talent.

Human resources are our most important ones. Therefore, developing our people is a major task. During the year our first Management Development Program came to an end after 9 challenging months for the 25 participants involved. The general conclusion was that the program fitted the company's need very well and the participants felt that the program helped them in terms of personal development and networking and furthermore increased their knowledge in key areas.

Management and personal development will continue to be a core subject for the HR in 2013, but now also under the umbrella of the Marel Academy, which was established in 2012. The Marel Academy is the framework we will use for moving the company towards more professional learning organisation.

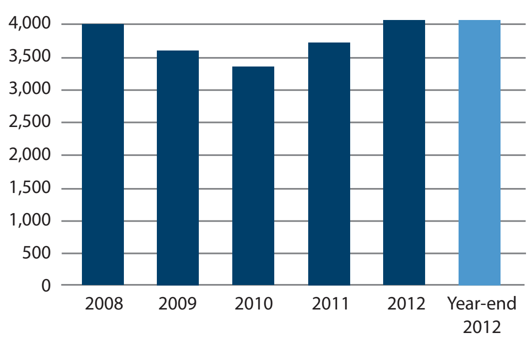
Important side of growing our people is to ensure a regular, honest and meaningful feedback to all our employees, to ensure they have a realistic view on their performance. It also ensures fair recognition and rewarding for outstanding performance, as well as securing support when needed. It was therefore a high priority to implement a standardised online review system, which now covers 90% of our employees and particularly supports managers which work with global teams.

In the autumn of 2012 the HR part of marel.com was improved dramatically, using pictures, audio and video to invite all interested people to have a look at how it´s like to work for Marel. It is Marel´s employees throughout the world who share their views and feelings.

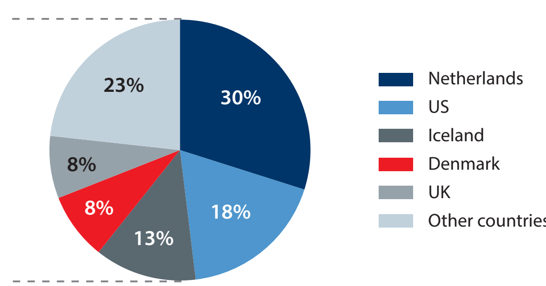
Growth in numbers

The numbers of employees have grown in context with increased activity and general growth of the Company. The number of employees at year end 2012 were 4,069 full time equivalents, increasing by 4% from last year.

Number of employees, average per year



Number of employees (FTEs) by geographical location at year end 2012



N-AMERICA

Over 700 people work for Marel in five locations across North America

TO OUR SHARE-HOLDERS

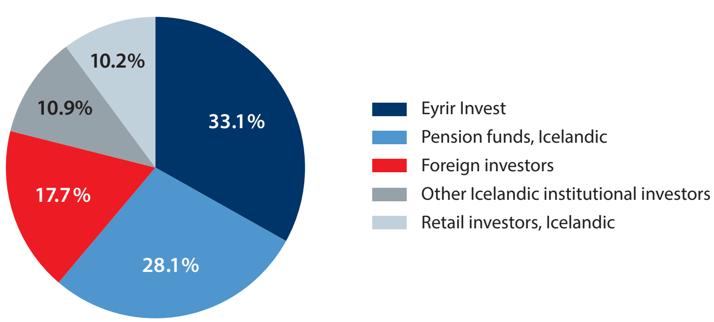
SHARES AND SHAREHOLDERS

TOP 10 SHAREHOLDERS AS OF 31 DECEMBER 2012

	Shareholder		No of shares	%
1	Eyrir Invest hf.	Investment company	243,366,838	33.1%
2	Grundtvig Invest A/S	Investment company	61,560,494	8.4%
3	Lífeyrissjóður verzlunarmanna	Pension fund	54,775,042	7.4%
4	Columbia Acorn International	Asset management	35,982,499	4.9%
5	Gildi - lífeyrissjóður	Pension fund	29,039,331	3.9%
6	Lífeyrissjóður starfsmanna ríkisins A-deild	Pension fund	20,220,000	2.7%
7	Stefnir – ÍS 15	Asset management	19,805,192	2.7%
8	Stafir lífeyrissjóður	Pension fund	17,322,964	2.4%
9	Sameinaði lífeyrissjóðurinn	Pension fund	16,619,878	2.3%
10	Stefnir – ÍS 5	Asset management	15,623,589	2.1%
		Top 10 total	514,315,827	69.9%
		Others	221,253,170	30.1%
		Total issued shares	735,568,997	100.0%

See online report for top 20 shareholders: marel.com/top20

HOLDINGS BY TYPE OF INVESTOR AS OF 31 DECEMBER 2012



Share performance

Marel celebrated twenty years of trading in 2012 as the Company's shares have been listed on the NASDAQ OMX Nordic Exchange Iceland since 1992 under the symbol MARL. Marel's share price stood at ISK 140.50 at the end of 2012, compared to ISK 125.50 at the end of 2011, an increase of 12.0%. In euros, the shares stood at 83 cents per share at year end compared to 79 cents at the beginning of the year.

Shareholders

The number of shareholders in Marel was recorded in the shareholders register to be 2,144 at year-end 2012, compared to 1,799 shareholders at year-end 2011. As of 31 December 2012, Marel holds 4,128,950 treasury shares.

Eyrir Invest hf. is Marel's largest shareholder, with 33.1% of shares, followed by Grundtvig Invest A/S (8.4%) and Lífeyrissjóður verzlunarmanna – the Pension Fund of Commerce (7.4%). The ten largest shareholders hold 69.9%. In total, Icelandic pension funds hold around 28% of Marel's share capital. Non Icelandic shareholding was 18% at year-end 2012. The free float of Marel shares was 67% and free float adjusted market value of the company was EUR 407 million.

Share capital

At year-end, Marel's shares totalled 735.6 million, all in one class; thereof Marel holds 4.1 million treasury shares.

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

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

At the Company's 2010 Annual General Meeting, the shareholders authorised the Board of Directors to increase the Company's share capital by 45 million shares to fulfil stock option agreements. Thereof, 8.4 million shares have been issued at end of 2012. The Company's Board of Directors is also authorised to increase its share capital by up to ISK 240 million nominal value, where ISK 146.8 million have already been issued. Shareholders waived their pre-emptive rights.

Liquidity of shares

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

Shares in Marel were traded 1,702 times in 2012 for a total market value of ISK 27.4 billion (up from ISK 25.5 billion in 2011), which corresponds to a turnover rate of 26.5%. This places Marel with the highest turnover on the NASDAQ OMX Nordic Exchange Iceland in 2012. The average end-of-day spread of Marel was 0.95%. The market value of the Company at year-end 2012 was ISK 103.3 billion (EUR 607.6 million) compared to ISK 92.3 billion (EUR 579.5 million) at year-end 2011, an increase of ISK 11.0 billion (EUR 28.1 million). As the Company's shares are traded in ISK, the fluctuations of the Icelandic krona during the year 2012 affects the market value, when converted into EUR.

Dividend

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

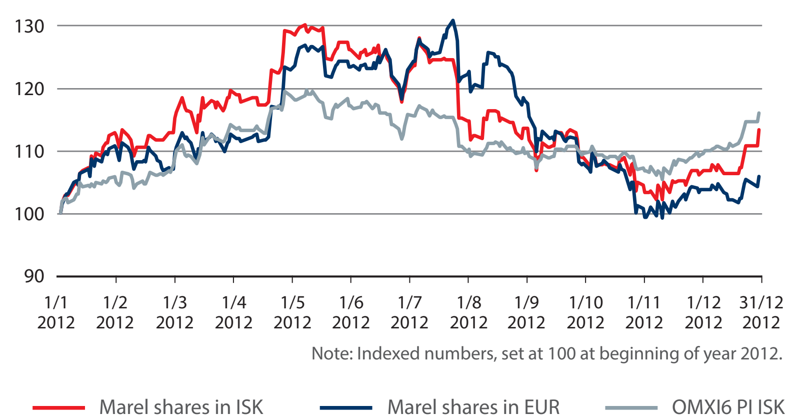
DISTRIBUTION OF SHARES AS OF 31 DECEMBER 2012

Number of Shares		Shareholders	%	Shares	%
1 -	9,999	1,329	61.99%	5,010,771	0.68%
10,000 -	99,999	616	28.73%	18,751,412	2.55%
100,000 -	199,999	86	4.01%	11,135,488	1.51%
200,000 -	799,999	56	2.61%	20,294,143	2.76%
800,000 -	1,399,999	11	0.51%	11,520,503	1.57%
1,400,000 -	2,999,999	17	0.79%	36,057,844	4.90%
3,000,000 -	9,999,999	16	0.75%	84,141,704	11.44%
10,000,000 -	99,999,999	12	0.56%	305,290,294	41.50%
100,000,000 -	>100,000,000	1	0.05%	243,366,838	33.09%
		2,144	100.00%	735,568,997	100.00%

STOCK OPTIONS AS OF 31 DECEMBER 2012

Program initiated	Number of shares in thousands	Exercise price per share	Exercisable in
June 2008	5,750	ISK 87.41	2013
May 2010	12,652	EUR 0.537–0.582	2013–2015
June 2012	10,458	EUR 1.066–1.153	2015–2018
Total	28,860		

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



Note: Indexed numbers, set at 100 at beginning of year 2012.

CEO AND BOARD OF DIRECTORS

Chief Executive Officer

Theo Hoen

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

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

Chairman of the Board

Arni Oddur Thordarson

- Education: MBA, IMD, Switzerland, 2004; Cand. Oecon. in Business Administration, University of Iceland, 1993.
- Elected: 2005.
- Holdings in Marel by Eyrir Invest hf and financially related parties: 243,498,707.

Arni Oddur Thordarson is co-founder of Eyrir Invest and has been the company's CEO since foundation in the year 2000. He has 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 board member of Stork BV since 2008, that owns and operates Fokker Technologies and Stork Technical Services (STS). As of 1 January 2013, both Fokker and STS have their own two-tier Board where Thordarson serves as non executive board member.

Board Members

Asthildur Margret Otharsdottir, Vice Chairman of the Board

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

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

Arnar Thor Masson

- Education: 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.

Fridrik Johannsson

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

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

Helgi Magnusson

- Education: Business Administration, University of Iceland, 1974; Certified Public Accountant, 1975.
- Elected: 2005.
- Holdings in Marel, including those of financially related parties: 5,105,000.

Helgi Magnusson is a member of the Board of Directors and the Executive Board of the Confederation of Icelandic Employers. He served as Chairman of the Federation of Icelandic Industries 2006-2012. He is Chairman of the Board of the Pension Fund of Commerce, Blue Lagoon hf., Harpa Holding Ltd, Husasmidjan and serves as board member of several other Icelandic companies including N1 hf., the Esso oil distributor. 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.

Margret Jonsdottir

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

Margret Jonsdottir is the CFO of Eyrir Invest hf. 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 (now Íslandsbanki), and Director of Finance at the Industrial Loan Fund (FBA Investment Bank predecessor), from September 1988 until June 2000.

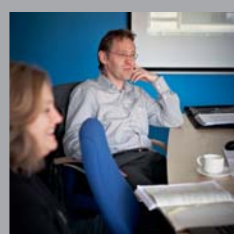
Theo Bruinsma

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

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

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

"Diverse, demanding and above all... fun and exciting"



MEET OUR PEOPLE
marel.com/people

INVESTOR RELATIONS

Providing investors with equal access to timely and accurate information about Marel's operations and business environment is the central aim of the Company's information policy. Marel believes that dissemination of honest, consistent and transparent information, within the bounds of commercial sensitivity, is key in building trust with current shareholders and potential investors

Regular information disclosure

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, nasdaqomxnordic.com, and subsequently on Marel's official website, marel.com. Financial results are issued quarterly in accordance with the requirements of NASDAQ OMX Iceland.

Marel's long term share price development

Note: Indexed numbers, price per share 1/1 2008 = 100

Meetings with the investor community

In addition to stock exchange and Company announcements, the main channels of communication with investors and analysts are the regular investor meetings that follow the publication of the Company's quarterly results, Annual General Meetings and other meetings held on an ad-hoc basis.

Quarterly investor meetings are webcast and presentations from the meetings are published via the NASDAQ OMX news system.

In May 2012, Marel participated in a Capital Markets Day event organised by Arion Bank in Iceland, where the Company was presented to investors and analysts.

Website and Annual Report

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

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

Publication schedule for 2013-2014

Annual General Meeting 2013	6 March 2013
1st quarter 2013	22 April 2013
2nd quarter 2013	24 July 2013
3rd quarter 2013	23 October 2013
4th quarter 2013	5 February 2014
Annual General Meeting 2014	5 March 2014

Marel celebrated twenty years of trading by opening the Nasdaq market at New York's Times Square on 18 October 2012. Arni Oddur Thordarson, Chairman, and Theo Hoen, CEO, rang the Opening Bell together.

See opening bell ceremony: marel.com/nasdaq

„Completing the challenges can be very satisfying and motivating"

MEET OUR PEOPLE
marel.com/people

RISK MANAGEMENT

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

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR/USD, EUR/GBP and EUR/ISK on the cost side. The general policy is to apply natural currency hedging to the extent possible and prohibit any speculative trading of financial instruments. The Company funding is denominated in the main operational currencies 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 acceptable credit history, and products are not delivered until payments are secured. One of the Marel's manufacturing sites is located in Iceland but sales to domestic customers is less than 1% of total sales and the Company is not exposed to any credit risk in Icelandic krona. 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.

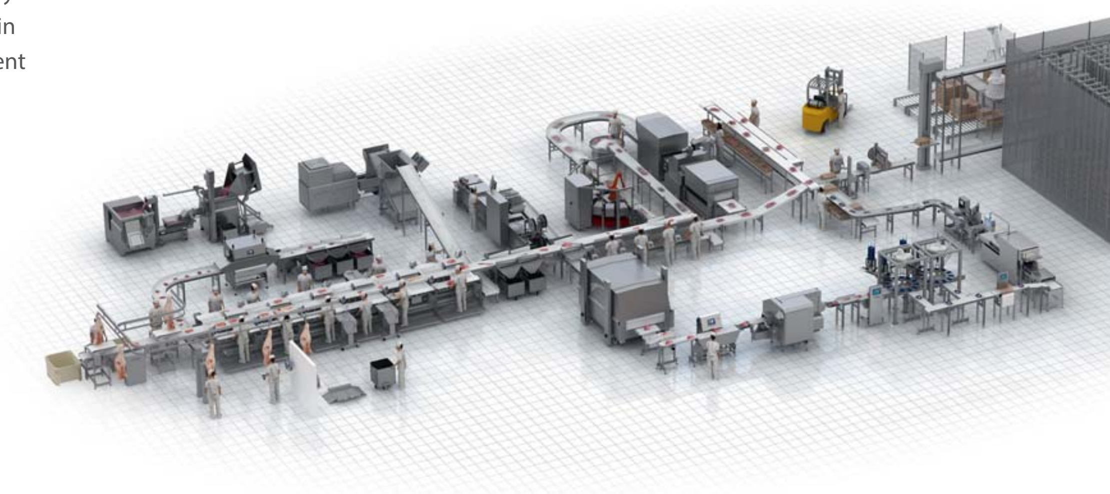
Cash flow and fair-value interest rate risk

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 cashflow 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 programmes. The coverage comprises property damage, business interruption, general and product liability, marine cargo/mounting, directors and officers liability, employers practice liability, business travel and accident. The Company believes that its current insurance coverage is adequate.



CORPORATE GOVERNANCE

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

1. Rules on corporate governance which the Company follows

The Company's corporate governance policy is based on the Guidelines on Corporate Governance issued in March 2012 by the Iceland Chamber of Commerce, NASDAQ OMX Iceland hf. and the Confederation of Icelandic Employers, in accordance with Clause 2.27 in the Rules for issuers of financial instruments on NASDAQ OMX Iceland issued in December 2009. The Guidelines can be found and accessed on the website of the Iceland Chamber of Commerce, 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.

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 29 February 2012. 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 2012.

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 conduct 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.

Code of Conduct

The Board of Directors of Marel approved a Code of Conduct with global application in October 2012. It is closely linked with Marel's company values and is built on four pillars, i.e. Employees' (including officers and directors) commitment to: (i) each other; (ii) customers and marketplace; (iii) shareholders; and (iv) partners, communities and the environment.

Corporate social responsibility

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

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 seven members who were elected at the Company's AGM on 29 February 2012.

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

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

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

Board sub-committees

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

Board of Management

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

6. Arrangement of the appointment of sub-committee members

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

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

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

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

The Board of Directors convened 11 times in 2012, with a weighted average attendance of 95%. The sub-committees of the Board of Directors, the Audit Committee and Remuneration Committee, convened 4 and 4 times respectively in 2012. 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: marel.com/investors/Corporate-Governance/

9. Members of the Board of Directors

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

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

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

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

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

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

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

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

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

The principal duties of the CEO are as follows:

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

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

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

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

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

No violations of laws and regulations have been determined in 2012 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. 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 channels.

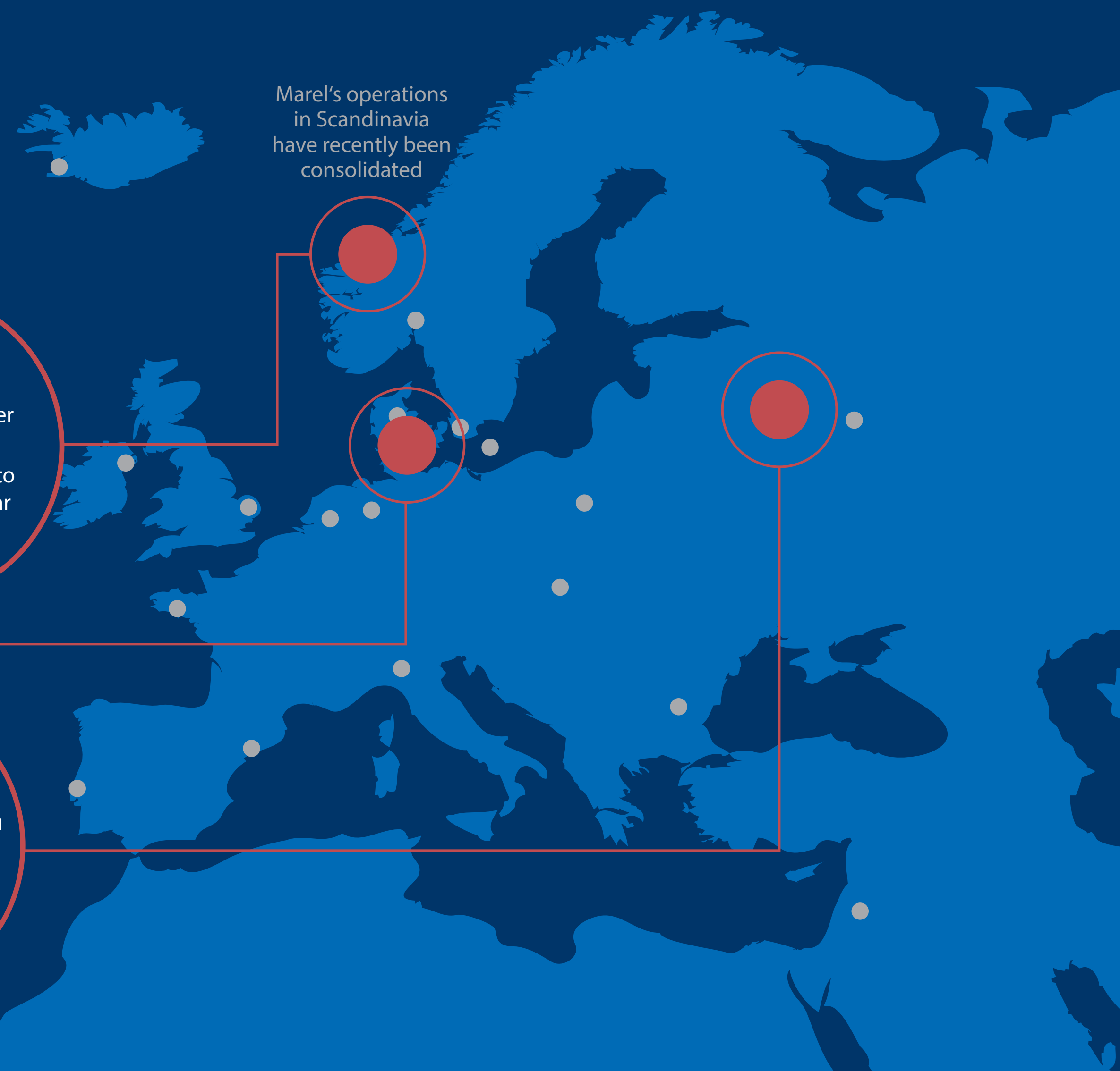
15. Analysis of environmental factors and social factors

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: marel.com/investors.

*See **Code of Conduct***
marel.com/code

EUROPE

2900 people work for Marel in seventeen countries across Europe



NORWAY
is the leading producer of **salmon** in the world, with close to a million tonnes a year

DENMARK
holds the world record in **meat** production per capita

RUSSIA
has more than tripled its production of **chicken** in the last ten years and is set to overtake Mexico as the world's 4th largest producer

CONSOLIDATED FINANCIAL STATEMENTS FOR 2012

The Board of Directors' and CEO's Report

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

The Consolidated Financial Statements for the year 2012 comprise the financial statements of Marel hf. ("the Company") and its subsidiaries (together "the Group"). The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and additional Icelandic disclosure requirements.

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

No acquisitions or divestments were made in 2012.

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

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

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

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

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

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

The management and the Board of Directors of the Group believe that they are taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

The management of the Group believes it is well placed to manage its business risks successfully based on the present economic outlook.

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

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

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

At the Company's 2010 Annual General Meeting, the shareholders authorised the Board of Directors to increase the Company's share capital by 45 million shares to fulfil stock option agreements. Thereof, 8.4 million shares have been issued at end of year 2012. The Company's Board of Directors is also authorised to increase its share capital by up to ISK 240.0 million nominal value, where ISK 146.8 million have already been issued. Shareholders waived their pre-emptive rights.

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

Corporate Governance
The Company's corporate governance policy is based on the Guidelines on Corporate Governance issued in March 2012 by the Icelandic Chamber

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

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

Statement by the Board of Directors and the CEO

According to the Board of Directors' best knowledge these Consolidated Financial Statements comply with International Financial Reporting Standards (IFRS) on annual accounts, as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements of listed companies. According to the Board of Directors' best knowledge, the statements give a true and fair view of the Group´s assets and liabilities, financial position as at 31 December 2012, operating performance and the cash flow for the year ended 31 December 2012 as well as describe the principal risk and uncertainty factors faced by the Company. The report of the Board of Directors provides a clear overview of developments and achievements in the Company's operations and its situation.

The Board of Directors and CEO of Marel hf. hereby ratify the Consolidated Financial Statements of Marel hf. for the year 2012 with their signatures.

Garðabær, 5 February 2013

Board of Directors

Árni Oddur Þórðarson
Chairman of the board

Arnar Þór Másson

Friðrik Jóhannsson

Helgi Magnússon

Margrét Jónsdóttir

Theo Bruinsma

Ásthildur Margrét Otharsdóttir

Chief Executive Officer

Theo G.M. Hoen

Independent auditors' report on consolidated financial statements

To the Board of Directors and Shareholders of Marel hf.

We have audited the accompanying consolidated financial statements of Marel hf., which comprise the Consolidated Statement of Financial Position as at 31 December 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Marel hf. as at 31 December 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the Board of Directors Report
Pursuant to the legal requirement under Article 106, Paragraph 1, Item 5 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors accompanying the financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Financial Statements.

Reykjavik, 5 February 2013

KPMG ehf.

Sæmundur Valdimarsson

Kristrún H. Ingólfsdóttir

Consolidated Statement of Comprehensive Income

	Notes	2012	2011
Revenues	5	713,960	668,357
Cost of sales		(464,734)	(421,068)
Gross profit		249,226	247,289
Selling and marketing expenses		(90,119)	(79,815)
Research and development expenses		(41,566)	(40,323)
Administrative expenses		(56,945)	(53,693)
Other operating income (expenses)	6	485	(11,292)
Result from operations		61,081	62,166
Finance costs	7	(18,366)	(19,852)
Finance income	7	336	1,744
Net finance costs	7	(18,030)	(18,108)
Result before income tax		43,051	44,058
Income tax	9	(7,442)	(9,595)
Profit for the period		35,609	34,463

Other Comprehensive Income

	Notes	2012	2011
Currency translation differences		(229)	779
Cash flow hedges		1,602	(2,686)
Income tax relating to cash flow hedges and currency translation differences		(400)	672
Other comprehensive income for the period, net of tax		973	(1,235)
Total comprehensive income for the period		36,582	33,228
Profit (loss) attributable to:			
Shareholders of the Company		35,609	34,463
		35,609	34,463
Comprehensive income attributable to:			
Shareholders of the Company		36,582	33,228
		36,582	33,228
Earnings per share for result attributable to equity holders of the company during the period (expressed in EUR cent per share):			
- basic	10	4.88	4.70
- diluted	10	4.83	4.65
Earnings per share for total comprehensive income attributable to equity holders of the company during the period (expressed in EUR cent per share):			
- basic		5.01	4.53
- diluted		4.96	4.48

Marel hf., Consolidated Financial Statements 31 December 2012

All amounts in EUR*1000
unless otherwise stated.

The Notes on pages 74-132 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Financial Position

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

Marel hf., Consolidated Financial Statements 31 December 2012

All amounts in EUR*1000 unless otherwise stated.

The Notes on pages 74-132 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	Translation reserve	Retained earnings	Total equity
Balance at 1 January 2011	6,694	320,250	(7,300)	(77)	23,703	343,269
Profit for the year					34,463	34,463
Total other comprehensive income			(2,014)	779		(1,235)
Employee share option scheme:						
Treasury shares purchased	(65)	(5,618)				(5,683)
Treasury shares sold	4	221				225
Treasury shares, transaction costs		(17)				(17)
Value of services provided		411				411
Value of services provided released		(529)			150	(379)
Issue of share capital regarding Stock Options	34	2,383				2,417
Issue of share capital, transaction costs		(1)				(1)
	(27)	(3,150)	(2,014)	779	34,613	30,201
Balance at 31 December 2011	6,667	317,100	(9,314)	702	58,316	373,471
Profit for the year					35,609	35,609
Total other comprehensive income			1,202	(229)		973
Employee share option scheme:						
Treasury shares purchased	(38)	(3,544)				(3,582)
Treasury shares sold	62	3,625				3,687
Treasury shares, transaction costs		(10)				(10)
Dividend paid					(6,900)	(6,900)
Value of services provided		582				582
Value of services provided released		(575)			493	(82)
	24	78	1,202	(229)	29,202	30,277
Balance at 31 December 2012	6,691	317,178	(8,112)	473	87,518	403,748

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

Dividend per share

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

Marel hf., Consolidated Financial Statements 31 December 2012

All amounts in EUR*1000 unless otherwise stated.

The Notes on pages 74-132 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Cash Flows

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

Marel hf., Consolidated Financial Statements 31 December 2012

All amounts in EUR*1000 unless otherwise stated.

The Notes on pages 74-132 are an integral part of the Consolidated Financial Statements

	Notes	2012	2011
Cash flows from Investing activities			
Interest received		333	682
Purchase of property, plant and equipment		(11,279)	(8,850)
Investments in intangibles		(28,153)	(20,715)
Proceeds from sale of property, plant and equipment		1,807	193
Other changes		(2)	-
Net cash used in investing activities		(37,294)	(28,690)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	2,417
Purchase of treasury shares		(3,592)	(5,700)
Sale of treasury shares		3,687	225
Proceeds from borrowings		47,520	20,363
Repayments of borrowings		(67,201)	(64,652)
Loans to third parties		-	500
Dividends paid		(6,900)	-
Other changes		-	(273)
Net cash used in financing activities		(26,486)	(47,120)
Net decrease in net cash		(14,685)	(32,627)
Exchange (loss) / gain on net cash		(304)	(342)
Net cash at beginning of the period		30,934	63,903
Net cash at end of the period		15,945	30,934
Cash and cash equivalents		15,945	30,934
Net cash at end of the period		15,945	30,934

Marel hf., Consolidated Financial Statements 31 December 2012

All amounts in EUR*1000
unless otherwise stated.

The Notes on pages 74-132 are an integral part of the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1 General information

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

The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together "the Group"). The Group is primarily involved in the manufacture, development, distribution and sales of solutions for use in all major sectors of the food processing industry. All amounts are in EUR*1000 unless otherwise stated.

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

The Financial Statements as presented in this report are subject to the adoption by the Annual General Meeting of Shareholders, to be held on 6 March 2013.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 5 February 2013.

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

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

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

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

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

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

The following standards and amendments to existing standards have been published and have an effective date on or after 1 January.

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

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

Effective for annual periods beginning on or after 1 January 2013:
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 19 (as revised in 2011) Employee Benefits

Effective for annual periods beginning on or after 1 January 2015:
IFRS 9 Financial Instruments

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

2.2 Consolidation

Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. The principal subsidiaries are listed in note 29.

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

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

Transactions and non-controlling interests
Transactions that result in changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders. As a result, no gain or loss on such changes is recognised in profit or loss but rather in equity. Also, no change in the carrying amounts of assets (including goodwill) or liabilities is recognised as a result of such transactions. This approach is consistent with NCI being a component of equity.

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

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

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

Dilution gains and losses arising in investments in associates are recognised in the Statement of Comprehensive Income.

2.3 Segment information

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

2.4 Foreign currency translation

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

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

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

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

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

2.5 Property, plant and equipment

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

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognised within other operating income (expenses) in the Statement of Comprehensive Income.

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

2.6 Intangible assets

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

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

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

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

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

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

For the purpose of assessing impairment of assets which are not subject to amortisation, assets are grouped at the lowest levels for which there are separately identifiable cash flows, the cash-generating units (CGU). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or CGU is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed.
For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.8 Financial assets

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

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

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

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

Receivables
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's receivables comprise 'trade receivables' and 'cash and cash

equivalents' in the Consolidated Statement of Financial Position (notes 2.12 and 2.13) and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

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

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

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

The fair value of investments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the reporting date.

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

2.9 Derivative financial instruments and hedging activities

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

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

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

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

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

Amounts accumulated in equity are recycled in the Consolidated Statement of Comprehensive Income for the period in the periods when the hedged item affects profit or loss.

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

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

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

(c) Derivatives at fair value through profit or loss are accounted for at fair value through profit or loss.
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised immediately in the Consolidated Statement of Comprehensive Income within Finance income or Finance costs.

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

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

2.10 Inventories

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

2.11 Production contracts

Production costs are recognised when incurred.

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

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

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

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

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

2.12 Receivables and prepayments

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

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

2.13 Cash and cash equivalents

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

2.14 Share capital

Ordinary shares are classified as equity.

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

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

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

2.15 Trade payables

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

2.16 Borrowings

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

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

2.17 Current and deferred income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

2.18 Employee benefits

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

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

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

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

Pension plans
Marel has several pension plans in accordance with local rules and conditions. Based on IAS 19, some of these plans have been classified as Defined Benefit plans up to the settlement of these plans in 2011 and 2012. After settlement of the two main defined benefit plans, only one arrangement with regards to early retirement rights can be classified as defined benefit until the moment of settlement expected in 2020 (VPL in the Netherlands). Because of its non material character, this arrangement is not disclosed separately. In general, the defined benefit plans were funded by payments to insurance companies or to funds administered by third parties.
For the majority of its employees, the Group has pension plans in which the liabilities to the employees are based on the number of years of service and the salary levels. The liabilities of these pension plans are covered systematically by insurance contracts or by the inclusion of liabilities in the Statement of Financial Position. Investments are made primarily in fixed-interest securities, listed shares and related instruments, and real estate.

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

2.19 Provisions

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

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

2.20 Revenue recognition

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

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

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

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

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

2.21 Leases

Leases of property, plant and equipment where the Group has substantially obtained all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables.

The interest element of the lease payment is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

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

2.22 Dividend distribution

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

3 Financial risk management

Financial risk factors

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

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

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

(a) Market risk

In November 2010, the Group entered into a facilities agreement with six international banks, led by ING bank, Rabobank and ABN Amro. The single financing package consists of credit facilities amounting to EUR 350 million, to be drawn in currencies reflecting the Group’s revenues and assets. Marel was able to amend & extend this facilities agreement with the consortium with effective date 31 December 2012, while the terms and conditions generally remain in line with Loan Market Association (LMA) corporate standards, the key amendments were:

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

The Group has a financing structure which can accommodate the Group´s financing requirements till 2016 with USD and EUR borrowings matching the Group´s exposure in these currencies to a large extent. The ISK risk in borrowings is reduced to nil (2011: EUR 7.6 million) in February 2012 when bond issue MARL 06 1 matured.

(i) Foreign exchange risk
The Group operates internationally and is exposed to currency risk arising from mainly the USD and GBP, primarily with respect to the EUR, as the EUR is the Group´s reporting currency. Financial exposure is hedged in accordance with the Group´s general policy and within set limits. The Group monitors foreign exchange risk arising from commercial transactions, recognized assets and liabilities (transaction risk) that are determined in a currency other than the entity´s functional currency. Derivative hedging is applied if the exposure is outside of the risk tolerance band on a consolidated basis. Currency exposure arising from net assets of the Group´s major foreign operations (translation risk) is managed primarily through borrowings denominated in the relevant foreign currencies as the policy is to apply natural exchange rate hedging where possible. Economic risk is defined as the extent to which currency fluctuations can alter a company’s future operating cash flows, that is future revenues and costs. Economic risk is not hedged.

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

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

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

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

Liabilities in currency recorded in EUR:	Finance lease liabilities	Capitalised finance charges	Other borrowings	Total 2012
Liabilities in DKK	69	0	8,929	8,998
Liabilities in EUR	0	(4,006)	153,500	149,494
Liabilities in ISK, partially index linked	0	0	0	0
Liabilities in USD	235	(1,556)	101,949	100,628
Liabilities in other currencies	67	0	0	67
	371	(5,562)	264,378	259,187
Current matures	(196)	1,390	(20,634)	(19,440)
	175	(4,172)	243,744	239,747

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

(ii) Cash flow and fair value interest rate risk
The Group is exposed to interest rate risk on borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risk is managed by maintaining a mix between fixed and floating interest rate on borrowings. The Group adopts a policy of ensuring that between 50 – 70% of its exposure to changes in interest rates on core debt is hedged for the coming 3-5 years. Based on various scenarios, the Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Generally the Group raises long term borrowings at floating rates and swaps them into fixed rates. Presently around 45% (2011: 49%) of the core debt has floating interest rates and the rest is fixed.

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

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

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

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

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

The Board's target is to arrange for maximum 6% of total share capital for shares held by employees of the Group under the stock option plans. At present employees will hold 3.95% (2011: 4.55%) of the shares, assuming that all outstanding share options vest and / or are executed.

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

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

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

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on the requirement to settle employee's stock option exercises. Primarily the shares are intended to be used for issuing shares under the Group's share option plans. Buy and sell decisions are taken by the Board of Directors. Based on a motion approved in the Annual General Meeting of shareholders, the Board of Directors can acquire up to 10% of its own shares at a price which is not higher than 10% over and not lower than 10% under the posted average price of shares in the Company for the two weeks immediately preceding the acquisition.

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

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

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

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

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

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

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and committed credit facilities to give reasonable operating headroom. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by maintaining availability under committed credit lines. The Group has EUR 100 million of committed ancillary facilities, which can be used both as a revolver and to issue guarantees for down payments. At year end the Group had drawn EUR 23.6 million (2011: EUR 25.4 million) on the revolver and issued EUR 13.6 million (2011: 41.1 million) of guarantees under the facility, therefore the total usage is EUR 37.2 million (2011: 66.4 million), leaving a headroom of EUR 62.8 million (2011: EUR 33.5 million). All facilities are subject to operational and Consolidated Statement of Financial Position covenants (interest cover and leverage). At the end of 2012 there is sufficient headroom.

Cash flow forecasts are done at the local levels and monitored by Group Treasury. Group liquidity reports are viewed by management on a weekly basis. The Group has recently set up a notional cash pool with the aim of making better use of the Group cash position and to further decrease the amount of idle cash.

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

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

Fair value estimation

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model (references made to note 22). Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

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

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

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 4.85% (2011: 5.11%).

The fair value of the finance lease liabilities equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the average interest rate of 7.49% (2011: 7.99%).

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

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

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

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

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

Level 3:
Valuation techniques using significant unobservable inputs.

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

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

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

4 Critical accounting estimates and assumptions

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

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

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

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

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

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

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

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

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

	2012		**2011**	
	Assets	Liabilities	Assets	Liabilities
Goodwill	379,984	0	380,419	0
Other intangible assets	112,779	0	100,073	0
Current and deferred income taxes	7,988	14,284	11,567	10,998
Financial instruments	0	10,815	0	12,419
Assets & liabilities held for sale	0	0	555	0
Investments in associates	0	0	109	0
Production contracts	40,163	43,847	38,046	64,029

5 Segment information

Operating segments

The segments comprise the industries, which form the basis for managerial decision taking. The following summary describes the operations in each of the Group’s reportable segments.
Poultry processing: Our Stork Poultry Processing product range offers integrated systems for processing broilers, turkeys and ducks.
Fish processing: Marel provides advanced equipment and systems for salmon and whitefish processing, both farmed and wild, onboard and ashore.
Meat processing: Our Meat Industry Centre specializes in the key processes of deboning and trimming, case ready, food service and bacon processing.
Further processing: Marel offers an extensive range of products for portioning, coating, heat treatment and sausage-making under the brand name of Townsend Further Processing.

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

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

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

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

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

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

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

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

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

Geographical information

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

Revenues, allocated based on country where the customer is located.	2012	2011
Iceland	4,772	2,779
The Netherlands	19,342	26,743
Europe other	318,325	277,062
North America	181,255	145,675
Other countries	190,266	216,098
	713,960	668,357
Total assets		
Iceland	149,074	145,624
The Netherlands	427,324	419,752
Other countries	272,785	281,508
	849,183	846,884

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

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

6 Other operating income (expenses)

2012
License income and expenses amounted to EUR 485 (2011: EUR -/- 292).

2011
The industry-wide pension fund PME has taken over the execution of the pension plan from Stork Pension Fund (SPF) as of 1 January 2012. Marel is party to the agreement due to its acquisition of Stork Food Systems.
The unusual costs for Marel of the pension related issues amounted to EUR 11.0 million.

7 Net finance costs

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

Other finance expenses/income consists of:
The amortisation of capitalised finance charges, amounting to EUR 1,408 (2011: EUR 1,345) and Guarantee & commitment fees, amounting to EUR 939 (2011: EUR 428).
Finance cost related to the amended financing in 2012 were accrued for and capitalized in the amount of EUR 1,554.

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

8 Staff costs

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

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

9 Income Tax

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

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

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

10 Earnings per share

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

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

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

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

11 Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2011				
Cost	111,288	57,989	43,182	212,459
Accumulated depreciation	(27,126)	(41,086)	(34,829)	(103,041)
Net book amount	84,162	16,903	8,353	109,418
Year ended 31 December 2011				
Opening net book amount	84,162	16,903	8,353	109,418
Exchange differences	449	133	259	841
Additions	662	5,409	2,779	8,850
Disposals	156	(17)	(261)	(122)
Depreciation charge	(3,057)	(4,676)	(3,166)	(10,899)
Closing net book amount	82,372	17,752	7,964	108,088
At 1 January 2012				
Cost	112,621	63,895	44,800	221,316
Accumulated depreciation	(30,249)	(46,143)	(36,836)	(113,228)
Net book amount	82,372	17,752	7,964	108,088
Year ended 31 December 2012				
Opening net book amount	82,372	17,752	7,964	108,088
Exchange differences	(217)	(215)	(258)	(690)
Additions	3,249	3,367	4,663	11,279
Disposals	(65)	(113)	(520)	(698)
Depreciation charge	(2,982)	(4,004)	(2,959)	(9,945)
Closing net book amount	82,357	16,787	8,890	108,034
At 31 December 2012				
Cost	115,433	65,434	47,370	228,237
Accumulated depreciation	(33,076)	(48,647)	(38,480)	(120,203)
Net book amount	82,357	16,787	8,890	108,034

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

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

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

12 Intangible Assets

	Goodwill	Developm. costs	Patents & Trade name	Other Intangibles	Total other Intangibles
At 1 January 2011					
Cost	379,879	66,132	50,701	10,814	127,647
Accumulated amortisation	0	(23,219)	(8,296)	(3,248)	(34,763)
Net book amount	379,879	42,913	42,405	7,566	92,884
Year ended 31 December 2011					
Opening net book amount	379,879	42,913	42,405	7,566	92,884
Correction	(472)	(4)	0	(2)	(6)
Exchange differences	671	345	633	(29)	949
Acquisitions - internally developed	341	16,565	0	3,809	20,374
Disposals	0	(107)	0	(79)	(186)
Amortisation charge	0	(8,845)	(3,437)	(1,660)	(13,942)
Closing net book amount	380,419	50,867	39,601	9,605	100,073
At 1 January 2012					
Cost	380,419	80,305	51,661	14,480	146,446
Accumulated depreciation	0	(29,438)	(12,060)	(4,875)	(46,373)
Net book amount	380,419	50,867	39,601	9,605	100,073
Year ended 31 December 2012					
Opening net book amount	380,419	50,867	39,601	9,605	100,073
Exchange differences	(435)	168	(439)	(239)	(510)
Acquisitions - internally developed	0	22,459	0	5,694	28,153
Reclasification	0	1,275	(625)	(650)	0
Amortisation charge	0	(9,337)	(3,603)	(1,997)	(14,937)
Closing net book amount	379,984	65,432	34,934	12,413	112,779
At 31 December 2012					
Cost	379,984	103,575	50,985	19,187	173,747
Accumulated amortisation	0	(38,143)	(16,051)	(6,774)	(60,968)
Net book amount	379,984	65,432	34,934	12,413	112,779

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

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

Impairment of Goodwill

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

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

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

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

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

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

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

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

2012		**Fish**	**Poultry**	**Meat**	**Further Processing**
Goodwill		26,245	321,121	21,235	11,383
Growth rate	1)	3.0%	3.0%	3.0%	3.0%
Discount rate	2)	10.0%	10.0%	10.0%	10.0%

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

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

2011		**Marel ehf.**	**Marel Limited**	**Poultry Processing**	**Further Processing**
Goodwill		86,027	8,164	272,635	11,213
Growth rate	1)	3.0%	3.0%	3.0%	3.0%
Discount rate	2)	9.6%	9.6%	9.6%	9.6%

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

13 Investments in associates

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

Notes to the Consolidated Financial Statements

Marel hf., Consolidated Financial Statements 31 December 2012

All amounts in EUR*1000 unless otherwise stated.

14 Trade and Other Receivables

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

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

The carrying amounts of receivables and pre-payments approximate their fair value. Trade receivables that are less than 90 days past due are not considered impaired. As of 31 December 2012, trade receivables of EUR 16,765 (2011: EUR 18,697) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. As of 31 December 2012, trade receivables of EUR 9,431 (2011: EUR 13,413) were tested for impairment and written down when necessary. The amount of the write-down to net-realisable value was EUR 2,337 as of 31 December 2012 (2011: EUR 3,447). The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables over 90 days is expected to be recovered.

The ageing of these receivables is as follows:

	2012		2011	
	Gross amount	Provision for Impairment	Gross amount	Provision for Impairment
Up to 90 days	68,638	0	73,436	0
Over 90 days	7,099	(2,337)	10,623	(3,447)
	75,737	(2,337)	84,059	(3,447)

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

	2012	2011
EUR	43,935	51,025
US Dollar	14,711	9,343
UK Pound	4,322	8,300
Other currencies	10,184	12,276
	73,152	80,944
Provision	(2,337)	(3,447)
	70,815	77,497

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

	2012	2011
At 1 January	3,447	3,881
Provision for receivables impairment	725	1,175
Receivables written off during the year as uncollectible	(1,105)	(1,058)
Unused amounts reversed	(730)	(551)
At 31 December	2,337	3,447

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

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

15 Deferred income tax

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

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

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

The deferred tax charged / (credited) to equity during the period is as follows:	**2012**	**2011**
Fair value reserves in shareholders' equity		
- Translation Reserve mutation on permanent financing	11	(15)
- Hedging Reserve	(400)	672
	(389)	657

Deferred income tax assets	7,988	11,567
Deferred income tax liabilities	(11,194)	(8,705)
	(3,206)	2,862

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Based on future profits expected in the strategic plan the recoverability has been tested; an impairment of EUR 655 (2011: EUR 944) has been applied. Sensitivity analysis on impairment of tax losses used the assumption of decreasing the forecasted profit before tax by 5%. Based on the outcome of this calculation the impairment is not affected.

Taxable effects of losses will expire according to below schedule:

	2012		2011	
	Total tax losses	Of which not capitalised	Total tax losses	Of which not capitalised
Less than 6 years	5,881	3,861	6,010	4,635
Between 6 and 10 years	35,803	2,100	27,804	1,288
More than 10 years	8,945	1,801	15,694	1,578
Indefinite	26,559	7,638	23,737	6,396
	77,188	15,400	73,245	13,897

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

Marel hf., Consolidated Financial Statements 31 December 2012

All amounts in EUR*1000 unless otherwise stated.

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

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

16 Inventories

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

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

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

17 Production Contracts

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

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

All amounts in EUR*1000 unless otherwise stated.

18 Equity

Share Capital	Ordinary shares (thousands)	Treasury shares (thousands)	Number of shares (thousands)
At 1 January 2011	730,291	(38)	730,253
Issue of shares	5,278	0	5,278
Treasury shares - purchased	0	(7,125)	(7,125)
Treasury shares - sold	0	438	438
At 1 January 2012	735,569	(6,725)	728,844
Treasury shares - purchased	0	(4,070)	(4,070)
Treasury shares - sold	0	6,666	6,666
At 31 December 2012	735,569	(4,129)	731,440

Class of share capital:	
Nominal value	6,691
Share premium	315,561
Reserve for share based payments	1,617
Total share premium reserve	317,178

The total authorised number of ordinary shares is 735.6 million shares (2011: 735.6 million shares) with a par value of ISK 1 per share. All issued shares are fully paid.

Share options are granted to directors and to selected employees. The exercise price of options granted in June 2008 is equal to the price in the share offering at date of the grant (June 2008). The exercise prices of options granted in May 2010 are higher than the market price of the shares on the date of grant. The exercise prices of options granted in June 2012 are higher than the market price of the shares on the date of grant. Options are conditional on the employee completing particular period's / year´s service (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	Average exercise price per share	Options (thousands)
At 1 January 2011	ISK 84	32,865
Exercised	ISK 73	(5,715)
Cash settled	ISK 77	(1,238)
Forfeited in 2011	ISK 91	(244)
At 31 December 2011	ISK 89	25,668
Granted	EUR 1.083	10,578
Exercised	ISK 89	(1,900)
Exercised	EUR 0.537	(4,766)
Cash settled	ISK 87	(375)
Forfeited in 2012	EUR 0.743	(345)
At 31 December 2012	ISK 125	28,860
Exercisable options at 31 December 2012		9,747

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

In 2012, 500 thousand shares were exercised at exercise price ISK 92.00 per share, 1,400 thousand shares were exercised at exercise price ISK 87.41 per share, 4,766 thousand shares were exercised at exercise price EUR 0.537 per share. Options equal to 375 thousand shares were cash settled as decided by the Group, due to rules on foreign exchange in Iceland, which make it complicated at the moment for employees of Marel subsidiaries abroad to exercise and settle their share options with share purchasing. The exercise price of the cash settled options was 87.41 ISK per share. The Group has no plans to cash settle share options in the future.

Variables used in the Black Scholes calculation:

	Exercise price per share (ISK) [1)]	Expected term (years)	Annual dividend yield	Expected risk-free interest rate	Estimated volatility	Weigthed average remaining contr. life in months [2)]
Option plan June 2008	87.41	4	0.22%	4%	12.36%	7.4

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

[1)] Exercise price issued after dividend payment in 2012, EUR 0.95 cent (ISK 1.59) per share
[2)] Based on last possible exercise dates in each option plan.

Reserves

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

The translation reserve contains the translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to a permanent financing contract with a subsidiary in the UK, for an amount of EUR 2,500 (2011: EUR 2,500).This contract was terminated in 2009 and the permanent financing has been transferred into equity in 2011.

19 Borrowings

Non-current:	2012	2011
Bank borrowings	239,572	254,201
Finance lease liabilities	175	160
	239,747	254,361
Current:		
Bank borrowings excluding bank overdrafts	19,244	19,228
Debentures	0	7,639
Finance lease liabilities	196	195
	19,440	27,062
Total borrowings	259,187	281,423

Secured bank loans	258,816	281,068
Finance lease liabilities	371	355
Total borrowings	259,187	281,423

2012 Annual maturates of non-current liabilities:	Finance lease liabilities	Capitalised finance charges	Other borrowings	Total **2012**
Year 2014	170	(1,390)	20,642	19,422
Year 2015	0	(1,390)	20,647	19,257
Year 2016	6	(1,392)	196,077	194,691
Year 2017	0	0	613	613
Year 2018	0	0	621	621
Later	0	0	5,143	5,143
	176	(4,172)	243,743	239,747

2011 Annual maturates of non-current liabilities:	Finance lease liabilities	Capitalised finance charges	Other borrowings	Total **2011**
Year 2013	102	(1,383)	20,484	19,203
Year 2014	54	(1,383)	20,503	19,174
Year 2015	4	(1,268)	209,733	208,469
Year 2016	0	0	542	542
Later	0	0	6,973	6,973
	160	(4,034)	258,235	254,361

Marel hf., Consolidated Financial Statements 31 December 2012

All amounts in EUR*1000 unless otherwise stated.

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

The Group has the following headroom in committed ancillary facilities:

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

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 4.84% (2011: 5.11%).

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

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

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

20 Provisions

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

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

Analysis of total provisions	**2012**	**2011**
Current	2,889	3,006
Non current	4,941	6,902
	7,830	9,908

Specification of major items in provisions:

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

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

Marel hf., Consolidated Financial Statements 31 December 2012

All amounts in EUR*1000 unless otherwise stated.

21 Employee benefits

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

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

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

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

The Company's pension costs for all employees for 2012 were EUR 13,492.
This includes the pension plan based on multi-employer union plan for EUR 6,704 (2011: see tables below), the Defined benefit plan of the US up to settlement of EUR 408 and other Defined Contribution plans for EUR 6,395 (2011: EUR 5,448).
The comparable amounts for the Dutch employees are disclosed in the tables below, as part of the Defined Benefit plans of the Stork Pension Fund, which has transferred to PME as per 1 January 2012.

The liability as per 31 December 2012 is given below:

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

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

The liability as per 31 December 2011 is given below:

		The Netherlands	Other countries	Total
Defined Benefit Obligation		610	11,122	11,732
Plan Assets		0	5,077	5,077
Net Position		(610)	(6,045)	(6,655)
Unrecognised actuarial gains and losses	2)	0	2,992	2,992
Others recognised in the consolidated statement of financial position	3)	0	(978)	(978)
Pension liabilities		(610)	(4,031)	(4,641)

2) At 14 December 2011 the agreement to transfer the Dutch Benefit pension plan to PME became definitive. As of that date effectively all risks and rewards are transferred to PME.
3) Additional provision for the settlement of the Defined Benefit plan in the USA in 2012, with cash settlement in 2013.

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

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

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

Plan Assets		The Netherlands	Other countries	Total
At 1 January 2011		275,943	4,609	280,552
Expected returns on plan assets		16,212	346	16,558
Employer's contribution		5,824	606	6,430
Plan participants contributions		4,187	0	4,187
Actuarial gains and losses		39,561	(437)	39,124
Benefits paid		(14,601)	(219)	(14,820)
Settlement	2)	(327,126)	0	(327,126)
Changes in exchange rates		0	172	172
At 31 December 2011		0	5,077	5,077
Expected returns on plan assets		0	390	390
Employer's contribution		0	487	487
Plan participants contributions		0	0	0
Actuarial gains and losses		0	154	154
Benefits paid		0	(241)	(241)
Settlement	1)	0	(5,732)	(5,732)
Changes in exchange rates		0	(135)	(135)
At 31 December 2012		0	0	0

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

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

The net period pension costs of the above pension plans:

2012		The Netherlands	Other countries	Total
Current service costs		0	449	449
Interest costs		0	520	520
Expected returns on plan assets		0	(390)	(390)
Amortised actuarial gains and losses		0	149	149
Plan participants contributions		0	0	0
Administration costs		0	0	0
Pension expense 2012		0	728	728

2011				
Current service costs		7,064	345	7,409
Interest costs		12,245	463	12,708
Expected returns on plan assets		(16,212)	(346)	(16,558)
Amortised actuarial gains and losses		461	24	485
Plan participants contributions		(4,187)	0	(4,187)
Settlement	2)	4,820	0	4,820
Administration costs		428	0	428
Addition for anticipated settlement in 2012		0	885	885
Pension expense 2011	4)	4,619	1,371	5,990

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

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

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

Notes to the Consolidated Financial Statements

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

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

The mortality table used for the Netherlands in 2011 was based on the Prognosis table 2010-2060 of the Actuarieel Genootschap. The assumptions for the expected return on plan assets have been reached on the basis of assessment of the historic returns of the various categories in which the investments were made. The historic returns on these asset categories were weighted on the basis of the expected long-term allocation of the plan assets.

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

Marel hf., Consolidated Financial Statements 31 December 2012

All amounts in EUR*1000 unless otherwise stated.

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

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

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

Historical summary	**2012**	**2011**	**2010**	**2009**	**2008**	**May-08**
Cash value of the obligations related to Def. Ben. plans	2,306	11,732	280,264	281,347	276,197	275,013
Fair value of the plan assets	0	5,077	280,552	290,316	257,474	298,998
Net obligations	(2,305)	(6,655)	288	8,969	(18,723)	23,985

Experience adjustments incurred on plan liabilities (rounded)	**2012**	**2011**	**2010**	**2009**	**2008**	**May-08**
For the Netherlands						
Actuarial gains / (losses) plan liabilities	0	(27,023)	(47,500)	6,313	5,000	n.a.
Effect of the change in assumptions	0	12,140	(34,696)	25,417	0	n.a.
Effect of the change in consolidation rate	0	(20,297)	(11,694)	(6,906)	11,000	n.a.
Experience adjustments	0	(18,866)	(1,110)	(12,198)	(6,000)	n.a.

Experience adjustments incurred on plan assets (rounded)	**2012**	**2011**	**2010**	**2009**	**2008**	**May-08**
For the Netherlands						
Actuarial gains / (losses) plan assets	0	39,561	(24,275)	(18,408)	47,000	n.a.
Effect of the change in assumptions	0	0	0	0	0	n.a.
Effect of the change in consolidation rate	0	33,338	(17,240)	(10,811)	15,000	n.a.
Experience adjustments	0	6,223	(7,035)	(7,597)	32,000	n.a.

22 Derivative financial instruments

(a) Interest-rate swap
To protect Marel from fluctuations in Euribor-EUR-Reuters/Libor-BBA and in accordance with Interest hedge policy Marel has entered into interest rate Swaps (the hedging instruments) to receive floating interest and to pay fixed interest.

The notional principal amount of the outstanding interest rate swap contract at 31 December 2012 was EUR 135,490 (2011: EUR 145,550).

The contractual maturities are as follows:

2012	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	104,325	2013	4.3%
Interest rate SWAP	USD	53,387	2013	4.1%
Forward Starting Interest rate SWAP 2013	EUR	80,000	2015	3.0%
Forward Starting Interest rate SWAP 2013	USD	50,000	2015	2.8%

2011	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	104,325	2013	4.3%
Interest rate SWAP	USD	53,387	2013	4.1%
Forward Starting Interest rate SWAP 2013	EUR	80,000	2015	3.0%
Forward Starting Interest rate SWAP 2013	USD	50,000	2015	2.8%

(b) Hedge of net investment in foreign entity
There are no net investment hedges as per end of 2012 (2011: zero)
The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Consolidated Statement of Financial Position, which is zero.

23 Trade and other payables

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

Marel hf., Consolidated Financial Statements 31 December 2012

All amounts in EUR*1000 unless otherwise stated.

24 Contingencies

At 31 December 2012 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the Group has given guarantees amounting to EUR 15,882 (2011: EUR 41,690) to third parties.

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

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

25 Commitments and insurance

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

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

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

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

26 Related party transactions

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

Board fee for the year 2012 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	87	7	0	0	243,499 [3]
Arnar Þór Másson, Board Member	29	2	0	0	0
Ásthildur Margrét Otharsdóttir , Board Member	58	5	0	0	32
Friðrik Jóhannsson, Board Member	33	3	0	0	4,300
Helgi Magnússon, Board Member	29	2	0	0	5,105
Margrét Jónsdóttir, Board Member	29	2	0	0	200
Smári Rúnar Þorvaldsson, Board Member (until 29 February 2012)	4	0	0	0	0
Theo Bruinsma, Board Member	29	2	0	375	1,000 [4]

	Salary and benefits	Share based benefits	Incentive payments	Pension contribution[1]	Stock options [2]	Bought shares acc. to stock options[2]	Shares at year-end [2]
Theo Hoen, CEO	418	0	136	92	2,950	0	1,500
Erik Kaman, CFO	376	0	109	32	2,300	0	1,675
Sigsteinn Gretarsson, COO	333	285	93	24	625	825	26
Five Managing Directors	925	150	177	107	3,435	425	124 [5]

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

[2] Number of shares * 1000

[3] Shares owned by Eyrir Invest hf., where Árni Oddur Þórðarson is CEO, including those of financially related parties. Margrét Jónsdóttir is the CFO of Eyrir Invest hf.

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

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

Marel hf., Consolidated Financial Statements 31 December 2012

All amounts in EUR*1000 unless otherwise stated.

Stock options

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

Board fee for the year 2011 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	60	5	0	0	262,099 [3]
Arnar Þór Másson, Board Member	23	2	0	0	0
Ásthildur Margrét Otharsdóttir , Board Member	43	3	0	0	32
Friðrik Jóhannsson, Board Member	45	4	0	0	4,300
Helgi Magnússon, Board Member	23	2	0	0	5,308
Lars Grundtvig, Board Member (until 2 March 2011)	3	0	0	0	61,673 [4]
Margrét Jónsdóttir, Board Member	23	2	0	0	200
Smári Rúnar Þorvaldsson, Board Member	23	2	0	0	0
Theo Bruinsma, Board Member	23	2	375	375	1,000 [5]

[1] Contributions for Theo Hoen and Erik Kaman were part of a defined benefit plan; contributions for the other board members are part of a defined contribution plan.
[2] Number of shares * 1000
[3] Shares owned by Eyrir Invest hf., where Árni Oddur Þórðarson is CEO, including those of financially related parties. Margrét Jónsdóttir is the CFO of Eyrir Invest hf.
[4] Shares owned by Grundvigt 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.

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

Stock options

	Number of shares [2)]	Average exercise price	
Theo Hoen, CEO	2,000	89	ISK per share
	350	0.563	EUR per share
Erik Kaman, CFO	1,500	89	ISK per share
	350	0.563	EUR per share
Sigsteinn Gretarsson, COO	150	92	ISK per share
	500	89	ISK per share
	350	0.563	EUR per share
Theo Bruinsma, Board Member	375	89	ISK per share

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

27 Fees to Auditors

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

28 Events after the balance sheet date

No significant events have taken place since the reporting date.

29 Subsidiaries

The largest subsidiaries are listed below:

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

30 Quarterly results (unaudited)

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Total
Revenue	178,363	164,264	186,469	184,864	713,960
Cost of sales	(118,277)	(105,393)	(124,192)	(116,872)	(464,734)
Gross profit	60,086	58,871	62,277	67,992	249,226
Selling and marketing expenses	(23,100)	(21,440)	(23,666)	(21,913)	(90,119)
Research and development expenses	(9,943)	(10,638)	(10,940)	(10,045)	(41,566)
Administrative expenses	(14,061)	(12,547)	(15,681)	(14,656)	(56,945)
Other operating income / (expenses)	650	(127)	220	(258)	485
Result from operations (EBIT)	13,632	14,119	12,210	21,120	61,081
Finance costs	(5,271)	(4,303)	(4,103)	(4,689)	(18,366)
Finance income	(6)	(264)	24	582	336
Net finance costs	(5,278)	(4,567)	(4,079)	(4,107)	(18,030)
Result before income tax	8,354	9,552	8,131	17,013	43,051
Income tax	(1,211)	(1,144)	(1,143)	(3,944)	(7,442)
Profit for the period	7,143	8,408	6,988	13,069	35,609
Profit before deprec. & amortisation (EBITDA)	19,527	20,465	18,570	27,401	85,963

Marel hf., Consolidated Financial Statements 31 December 2012

All amounts in EUR*1000 unless otherwise stated.

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

Design and layout: Hvíta húsið
Printing: Ísafoldarprentsmiðja

Publication schedule for 2013-2014

Annual General Meeting 2013	6 March 2013
1st quarter 2013	22 April 2013
2nd quarter 2013	24 July 2013
3rd quarter 2013	23 October 2013
4th quarter 2013	5 February 2014
Annual General Meeting 2014	5 March 2014

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