

Marel Food Systems hf.

**Consolidated Financial Statements
for the year 2009**

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The Board of Directors' and CEO's Report

The Consolidated Financial Statements for the year 2009 comprise the financial statements of Marel Food Systems 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.

According to the Consolidated Statement of Comprehensive Income, the Group's operating revenue amounted to EUR 531.7 million of the year 2009 (2008: EUR 540.1 million) and the loss of the year amounted to EUR 11.8 million (2008: EUR 8.4 million). Total comprehensive income amounted to EUR (13.8) million (2008: EUR (17.4) million). According to the statement of financial position, the Company's assets amounted to EUR 882.9 million at the year 2009 (at year end 2008: EUR 920.3 million). Equity amounted to EUR 323.8 million at the end of 2009 (at year end 2008: EUR 288.3 million) or 36,7% of total assets (at year end 2008: 31.3%). The Net debt decreased from EUR 379 million at the end of 2008 to EUR 295 million at the end of 2009.

In 3 private placements in June, October and December 2009, a total of 146.8 million new shares were sold at an average price of ISK 61, in total amounting to ISK 8,975 million (EUR 49.3 million). The total number of the Company's shares after the sales of new shares is 727,136,497. All the private placements in 2009 were based on a resolution of the Company's Annual General Meeting held on 10 March 2009, where the shareholders waived their pre-emptive rights and they were approved by the Board of Directors each time.

The number of shareholders in Marel Food Systems hf. at year end 2009 was 1751, a decrease of 85 during the year. Two shareholders had a holding interest of more than 10% in the company, Eyrir Invest ehf., with 32.03% and Horn fjárfestingafélag ehf., with 20.77%.

In May 2009, the Company finalised negotiations with the old Icelandic banks regarding closing of derivatives. These derivatives were settled at a rate of EUR/ISK 149.74. The accrual was based on the year end rate EUR/ISK 169.44, therefore a positive currency gain of EUR 12.5 million was realised in 2009.

In May 2009, the Company successfully refinanced the repayment of the loans to 2 Icelandic banks as well as the bonds, which were due on 20 May, with a new class of bonds (EUR 21 million) and a club loan provided by Islandsbanki, NBI and Arion Bank (EUR 116 million). The closed derivatives were refinanced by a EUR 34 million loan provided by Glitnir Bank.

The goodwill of the Group was tested for impairment at year-end by calculating its recoverable amount. The results of these impairment test was that there was no need for impairment of the core activities as the recoverable amount of the goodwill was above the book value. The non-core activities of Food & Dairy Systems and Carnitech A/S reported as assets/liabilities held for sale have been impaired to their fair value. The impairment losses amounted to EUR 24.5 million.

At the end of 2009, the Group had considerable financial resources together with an increased portfolio of contracts with customers and suppliers across different geographic areas and industries compared to the end of 2008. In 2009, despite the economic circumstances, the Group kept its innovation efforts at the usual level. The Group was in full compliance with the bank covenants in 2009. In 2010, the Group has entered into an agreement to divest the non-core activities of Stork Food & Dairy Systems, excluding its operations in Spain. Management of the Group believes that it is well placed to manage its business risks successfully despite a still uncertain economic outlook.

The management of the Group believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements. The Board of Directors suggests that no dividends will be paid for the operational year 2009, but refers to the financial statements regarding appropriation of the loss for the period and changes in shareholders' equity.

According to the Board of Director's best knowledge, these Consolidated Financial Statements comply with IFRS as adopted by the EU., on Annual Accounts and give a true and fair picture of the Group's assets and liabilities, financial position as at 31 December 2009, operating performance and the cashflow for the year ended 31 December 2009 as well as describing the principal risk and uncertainty factors faced by the company. The report of the Board of Directors provides a clear overview of developments and achievements in the company's operations and its situation.

The Board of Directors and CEO of Marel Food Systems hf hereby ratify the Consolidated Financial Statements of Marel Food Systems hf. for the year 2009 with their signatures.

Garðabær, 9 February 2010

Board of Directors

Árni Oddur Þórðarson

Arnar Þór Másson

Friðrik Jóhannsson

Helgi Magnússon

Lars Grundtvig

Margrét Jónsdóttir

Chief Executive Officer

Theo G.M. Hoen

Independent auditor's report

To the Shareholders and Board of Directors of the Marel Food Systems hf.

We have audited the accompanying Consolidated Financial Statements of Marel Food Systems hf., which comprise the report by the Board of Directors, the Consolidated Statement of financial position as at 31 December 2009, and the Consolidated Statement of Comprehensive income, the Consolidated Statement of Changes in Shareholders' Equity and the Consolidated Statement of Cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Consolidated Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgement, 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

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

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Consolidated Statement of Financial Position of Marel Food Systems hf. as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 9 February 2010

KPMG hf.

Sæmundur Valdimarsson

Kristrún H. Ingólfssdóttir

Consolidated Statement of Comprehensive Income

2008 numbers include Stork entities as of 1 May 2008

	Notes	2009	2008*
Revenue	5	531,680	540,149
Cost of sales		<u>(340,006)</u>	<u>(361,218)</u>
Gross profit		191,674	178,931
Other operating (expenses) income	6	(9,169)	716
Selling and marketing expenses		(73,443)	(71,838)
Research and development expenses		(31,149)	(27,337)
Administrative expenses		<u>(69,866)</u>	<u>(60,038)</u>
Result from operations		8,047	20,434
Finance expenses	7	(45,464)	(37,133)
Finance income	7	19,619	4,939
Net Finance costs	7	<u>(25,845)</u>	<u>(32,194)</u>
Share of results of associates		0	473
Result before income tax		(17,798)	(11,287)
Income tax	9	5,987	2,882
Profit (loss) for the period		<u>(11,811)</u>	<u>(8,405)</u>
Other Comprehensive Income			
Currency translation differences		(1,235)	(426)
Cash flow hedges		(1,028)	(11,438)
Income tax relating to cash flow hedges		262	2,917
Other comprehensive income for the year, net of tax		<u>(2,001)</u>	<u>(8,947)</u>
Total comprehensive income for the year		<u><u>(13,812)</u></u>	<u><u>(17,352)</u></u>
Net result attributable to:			
Shareholders of the Company		<u>(11,811)</u>	<u>(8,405)</u>
		<u><u>(11,811)</u></u>	<u><u>(8,405)</u></u>
Comprehensive income attributable to:			
Shareholders of the Company		<u>(13,812)</u>	<u>(17,352)</u>
		<u><u>(13,812)</u></u>	<u><u>(17,352)</u></u>
Earnings per share for result attributable to equity holders of the company during the period (expressed in EUR cent per share):			
- basic	20	(1.96)	(1.71)
- diluted	20	(1.96)	(1.68)
Earnings per share for total comprehensive income attributable to equity holders of the company during the period (expressed in EUR cent per share):			
- basic	20	(2.29)	(3.52)
- diluted	20	(2.29)	(3.47)

* 2008 adjusted for comparative purposes

The notes on pages 9 - 45 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position

	Notes	31/12 2009	31/12 2008*
ASSETS			
Non-current assets			
Property, plant and equipment	10	115,332	145,420
Goodwill	11	377,959	394,978
Other intangible assets	11	85,433	85,459
Investments in associates	26	97	333
Receivables	14	150	2,683
Deferred income tax assets	22	14,850	5,620
		<u>593,821</u>	<u>634,493</u>
Current assets			
Inventories	12	81,054	113,636
Production contracts	13	11,992	26,473
Trade receivables	14	67,184	85,603
Assets held for sale	27	33,330	0
Other receivables and prepayments	14	23,597	34,652
Derivative financial instruments	16	0	4,364
Restricted cash	15	25,882	0
Cash and cash equivalents	15	46,022	21,038
		<u>289,061</u>	<u>285,766</u>
Total assets		<u><u>882,882</u></u>	<u><u>920,259</u></u>
EQUITY			
Capital and reserves attributable to equity holders of Marel Food Systems hf.			
Share capital	25	6,674	5,852
Share premium	25	318,495	269,988
Reserves	25	(11,450)	(9,449)
Retained earnings		10,078	21,888
Total shareholders' equity		<u>323,797</u>	<u>288,279</u>
LIABILITIES			
Non-current liabilities			
Borrowings	17	351,508	265,807
Deferred income tax liabilities	22	7,765	10,362
Provisions	18	8,797	8,563
Derivative financial instruments	16	11,065	35,542
		<u>379,135</u>	<u>320,274</u>
Current liabilities			
Trade and other payables	21	116,281	156,204
Liabilities held for sale	27	43,693	0
Derivative financial instruments	16	0	8,261
Current income tax liabilities		1,584	6,703
Borrowings	17	15,409	134,636
Provisions	18	2,983	5,902
		<u>179,950</u>	<u>311,706</u>
Total liabilities		559,085	631,980
Total equity and liabilities		<u><u>882,882</u></u>	<u><u>920,259</u></u>

* 2008 adjusted for comparative purposes

The notes on pages 9 - 45 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

	Attributable to equity holders of the Company					Total	Non contr.	Total equity
	Share capital	Share premium	Hedge reserve	Transl. reserves	Retained earnings			
Balance at 1 January 2008	4,414	147,584	1,044	(1,546)	30,293	181,789	46	181,835
Total comprehensive income	0	0	(8,521)	(426)	(8,405)	(17,352)	0	(17,352)
Sale (purchases) of treasury shares, gross	22	2,023				2,045		2,045
Treasury shares, transaction cost		(8)				(8)		(8)
Business combination							(46)	(46)
Employee share option scheme:								
Value of services provided		43				43		43
Issue of share capital, gross	1,416	122,486				123,902		123,902
Issue of share capital transaction cost		(2,140)				(2,140)		(2,140)
	1,438	122,404	(8,521)	(426)	(8,405)	106,490	(46)	106,444
Balance at 31 December 2008	5,852	269,988	(7,477)	(1,972)	21,888	288,279	0	288,279
Total comprehensive income	0	0	(766)	(1,235)	(11,811)	(13,812)	0	(13,812)
Sale (purchases) of treasury shares, gross	16	535				551		551
Treasury shares, transaction costs		(5)				(5)		(5)
Employee share option scheme:								
Value of services provided		445				445		445
Issue of share capital, gross	806	48,450				49,256		49,256
Issue of share capital transaction cost		(918)				(918)		(918)
	822	48,507	(766)	(1,235)	(11,811)	35,517	0	35,517
Balance at 31 December 2009	6,674	318,495	(8,243)	(3,207)	10,077	323,796	0	323,796

Dividend per share

No dividends were paid in 2008 and 2009.

The notes on pages 9 - 45 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	Notes	2009	2008*
Cash flows from operating activities			
Result from operations		8,047	20,434
Adjustments to reconcile result from operations to net cash provided by operating activities:			
Depreciation and impairment of Property, Plant & Equipment	6, 10	19,870	12,000
Amortisation and impairment of intangible assets	6, 11	30,836	9,674
Share of results of associates		0	229
Gain on sale of subsidiary		(10,310)	0
Gain on sale of property, plant and equipment		(5,587)	0
Changes in non current receivables		2,542	0
Other changes		102	(1,641)
Working capital (used in) provided by operating activities		<u>45,500</u>	<u>40,696</u>
Changes in working capital:			
Inventories and production contracts		38,823	(1,118)
Trade and other receivables		3,904	15,412
Trade and other payables		(12,451)	(9,138)
Provisions		(381)	0
Changes in operating assets and liabilities		<u>29,895</u>	<u>5,156</u>
Cash generated from operating activities		75,395	45,852
Currency fluctuations and indexation		(349)	(11,417)
Income tax paid		(3,534)	(259)
Interest and finance costs paid		(45,986)	(24,574)
Net cash from operating activities		<u>25,526</u>	<u>9,602</u>
Cash flows from investing activities			
Interest received		1,086	5,685
Acquisition of subsidiary, net of cash acquired		0	(425,970)
Purchase of property, plant and equipment (PPE)	10	(8,117)	(24,305)
Investments in intangibles	11	(16,437)	(19,189)
Divestment of subsidiary, net of cash divested		16,038	0
Loans to associates		0	49,607
Proceeds from sale of property, plant and equipment (PPE)		17,993	2,929
Proceeds from sale of associates		0	3,754
Changes in securities		0	603
Other changes		195	1,900
Net cash from investing activities		<u>10,758</u>	<u>(404,986)</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares		16,441	121,611
Proceeds from (purchase of) treasury shares, net		546	2,231
Proceeds from borrowings		156,714	285,601
Repayments of borrowings		(139,252)	(22,404)
Finance lease principal payments		501	(558)
Non current Financial Derivates		(24,374)	0
Other changes		(408)	0
Net cash from financing activities		<u>10,168</u>	<u>386,481</u>
Net increase (decrease) in net cash		<u>46,452</u>	<u>(8,903)</u>
Exchange losses on net cash		392	(496)
Net cash at beginning of the year		21,038	30,437
Net cash at end of the year		<u>67,882</u>	<u>21,038</u>
Cash and cash equivalents		46,022	21,038
Restricted cash		25,882	0
Bankoverdrafts		(4,022)	0
Net cash at end of the year		<u>67,882</u>	<u>21,038</u>
Investing and financing activities not affecting cash flows:			
Issue of ordinary shares		31,897	0
Reduction of borrowings		(31,897)	0

* Adjusted for comparative purposes.

The notes on pages 9 - 45 are an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. General information

Marel Food Systems 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 2009 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. In May 2008, the Group acquired control of Stork Food Systems operating in most western European countries and USA.

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.

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 has 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.

These Consolidated Financial Statements have been approved for issue by the board of directors on 9 February 2010.

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 company's functional currency. All financial information presented in Euro has been rounded to the nearest thousands.

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 company'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

Interpretations effective in 2009

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

The following standards and amendments to existing standards have been published and have been adopted in the Group's accounting periods beginning on or after 1 January 2009:

Notes to the Consolidated Financial Statements

IFRS 8, 'Operating segments' (effective 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Group has applied IFRS 8 as of 1 January 2009, using the information presented to the chief operating decision-maker for strategic decision taking.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Group has applied IAS 23 (Amendment) retrospectively from 1 January 2009 but is currently not applicable to the Group as there are no qualifying assets.

IAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement. The Group has chosen to present one performance statement (the Consolidated Statement of Comprehensive Income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group has applied IAS 1 (Revised) from 1 January 2009.

IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has applied IFRS 2 (Amendment) from 1 January 2009. It did not impact on the Group's financial statements.

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group has applied the IAS 32 and IAS 1 (Amendment) from 1 January 2009. It did not have any impact on the Group's financial statements.

IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Group has applied IFRS 1 (Amendment) from 1 January 2009, as all subsidiaries of the Group were transitioned to IFRS. The amendment did not have any impact on the Group's Financial Statements.

IAS 27 (Revised), 'Consolidated and separate Financial Statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

Notes to the Consolidated Financial Statements

IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the Consolidated Statement of Comprehensive Income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group has applied the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from 1 January 2009.

IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group has applied the IAS 36 (Amendment) and provided the required disclosure where applicable for impairment tests from 1 January 2009.

IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group has applied the IAS 38 (Amendment) from 1 January 2009.

IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The group has applied the IAS 19 (Amendment) from 1 January 2009.

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

- This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
- The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.

Notes to the Consolidated Financial Statements

- The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker. Currently, for segment reporting purposes, each subsidiary designates contracts with group treasury as fair value or cash flow hedges so that the hedges are reported in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision-maker. See note 3.1 for further details.

Amendments to IFRS 7, 'Financial instruments: Disclosures' which are part of the IASB's annual improvements project published in May 2008, have been applied in the Notes.

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group has applied IFRIC 16 from 1 January 2009. There was no material impact on the Group's financial statements.

2.2 Consolidation

Subsidiaries

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

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

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

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the Consolidated Statement of Comprehensive Income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

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.

Notes to the Consolidated Financial Statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

Transactions and balances

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

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 for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- (iii) all resulting exchange differences are recognised as a separate component of equity (Translation reserve).

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

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

2.5 Property, plant and equipment

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

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

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

- Buildings	30-50 years
- Plant and machinery	5-15 years
- Vehicles & equipment	3-6 years

Notes to the Consolidated Financial Statements

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 balance sheet date.

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

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

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

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

2.6 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill on some acquisitions that occurred prior to 1 January 2004 has been charged in full to retained earnings in shareholders' equity; such goodwill has not been retroactively capitalised.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Research and development

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

Patents & Tradename

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 revalued.

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 reliably measured.

Directly attributable costs that are 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.

Notes to the Consolidated Financial Statements

2.7 Impairment of non-financial assets

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

2.8 Financial assets

The Group classifies its investments in the following categories: receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

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 balance sheet date. These are classified as non-current assets. The group's receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet (notes 2.12 and 2.13).

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

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

The Group assesses at each balance sheet 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 and recognised in the profit (loss) for the period. Impairment losses recognised in the profit / (loss) for the period on equity instruments are not reversed through the profit / (loss) for the period. Impairment testing of receivables is described in note 2.12.

Notes to the Consolidated Financial Statements

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 remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either

- (a) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (b) hedges of a net investment in a foreign operation (net investment hedge).

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

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

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Shareholders' Equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Comprehensive Income within Finance income or Finance expenses.

Amounts accumulated in equity are recycled in the profit/ (loss) for the period in the periods when the hedged item affects profit or loss (for example, when the forecast expense that is hedged takes place). The gain or loss relating to the ineffective portion is recognised in the profit / (loss) for the period within Finance income or Finance expenses. 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 Consolidated 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 Consolidated Statement of Comprehensive Income within Finance income or Finance expenses.

(b) Net investment hedge

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Comprehensive Income within Finance income or Finance expenses.

Gains and losses accumulated in equity are included in the Consolidated Statement of Comprehensive Income when the foreign operation is partially disposed of or sold.

(c) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognised immediately in the Consolidated Statement of Comprehensive Income within Finance income or Finance expenses.

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 taken for slow moving items. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses. Costs of inventories include the transfer from equity of gains/losses on qualifying cash flow hedges relating to production cost.

Notes to the Consolidated Financial Statements

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 balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

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

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

2.12 Receivables and prepayments

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

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

The Group is financed in separate ring fences. As part of the ring fence agreements there is an amount of restricted cash on the balance sheet for cash collaterals and bankguarantees for operational activities.

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.

Notes to the Consolidated Financial Statements

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 Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest

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 balance sheet date.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in Shareholders' Equity. In this case, the tax is also recognised in Shareholders' Equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet 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 is 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 Consolidated Financial Statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet 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 each balance sheet 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 changed 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 following condition is met:

Notes to the Consolidated Financial Statements

– there is a formal plan and the amounts to be paid are determined before the time of issuing the Consolidated 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, several of these plans are classified as Defined Benefit plans. In general, these plans are funded by payments to insurance companies or to funds administered by third parties. For the majority of its employees, the Group has pension plans in which the liability 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 Consolidated Statement of Financial Position. Investments are made primarily in fixed-interest securities, listed shares and related instruments, and real estate.

The most important defined benefit plan is administered by Stichting Pensioenfonds Stork (Stork Pension Fund Foundation). The pension commitments of Dutch former-Stork operating companies (so-called average salary schemes) are managed by Stichting Pensioenfonds Stork. The coverage ratio is determined annually, based on actuarial calculations and guidelines issued by the Dutch Central Bank. Taking into account the outcome of this determination, the pension contributions are determined and if possible the conditional indexation is effected. Of the contributions as determined annually, 58% are payable by the Group and 42% by the employee. At year-end 2009 the coverage ratio was 101%.

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

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

If the calculation results in a benefit, the recognised asset is limited to an amount maximally equal to the economic benefits available. The calculation is performed by qualified actuaries.

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

2.19 Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. The company 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.

Notes to the Consolidated Financial Statements

2.20 Revenue recognition

Revenue comprises the invoiced 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 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 finance cost is charged to the Consolidated Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

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

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised in the Group's Consolidated Financial Statements in the period in which the dividends are approved by the Company's shareholders.

Notes to the Consolidated Financial Statements

3. Financial risk management

3.1 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) Operational and market risk

(i) Foreign exchange risk

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

On the operational front, only 0.1 - 0.2% of revenues is denominated in ISK, while 3.5% of costs are in ISK. The Company had cash flow hedges to manage the risk originating in this imbalance. All open derivatives in ISK were settled and closed in May 2009. After the collapse of the Icelandic banking system in 2008, such derivatives are not available in ISK.

After the recent refinancing of the Company's operation in Iceland in May 2009, the currency mismatch for the Group has increased. At the end of 2009, around 27% of Marel Food System's total borrowings were in ISK. We refer to note 30 where further reduction of the ISK risk is described. With the currently non functioning swap market in Iceland, Marel remains exposed to movements in the ISK/EUR exchange rate.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risk is managed by maintaining a mix between fixed and floating interest rate borrowings. Based on various scenarios, the Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Generally the Group raises long term borrowings at floating rates and swaps them into fixed rates. Presently around 48% of the total borrowings have floating interest rates and the rest is fixed. The notional amount of debt converted from floating to fixed rate interest via an interest rate swap is EUR 114 million and USD 59 million, with maturity in September 2013.

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.

At 31 December 2009, if interest rates had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 1,372 lower/higher (2008: EUR 728), as a result of higher/lower interest expense on floating rate borrowings.

(iii) Capital Management

The Board's 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 of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total Shareholders' Equity, excluding non-redeemable preference shares and non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

Notes to the Consolidated Financial Statements

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 3.5% of the shares, assuming that all outstanding share options vest and / or are executed.

The Board seeks to maintain a balance between the higher returns on equity that might be possible with higher levels of borrowings and the advantages and security of a sound capital position. The Group's target is to have a minimum equity ratio of 30%.

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

	31/12 2009	31/12 2008
Total borrowings	366,917	400,443
Cash and cash equivalents, incl. restricted cash	71,904	21,038
Net Debt	<u>295,013</u>	<u>379,405</u>
Total Equity	323,797	288,279
Hedge Reserve	(8,243)	(7,477)
Adjusted Capital	<u>315,554</u>	<u>280,802</u>
Debt to adjusted capital ratio	0.93	1.35

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

(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 represent the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	31/12 2009	31/12 2008
Trade receivables	14	67,334	88,286
Other receivables and prepayments	14	23,596	34,652
Derivative financial instruments	16	0	4,364
Restricted cash	15	25,882	0
Net cash	15	<u>46,022</u>	<u>21,038</u>
		<u>162,834</u>	<u>148,340</u>

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 three Icelandic banks. 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.

Notes to the Consolidated Financial Statements

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities 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 undrawn committed facilities of EUR 23.5 million at year end, including EUR 13 million with the syndicated facility and EUR 9.2 million with the Icelandic bank club facility. Both are subject to operational and balance sheet covenants.

The acquisition of Stork Food Systems in 2008 was financed with equity and long term debt. The long term debt was provided by a syndicate of European banks led by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A (Rabobank) and Landsbanki Íslands hf. The majority of Stork Food Systems debt financing is with maturity in 2016 and 2017. This is an independent financing structure, which currently limits the flow of funds between Stork Food Systems and other companies within Marel Food Systems. A relatively high liquidity position is called for due to the current situation in capital markets and the independent financing structures of the entities that make up the Group.

In an increasingly difficult funding market, where access to new funding sources is limited, the need for active liquidity risk management has increased substantially. Cash flow forecasts are done at the local levels and monitored by Group Treasury. Group liquidity reports are viewed by management on a weekly basis. The current liquidity position of EUR 71.9 million at 31 December 2009, of which EUR 25.9 million is restricted cash, is relatively strong and the business remains equipped to deal with current market environment.

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

At 31 December 2009	less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 Years
Interest rate swap	51	171	1,541	10,991	0

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

At 31 December 2009	Weighted average effective interest rate	less than 6 months	6-12 months	1 year to 3 years	3-5 years	Total
Finance lease liability	7.53%	88	158	718	357	1,321
Financial guarantee contracts	-	5,781	4,022	971	0	10,774

3.2 Capital risk management

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 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.

Notes to the Consolidated Financial Statements

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 balance sheet 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 balance sheet date.

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.

3.3 Fair value estimation

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

Level 1:

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet 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 balance sheet 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 2009	Level 1	Level 2	Level 3	Total
Derivative liabilities held for risk management	11,065	0	0	11,065

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

Notes to the Consolidated Financial Statements

4. Critical accounting estimates and assumptions

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

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

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 11).

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

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

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment 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 balance sheet date. The Group has used discounted cash flow analysis for various 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.

(e) Revenue recognition

The Group uses the percentage-of-completion method in accounting for its sales of goods and production contracts. Use of the percentage-of-completion method requires the Group to estimate the stage of completion to date as a proportion of the total work to be performed.

Carrying amounts of the items mentioned above:

As per december 2009:	Assets	Liabilities
Goodwill	377,959	0
Other intangible assets	85,433	0
Current and deferred income taxes	14,850	9,349
Financial instruments	0	11,065
Assets & Liabilities held for sale	33,330	43,693
Investments in associates	97	0
Production contracts	11,992	36,157

Changes to past assumptions:

Based on the future Group structure, excluding non-core activities the Group has changed assumptions used for EBITDA margin. The discount rate assumption has been changed to reflect the current financing structure.

Notes to the Consolidated Financial Statements

5. Segment information

Business segments

The segment reporting has changed compared to 2008, based on the application of IFRS 8. The segments comprise the industries, which form the basis for managerial decision taking.

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

	Fish	Poultry	Meat	Further Processing	Others	Total
Total gross segment revenues	86,258	223,052	89,310	83,657	93,417	575,694
Inter-segment revenues	(1,859)	(7,353)	(13,895)	(14,827)	(6,080)	(44,014)
	84,399	215,699	75,415	68,830	87,337	531,680
Result from operations	5,237	23,062	993	(1,417)	(19,828)	8,047
Finance costs - net						(25,845)
Share of results of associates						0
Result before income tax						(17,798)
Income tax						5,987
Profit (loss) for the period						(11,811)
Assets	81,436	221,040	108,796	75,244	396,366	882,882
Depreciation and amortisation	(4,331)	(9,466)	(4,717)	(3,561)	(3,813)	(25,888)
Impairment charges/ reversals					(24,818)	(24,818)

Result from operations of the Other Segment include EUR 5.6 million profit on the sale of Real Estate Ketelstraat, EUR 10.3 million profit on the sale of Scanvaegt Nordic, EUR 8.0 million impairment of Carnitech A/S and EUR 16.4 million impairment loss of Food and Dairy Systems.

The segment information of 2008 is not comparable, because the separation into these segments only makes sense for the combined Marel–Stork Food Systems organisation going forward. The Further Processing segment contains business that was part of the former segments Fish and Poultry, therefore these segments have changed as well. The 'Others' segment contains Stork Food & Dairy systems and Scanvaegt Nordic (up to divestment end of April 2009), as well as Carnitech A/S and the holdings.

The Group does not allocate financial income and expenses between business segments. The segments are held responsible for the result from operations. Decisions on Tax and Financing structures are taken on corporate level.

Inter-segment transfers or transactions are entered into under at arm's length terms and conditions comparable to those available to unrelated parties.

Geographical information

The Group's three business segments operate in four main geographical areas, even though they are managed on a worldwide basis.

The home country of the Company is Iceland. The two main operating companies are located in Iceland and the Netherlands, however, these companies realise most of their revenues in other countries.

Revenues, allocated based on country where the customer is located.	2009	2008
Iceland	2,708	3,325
The Netherlands	19,711	12,970
Europe other	257,431	287,335
North America	144,613	161,254
Other countries	107,217	75,265
	531,680	540,149
Total assets		
Iceland	203,818	185,163
The Netherlands	390,507	395,987
Other countries	288,557	339,110
	882,882	920,260
Capital expenditure		
Iceland	3,655	2,198
The Netherlands	6,798	6,957
Other countries	14,130	15,150
	24,583	24,305

Notes to the Consolidated Financial Statements

6. Other operating income (expenses)

	2009	2008
Profit on the sale of Scanvaegt Nordic	10,310	0
Profit on the sale of real estate Ketelstraat	5,575	0
Impairment Stork Food & Dairy Systems	(16,407)	0
Impairment Carnitech A/S	(8,050)	0
Others	(597)	716
	<u>(9,169)</u>	<u>716</u>

	Notes	2009
Summary of impairments:		
Property, plant and equipment	10	(1,103)
Goodwill	11	(14,394)
Other intangible assets	11	(4,416)
Inventories	12	(2,603)
Production contracts	13	(353)
Receivables	14	(1,587)
Other tangible		(236)
Other intangible		(126)
		<u>(24,818)</u>

7. Finance costs

	2009	2008
2008 numbers include Stork entities as of 1 May 2008		
Finance expenses:		
Interest on borrowings	(41,609)	(28,122)
Interest on finance leases	(75)	(62)
Other finance expenses	(3,780)	(1,078)
Net foreign exchange transaction losses	0	(7,871)
Subtotal Finance expense	<u>(45,464)</u>	<u>(37,133)</u>
Finance income:		
Interest income	696	4,907
Result on financial derivatives *	11,594	0
Net foreign exchange transaction gains	7,328	0
Other finance income	0	32
Subtotal Finance income	<u>19,619</u>	<u>4,939</u>
Net Finance costs	<u>(25,845)</u>	<u>(32,194)</u>

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

8. Staff & Reorganisation costs

	2009	2008
2008 numbers include Stork entities as of 1 May 2008		
Salaries & Wages	160,676	158,195
Related expenses	18,985	15,328
Post retirement benefits	12,426	8,533
	<u>192,087</u>	<u>182,056</u>
Staff costs analyses as follows in the Consolidated Statement of Comprehensive Income:		
Cost of sales	82,247	82,915
Selling and marketing expenses	51,603	46,708
Research and development expenses	30,796	28,393
Administrative expenses	27,441	24,040
	<u>192,087</u>	<u>182,056</u>
Average number of Full Time Equivalents	3,590	3,497

Total reorganisation costs recognised as expense in 2009 amounted to EUR 3,564, of which EUR 2,753 is included in the staff cost presented above.

Notes to the Consolidated Financial Statements

9. Income tax

Current tax	(2,091)	(1,328)
Deferred tax	8,078	4,210
	<u>5,987</u>	<u>2,882</u>

In 2009, an amount of EUR 2,340 was transferred from current tax to deferred tax.

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	2009	
		%
Result before income tax	<u>(17,798)</u>	
Income tax using Iceland rate	2,670	15.00
Effect tax rates other jurisdictions	<u>2,511</u>	<u>14.11</u>
Weighted average applicable tax	5,181	29.11
Effect of divestment / assets held for sale	(1,631)	(9.16)
Effect of tax rate changes	(586)	(3.29)
Fx effect Iceland	(237)	(1.33)
Benefit from tax incentives	1,492	8.38
Recognition previously unrecognized tax losses	806	4.53
Others	<u>962</u>	<u>5.40</u>
Tax charge in the Consolidated Statement of Comprehensive Income	<u>5,987</u>	<u>33.64</u>

Notes to the Consolidated Financial Statements

10. Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2008				
Cost	53,749	20,242	17,856	91,847
Accumulated depreciation	(5,089)	(11,529)	(8,924)	(25,542)
Net book amount	<u>48,660</u>	<u>8,713</u>	<u>8,932</u>	<u>66,305</u>
Year ended 31 December 2008				
Opening net book amount	48,660	8,713	8,932	66,305
Exchange differences	425	463	(417)	471
Business combinations	48,356	15,114	5,797	69,267
Additions	10,029	10,137	4,139	24,305
Disposals	(2,107)	(286)	(535)	(2,928)
Depreciation charge	(2,737)	(4,837)	(4,426)	(12,000)
Closing net book amount	<u>102,626</u>	<u>29,304</u>	<u>13,490</u>	<u>145,420</u>
At 31 December 2008				
Cost	110,452	45,670	26,840	182,962
Accumulated depreciation	(7,826)	(16,366)	(13,350)	(37,542)
Net book amount	<u>102,626</u>	<u>29,304</u>	<u>13,490</u>	<u>145,420</u>
Year ended 31 December 2009				
Opening net book amount	102,626	29,304	13,490	145,420
Costprice changes 1-1	3,046	(3,534)	(265)	(753)
Exchange differences	96	(33)	382	445
Additions	808	4,582	2,727	8,117
Disposals	(13,319)	(737)	(689)	(14,745)
Assets held for sale	(3,512)	(1,374)	(359)	(5,245)
Impairment	0	(965)	(138)	(1,103)
Reclassification to intangible assets	0	(2,816)	0	(2,816)
Depreciation charge	(3,442)	(5,998)	(4,548)	(13,988)
Closing net book amount	<u>86,303</u>	<u>18,429</u>	<u>10,600</u>	<u>115,332</u>
At 31 December 2009				
Cost	94,588	36,916	26,386	157,890
Accumulated depreciation	(8,285)	(18,487)	(15,786)	(42,558)
Net book amount	<u>86,303</u>	<u>18,429</u>	<u>10,600</u>	<u>115,332</u>

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

	2009	2008
Cost of sales	7,870	6,459
Selling and marketing expenses	829	1,003
Research and development expenses	926	751
Administrative expenses	4,363	3,787
	<u>13,988</u>	<u>12,000</u>

The impairment charges are included in the other operating income.

Pledge of assets

As of 31 December 2009, interest bearing debt amounted to EUR 366,917, of which EUR 346,521 are secured against shares, lots, properties, accounts receivables and inventories. Lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default. Certain restrictions apply to the pledging of the company's assets in connection with various loan agreements.

Notes to the Consolidated Financial Statements

11. Intangible assets

	Goodwill	Developm. costs	Patents & Trade name	Other Intangible	Total other Intangibles
At 1 January 2008					
Cost	95,509	26,978	3,201	4,547	34,726
Accumulated amortisation	(59)	(8,736)	0	(1,405)	(10,141)
Net book amount	95,450	18,242	3,201	3,142	24,585
Year ended at 31 December 2008					
Opening net book amount	95,450	18,242	3,201	3,142	24,585
Exchange differences	(619)	(252)	0	1,812	1,560
Business combination	300,148	9,515	2,638	37,646	49,799
Other acquisitions - internally developed	0	18,013	0	1,176	19,189
Amortisation charge	0	(6,516)	(327)	(2,831)	(9,674)
Closing net book amount	394,979	39,002	5,512	40,945	85,459
At 31 December 2008					
Cost	395,038	54,254	5,839	45,181	105,274
Accumulated amortisation	(59)	(15,252)	(327)	(4,236)	(19,815)
Net book amount	394,979	39,002	5,512	40,945	85,459
Year ended 31 December 2009					
Opening net book amount	394,979	39,002	5,512	40,945	85,459
Costprice changes 1-1	(3,191)	(5,284)	41,524	(36,304)	(64)
Exchange differences	497	133	(771)	179	(459)
Assets held for sale	(0)	(2,054)	0	(386)	(2,440)
Impairment	(14,394)	(4,416)	0	0	(4,416)
Other acquisitions - internally developed	68	16,153	0	284	16,437
Reclassification from tangible assets	0	0	0	2,816	2,816
Amortisation charge	0	(7,717)	(3,142)	(1,041)	(11,900)
Closing net book amount	377,959	35,817	43,123	6,493	85,433
At 31 December 2009					
Cost	378,018	58,786	46,592	11,770	117,148
Accumulated amortisation	(59)	(22,969)	(3,469)	(5,277)	(31,715)
Net book amount	377,959	35,817	43,123	6,493	85,433

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

	2009	2008
Cost of sales	72	112
Selling and marketing expenses	130	158
Research and development expenses	9,218	7,564
Administrative expenses	2,480	1,840
	11,900	9,674

The impairment charges are included in the other operating income.

Impairment tests for goodwill

Goodwill is allocated to the Group's Cash Generating Units (CGUs). In 2008 the impairment test was based on the operating companies, in 2009 this was changed to the business units, because they form a better representation of the CGU's. The test includes all fixed assets and Net Working capital.

The recoverable amount of the CGU is determined using the DCF method based on financial budgets approved by management, covering a five-year period. Cash flows beyond the five year period are extrapolated using estimated growth rates (3%), EBITDA margins (15-17.5 %), and pre-tax discount rate (10.3-14.1%). The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The recoverable amount is based on value in use.

Sensitivity analysis on the DCF outcome used the following assumptions: decrease of budgeted revenues by at least 5%, decrease of revenue growth after the 5 year period by at least 0.5%, increase of the discount rate by at least 0.5%. Based on the outcome of these calculations impairment is still not required.

Notes to the Consolidated Financial Statements

The Goodwill allocated to BU Carnitech and BU Stork Food & Dairy Systems was tested as part of the determination of the assets held for sale; the impairment is disclosed in note 6.

The key assumptions used for the impairment test are:

	Marel ehf.	AEW Delford	Poultry Processing	Further Processing	Carnitech A/S	Food & Dairy Systems
Goodwill	86,271	8,076	271,308	12,859	722	13,673
EBITDA margin 1	18.8%	13.3%	16.9%	11.6%		
Growth rate 2	3.0%	3.0%	3.0%	3.0%		
Discount rate 3	13.5%	13.5%	10.7%	10.7%		

¹⁾ Average budgeted EBITDA Margin

²⁾ Weighted average growth rate used to extrapolate cash flows beyond budget period

³⁾ Discount rate applied to the cash flow projections

12. Inventories

	31/12 2009	31/12 2008
Raw materials	31,147	43,199
Semi-finished goods	31,238	44,158
Finished goods	31,106	37,718
	<u>93,491</u>	<u>125,075</u>
Provision	(12,437)	(11,439)
	<u>81,054</u>	<u>113,636</u>

The cost of inventories recognised as expense and included in Cost of sales amounted to EUR 253,896 (2008: EUR 268,129). In 2009 an impairment of EUR 2,603 was recognized as an adjustment to fair value of Carnitech A/S. In 2009 the write-down of inventories to fair value amounted to EUR 12,066. There were no material reversals of write-downs. The write-down is included in Cost of sales.

All inventories have been pledged as a security for local financing and Group borrowings (2008: EUR 61,966)

13. Production contracts

	31/12 2009	31/12 2008
Ordered work in progress	10,705	
Advances received on ordered work in progress	(34,870)	
	<u>(24,165)</u>	
	31/12 2009	31/12 2008
Cost exceed billing	11,992	26,473
Billing exceed cost	(36,157)	(42,416)
	<u>(24,165)</u>	<u>(15,943)</u>

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

Notes to the Consolidated Financial Statements

14. Receivables	31/12 2009	31/12 2008
Current receivables and prepayments:		
Trade receivables	71,175	91,797
Less: write-down to net-realizable value	<u>(3,841)</u>	<u>(3,511)</u>
Trade receivables – net	67,334	88,286
Less non-current portion	<u>(150)</u>	<u>(2,683)</u>
Current portion	<u>67,184</u>	<u>85,603</u>
Other receivables and pre-payments		
Pre-payments	6,974	11,938
Other receivables	<u>16,622</u>	<u>22,714</u>
	<u>23,596</u>	<u>34,652</u>

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

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

Trade receivables that are less than two months past due are not considered impaired. As of 31 December 2009, trade receivables of EUR 19,203 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 2009, trade receivables of EUR 18,244 were tested for impairment and written down when necessary. The amount of the write-down to net-realizable value was EUR 3,841 as of 31 December 2009. The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	Gross amount	Provision for Impairment
Up to 2 months	55,321	0
Over 2 months	<u>15,854</u>	<u>(3,841)</u>
	<u>71,175</u>	<u>(3,841)</u>

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

	2009	2008
EUR	39,301	53,951
US Dollar	13,492	16,002
UK Pound	3,862	4,290
Other currencies	<u>14,370</u>	<u>14,871</u>
	71,025	89,114
Provision	<u>(3,841)</u>	<u>(3,511)</u>
	<u>67,184</u>	<u>85,603</u>

Movements on the Group receivables written down to net-realizable value are as follows:

	2009	2008
At 1 January	3,511	2,830
Business combination	0	2,050
Provision for receivables impairment	1,976	982
Receivables written off during the year as uncollectible	92	(1,719)
Unused amounts reversed	<u>(1,153)</u>	<u>(632)</u>
At 31 December	4,426	3,511
Assets held for sale	<u>(585)</u>	<u>0</u>
	<u>3,841</u>	<u>3,511</u>

The write-down to net-realizable value and reversals have 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.

All Receivables have been pledged as a security for local financing and Group borrowings.

Notes to the Consolidated Financial Statements

15. Cash and cash equivalents	31/12 2009	31/12 2008
Cash at bank and in hand	46,022	21,038
Restricted cash	25,882	0
	<u>71,904</u>	<u>21,038</u>

Bank overdrafts are considered to be financing activities in the cash flow statement.

16. Derivative financial instruments

	31/12 2009		31/12 2008	
	Assets	Liabilities	Assets	Liabilities
Interest-rate swaps – cash flow hedges	0	11,065	0	10,025
Currency interest-rate swaps – fair value hedges	0	0	4,364	33,778
Total	0	11,065	4,364	43,803
Less non-current portion:				
Interest-rate swaps – cash flow hedges	0	11,065	0	10,025
Currency interest-rate swaps – fair value hedges	0	0	0	25,517
Total non-current	0	11,065	0	35,542
Current portion	0	0	4,364	8,261

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedge item is less than 12 months.

(a) Interest rate swap

The notional principal amount of the outstanding interest rate swap contract at 31 December 2009 was EUR 153,468 (2008: EUR 168,296).

At 31 December 2009, the fixed interest rate varies from 4.05% to 4.27% (2008: 3.3% to 7.98%) and the main floating rates are EURIBOR and LIBOR. Gains and losses recognised in the hedging reserve in equity on the interest rate swap contract as of 31 December 2009 will be continuously released to the Consolidated Statement of Comprehensive Income until the repayment of the bank borrowings (note 17).

(b) Hedge of net investment in foreign entity

With the refinancing in May, the net investment hedge for the Group's net investment in UK subsidiary was closed. The Translation reserve included in Shareholders' Equity amounts to EUR 4,286. Since the hedged item was a permanent financing, which is revalued through the Translation reserve in Shareholder's Equity; this reserve is not being amortised and still present at the end of 2009.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet, which is zero.

Notes to the Consolidated Financial Statements

17. Borrowings	31/12 2009	31/12 2008
Non-current:		
Bank borrowings	316,785	208,453
Debentures	33,648	57,166
Finance lease liabilities	1,075	188
	<u>351,508</u>	<u>265,807</u>
Current:		
Revolver	0	47,508
Bank borrowings excluding bank overdrafts	10,740	51,692
Bank overdrafts	4,022	0
Debentures	401	35,238
Finance lease liabilities	246	198
	<u>15,409</u>	<u>134,636</u>
Total borrowings	<u>366,917</u>	<u>400,443</u>

As of 31 December 2009, interest bearing debt amounted to EUR 366,917, of which EUR 346,521 are secured against shares, lots, properties, accounts receivables and inventories. Lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default. Certain restrictions apply to the pledging of the company's assets in connection with various loan agreements.

Liabilities in currency recorded in EUR:	Finance lease liabilities	Capitalised finance charges	Other borrowings	Total 31/12 2009	Total 31/12 2008
Liabilities in CHF	0	0	2,107	2,107	2,332
Liabilities in DKK	740	0	9,675	10,415	20,980
Liabilities in EUR	0	(4,465)	214,600	210,135	218,696
Liabilities in GBP	45	0	1,114	1,159	2,303
Liabilities in ISK, partially index linked	0	(1,169)	100,246	99,077	102,901
Liabilities in JPY	0	0	675	675	1,299
Liabilities in NOK	0	0	410	410	499
Liabilities in SKK	0	0	0	0	12,483
Liabilities in USD	325	(2,944)	45,327	42,708	38,186
Liabilities in other currency	212	0	19	231	764
	<u>1,322</u>	<u>(8,578)</u>	<u>374,173</u>	<u>366,917</u>	<u>400,443</u>
Current maturates	(247)	2,002	(17,163)	(15,409)	(134,636)
	<u>1,075</u>	<u>(6,576)</u>	<u>357,010</u>	<u>351,508</u>	<u>265,807</u>

Annual maturates of non-current liabilities:

Period 2011 - 2010	401	(1,636)	127,280	126,045	41,135
Period 2012 - 2011	317	(961)	36,993	36,349	8,445
Period 2013 - 2012	238	(941)	18,521	17,818	58,471
Period 2014 - 2013	119	(941)	29,546	28,723	12,084
Later	0	(2,097)	144,670	142,573	145,672
	<u>1,075</u>	<u>(6,576)</u>	<u>357,010</u>	<u>351,508</u>	<u>265,807</u>

The Group has the following undrawn borrowing facilities:

Floating rate:	2009	2008
– Expiring within one year	10,000	0
– Expiring beyond one year	13,545	13,487
	<u>23,545</u>	<u>13,487</u>

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 borrowing rate of 8.18%.

An amount of EUR 354 was recognised as an expense in the Consolidated Statement of Comprehensive Income in respect of finance leases (2008: EUR 255).

Notes to the Consolidated Financial Statements

18. Provisions

	Guarantee commit- ments	Pension commit- ments	Other provisions	Total
At 1 January 2008	2,479	3,339	10,630	16,448
Business combination	324	35	2,134	2,493
Release	(279)	(314)	(1,506)	(2,099)
Additions	718	277	251	1,246
Used	872	(194)	(4,301)	(3,623)
At 1 January 2009	<u>4,114</u>	<u>3,143</u>	<u>7,208</u>	<u>14,465</u>
Business combination	(128)	0	12	(116)
Release	(780)	0	(434)	(1,214)
Additions	170	1,070	404	1,644
Used	(50)	1,480	(2,234)	(804)
At 31 December 2009	<u>3,326</u>	<u>5,693</u>	<u>4,956</u>	<u>13,975</u>
Liabilities held for sale	(626)	(45)	(1,524)	(2,195)
	<u>2,700</u>	<u>5,648</u> *	<u>3,432</u>	<u>11,780</u>

* The amount for pension commitments includes the liabilities as disclosed in Note 19 Employee Benefits.

	31/12 2009	31/12 2008
Analysis of total provisions:		
Current	2,983	5,902
Non current	8,797	8,563
	<u>11,780</u>	<u>14,465</u>

Specification of major items in provisions:

Nature of obligation	Country	Maturity	Likelihood	Amount
Reorganisation	Neth.	< 1 year	90%	912
Reorganisation	Neth.			1,497
Reorganisation	Iceland	1-1.5 year	100%	1,144
Guarantee	USA	< 1 year	50%	251
Guarantee	Neth.			428
Guarantee	Iceland	dynamic	dynamic	241

Notes to the Consolidated Financial Statements

19. Employee benefits

The liability as per 31 December 2008 is given below.

	The Netherlands	Other countries	Total
Defined Benefit Obligation	262,577	13,620	276,197
Plan Assets	249,592	7,882	257,474
Net Position	(12,985)	(5,738)	(18,723)
Unrecognised actuarial gains and losses	14,429	2,330	16,759
The effect of limiting the asset *	(1,927)		(1,927)
Other amounts recognised in the balance sheet		2	2
Subtotal - balance liability	(483)	(3,406)	(3,889)
Pension assets / (liabilities)	(483)	(3,406)	(3,889)

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

The liability as per 31 December 2009 is given below.

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

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

	The Netherlands	Other countries	Total
Defined Benefit Obligation			
At 22 May 2008, acquisition date Stork Food Systems	260,825	14,188	275,013
Current service costs	3,343	271	3,614
Interest costs	9,159	578	9,737
Plan participants contributions	2,456	55	2,511
Actuarial gains and losses	(4,945)	(173)	(5,118)
Benefits paid	(8,261)	(293)	(8,554)
Changes in exchange rates		(1,006)	(1,006)
At 31 December 2008	262,577	13,620	276,197
Current service costs	5,082	375	5,457
Interest costs	14,105	859	14,964
Plan participants contributions	3,930	47	3,977
Actuarial gains and losses	(6,313)	741	(5,572)
Benefits paid	(13,586)	(501)	(14,087)
Curtailment **	0	(6)	(6)
Changes in exchange rates	0	417	417
At 31 December 2009	265,795	15,552	281,347

** Curtailment relates to Stork Amsterdam International Ltd.

Notes to the Consolidated Financial Statements

Plan Assets	The Netherlands	Other countries	Total
May 2008, acquisition date Stork Food Systems	288,198	10,800	298,998
Expected returns on plan assets	11,052	572	11,624
Employer's contribution	3,507	248	3,755
Plan participants contributions	2,456	55	2,511
Actuarial gains and losses	(47,360)	(2,695)	(50,055)
Benefits paid	(8,261)	(293)	(8,554)
Changes in exchange rates	0	(805)	(805)
At 31 December 2008	249,592	7,882	257,474
Expected returns on plan assets	14,667	573	15,240
Employer's contribution	7,527	247	7,774
Plan participants contributions	3,930	47	3,977
Actuarial gains and losses	18,407	1,213	19,620
Benefits paid	(13,586)	(501)	(14,087)
Changes in exchange rates	0	318	318
At 31 December 2009	280,537	9,779	290,316

The net period pension costs of the above pension plans:

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

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

The other pension plans in the Marel Group are mainly based on a Defined Contribution plan. The costs of these plans were EUR 4,795 in 2009.

These costs also include costs in relation to the early retirement scheme for the industry in the Netherlands (so-called TOP regeling). In fact this involves a Defined Benefit plan. This is processed as a Defined Contribution plan, because the administration of the industry pension fund is not structured to provide the required information. There is no obligation to compensate for any shortfalls in the fund, nor is there any entitlement to any surpluses.

The pension contribution expected to be paid by Marel for 2010 is EUR 8,317 (2009: EUR 8,376).

As the Stork Pension Fund was in a situation of underfunding it was required by the Dutch Central Bank to make a recovery plan in 2009. See Note 23 Contingencies.

The weighted average assumptions on which the calculation of the pension obligations are based are as follows.

Pension obligation as per 31 December 2009

	The Netherlands	Avg. Other countries	Total
Discount rate used	5.0%	5.8%	5.0%
Expected return on plan assets	5.9%	7.7%	6.0%
Future salary increases	2.0%	0.9%	1.9%
Future pension increases	year dependent	2.0%	year dependent

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

The return on plan assets for 2010 is estimated at 6.0% positive.

Notes to the Consolidated Financial Statements

The plan assets consist primarily of fixed-interest securities, listed shares and related instruments, as well as property. The allocation of the investments per asset category for the pension plans in the Netherlands at 31 December 2009 is as follows:

Percentage allocation of investments as per 31/12 2009

	The Netherlands	Avg. Other countries
Shares and related instruments	35	67
Fixed-interest securities	43	33
Property	15	0
Other	7	0
Total	100	100

Historical summary

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

Experience adjustments incurred on plan liabilities (rounded)

	2009	2008	May-08
For the Netherlands			
Actuarial gains (losses) plan liabilities	6,000	5,000	n.a.
Effect of the change in assumptions	25,000	-	n.a.
Effect of the change in consolidation rate	(7,000)	11,000	n.a.
Experience adjustments	(12,000)	(6,000)	n.a.

Experience adjustments incurred on plan assets (rounded)

	2009	2008	May-08
For the Netherlands			
Actuarial gains (losses) plan assets	(17,000)	47,000	n.a.
Effect of the change in assumptions	-	-	n.a.
Effect of the change in consolidation rate	(11,000)	15,000	n.a.
Experience adjustments	(6,000)	32,000	n.a.

The actual return on plan assets for the Netherlands 2009 was 8.9%

Notes to the Consolidated Financial Statements

20. 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.

	2009	2008
Net loss attributable to share holders	(11,811)	(8,405)
Weighted average number of outstanding shares in issue (thousands)	603,951	492,885
Basic earnings per share (EUR cent per share)	<u>(1.96)</u>	<u>(1.71)</u>

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.

	2009	2008
Net loss used to determine diluted earnings per share	<u>(11,811)</u>	<u>(8,405)</u>
Weighted average number of outstanding shares in issue (thousands)	603,951	492,885
Adjustments for share options (thousands)	0	6,993
Weighted average number of outstanding shares for diluted earnings per share (thousands)	<u>603,951</u>	<u>499,878</u>
Diluted earnings per share (EUR cent)	<u>(1.96)</u>	<u>(1.68)</u>

21. Trade and other payables

	31/12 2009	31/12 2008
Trade payables	26,856	41,444
Accruals	2,622	7,791
Production contracts	36,157	42,416
Other payables	50,646	64,553
	<u>116,281</u>	<u>156,204</u>

22. 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 2008	(2,838)
Business combination	(9,076)
Exchange differences and changes within the Group	142
Consolidated Statement of Comprehensive Income charge	2,882
Less current tax	1,328
Tax effect on revaluations via equity	2,820
At 31 December 2008	<u>(4,742)</u>
At 1 January 2009	(4,742)
Divestments / assets held for sale	614
Exchange differences and changes within the Group	(78)
Consolidated Statement of Comprehensive Income charge (excluding rate change)	8,664
PPA adjustments	3,340
Rate change charged in comprehensive income	(586)
Others	(127)
At 31 December 2009	<u>7,085</u>

Notes to the Consolidated Financial Statements

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 balance sheet:

	2009	2008 *
The deferred tax charged / (credited) to equity during the period is as follows:		
Fair value reserves in shareholders' equity		
– hedging reserve	<u>(262)</u>	<u>(2,917)</u>
* 2008 restated for comparative purposes.		
Deferred tax assets	14,850	5,620
Deferred tax liabilities	<u>(7,765)</u>	<u>(10,362)</u>
	<u>7,085</u>	<u>(4,742)</u>

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 749 has been applied. Taxable effects of losses will expire according below schedule:

	Total tax losses	Of which not capitalised
Next 5 years	10,435	8,317
6-10 years	33,506	1,316
> 10 years	13,688	974
Indefinite	<u>28,620</u>	<u>1,643</u>
	<u>86,249</u>	<u>12,250</u>

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
Property, plant and equipment	2,171	628	(6,811)	(8,404)	(4,640)	(7,776)
Intangible assets	9,665	739	(18,026)	(14,467)	(8,361)	(13,728)
Other financial fixed assets	2,822	2,524	0	0	2,822	2,524
Receivables	430	581	(1,624)	(1,558)	(1,194)	(977)
Inventories	2,292	2,070	(607)	(531)	1,685	1,539
Long term liabilities	322	0	(1,707)	0	(1,385)	0
Provisions for pension	1,013	894	(2)	0	1,011	894
Provisions for reorganisation	161	20	(149)	(26)	12	(6)
Provisions for guarantees	357	557	(57)	(320)	300	237
Provisions others	322	424	(688)	(416)	(366)	8
Current liabilities	1,334	1,949	(2,445)	(1,634)	(1,111)	315
Other items	182	219	(149)	(403)	33	(184)
Tax losses carried forward	<u>18,279</u>	<u>12,412</u>	<u>0</u>	<u>0</u>	<u>18,279</u>	<u>12,412</u>
	39,350	23,017	(32,265)	(27,759)	7,085	(4,742)
Set off of tax	<u>(24,500)</u>	<u>(17,397)</u>	<u>24,500</u>	<u>17,397</u>	<u>0</u>	<u>(0)</u>
	<u>14,850</u>	<u>5,620</u>	<u>(7,765)</u>	<u>(10,362)</u>	<u>7,085</u>	<u>(4,742)</u>

Notes to the Consolidated Financial Statements

23. Contingencies

Contingent liabilities:

At 31 December 2009 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 10,775 (31/12/2008: EUR 4,651) to third parties.

The Group is involved in a dispute between Marel and Glitnir bank hf. which can be traced to different calculation methods applied to settlement of five interest and currency swap agreements with the bank. The disputed difference is amounting to EUR 3.9 million, which Glitnir bank hf. has requested the Company to pay. This disagreement will be settled by an Icelandic court in the near future.

During 2008 the Stork Pension Fund was in a situation of underfunding (coverage ratio end of 2008 was below the required 104.5%). As a consequence the pension fund was required by the Dutch Central Bank to make a recovery plan in 2009. The proposed recovery plan was based on the situation of 1 January 2009, when the coverage ratio was 90%. At the end of 2009, this ratio has improved to 101%. Further improvement is expected with the recovery of the capital markets, as well as the effect of the anticipated changes to the conditions such as increasing the retirement age from 65 to 67 years. The proposed recovery plan suggests a possible short term additional premium payment as well as future conditional additional premium payments in coming years. Discussions on the recovery of the pension fund are on-going.

The Group is a minor sponsor to the Stork Pension Fund. The main sponsor to the pension fund is discussing the fund's recovery plan. Management of the Group will determine its position with regards to the Pension Fund's undercoverage once the main sponsor to the fund and the Stork Pension Fund have agreed on the follow up action. Any liability arising from the discussions, if any, has not been included in the accounts because the amount cannot be estimated reliably.

The Group is in the process of reaching an agreement to solve the underfunding of its pension obligations in Stork Amsterdam International Ltd. The most likely scenario has been included in the accounts, with an addition to the pension provision of EUR 1.1 million.

24. Commitments and insurance

Operating lease commitments – where a Group company is the lessee

The Group has made some rental agreements for building, motor vehicles and office equipment, now with the remaining balance of EUR 13,960. The amount will be charged at the relevant rental time of each agreement. The rental agreements will materialise in the years 2010 - 2017.

Insurance

The Group has covered Business Interruption Risks with an insurance policy underwritten by two independent insurance companies for a maximum period of 24 months. The insurance benefits for Business Interruption amounts to EUR 484 million for 2009 for the whole Group. The Group Insurance value of buildings amounts to EUR 148 million, productions machinery and equipment including software and office equipment amount to EUR 146 million and inventories to € 135 million. Currently there are no major differences between appraisal value and insured value.

Notes to the Consolidated Financial Statements

25. Shareholders' Equity

Share Capital	Number of shares (thousands)	Ordinary shares	Treasury shares	Total amount in ISK
At 1 January 2008	400,350	403,786	(3,436)	400,350
Issue of shares	176,514	176,514	0	176,514
Treasury shares sold	2,000	0	2,000	2,000
At 31 December 2008	578,864	580,300	(1,436)	578,864
Issue of shares	146,836	146,836	0	146,836
Treasury shares purchased	(2,127)	0	(2,127)	(2,127)
Treasury shares sold	3,563	0	3,563	3,563
At 31 December 2009	727,136	727,136	0	727,136
Class of share capital:				
Nominal value		6,674	0	6,674
Share premium		318,495	0	318,495

The total authorised number of ordinary shares is 727.1 million shares (2008: 578.9 million shares) with a par value of ISK 1 per share. All issued shares are fully paid.

Share options are granted to directors and to selected employees. The exercise price of the granted options in 2006 is higher than market price of the shares on the date of grant (16 February 2006). The exercise price of the granted options in January 2007 is equal to the market price of the shares on date of the grant (29 January 2007). The exercise price of the granted options in December 2007 is below the market price of the shares on date of the grant (3 December 2007). The exercise price of options granted in June 2008 is equal to the price in the share offering at date of the grant (June 2008). 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 in ISK per share	Options (thousands)
At 1 January 2008		16,558
Granted 2008	89	11,625
Forfeited 2008	71	(803)
At 31 December 2008		27,380
Forfeited 2009	74	(1,805)
At 31 December 2009	80	25,575

Outstanding options granted 2006 and 2007 (exercise price ISK 70 and 74) have expiry date 2010 plus one year in grace. Outstanding options granted 2007 (exercise price ISK 92) have expiry date 2011 plus one year in grace. Outstanding options granted 2008 (exercise price ISK 89) have expiry date 2012 plus one year in grace.

In 2009, no options were exercised because the market share price was below the exercise price.

Variables used in the Black Scholes calculation:

	Exercise price (ISK)	Expected term (years)	Annual dividend yield	Expected risk-free interest rate	Estimated volatility
Option plan February 2006	70	4	0.29%	4%	20%
Option plan September 2006	74	3.42	0.27%	4%	20%
Option plan January 2007	74	3.08	0.27%	4%	20%
Option plan December 2007	92	4	0.22%	4%	12.36%
Option plan June 2008	89	4	0.22%	4%	12.36%

Reserves

The hedge reserve contains revaluations on derivatives, on which hedge accounting is applied. The value of 31 December 2009 relates to one derivative for Stork Food Systems, an interest rate swap contract. The translation reserve contains the translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to a permanent financing contract with a subsidiary in the UK, for an amount of EUR 4,286.

Notes to the Consolidated Financial Statements

26. Investments in associates

	30/12 2009	31/12 2008
Beginning of period	333	3,912
Business combination	0	225
Additions (impairments)	(236)	80
Sale of associate	0	(4,357)
Share of results	0	473
End of period	<u>97</u>	<u>333</u>

27. Assets and liabilities held for sale

Assets held for sale reported in the Q1 report have been divested in Q2. The result of both transactions is captured in other operating income, real estate Ketelstraat for EUR 5.6 million, Scanvaegt Nordic for EUR 10.3 million. Assets held for sale at the end of 2009 contain the fair value of the assets of Stork Food & Dairy systems (EUR 31,854), Carnitech A/S (EUR 878) and real estate Marel Food Systems Benelux (EUR 598). Liabilities held for sale at the end of 2009 contain the liabilities Stork Food & Dairy systems (EUR 36,700) and Carnitech A/S (EUR 6,993). The impairment to arrive at the fair value of the assets held for sale is disclosed in note 6. In 2010 the Group has entered into an agreement to divest the non-core activities of Stork Food & Dairy Systems, see Note 30 Events after the balance sheet date. The Group is in a process to divest of the non-core activities of Carnitech A/S in Denmark.

Main balance sheet items of Carnitech A/S

Assets

Production contracts	628
Other receivables	250

Liabilities

Borrowings	185
Trade and other payables	3,180
Other liabilities	2,946

Main balance sheet items of Stork Food & Dairy Systems

Assets

Intangible fixed assets	2,431
Property, plant and equipment	4,645
Inventories	4,308
Trade receivables	9,189
Other receivables	4,634
Production contracts	5,950

Liabilities

Borrowings	4,888
Trade and other payables	8,769
Other liabilities	3,906
Production contracts	15,749

Notes to the Consolidated Financial Statements

28. Related party transactions

At the end of December 2009, there are no loans to directors (31 December 2008: EUR nil). On April 14th Marel Group entered into a Share Purchase Agreement to divest Scanvaegt Nordic The Grundtvig family is among the largest shareholders of Marel Food Systems and has supported the company's growth. Grundtvig Invest owns 8.48 % of Marel Food Systems' shares and Lars Grundtvig is a member of the Board of Directors.

No loans were granted to related parties in 2009.

	Payroll and benefits	Pension contribution ⁴	Stock options ¹	Bought shares acc. to stock options ¹	Shares at year-end ¹
Board fee for the year 2009 and shares at year-end					
Árni Oddur Þórðarson, Chairman.....	52	4	0	0	233,057 ²
Arnar Þór Másson, Board member.....	20	2	0	0	0
Friðrik Jóhannsson, Board member.....	28	2	0	0	4,300
Helgi Magnússon, Board member.....	20	2	0	0	6,308
Margrét Jónsdóttir, Board member.....	20	2	0	0	200
Lars Grundtvig, Board member.....	20	2	0	0	61,673 ³
Management salaries and benefits for the year 2009					
Theo Hoen, CEO	384	32	2,000	0	1,000
Erik Kaman, CFO	372	30	1,500	0	1,675
Sigsteinn Gretarsson, Man Dir. Marel ehf	244	23	1,000	0	26
Hörður Arnarsson, former CEO.....	420	42	6,000	0	0
Lárus Ásgeirsson, former Corporate Dir. of sales.....	260	18	1,000	0	0

¹⁾ Number of shares

²⁾ Shares owned by Eyri Invest, where Árni Oddur Þórðarson is CEO, including those of financially related parties. Margrét Jónsdóttir is a CFO of Eyri invest.

³⁾ Shares owned by Grundtvig Invest AsP.

⁴⁾ Contributions for Theo Hoen and Erik Kaman are part of a defined benefit plan, contributions for the other management board members are part of a defined contribution plan.

In 2009, an amount of EUR 2,022 was expensed in the Consolidated Statement of Comprehensive Income for discontinuing the relationship with the former CEO and the corporate Director of Sales.

In 2009, Árni Oddur Þórðarson took part in the share offering for 2 million shares. Friðrik Jóhannsson took part in the share offering for 1,5 million shares. There were no further share purchases of related parties as part of the share offerings in 2009.

29. Fees to Auditors

2008 numbers include Stork entities as of 1 May 2008

	2009	2008
Audit of financial statements	513	1,018
Review of interim financial statements	150	267
Other services	751	456
	<u>1,414</u>	<u>1,741</u>

The amount includes payments of external auditors of all companies within the Group.

30. Events after the balance sheet date

The Group managed to limit the currency exposure caused by the ISK, by converting a major portion of the ISK debt into EUR. The amount involved is EUR 66 million. After this conversion and the bond conversion to shares in October, the original exposure of EUR 135 million is reduced to EUR 34 million remaining.

The Group has entered into a share purchase agreement with the Dutch investor Nimbus to divest the non-core activities of Stork Food & Dairy Systems, excluding its operations in Spain, on 29th of January 2010.

31. Business combination

On 8th of May 2008 the Group acquired 100% share of Stork Food Systems. Marel Food Systems paid an acquisition price of EUR 431.6 million plus deal cost of EUR 14 million. Stork Food Systems is subsidiary of Marel Holding B.V. which was established in relation to the acquisition.

Notes to the Consolidated Financial Statements

32. Subsidiaries

	Country of incorporation	Ownership interest
Marel ehf	Iceland	100%
Marel Limited	UK	100%
Marel Food Systems A/S	Denmark	100%
MFS Leasing A/S	Denmark	100%
MFS Automation A/S	Denmark	100%
Stork PMT B.V.	Netherlands	100%
Stork Gamco Inc.	USA	100%
Stork Titan B.V.	Netherlands	100%
Stork Titan Inc.	USA	100%
Stork Townsend B.V.	Netherlands	100%
Stork Townsend Inc.	USA	100%
Stork Food & Dairy Systems B.V.	Netherlands	100%
Stork France Holding SAS	France	100%
Stork Food systems France SAS	France	100%
Sonjal SAS	France	22.47%
Chadonnerie le Drogo	France	9.91%
Stork Food Systems International B.V.	Netherlands	100%
Stork Food Systems Australasia Pty Ltd.	Australia	100%
Stork Food Systems Maquinas Alimenticial LTDA.	Brasil	100%
Stork Inter Ibérica SA	Spain	100%
Stork Food Systems Beijing Co. Ltd.	China	100%
Marel Food Systems Holding Inc.	USA	100%
Marel Food Systems LP	USA	100%
Taiko Industry Co Ltd.	Japan	100%
Marel Food Systems BV	Netherlands	100%
Marel Food Systems Ltda.	Brasil	100%
Marel Equipment Inc.	Canada	100%
Marel Food Systems China office	China	100%
Marel Food Systems SARL	France	100%
Marel Food Systems Ltd.	Ireland	100%
Marel Food Systems Ltd.	New Zealand	100%
Marel Food Systems AS	Norway	100%
Marel Food Systems Sp. Z.o.o.	Poland	100%
Marel Food Systems Lda.	Portugal	100%
Marel Food Systems SRL	Romania	100%
Marel Food Systems Pte Ltd	Singapore	100%
Marel Food Systems Ltd.	UK	100%
Marel Food Systems Uruguay S.A.	Uruguay	100%
Marel Food Systems Trading S.A.	Uruguay	100%
Marel Food Systems S.A.	Chile	100%
Marel Food Systems s.r.o.	Slovakia	100%
Marel Food Systems A/S	Denmark	100%
Marel Food Systems GmbH	Germany	100%
Marel Food Systems Co. KG	Germany	100%
Marel Food Systems Inc.	USA	100%
Marel Food Systems LLC.	Russia	100%
Marel Food Systems Ltd.	Thailand	49%
Marel Food Systems Pty Ltd	Australia	100%
Marel Food Systems South SA (Pty) Ltd.	South Africa	100%
Marel Holding B.V.	Netherlands	100%
Marel Spain S.L.	Spain	100%
Carnitech A/S	Denmark	100%
Carnitech US Inc.	USA	100%
Marel Freezing & Temperature division	Singapore	100%
FD Systems Holding BV and Food & Dairy Group	Netherlands	100%

All holdings are in the ordinary share capital of the entity concerned.