Consolidated Financial Statements

31 December 2017

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The Board of Directors' and CEO's Report

Marel is a leading global provider of advanced equipment, systems and services for the Poultry, Meat and Fish industries. Marel has offices and subsidiaries in over 30 countries and a global network of more than 100 agents and distributors.

The Consolidated Financial Statements for the year 2017 comprise the financial statements of Marel hf. ("the Company") and its subsidiaries (together "the Group" or "Marel"). The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and additional Icelandic disclosure requirements.

Operations in 2017

The consolidated revenues for Marel for the full year 2017 are EUR 1,038.2 million (2016: EUR 969.7 million). The adjusted result from operations for the same period is EUR 157.4 million or 15.2% of revenues (2016: EUR 139.4 million or 14.4% of revenues).

The bridge between adjusted result from operations and result from operations as shown in the Consolidated Statement of Income is as follows:

	2017	2016
Adjusted result from operations	157.4	139.4
Adjustment amortization of acquisition-related (in)tangible assets	(17.1)	(24.6)
Result from operations	140.3	114.8

The pro forma revenues for Marel, including MPS Holding III B.V. ("MPS"), are EUR 983.0 million for 2016. The pro forma adjusted result from operations for the same period is EUR 143.5 million or 14.6% of revenues.

According to the Consolidated Statement of Financial Position, the Company's assets amounted to EUR 1,440.6 million at the end of 2017 (2016: EUR 1,392.4 million). Total equity amounted to EUR 541.9 million at the end of 2017 (at year-end 2016: EUR 525.6 million) or 37.6% of total assets (at year-end 2016: 37.7%). Net interest bearing debt decreased from EUR 403.6 million at the end of 2016 to EUR 365.0 million at the end of 2017.

On 31 August 2017, Marel closed an agreement to acquire 100% of the shares of Sulmaq Industrial e Comercial S.A. ("Sulmaq") from a consortium of shareholders.

On 29 January 2016 Marel concluded the acquisition of MPS and obtained control through acquiring 100% of the issued shares of MPS. MPS is a subsidiary of Marel Holding B.V.

The average number of full time employees was 4,912 in 2017 (2016: 4,599). Total salaries and wages were EUR 306.2 million (2016: EUR 284.4 million).

Based on the decision taken at the Company's 2017 Annual General Meeting, a dividend was declared and paid out to shareholders for the operational year 2016 amounting to EUR 15.3 million; EUR 2.14 cents per share, corresponding to approximately 20% of net result for the year (2016: a dividend of EUR 11.3 million; EUR 1.58 cents per share, was declared and paid out to shareholders for the operational year 2015).

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

In May 2017, Marel finalized an extension and amendment of its long term financing at favorable terms and conditions reflecting its financial strength and current market conditions. The all senior loan facilities are approximately EUR 640 million equivalents and include a EUR 325 million revolving credit facility, a EUR 243 million term loan as well as a USD 75 million term loan. The initial interest terms are EURIBOR/LIBOR +185 bps and will vary in line with Marel's leverage ratio (Net debt/EBITDA) at the end of each quarter. The final maturity is in May 2022. This provides Marel with increased strategic and operational flexibility to support the ambitious growth plan introduced at Marel's Annual General Meeting in March 2017.

At 31 December 2017 the Company's order book amounted to EUR 472 million (at 31 December 2016: EUR 350 million).

The management and the Board of Directors of the Group believe that they are taking all the necessary measures to support the sustainability and growth of the Group's business in the current environment. Accordingly they continue to adopt the going concern basis in preparing the Annual Report and Consolidated Financial Statements.

The management of the Company believes it is well placed to manage its business risks successfully based on the present economic outlook. Further information is disclosed in note 22 to the Consolidated Financial Statements.

Share Capital and Articles of Association

At year-end Marel's issued shares totaled 735.6 million, all in one class, and unchanged from the end of 2016. Thereof Marel holds, at year-end 2017, 41.7 million treasury shares (2016: 21.5 million treasury shares). The number of shareholders at year-end 2017 was 2,206 compared to 1,907 at the end of 2016.

The ten biggest shareholders were:

		2017		2016	
		Number of shares million	%	Number of shares million	%
Eyrir Invest hf.	Investment company	190.4	25.9%	215.4	29.3%
Lífeyrissjóður verslunarmanna	Pension fund	69.4	9.4%	67.0	9.1%
LSR A/B/S-div. and nurses	Pension fund	47.4	6.4%	48.0	6.5%
Gildi - lífeyrissjóður	Pension fund	47.0	6.4%	51.3	7.0%
Birta lífeyrissjóður	Pension fund	30.3	4.1%	31.9	4.3%
MSD Partners Luxembourg S.á.r	Investment company	24.6	3.3%	0.0	0.0%
Stefnir - ÍS 15	Asset management	23.4	3.2%	32.1	4.4%
Stefnir - ÍS 5	Asset management	15.2	2.1%	20.1	2.7%
Stapi lífeyrissjóður	Pension fund	14.5	2.0%	17.3	2.4%
Landsbankinn hf.	Bank	13.2	1.8%	13.7	1.9%
	Top 10 total	**475.4**	**64.6%**	**496.8**	**67.5%**
	Others	218.5	29.7%	217.3	29.6%
Marel hf.	Treasury shares	41.7	5.7%	21.5	2.9%
	Total issued shares	**735.6**	**100.0%**	**735.6**	**100.0%**

In 2017, Marel purchased 22.2 million treasury shares for a total amount of EUR 63.4 million. Thereof 19.7 million treasury shares were purchased to be used as a payment for potential future acquisitions and 2.5 million treasury shares were purchased to fulfill future stock options obligations.

Marel sold 0.9 million treasury shares for EUR 2.5 million to the management of Sulmaq in relation to Marel's acquisition of Sulmaq. The sold shares include a lock-up period of 18 months from the date of closing which was 31 August 2017. Marel also sold 1.1 million treasury shares for EUR 1.2 million in order to fulfill obligations of stock option agreements.

During the year 2016, Marel purchased 4.0 million shares for EUR 8.1 million to fulfill future stock option obligations and sold 2.6 million treasury shares for a total amount of EUR 2.7 million to fulfill the employees' stock option schedules. In connection with the acquisition of MPS, Marel sold 10.8 million treasury shares for EUR 16.3 million to the previous owners of MPS.

Stock options are granted to management and selected employees. Total granted and unexercised stock options at end of the year 2017 were 9.9 million shares (2016: 8.8 million shares), of which 1.7 million are exercisable at the end of 2017 (2016: 1.8 million) and the remainder will vest in the years 2018 to 2021. Further information is disclosed in note 18 to the Consolidated Financial Statements.

At the Company's 2014 Annual General Meeting, the shareholders authorized the Board of Directors to increase the Company's share capital by 35 million shares to fulfill stock option agreements. No new shares were issued in 2017 (2016: no new shares issued). This authorization applies for five years from its adoption.

The Board of Directors will propose at the 2018 Annual General Meeting that EUR cents 4.19 dividend per outstanding share will be paid for the operational year 2017, corresponding to approximately EUR 29.0 million or 30% of net result attributable to Shareholders of the Company of EUR 96.8 million for the year 2017, and refers to the Consolidated Financial Statements regarding appropriation of the profit for the year and changes in Shareholders' equity. This is proposed in accordance to Marel's dividend policy, disclosed at Marel's Annual General Meeting in March 2011. The target is that the net debt/EBITDA ratio is 2 - 3 times EBITDA, excess capital to be used to stimulate growth and value creation as well as paying dividend and that dividend or share buy-back is targeted at 20-40% of the net result.

Corporate Responsibility Statement

Corporate Governance

The framework for the Company's Corporate Governance practices consists of the provisions of the law and regulations, the Company's Articles of Association and the Icelandic Guidelines on Corporate Governance issued in June 2015 by the Iceland Chamber of Commerce, NASDAQ Iceland and SA - Confederation of Icelandic Employers. In compliance with the guidelines, the Board of Directors has prepared a Corporate Governance Statement.

The Board of Directors is comprised of 3 female Directors and 4 male Directors, which is in accordance with the statutory gender ratio of Boards of Directors of Public Limited Companies in Iceland, with more than 50 employees (ratio of each gender shall be no less than 40%).

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

Non-financial information

The Corporate Social Responsibility Principles, addressing environmental, social and ethical matters, can be summarized as follows:

<u>Social Responsibility</u>
Marel provides a safe and healthy working environment and equal opportunities. It fosters individual and team development and ensures the right to freedom of association for all its employees. Human rights violations, illegal labor conditions and illegal and unethical business behavior are never tolerated. Marel engages with local communities, where innovation and education serve as the main areas of social participation.

<u>Environmental Responsibility</u>
Marel encourages efficient use of resources in its value chain and promotes positive environmental impact and environmental protection. Innovation is continuously creating new methods for improving yields and minimizing waste in food production, reducing the use of scarce resources such as energy and water, and promoting food safety and animal welfare.

<u>Economical Responsibility</u>
Marel promotes long term value creation, fair trade and good business practices in its value chain through transparency, innovation and collaboration with all its partners.

Our guidance policy on corporate responsibility implements the ISO 26000 standards, and we are signatory to the United Nations Global Compact.

In 2017, we took part in the NASDAQ sustainable markets initiative for the first time, which makes use of NASDAQ's ESG reporting guidelines.

The Corporate Responsibility Statement is explained and discussed in more detail in a separate document distributed with the Consolidated Financial Statements as well as included in the Annual Report 2017.

Statement by the Board of Directors and the CEO

According to the Board of Directors' and CEO's best knowledge these Consolidated Financial Statements comply with International Financial Reporting Standards as adopted by the European Union and additional Icelandic disclosure requirements for consolidated financial statements of listed companies. Further according to the Board of Directors' and CEO's best knowledge, the statements give a true and fair view of the Group's financial position as at 31 December 2017, operating performance and the cash flows for the year ended 31 December 2017 as well as describe the principal risk and uncertainty factors faced by the Group.

The report of the Board of Directors and CEO provides a clear overview of developments and achievements in the Group's operations and its situation.

The Board of Directors and CEO of Marel hf. hereby ratify the Consolidated Financial Statements of Marel hf. for the year 2017 with their signatures.

Garðabær, 7 February 2018

Board of Directors

Ásthildur Margrét Otharsdóttir
Chairman of the Board

Arnar Þór Másson

Ann Elizabeth Savage

Ástvaldur Jóhannsson

Helgi Magnússon

Margrét Jónsdóttir

Ólafur S. Guðmundsson

Chief Executive Officer

Árni Oddur Þórðarson

Independent Auditor's report

To the Board of Directors and Shareholders of Marel hf.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the Consolidated Financial Statements of Marel hf. (''the Group''), which comprise the Consolidated Statement of Financial Position as at 31 December 2017, the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (''IFRSs'') as adopted by the European Union (''EU'').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (''ISAs''). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of ethics for Icelandic auditors, which are based on the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (''IESBA Code''). We have also fulfilled other ethical requirements of that rules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in our audit
Goodwill Goodwill amounts to EUR 644m and represents 45% of total assets as at 31 December 2017. The book value of the Group's goodwill results from acquisitions in past years and in the current year. Impairment of goodwill is a key audit matter due to the high level of judgment required in assessing the inputs into a valuation model supporting management's assessment of impairment. The most significant judgment incorporated in management's assessment of impairment include forecasted cash flows, weighted average cost of capital and the assumptions underlying forecasted growth.	We challenged the cash flow projections included in the annual goodwill impairment tests. For our audit we critically assessed and tested the assumptions, methodologies, the weighted average cost of capital and other data used, for example by comparing them to external and historical data, such as external market growth expectations and by analyzing sensitivities in Marel's valuation model. We included valuation specialists in our team to assist us with these procedures. We specifically focused on the sensitivity in the available headroom for the cash generating units, evaluating whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount and assessed the historical accuracy of management's estimates. We also assessed the adequacy of the disclosures in note 13 to the Consolidated Financial Statements.

Key Audit Matters	How the matter was addressed in our audit
Revenue recognition Recognition of the Group's revenue is complex due to several types of customer contracts utilized, including sale of equipment, standard and customized, service contracts and sale of spare parts. Revenue recognition for production contracts is based on 'percentage of completion' method. The assessment of the stage of the contract is made by reference to the proportion of contract cost incurred for the work performed to the reporting date relative to the estimated total contract costs to completion. The recognition of revenue therefore relies on estimates in relation to the final outcome of expected costs on each contract, which are judgmental and could be susceptible to a material misstatement. Revenue recognition is therefore a key audit matter. Refer to note 2.5 and note 5.	We audited the accuracy of the revenue streams by testing on a sample basis the revenue amounts recorded in the general ledger against the underlying contracts and orders, invoices, payments and if relevant proofs of delivery. We performed margin analysis and compared current year margins with previous year and budget. We tested credit notes issued after year-end to verify that revenue were not reversed after year-end. We performed a cut-off test per year-end. We performed a test of details on per year-end open equipment projects. We selected projects based on size and risk assessment. We vouched the selected items to contracts, precalculations, invoices and payments. We challenged the progress of per year-end open equipment projects and verified that the percentage of completion revenues are accurate. We considered specific revenue journal entries in the context of journal entries testing, eg. regarding manual entries on revenues. We assessed whether the accounting policies for revenue recognition and other financial statements disclosures were in accordance with International Financial Reporting Standards as adopted by the EU.

Other information
The Board of Directors and CEO are responsible for the other information. The other information comprises the information included in the Annual Report of the Group, but does not include the Consolidated Financial Statements and our auditor's report thereon. Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The annual report is not available at our reporting date but is expected to be made available to us after that date.

Responsibilities of the Board of Directors and CEO for the Consolidated Financial Statements
The Board of Directors and CEO are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRSs as adopted by the EU, and for such internal control as they determine is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Board of Directors and CEO are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and CEO are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or

conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the Consolidated Financial Statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Consolidated Financial Statements.

The engagement partners on the audit resulting in this independent auditor's report are Sæmundur Valdimarsson and Hrafnhildur Helgadóttir.

Reykjavik, 7 February 2018

KPMG ehf.

Sæmundur Valdimarsson   Hrafnhildur Helgadóttir

Consolidated Statement of Income

In EUR million unless stated otherwise	Notes	2017	2016
Revenues	5	1,038.2	969.7
Cost of sales	6	(631.5)	(572.7)
Gross profit		**406.7**	**397.0**
Selling and marketing expenses	6	(120.5)	(128.5)
Research and development expenses	6	(57.8)	(63.1)
General and administrative expenses	6	(71.0)	(66.2)
Other operating income	6	-	0.2
Adjusted result from operations*)	6	**157.4**	**139.4**
Amortization of acquisition-related (in)tangible assets	4	(17.1)	(24.6)
Result from operations		**140.3**	**114.8**
Finance costs	7	(21.2)	(26.0)
Finance income	7	0.9	0.6
Net finance costs	7	(20.3)	(25.4)
Result before income tax		**120.0**	**89.4**
Income tax	10	(23.1)	(13.6)
Net result		**96.9**	**75.8**
Of which:			
- Net result attributable to non-controlling interests	18	0.1	0.1
- Net result attributable to Shareholders of the Company	11	96.8	75.7
Earnings per share for result attributable to Shareholders of the Company during the period (expressed in EUR cent per share):			
- basic	11	13.70	10.59
- diluted	11	13.63	10.54

*) Adjusted result from operations: result has been adjusted for amortization of acquisition-related (in)tangible assets.

The notes on pages 14-65 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

In EUR million	Notes	2017	2016
Net Result		**96.9**	**75.8**
Items that are or will be reclassified to profit or loss:			
Currency translation differences	18	(7.5)	1.3
Cash flow hedges	18	1.8	2.0
Income tax relating to cash flow hedges	15 18	(0.4)	(0.3)
Other comprehensive income / (loss) for the period, net of tax		(6.1)	3.0
Total comprehensive income for the period		**90.8**	**78.8**
Of which:			
Comprehensive income attributable to non-controlling interests	18	0.1	0.1
Comprehensive income attributable to Shareholders of the Company		90.7	78.8

The notes on pages 14-65 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position

In EUR million	Notes	2017	2016
ASSETS			
Property, plant and equipment	12	144.7	119.0
Goodwill	13	643.9	635.2
Intangible assets (excluding goodwill)	13	262.7	277.5
Trade and other receivables	14	4.0	0.2
Derivative financial instruments	22	0.9	0.4
Deferred income tax assets	15	4.4	7.3
Non-current assets		**1,060.6**	**1,039.6**
Inventories	16	124.4	122.2
Production contracts	17	48.2	37.0
Trade receivables	14	128.9	115.3
Other receivables and prepayments	14	46.6	32.7
Derivative financial instruments	22	-	0.1
Cash and cash equivalents		31.9	45.5
Current assets		**380.0**	**352.8**
TOTAL ASSETS		**1,440.6**	**1,392.4**
EQUITY AND LIABILITIES			
Share capital	18	6.3	6.5
Share premium reserve	18	229.6	288.7
Other reserves	18	(8.2)	(2.1)
Retained earnings	18	313.9	232.3
Shareholders' equity		**541.6**	**525.4**
Non-controlling interests	18	0.3	0.2
Total equity		**541.9**	**525.6**
LIABILITIES			
Borrowings	19	370.7	425.0
Deferred income tax liabilities	15	61.3	63.5
Provisions	20	8.6	7.4
Other liabilities	23	3.6	-
Derivative financial instruments	22	2.7	4.9
Non-current liabilities		**446.9**	**500.8**
Production contracts	17	209.6	150.8
Trade and other payables	23	195.9	168.9
Current income tax liabilities		11.0	9.1
Borrowings	19	26.2	24.1
Provisions	20	9.1	13.1
Current liabilities		**451.8**	**366.0**
Total liabilities		**898.7**	**866.8**
TOTAL EQUITY AND LIABILITIES		**1,440.6**	**1,392.4**

The notes on pages 14-65 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

In EUR million	Share capital	Share premium reserve [2]	Other reserves [3]	Retained earnings	Share-holders' equity	Non-controlling interests	Total equity
Balance at 1 January 2017	**6.5**	**288.7**	**(2.1)**	**232.2**	**525.3**	**0.2**	**525.5**
Result for the period				96.8	96.8	0.1	96.9
Total other comprehensive income			(6.1)		(6.1)		(6.1)
Transactions with owners of the Company							
Treasury shares purchased	(0.2)	(63.2)			(63.4)		(63.4)
Treasury shares sold	0.0	3.7			3.7		3.7
Treasury shares, transaction costs		(0.1)			(0.1)		(0.1)
Value of services provided		0.6			0.6		0.6
Value of services provided released		(0.1)		0.1	0.0		0.0
Dividend				(15.3)	(15.3)	0.0	(15.3)
	(0.2)	**(59.1)**	**(6.1)**	**81.6**	**16.3**	**0.1**	**16.4**
Balance at 31 December 2017	**6.3**	**229.6**	**(8.2)**	**313.9**	**541.6**	**0.3**	**541.9**

In EUR million	Share capital	Share premium reserve [2]	Other reserves [3]	Retained earnings	Share-holders' equity	Non-controlling interests	Total equity
Balance at 1 January 2016	**6.4**	**277.9**	**(5.1)**	**167.5**	**446.7**		**446.7**
Result for the period				75.7	75.7	0.1	75.8
Total other comprehensive income [1]			3.0		3.0		3.0
Business combinations, note 4						0.1	0.1
Transactions with owners of the Company							
Treasury shares purchased	0.0	(8.0)			(8.0)		(8.0)
Treasury shares sold	0.1	18.8			18.9		18.9
Treasury shares, transaction costs		(0.0)			(0.0)		(0.0)
Value of services provided		0.3			0.3		0.3
Value of services provided released		(0.3)		0.3	-		-
Dividend				(11.3)	(11.3)		(11.3)
	0.1	**10.8**	**3.0**	**64.7**	**78.6**	**0.2**	**78.8**
Balance at 31 December 2016	**6.5**	**288.7**	**(2.1)**	**232.2**	**525.3**	**0.2**	**525.5**

[1] Includes recognition of non-controlling interest.
[2] Includes reserve for share based payments as per 31 December 2017 of EUR 1.4 million (31 December 2016: EUR 0.8 million).
[3] For details on Other reserves refer to note 18.

The notes on pages 14-65 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

In EUR million	Notes	2017	2016
Cash flows from operating activities			
Result from operations		**140.3**	**114.8**
Adjustments to reconcile result from operations to net cash provided by / (used in) operating activities:			
Depreciation of property, plant and equipment	12	11.9	9.8
Amortization and impairment of intangible assets	13	39.7	50.9
Changes in non-current receivables and payables		0.9	0.2
Working capital provided by / (used in) operating activities		**192.8**	**175.7**
Changes in working capital:			
Inventories and production contracts		44.1	3.8
Trade and other receivables		(26.5)	2.2
Trade and other payables		25.6	2.5
Provisions		0.2	(5.2)
Changes in operating assets and liabilities		**43.4**	**3.3**
Cash generated from operating activities		**236.2**	**179.0**
Taxes paid		(26.2)	(8.1)
Interest and finance income		0.8	0.8
Interest and finance costs		(15.2)	(34.6)
Net cash from operating activities		**195.6**	**137.1**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(34.0)	(21.0)
Investments in intangibles	13	(23.9)	(23.2)
Proceeds from sale of property, plant and equipment		0.4	4.5
Acquisition of subsidiary, net of cash aquired	4	(20.2)	(368.4)
Net cash provided by / (used in) investing activities		**(77.7)**	**(408.1)**
Cash flows from financing activities			
Purchase of treasury shares		(63.4)	(8.0)
Sale of treasury shares		3.7	19.0
Proceeds from borrowings		130.0	365.3
Repayments of borrowings		(177.2)	(144.6)
Dividends paid	18	(15.3)	(11.3)
Net cash provided by / (used in) financing activities		**(122.2)**	**220.4**
Net increase (decrease) in net cash		**(4.3)**	**(50.6)**
Exchange (loss) / gain on net cash		(9.3)	3.1
Net cash at beginning of the period		45.5	93.0
Net cash at end of the period		**31.9**	**45.5**

The notes on pages 14-65 are an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1 General information

1.1 Reporting entity

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

The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as "the Group" or "Marel").

The Group is a leading global provider of advanced equipment, systems and services for the Poultry, Meat and Fish industries and is involved in the manufacturing, development, distribution and sales of solutions for these industries.

All amounts are in millions of EUR unless otherwise stated.

These Consolidated Financial Statements have been approved for issue by the Board of Directors and CEO on 7 February 2018. These Consolidated Financial Statements as presented in this report are subject to the adoption by the Annual General Meeting of Shareholders, to be held on 6 March 2018.

The Company is listed on the Nasdaq OMX Nordic Iceland exchange.

1.2 Basis of Accounting

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and additional Icelandic disclosure requirements for consolidated financial information of listed companies in accordance with Icelandic Financial Statements Act No. 3/2006 and rules for issuers of financial instruments at the Nasdaq in Iceland. The accounting policies applied by Marel comply with IFRS and the pronouncements of the International Financial Reporting Interpretation Committee ("IFRIC") effective at 31 December 2017.

These Consolidated Financial Statements have been prepared under the historical cost convention, except for the valuation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) which are valued at fair value through the Consolidated Statement of Comprehensive Income.

Details of the Group's significant accounting policies are included in note 2.

1.3 Functional and presentation currency and exchange rates

Items included in the Consolidated Financial Statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The Consolidated Financial Statements are presented in Euro ("EUR"), which is the Group's reporting currency and the functional currency of Marel hf. All financial information presented in EUR has been rounded to the nearest million, unless otherwise indicated.

Exchange rates

The currency exchange rates that were used in preparing the Consolidated Statements are listed below for the most relevant currencies.

1 euro =	Year-end rate 2017	Average rate 2017	Year-end rate 2016	Average rate 2016
USD	1.19	1.13	1.05	1.11
ISK	125.03	120.68	119.38	134.49

1.4 Use of estimates and judgements

The preparation of the Consolidated Financial Statements in accordance with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 3. Actual results may differ from these estimates.

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

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values.

Further information about the assumptions made in measuring fair values is included in notes 2.13 and 22.

2 Summary of significant accounting policies

2.1 General

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below.

Changes in accounting policies

The accounting policies set out in this section have been applied consistently for all periods presented in these Consolidated Financial Statements.

Prior-year information

The presentation of prior-year disclosures is in line with the current year disclosures.

Specific choices with IFRS

Sometimes IFRS allows alternative accounting treatment for measurement and / or disclosure. The most important of these alternative treatments are mentioned below:

Tangible and intangible fixed assets
Under IFRS an entity shall disclose either the cost model or the revaluation model as its accounting for tangible and intangible fixed assets. In this respect, Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if applicable. The useful lives and residual values are evaluated annually. The Company chose to apply the cost model meaning that costs relating to product development, the development and purchase of software for internal use and other intangible assets are capitalized and subsequently amortized over their estimated useful life.

Presentation of Consolidated Statement of Income
Marel presents expenses in the Consolidated Statement of Income in accordance with their function. This allows the presentation of gross profit on the face of the Consolidated Statement of Income, which is a widely used performance measure in the industry. The composition of the costs allocated to the individual functions is explained as follows:

- Cost of sales encompasses all manufacturing costs (including raw materials, employee benefits, and depreciation and amortization) related to goods and services captured in net sales. They are measured at their actual cost based on "first in, first out" or weighted average cost;
- Selling and marketing expenses relate to the selling and marketing of goods and services;
- Research and development expenses consist of:
  - research, which is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding; and,
  - development, which is defined as the application of research findings or other knowledge to a plan or (re-)design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use;
- General and administrative expenses relate to the strategic and governance role of the general management of the Company as well as the representation of Marel as a whole in the financial, political or business community. General and administrative expenses also relate to business support activities of staff departments that are not directly related to the other functional areas.

Presentation of Consolidated Statement of Cash Flows
Under IFRS, an entity shall report cash flows from operating activities using either the direct method (whereby major classes of gross cash receipts and gross cash payments are disclosed) or the indirect method (whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows). In this respect, the Company chose to prepare the Consolidated Statement of Cash Flows using the indirect method.

2.2 Consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

Acquisitions by Marel as part of business combinations will result in recognition of goodwill and other intangible assets. The amounts assigned to the acquired assets and liabilities are based on assumptions and estimates about their fair values. In making these estimates, management consulted independent, qualified appraisers if appropriate. A change in assumptions and estimates could change the values allocated to certain assets and their estimated useful lives, which could affect the amount or timing of charges to the Consolidated Statement of Income, such as amortization of intangible assets.

Any goodwill that arises is tested annually for impairment. Any gain on a purchase is recognized in the Consolidated Statement of Income immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the Consolidated Statement of Income.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as Equity, then it is not re-measured and settlement is accounted for within Equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in the Consolidated Statement of Comprehensive Income.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's award), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combinations. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Details of the acquisition of Sulmaq Industrial e Comercial S.A. and of MPS Holding III B.V are disclosed in note 4.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

Non-Controlling Interests

Non-Controlling Interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it de-recognizes the assets and liabilities of the subsidiary, and any non-controlling interests and other components of Equity. Any resulting gain or loss is recognized in the Consolidated Statement of Income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

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

Transactions and Non-Controlling Interests

Transactions that result in changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders.

As a result, no gain or loss on such changes is recognized in the Consolidated Statement of Income but rather in Equity. Furthermore, no change in the carrying amounts of assets (including goodwill) or liabilities is recognized as a result of such transactions. This approach is consistent with NCI being a component of Equity.

Associates

Associates are all entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of the profit or loss and Other Comprehensive Income ("OCI") of equity-accounted investees, until the date on which significant influence or joint control ceases.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized 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 recognized in the Consolidated Statement of Income as part of Other results relating to investments in associates.

2.3 Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Business activities reported in the core industries reflect the recurring operational activities of those segments. All operating segments' operating results are reviewed regularly by the Group's CEO and strategic decisions are based on these operating segments.

2.4 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of Group entities, and from there into the Group's reporting currency using the exchange rates prevailing at the dates of the transactions or valuation where items are revaluated.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Income, except when deferred in Equity as permanent loan, as qualifying cash flow hedges and as qualifying net investment hedges as explained in note 2.14. 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 recognized immediately in the Consolidated Statement of Income within 'Finance income' or 'Finance costs'.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities presented are translated at the closing rate at the date of that Consolidated Statement of Financial Position;
- income and expenses for each Consolidated Statement of 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
- translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to financing of subsidiaries are recognized 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 recognized in Other Comprehensive Income and accumulated in Translation reserve. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in Other Comprehensive Income are recognized in the Consolidated Statement of Income for the period as part of the gain or loss on sale.

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

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

2.5 Revenue recognition

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

The Group recognizes 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 considered to be "not 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 designed services and solutions is recognized under the percentage of completion ("POC") method. Under the POC method, revenue is generally recognized 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 recognized 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.

2.6 Production contracts

Production costs are recognized 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 recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When the outcome of a production contract cannot be estimated reliably, contract revenue is recognized 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 recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

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

2.7 Leases

Leases of property, plant and equipment where the Group has substantially obtained all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized 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 borrowings. The interest element of the lease payment is charged to the Consolidated Statement of 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 Consolidated Statement of Income on a straight-line basis over the period of the lease.

In those cases where the Group is the lessor of a finance lease, the finance lease is recorded in the Consolidated Statement of Financial Position as a receivable, at an amount equal to the net investment in the lease. The Finance income is recorded in the Consolidated Statement of Income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease. Assets held by the Group for operating leases are presented in the Consolidated Statement of Financial Position according to the nature of the asset. Operating lease income is recognized in the Consolidated Statement of Income over the lease term on a straight line basis.

2.8 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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 (stock options) of the Group. The fair value of the employee services received in exchange for the grant of the stock options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the stock 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 stock options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At reporting date, the entity revises its estimates of the number of stock options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the Consolidated Statement of Income, with a corresponding adjustment to Equity. The proceeds received net of any directly attributable transaction costs are credited to Share capital (nominal value) and Share premium when the stock options are exercised. The fair value of the employee stock options granted is measured using the Black-Scholes formula.

Measurement inputs include share price on measurement date, exercise price of the stock options, expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life of the instruments based on historical experience and general stock option holder behavior, 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 recognized in other provisions when it is management intention to settle the liability and at least the condition is met that there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements.

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

Pension plans

Marel has several pension plans in accordance with local rules and conditions. Based on IAS 19, Employee Benefits, only one arrangement with regards to early retirement rights can be classified as defined benefit pension plan until the moment of settlement expected in 2020 (VPL in the Netherlands). Two other defined benefit obligations refer to jubilee rights in the Netherlands and the postretirement medical benefit plan in the United States of America. Because of their non-material character, these arrangements are not disclosed separately.

For the majority of its employees, the Group has pension plans classified as defined contribution plans. Obligations relating to defined contribution pension plans are charged to the Consolidated Statement of 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.

2.9 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Consolidated Statement of Income except to the extent that it relates to business combinations, or items recognized directly in Shareholders' equity or in Other Comprehensive Income. In case of recording directly in Shareholders’ equity, the tax on this item is included in deferred taxes; the net amount is recognized in Shareholders’ equity.

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

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

2.10 Property, plant and equipment

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

Subsequent expenditures are included in the asset's carrying amount or recognized 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 derecognized. All other repairs and maintenance are charged to the Consolidated Statement of Income in the 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:

Land and buildings	30-50 years
Plant and machinery	4-15 years
Vehicles and equipment	3-7 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. Equipment included in rented buildings is depreciated over the remaining useful life of the related equipment or over the remaining rental period, whichever is shorter.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount (note 2.12).

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

2.11 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 measured 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 is allocated to Cash Generating Units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose.

Technology, research and development

Technology has been acquired as part the acquisition of MPS in 2016 (refer to note 4). Technology costs have a finite useful life and are capitalized and amortized using the straight line method over the period of 20 years.

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will generate future economic benefits, considering its commercial and technological feasibility, costs can be measured reliably and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized as an expense as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalized are amortized 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.

Customer relationships, patents & trade name

Customer relationships have been acquired as part of the acquisition of MPS in 2016 and Sulmaq in 2017 and are capitalized and amortized using the straight line method over their useful life of 20 years.

Expenditure to acquire patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives, but not exceeding 8 years, or 11 years in case of trademarks.

Other intangible assets

Costs associated with maintaining computer software programs are recognized 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 recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be measured reliably.

Directly attributable costs capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overhead.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as intangible assets are amortized over their estimated useful lives, which can vary from 3 to 5 years.

General

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the Consolidated Statement of Income as incurred.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets with an indefinite use or that are not depreciated are tested annually for impairment.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date. Assets held for sale which are valued at fair value, are reviewed at each reporting date.
At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from business combinations is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in the Consolidated Statement of Income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

2.13 Financial instruments

Financial instruments other than derivatives

The Group classifies its financial assets and liabilities in the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in the Consolidated Statement of Income as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the Consolidated Statement of Income. 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

When the Group has the 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 recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized 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.

Loans and receivables
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's receivables comprise 'trade receivables' and 'cash and cash equivalents' in the Consolidated Statement of Financial Position and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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

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

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized 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.

Fair value measurement
The fair values of quoted assets 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 fair value of investments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Further information is included in note 22.

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

The carrying value less impairment provision of trade receivables is 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.

Non-derivative financial liabilities
Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

2.14 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently revaluated at their fair value. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risk of the host contract and the embedded derivative are not directly closely related.

The method of recognizing 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:

- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge); or
- Derivatives at fair value through profit or loss are accounted for at fair value through profit or loss.

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 on-going 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 hedge reserve in Equity are shown in the Consolidated Statement of Changes in 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 recognized in Other Comprehensive Income and presented in the Hedge reserve in Equity. The profit or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Income within Finance income or Finance costs.

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

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or non-current assets) the gains and losses previously deferred in Equity are transferred from Equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized 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 Equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the Consolidated Statement of 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 Income within Finance income or Finance costs.

(b) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in Other Income and presented in the Hedge reserve in Equity. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Income within Finance income or Finance costs.

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

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

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

2.15 Inventories

Inventories are measured at the lower of historical cost or net realizable value. Cost is determined using the weighted average method and an adjustment to net realizable value is considered for items, which have not moved during the last 12 months. The cost of finished goods and work in progress comprise raw materials, direct labor, other direct costs and related production overhead based on normal operating capacity but exclude borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and any applicable variable selling expenses.

2.16 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefits and investment property, which continue to be measured in accordance with the Group’s other accounting policies. Impairment losses on initial classification as held-for sale and subsequent gains or losses on re-measurement are recognized in the Consolidated Statement of Income.

Once classified as assets held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

2.17 Share capital

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

When 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. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. 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 within Share premium.

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

2.18 Provisions

Provisions for restructuring costs and legal claims are recognized 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 can be reliably estimated. A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

The Group provides a 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 recognized as a separate asset but only when the reimbursement is virtually certain.

A provision for guarantee commitments is recognized when the underlying product and services are sold based on historical warranty data and a weighting of possible outcomes against their associated probabilities. 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 recognized as interest expense.

2.19 New standards and standards issued but not yet effective

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

There were standards or amendments to existing standards which had an effective date as of 1 January 2017. As part of the International Accounting Standards Board Disclosure Initiative, amendments to IAS 7 require disclosure that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The following new standards apply to the Group's Consolidated Financial Statements for the annual periods beginning on or after 1 January 2018. The Group has not early adopted the following new standards in preparing these Consolidated Financial Statements:

- IFRS 9 Financial instruments (1 January 2018).
- IFRS 15 Revenue from Contracts with Customers (1 January 2018).
- IFRS 16 Leases (1 January 2019).

Estimated impact of the adoption of IFRS 9 and IFRS 15

The Group is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 and IFRS 15, as described below, will have on its Consolidated Financial Statements.

Marel will adopt IFRS 16 Leases as well on 1 January 2018. The transition approach for IFRS 16 is the cumulative catch up approach, as a result there is no impact on Retained earnings as at 1 January 2018.

The estimated impact of the adoption of IFRS 9 and IFRS 15, as per 1 January 2018, on the Group's equity as at 1 January 2018 is based on assessments undertaken to date and is summarized below.

	31 December 2017 [1)]	IFRS 9 [2)]	IFRS 15 [3)]	1 January 2018 [4)]
Retained earnings	313.9	4.1	(8.9)	309.1

[1)] Retained earnings as presented in the Consolidated Statement of Financial Position.
[2)] Estimated adjustments due to adoption of IFRS 9.
[3)] Estimated adjustments due to adoption of IFRS 15.
[4)] Estimated adjusted opening balance at 1 January 2018.

The total estimated adjustment, net of tax, to the opening balance of the Group's equity at 1 January 2018 amounts to EUR 4.8 million (decrease of Retained earnings). The principal components of the estimated adjustments are as follows:

- IFRS 9: An increase in Retained earnings of EUR 3.7 million relating to modifications in the Group's loan facilities and an increase in Retained earnings of EUR 0.4 million as a result of a reduction in the impairment of Trade receivables.
- IFRS 15: A decrease in Retained earnings of EUR 3.0 million due to later recognition of revenues (and some associated costs) for standard equipment and a decrease in Retained earnings of EUR 5.9 million due to alignment of margins for all phases of the complete system or solution.

Further details on the estimated adjustments are presented below.

IFRS 9 Financial instruments

In July 2014 the International Accounting Standards Board ("IASB") issued the final version of IFRS 9 Financial Instruments which has been endorsed by the European Union. The new version, with minor amendments in 2017, includes revised requirements for the classification and measurement of financial assets and liabilities and regulations on the impairment of financial instruments; with the new expected credit loss ("ECL") model losses are recognized earlier because both existing and expected losses are recognized.

The standard is effective for financial reporting periods beginning on or after 1 January 2018; earlier application is permitted. In general the new regulations must be applied retrospectively, but various transition options are allowed.
IFRS 9 contains a new classification and measurement approach for financial assets and liabilities that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, Fair Value Through Other Comprehensive Income ("FVOCI") and Fair Value Through Profit and Loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables but will affect the carrying amount of borrowings as modifications of financing facilities will be accounted for differently under IFRS 9, which will have impact on the modification, as performed in 2017, of the Group's financing facility.

Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking expected credit loss model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

Under IFRS 9, loss allowances will be measured based on the ECLs that result from all possible default events over the expected life of a financial instrument. Marel's financial assets are currently limited to trade receivables and contract assets without significant financing components and are as such always impaired based on lifetime ECLs.

The Group expects impairments losses to remain at similar levels as they are currently going forward, although they become more volatile for assets in the scope of the IFRS 9 impairment model. Based on the impairment methodology described below, the Group has estimated that application of IFRS 9's impairment requirements at 1 January 2018 results in a reduction of impairment losses of EUR 0.4 million for Trade receivables.

Impairment – Trade and other receivables, including contract assets

The estimated ECLs were calculated based on actual credit loss experience over the past five years. The Group takes a holistic view of it financial assets and applies the same expected credit loss rate over all Trade receivables.

The Group estimated that application of IFRS 9's impairment requirements at 1 January 2018 results in a decrease of EUR 0.4 million over the impairment recognized under IAS 39. The following table provides information about the estimated exposure to credit risk and ECLs for Trade and Other receivables, including contract assets as at 1 January 2018.

	Estimated gross carrying amount	Weighted average loss rate	Estimated loss allowance
Current (not past due)	82.6	0.08%	(0.1)
1-30 days past due	22.0	0.33%	(0.1)
31-60 days past due	7.1	0.88%	(0.1)
61-90 days past due	3.7	1.85%	(0.1)
More than 90 days past due	19.8	8.55%	(1.7)
	135.2		**(2.1)**

Impairment – Cash and cash equivalents

The majority of cash and cash equivalents are held with bank and financial institution counterparties, which have a rating of A, based on Standard & Poor's ratings as at 31 December 2017. Marel holds majority of its cash and cash equivalents with financial institutions that are lending partners to the Group to minimize further credit risks.

The Group does not expect any impairment on cash and cash equivalents as the Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of derivative liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and,
- the remaining amount of change in the fair value is presented in profit or loss.

Under IFRS 9, entities will have to account for modifications and revisions on its financial liabilities and report any (expected) gain or loss as a result in the Statement of Income at the day of modification or revision. IFRS 9 transition requires a retrospective application and as a result of the modification of the borrowings of 5 May 2017 the Group will recognize an adjustment in Retained earnings in the opening balance sheet of 1 January 2018. This will increase Retained earnings by EUR 3.7 million and reduce the carrying amount of borrowings by EUR 4.9 million.

The Group's assessment did not indicate any other material impact regarding the classification of financial liabilities at 1 January 2018.

Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group has chosen to continue to apply the requirements of IAS 39.

Transition

During the adoption of IFRS 9 the Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognized in Retained earnings and reserves as at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

In May 2014 the IASB issued the new standard IFRS 15 Revenue from Contracts with Customers, endorsed by the European Union in September 2016. The purpose of the new standard on revenue recognition is to bring together the large number of existing guidelines contained in various standards and interpretations. At the same time it establishes uniform core principles to be applied to all industries and all types of revenue transactions. A 5-step model is used to determine at which point in time or over which period of time revenues are to be recognized and in what amount. The standard also includes further detailed guidance and extended disclosure requirements.

The standard is effective for financial reporting periods beginning on or after 1 January 2018. Marel has decided not to opt for early application of IFRS 15. The transition guidance of IFRS 15 permits a full retrospective or a modified retrospective approach on initial application.

The new standard is based on the principle that revenue is recognized when or as control of a good or service is transferred to a customer.

Sales of goods

Revenue is recognized under IAS 18 and IAS 11 when the related risks and rewards of the goods or services are transferred to the customer. Hence revenues are recognized at a point in time or over time depending on the contractual arrangement with the customer.

In Marel's business model, sales of goods relates to sales of standard equipment and sales of complete solutions or systems.

Standard equipment requires no or minor modifications as requested by customers. Sales of complete solutions or systems require significant modifications either requested by the customer or required to fulfill the customer's needs. Under IFRS 15 revenue will be recognized when or as the customer obtains control of the goods or services.

Revenues for standard equipment, currently accounted for by the percentage of completion method in accordance with IAS 11, will have to be recognized later, as the IFRS 15 criteria for revenue recognition over time are not met. The estimated impact on Retained earnings at 1 January 2018 as a result of changes for standard equipment at that date is a decrease of EUR 3.0 million.

For the sale of complete solutions or systems, revenue is currently recognized over time. Revenue is recognized as the Group manufactures the equipment. Under IFRS 15, the recognition of revenue for these categories will not change. Under IFRS 15, all these complete solutions or systems are deemed to not have an alternative use and Marel has an enforceable right to payment and therefore related revenues will be recognized over time.

Based on the Group's assessment, the current accounting practice of the Group for complete solutions or systems is in line with IFRS 15 guidance. Therefore the Group does not expect the application of IFRS 15 to result in differences in the timing of revenue recognition for such solutions or systems. Under IFRS 15, complete solutions or systems should have a similar margin for all components of the solution or system. As a result of the adoption of IFRS 15 Marel will align the margins for all phases of the solution or systems, which will result in deferral of margins. The estimated impact on Retained earnings at 1 January 2018 as a result of alignment of margins is a decrease of EUR 5.9 million.

Rendering of services

The Group is involved in manufacturing of equipment, as well as performing related maintenance services to the equipment. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognized using the percentage of completion method.

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions. Revenue relating to maintenance services is recognized over time although the customer pays up-front in full for these services. A contract liability is recognized for revenue relating to the maintenance services at the time of the initial sales transaction and is recognized as revenue over the service period.

Based on the Group's assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore, the Group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

Commissions

The Group will apply the practical expedient in relation to the incremental costs of obtaining a contract. The Group will recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. Costs for obtaining a contract for which the contract exceeds one year will be capitalized and amortized.

Based on the Group's assessment, the commissions are not expected to result in significant differences in recognition of revenues nor costs.

Transition

The Group intends to adopt the IFRS 15 standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognized in Retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group has also opted for the following practical expedient: to apply the new IFRS 15 standard to only those contracts that are not considered completed contracts under current standards at the date of initial application.

IFRS 16 Leases

In January 2016 the IASB issued the new standard IFRS 16 Leases, which is to replace the current lease standard IAS 17, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The European Union has endorsed the standard in October 2017.

Apply of the new standard is mandatory for financial years beginning on or after 1 January 2019. The Group will apply early adoption of this standard and start reporting as of 1 January 2018.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Group has completed a detailed assessment of the potential impact on its consolidated financial statements.

The most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases of office buildings and vehicles

The current requirement to differentiate between finance leases and operating leases under IAS 17 will therefore no longer apply for lessees. Under IFRS 16 for all leases the lessee must recognize a lease liability on the Statement of Financial Position in the present value of future lease payments of the respective lease plus directly allocated costs and at the same time recognize a corresponding right of use to the underlying asset. Over the term of the lease, the lease liability is adjusted using financial mathematics methods – similar to the rules for finance leases under the current IAS 17 – and the right of use is depreciated.

As at 1 January 2018, the estimated additional assets and liabilities on the Statement of Financial Position will be in the region of EUR 36 million. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The expected impact of the change is an increase of EUR 1.0 million in 2018 of total costs, mostly in the form of increased interest expenses.

The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the revised maximum leverage threshold loan covenants.

Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Cumulative catch up approach with optional practical expedients.

The lessee has to apply the election consistently to all of its leases.

The Group will apply IFRS 16 initially on 1 January 2018, using the cumulative catch up approach and measuring the amounts equal to liability at adoption, with no restatement of comparative information.

3 Critical accounting estimates and assumptions

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

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

(a) Purchase price adjustments

Acquisitions by Marel as part of business combinations, which will be accounted for by the acquisition method, will result in recognition of goodwill and other intangible assets. The amounts assigned to the acquired assets and liabilities are based on assumptions and estimates about their fair values. In making these estimates, management consulted independent, qualified appraisers, if appropriate. A change in assumptions and estimates could change the values allocated to certain assets and their estimated useful lives, which could affect the amount or timing of charges to the Consolidated Statement of Income, such as amortization of intangible assets.

(b) Estimated impairment

The Group annually tests whether the financial and non-financial assets, including goodwill, were impaired in accordance with the accounting policy stated in note 2.11 and 2.12. The recoverable amounts of CGU have been determined based on value in use calculation. These calculations require the use of estimates (note 13).

(c) Income taxes and deferred income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes 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.

(d) Fair value of derivatives and other financial instruments

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

(e) Capitalized development cost

The recoverability of the capitalized development cost is tested regularly and is subject to the annual impairment tests, to verify if expected future economic benefits justify the values captured in the intangible fixed assets. The Group uses discounted cash flow analysis for this purpose.

(f) Revenue recognition

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

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

		2017		2016	
	Notes	Assets	Liabilities	Assets	Liabilities
Goodwill	13	643.9	-	635.2	-
Other intangible assets	13	262.7	-	277.5	-
Current and deferred income taxes	15	4.4	72.3	7.3	72.6
Financial instruments	22	0.9	2.7	0.4	4.9
Production contracts	17	48.2	209.6	37.0	150.8

4 Acquisitions

2017

Sulmaq Industrial e Comercial S.A.

On 25 July 2017, Marel has signed an agreement to acquire 100% of the shares of Sulmaq Industrial e Comercial S.A. ("Sulmaq") from a consortium of shareholders. Sulmaq is domiciled in Brazil. The closing of the acquisition of Sulmaq took place on 31 August 2017.

Sulmaq is involved in development of projects and supply of complete slaughtering, deboning and industrialized equipment lines for hog, cattle and sheep processors according to each customer's needs and operates in Brazil and internationally. The acquisition enhances Marel's position as a leading global provider of advanced equipment and solutions to the Poultry, Meat and Fish industries and is fully in line with the Company's previously announced growth strategy. This step supports Marel's full line offering in the meat processing industry.

In accordance with IFRS 3, Business Combinations, the purchase price of Sulmaq was allocated to identifiable assets and liabilities acquired. Provisional goodwill amounted to EUR 12.6 million and is allocated to the Meat segment. The resulting goodwill from this acquisition is primarily related to the strategic (and cultural) fit of Sulmaq and Marel with highly complementary product portfolios and geographic presence, new customers and synergies. The goodwill is not expected to be deductible for income tax purposes.

Sulmaq contributed EUR 9.1 million to revenues and affected result from operation positively.

The fair value of the acquired identifiable assets of EUR 13.4 million primarily relates to identified customer relationships. Amortization of identified intangible assets amounted to EUR 0.2 million from the period from acquisition to 31 December 2017. The order backlog will be fully amortized before the end of 2018, the brand names will be amortized before the end of 2019 and the other identified intangible assets will be amortized in 20 years.

Under IFRS 3, up to one year from the acquisition date, the initial accounting for business combinations needs to be adjusted to reflect new information that is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. As a result of such adjustments the values of assets and liabilities recognized may change in the one-year period from the acquisition date.

The Purchase Price Allocation of Sulmaq has not yet been finalized as we are still in the process of finalizing the valuation of Property, plant and equipment. Expectation is that the Purchase Price Allocation will be finalized in the first half of 2018.

The following table summarizes the consideration paid for Sulmaq, the recognized provisional amounts of assets acquired and liabilities assumed at the acquisition date.

	2017
Property, plant and equipment	6.5
Other intangible assets	3.7
Inventories	6.1
Trade and other receivables, current and non-current	5.5
Other receivables and prepayments	0.5
Cash and cash equivalents	5.8
Assets acquired	**28.1**
Long-term debt, current and non-current	5.0
Deferred and other tax liabilities	1.7
Provisions, current and non-current	0.6
Trade and other payables	7.4
Liabilities assumed	**14.7**
Total net identified assets	**13.4**
Consideration paid in cash for the transaction on 31 August 2017	26.0
Consideration transferred	**26.0**
Provisional goodwill on acquisition	**12.6**

Amortization of acquisition-related intangible assets relate to the following lines in the Consolidated Statement of Income:

	2017
Cost of sales	0.1
Selling and marketing expenses	0.1
Research and development expenses	0.0
	0.2

2016

MPS Holding III B.V.

On 29 January 2016 Marel concluded the acquisition of MPS Holding III B.V. ("MPS") and obtained control through acquiring 100% of the issued shares of MPS.

MPS is a subsidiary of Marel Holding B.V. The purchase price was EUR 368 million on a debt-free and cash-free basis.

MPS is a leading company in primary processing solutions for the pork and beef industry as well as in innovative solutions in waste water treatment and food logistics. The acquisition enhanced Marel's position as a leading global provider of advanced equipment and solutions to the Poultry, Meat and Fish industries and is fully in line with the Company's previously announced growth strategy. This acquisition strengthened and complemented Marel's full line offering in the meat processing industry.

In accordance with IFRS 3, Business Combinations, the purchase price of MPS was allocated to identifiable assets and liabilities acquired. Goodwill amounted to EUR 246 million. The resulting goodwill from this acquisition is primarily related to the strategic (and cultural) fit of MPS and Marel with highly complementary product portfolios and geographic presence. The value of goodwill and intangible assets acquired was high for the above mentioned reasons. The goodwill is not tax deductible.

In November 2015, the Group entered into a new EUR 670 million facilities agreement with eight international banks, led by ING bank, Rabobank and ABN AMRO. The terms and conditions are generally in line with Loan Market Association corporate standards. The new facility was utilized to repay the previous facility from 2010 as well as providing funds for the acquisition of MPS. The facility converted the previous facility into an all senior facility, extended the term to 2020 as well as provided funds for the acquisition of MPS.

Amortization of acquisition related (in)tangible assets relate to the following lines in the Consolidated Statement of Income:

	2017	2016
Cost of sales	8.2	15.2
Selling and marketing expenses	2.7	6.9
Research and development expenses	6.0	2.5
General and administrative expenses	0.0	-
	16.9	**24.6**

EUR 8.2 million (2016: EUR 15.2 million) related to the fair value lift up on the order back log, EUR 8.7 million (2016: EUR 9.4 million) to amortization of identified intangible assets and a tax effect of EUR 4.2 million (2016: EUR 6.1 million). The order backlog was fully amortized mid 2017, the brand names have been amortized before the end of 2016 and the other identified intangible assets will be amortized in 20 years.

The following table summarizes the major classes of consideration transferred, and recognized amounts of assets acquired and liabilities assumed at the acquisition date.

	2016
Property, plant and equipment	18.0
Other intangible assets	199.0
Inventories	16.7
Trade and other receivables	22.2
Cash and cash equivalents	18.4
Assets acquired	**274.3**
Long-term debt, current and non-current	92.8
Deferred and other tax liabilities	51.2
Production contracts	43.6
Provisions, current and non-current	9.5
Trade and other payables	27.7
Liabilities assumed	**224.8**
Total net identified assets	**49.5**
Consideration paid in cash for the transaction on 29 January 2016	295.1
Consideration transferred	**295.1**
Goodwill on acquisition	**245.6**

5 Segment information

Operating segments

The identified operating segments comprise the three industries, which are the reporting segments. These operating segments form the basis for managerial decision taking. The following summary describes the operations in each of the Group's reportable segments:

- Poultry processing: Our poultry processing product range offers integrated systems for processing broilers, turkeys and ducks;
- Meat processing: Our Meat Industry specializes in the key processes of slaughtering, deboning and trimming, case ready food service and bacon processing;
- Fish processing: Marel provides advanced equipment and systems for salmon and whitefish processing, both farmed and wild, onboard and ashore;
- The 'Others' segment includes any revenues, result from operations and assets which do not belong to the three core industries.

The reporting entities are reporting their revenues per operating segment based on the industry for which the customer is using Marel's product range. Therefore inter-segment revenues do not exist, only intercompany revenues within the same segment.

Results are monitored and managed at the operating segment level, up to the result from operations. The Group's CEO reviews the internal management reports of each segment on a monthly basis. Fluctuations between quarters are mainly due to timing of receiving orders and completion of orders. Decisions on tax and financing structures including cash and cash equivalents are taken at a corporate level, therefore no financial income and expenses nor tax are allocated to the operating segments. The profit or loss per operating segment is the adjusted result from operations (before amortization of acquisition-related (in)tangible assets); finance costs and taxes are reported in the column Total.

Intercompany transactions are entered into at arm's length terms and conditions comparable to those available to unrelated parties. Information on assets per operating segment is reported; however, decisions on liabilities are taken at a corporate level and as such are not included in this disclosure.

2017	Poultry	Meat	Fish	Others	Total
Third Party Revenues	**560.2**	**334.4**	**132.3**	**11.3**	**1,038.2**
Adjusted result from operations	**109.5**	**38.5**	**5.6**	**3.8**	**157.4**
Amortization of acquisition-related (in)tangible assets					(17.1)
Result from operations					140.3
Finance costs - net					(20.3)
Result before income tax					120.0
Income tax					(23.1)
Net result for the period					**96.9**
Assets	**640.3**	**642.4**	**115.8**	**42.1**	**1,440.6**
Depreciation and amortization	(19.7)	(26.3)	(5.6)	-	(51.6)

2016	Poultry	Meat	Fish	Others	Total
Third Party Revenues	**514.2**	**320.4**	**127.1**	**8.0**	**969.7**
Adjusted result from operations	**85.3**	**47.8**	**3.9**	**2.4**	**139.4**
Amortization of acquisition-related (in)tangible assets					(24.6)
Result from operations					114.8
Finance costs - net					(25.4)
Result before income tax					89.4
Income tax					(13.6)
Net result for the period					**75.8**
Assets	**670.9**	**560.2**	**106.0**	**55.3**	**1,392.4**
Depreciation and amortization	(19.3)	(36.0)	(5.3)	(0.1)	(60.7)
Of which Impairments	(2.2)	(3.1)	(0.2)	-	(5.5)

Geographical information

The Group's three operating segments operate in four main geographical areas, even though they are managed on a global basis. The home country of the Group is Iceland. The three main operating companies are located in Iceland and The Netherlands, however, these companies realize most of their revenues in other countries. The other main operating company in the United States of America is realizing most of their revenues in North America.

Within the segments and within the operating companies Marel is not relying on major customers.

Revenues, allocated based on country where the customer is located	2017	2016
Iceland	7.2	7.7
The Netherlands	33.6	30.9
Europe other	459.7	444.6
North America	291.7	268.9
Other countries	246.0	217.6
	1,038.2	**969.7**

Total assets excluding Cash and cash equivalents	2017	2016
Iceland	118.0	117.4
The Netherlands	939.5	935.5
Europe other	146.9	121.8
North America	138.4	150.9
Other countries	65.9	21.3
	1,408.7	**1,346.9**

Total assets exclude the Group's cash pool which the Group manages at corporate level.

Capital expenditure	2017	2016
Iceland	7.6	6.9
The Netherlands	27.9	24.1
Europe other	16.5	7.1
North America	5.1	5.6
Other countries	0.8	0.6
	57.9	**44.3**

6 Expenses by nature and Adjusted result from operations

	2017	2016
Cost of goods sold	359.8	338.7
Employee benefits	363.9	339.5
Depreciation and amortization	51.6	60.7
Maintenance and rent of buildings and equipment	16.6	15.2
Other	106.0	100.8
	897.9	**854.9**

Management has presented Adjusted result from operations as performance measure in the Consolidated Statement of Income and believes that this measure is relevant to an understanding of the Group's financial performance. Adjusted result from operations is calculated by adjusting Result from operations to exclude the impact of amortization of acquisition-related (in)tangible assets.

Adjusted result from operations is not a defined performance measure in IFRS. The Group's definition of Adjusted Result from operations may not be comparable with similarly titled performance measures and disclosures by other entities.

7 Net Finance costs

	2017	2016
Interest on borrowings	(12.8)	(20.7)
Interest on finance leases	(0.0)	(0.0)
Other finance expenses	(4.9)	(5.3)
Net foreign exchange transaction losses	(3.5)	-
Subtotal Finance costs	**(21.2)**	**(26.0)**
Finance income:		
Interest income	0.9	0.5
Net foreign exchange transaction gains	-	0.1
Subtotal Finance income	**0.9**	**0.6**
Net Finance costs	**(20.3)**	**(25.4)**

8 Staff costs

Employee benefit expenses	**2017**	**2016**
Salaries and wages	306.2	284.4
Social security contributions	35.2	34.9
Expenses related to equity-settled share-based payments	0.6	0.3
Post retirement costs	21.9	19.9
	363.9	**339.5**

The employee benefit expenses relate to employees who are working on the payroll of Marel, both with permanent and temporary contracts.

Employee benefit expenses are presented in the Consolidated Statement of Income as follows:

	2017	2016
Cost of sales	164.0	153.1
Selling and marketing expenses	93.5	87.6
Research and development expenses	59.6	52.3
General and administrative expenses	46.8	46.5
	363.9	**339.5**

For further information on post-employment benefit costs, see note 21

For details on the remuneration of the members of the Board of Directors and the CEO, see note 26.

The average number of employees in FTEs per cost category is summarized as follows:

Employees in FTEs	**2017**	**2016**
Cost of sales	2,380	2,248
Selling and marketing expenses	1,028	957
Research and development expenses	446	416
General and administrative expenses	651	621
Employees	**4,505**	**4,242**
3rd party workers	407	357
	4,912	**4,599**

Employees consist of those persons working on the payroll of Marel and whose costs are reflected in the Employee benefit expenses table above. 3rd party workers consist of personnel hired on a per-period basis, via external companies.

9 Fees to Auditors

The table below shows the fees to KPMG attributable to the fiscal years 2016 and 2017.

	2017	2016
Financial Statement audit fees	0.7	0.7
Other fees, including tax services	0.2	0.1
	0.9	**0.8**

10 Income tax

Income tax recognized in the Consolidated Statement of Income	**2017**	**2016**
Current tax	(24.4)	(15.2)
Deferred tax	1.3	1.6
	(23.1)	**(13.6)**

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	**2017**	%	**2016**	%
Result before income tax	120.0		89.4	
Income tax using Icelandic rate	(24.0)	20.0	(17.9)	20.0
Effect of tax rates in other jurisdictions	(8.1)	6.8	(4.6)	5.1
Weighted average applicable tax	(32.1)	26.7	(22.5)	25.1
Foreign exchange effect Iceland	(0.4)	0.3	1.2	(1.3)
Research and development tax incentives	5.1	(4.2)	5.6	(6.1)
Permanent differences	0.2	(0.2)	0.4	(0.5)
Tax losses (un)recognized	(0.1)	0.1	0.0	-
(Impairment)/reversal of tax losses	0.3	(0.2)	0.8	(0.9)
Effect of tax rate changes	1.1	(0.9)	0.3	(0.4)
Others	2.8	(2.3)	0.6	(0.7)
Tax charge included in the profit or loss for the period	**(23.1)**	**19.3**	**(13.6)**	**15.2**

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience.

11 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders 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.

Basic earnings per share (EUR cent per share)	**2017**	**2016**
Net result attributable to Shareholders	96.8	75.7
Weighted average number of outstanding shares in issue (millions)	706.6	715.4
Basic earnings per share (EUR cent per share)	**13.70**	**10.59**

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: stock options. For the stock 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 stock 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 stock options.

Diluted earnings per share (EUR cent)	**2017**	**2016**
Net result attributable to Shareholders	96.8	75.7
Weighted average number of outstanding shares in issue (millions)	706.6	715.4
Adjustments for stock options (millions)	3.8	3.5
Weighted average number of outstanding shares for diluted earnings per share (millions)	**710.4**	**718.9**
Diluted earnings per share (EUR cent per share)	**13.63**	**10.54**

12 Property, plant and equipment

	Land & buildings	Plant & machinery	Under con-struction	Vehicles & equipment	Total
At 1 January 2017					
Cost	130.1	93.4	1.6	41.0	266.1
Accumulated depreciation	(41.8)	(69.8)	-	(35.5)	(147.1)
Net book value	**88.3**	**23.6**	**1.6**	**5.5**	**119.0**
Year ended 31 December 2017					
Opening net book value	88.3	23.6	1.6	5.5	119.0
Divestments	(0.1)	0.0	-	(0.3)	(0.4)
Effect of movements in exchange rates	(1.4)	(0.7)	(0.1)	(0.3)	(2.5)
Additions	2.6	5.3	23.3	2.8	34.0
Business combinations, note 4	6.5	-	-	-	6.5
Transfer between categories	4.2	0.9	(5.1)	0.0	(0.0)
Depreciation charge	(4.3)	(5.5)	-	(2.1)	(11.9)
Closing net book value	**95.8**	**23.6**	**19.7**	**5.6**	**144.7**
At 31 December 2017					
Cost	146.4	96.8	19.7	42.2	305.1
Accumulated depreciation	(50.6)	(73.2)	-	(36.6)	(160.4)
Net book value	**95.8**	**23.6**	**19.7**	**5.6**	**144.7**

	Land & buildings	Plant & machinery	Under con-struction	Vehicles & equipment	Total
At 1 January 2016					
Cost	106.0	63.5	3.4	40.8	213.7
Accumulated depreciation	(38.0)	(50.4)	-	(36.3)	(124.7)
Net book value	**68.0**	**13.1**	**3.4**	**4.5**	**89.0**
Year ended 31 December 2016					
Opening net book value	68.0	13.1	3.4	4.5	89.0
Divestments	(0.1)	(0.0)	-	(0.5)	(0.6)
Effect of movements in exchange rates	0.8	0.2	(0.0)	0.5	1.5
Additions	8.2	7.4	3.5	1.9	21.0
Business combinations, note 4	12.9	4.6	0.2	0.2	17.9
Transfer between categories	1.3	3.4	(5.5)	0.8	-
Depreciation charge	(2.8)	(5.1)	-	(1.9)	(9.8)
Closing net book value	**88.3**	**23.6**	**1.6**	**5.5**	**119.0**
At 31 December 2016					
Cost	130.1	93.4	1.6	41.0	266.1
Accumulated depreciation	(41.8)	(69.8)	-	(35.5)	(147.1)
Net book value	**88.3**	**23.6**	**1.6**	**5.5**	**119.0**

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

	2017	2016
Cost of sales	6.2	5.4
Selling and marketing expenses	0.7	0.7
Research and development expenses	0.4	0.3
General and administrative expenses	4.6	3.4
Amortization of acquisition-related tangible assets	0.0	-
	11.9	**9.8**

The carrying amount of the assets recognized under finance lease is EUR 0.2 million (2016: EUR 0.1 million).

The insurance value of real estate is not materially different from the replacement value (note 24). The Group Insurance value of buildings amounts to EUR 130 million (2016: EUR 147 million), production machinery and equipment including software and office equipment amounts to EUR 147 million (2016: EUR 160 million) and inventories to EUR 142 million (2016: EUR 142 million).

13 Goodwill and intangible assets

	Goodwill	Technology & develop-ment costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2017					
Cost (including transfers between categories)	635.2	218.9	172.8	63.9	455.6
Accumulated amortization (including transfers between categories)	-	(102.1)	(39.2)	(36.8)	(178.1)
Net book value	**635.2**	**116.8**	**133.6**	**27.1**	**277.5**
Year ended 31 December 2017					
Opening net book value	635.2	116.8	133.6	27.1	277.5
Business combinations, note 4	12.6	0.4	3.2	0.1	3.7
Transfer between categories	-	0.0	-	0.0	0.0
Exchange differences	(3.9)	(2.2)	(0.4)	(0.1)	(2.7)
Additions	-	15.5	-	8.4	23.9
Amortization charge	-	(15.8)	(11.0)	(12.9)	(39.7)
Closing net book value	**643.9**	**114.7**	**125.4**	**22.6**	**262.7**
At 31 December 2017					
Cost	643.9	232.4	171.6	73.3	477.3
Accumulated amortization	-	(117.7)	(46.2)	(50.7)	(214.6)
Net book value	**643.9**	**114.7**	**125.4**	**22.6**	**262.7**

	Goodwill	Technology & develop-ment costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2016					
Cost	389.4	148.7	56.8	32.7	238.2
Accumulated amortization	-	(82.2)	(30.2)	(18.8)	(131.2)
Net book value	**389.4**	**66.5**	**26.6**	**13.9**	**107.0**
Year ended 31 December 2016					
Opening net book value	389.4	66.5	26.6	13.9	107.0
Business combinations, note 4	245.6	53.7	137.0	8.3	199.0
Exchange differences	0.2	(0.2)	(0.3)	(0.3)	(0.8)
Additions	-	15.7	0.0	7.5	23.2
Impairment charge	-	(5.5)	-	-	(5.5)
Amortization charge	-	(13.4)	(29.7)	(2.3)	(45.4)
Closing net book value	**635.2**	**116.8**	**133.6**	**27.1**	**277.5**
At 31 December 2016					
Cost	635.2	218.9	172.8	63.9	455.6
Accumulated amortization	-	(102.1)	(39.2)	(36.8)	(178.1)
Net book value	**635.2**	**116.8**	**133.6**	**27.1**	**277.5**

Business combination for 2017 relate to the acquisition of Sulmaq and for 2016 to the acquisition of MPS. Further information on the acquisitions is disclosed in note 4 to the Consolidated Financial Statements.

The additions for 2017 predominantly comprise internally generated assets of EUR 23.9 million (2016: EUR 23.2 million) for product development and for development of software products.

In 2016 an impairment loss of EUR 5.5 million is reported to write-down development costs for unsuccessful development.

The impairment charge in the intangible assets analyses as follows in the Consolidated Statement of Income:

	2017	2016
Research and development expenses	-	5.5
	-	**5.5**

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

	2017	2016
Cost of sales	0.0	0.0
Selling and marketing expenses	1.6	1.5
Research and development expenses	13.9	14.2
General and administrative expenses	7.1	5.1
	22.6	**20.8**
Amortization of acquisition-related intangible assets	17.1	24.6
	39.7	**45.4**

Impairment testing

Annually goodwill is tested for impairment at the level of the CGUs. For Marel, the CGUs are based on the market oriented business model, Poultry, Meat and Fish, in accordance with IFRS 8 Operating Segments. Poultry, Meat and Fish serve the customer needs in primary, secondary and further processing. Only at the level of the operating segments the connection can be made between the businesses for which the goodwill was originally paid and the results of the synergies after the acquisitions.

The annual impairment test includes Property, plant and equipment, Goodwill, Other intangible assets and net working capital allocated to CGUs to determine the final recoverable amount.

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

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

The sales growth rates and margins used to estimate future cash flows are based on management estimates that take into account past performance and experience, external market growth assumptions and industry long term averages. The weighted growth rate for the period 2019 to 2022 of forecast cash flows is between 4% and 7% for all CGUs, which is management's best estimate. These growth rates are in line with external market predictions of the worldwide industry for providing equipment and solutions for the protein industry as well. Revenues, operating results and cash flows beyond the 5 year forecast period are extrapolated using estimated growth rates of 1.9% as shown in the table on the next page. The time value of money and price of uncertainty, calculated as the Weighted Average Cost of Capital ("WACC"), are based on external market information about market risk, interest rates and some CGU specific elements like country risk. The post-tax discount rate is calculated at CGU level and is in the range of 6.9% - 7.2% (2016: 7.5% - 7.7%) for all CGUs (refer to the table on the next page). The pre-tax discount rate for the three CGUs is calculated in the range of 8.7% - 8.9% (2016: 9.4% - 9.7%).

The Goodwill impairment test performed in the fourth quarter, which was based on the numbers of 30 September 2017, and is rolled forwarded to 31 December 2017, exceeds the recoverable value of existing goodwill. Breakeven scenarios and the current scenario used show that there is sufficient headroom and that there are no triggers indicating that impairment is necessary. For all three operating segments the recoverable amount exceeds the carrying amount by a substantial amount. A stress test was performed on the impairment tests of the CGUs where the following items have been tested: the potential changes in increase in pre-tax discount rates, decrease in compound long-term growth rates or decrease in terminal value growth rates. This test showed that the conclusions of these tests would not have been different if significant adverse changes in key parameters had been assumed.

Key assumptions used in the impairment tests for the segments were sales growth rates, EBITDA and the rates used for discounting the projected cash flows. These cash flow projections were determined using managements' internal forecasts that cover an initial period from 2018. Projections were extrapolated with stable growth rates for a period of 4 years, after which a terminal value was calculated. For terminal value calculation, growth rates were capped at the lower of the historical long-term average growth rate and the long-term expected risk-free rate.

The sales growth rates and EBITDA used to estimate cash flows are based on past performance, external market growth assumptions and industry long-term growth averages. EBITDA in all segments mentioned in this note is expected to increase over the projected period as a result of volume growth and cost efficiencies.

The key assumptions used for the impairment tests are listed below.

2017	Poultry	Meat	Fish	Total
Goodwill	332.9	284.0	27.0	643.9
Infinite Intangible assets	-	-	-	-
Terminal growth rate	1.9%	1.9%	1.9%	1.9% [1]
Discount rate	7.2%	7.1%	6.9%	7.1% [2]

2016	Poultry	Meat	Fish	Total
Goodwill	335.4	272.4	27.4	635.2
Infinite Intangible assets	-	-	-	-
Terminal growth rate	1.8%	1.8%	1.8%	1.8% [1]
Discount rate	7.7%	7.6%	7.5%	7.6% [2]

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

[2] Discount rate applied to the cash flow projections.

14 Trade receivables, Other receivables and prepayments

	2017	2016
Trade receivables	135.2	120.6
Less: write-down to net-realizable value	(2.3)	(5.1)
Trade receivables - net	**132.9**	**115.5**
Less non-current portion	(4.0)	(0.2)
Current portion of Trade receivables	**128.9**	**115.3**
Prepayments	6.2	5.9
Other receivables	40.4	26.8
Other receivables and prepayments	**46.6**	**32.7**
Total Trade receivables, Other receivables and prepayments	**179.5**	**148.2**

Non-Current receivables

Non-Current receivables are mainly associated with an escrow account regarding the acquisition of Sulmaq for EUR 4.0 million (2016: EUR 0.2 million long term outstanding debtors). All non-current receivables are due within one and five years.

Current receivables

The carrying amounts of Trade receivables and Other receivables and prepayments approximate their fair value.

Trade receivables that are less than 90 days past due are not considered impaired. As of 31 December 2017, Trade receivables of EUR 32.8 million (2016: EUR 38.1 million) were past due but not impaired. In 2017 the write-down of Trade receivables to net realizable value amounted to EUR 0.2 million (2016: EUR 1.4 million). These relate to a number of independent customers for whom there is no recent history of default. As of 31 December 2017, Trade receivables of EUR 19.8 million (2016: EUR 11.6 million) were tested for impairment and written down when necessary. The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations.

In anticipation of adoption of IFRS 9 in 2018, Marel reassessed the impaired Trade receivables. A part of the impairment related to product risk. This part has been transferred from Write-down of Trade receivables to Production contracts for an amount of EUR 3.1 million (see also note 17).

The aging of Trade receivables is as follows:

	2017		2016	
	Gross amount	Provision for Impairment	Gross amount	Provision for Impairment
Not overdue	82.6	-	70.9	-
Up to 90 days overdue	32.8	-	38.1	-
Over 90 days overdue	19.8	(2.3)	11.6	(5.1)
	135.2	**(2.3)**	**120.6**	**(5.1)**

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

	2017	2016
EUR	70.3	68.9
US Dollar	38.1	31.2
UK Pound	4.9	6.2
Other Currencies	17.9	14.1
	131.2	**120.4**
Write-down to net-realizable value	(2.3)	(5.1)
	128.9	**115.3**

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

	2017	2016
At 1 January	**5.1**	**3.4**
Provision for receivables impairment	0.2	1.4
Receivables written off during the year as uncollectible	(0.2)	(1.5)
Business combinations	0.3	2.3
Reclassification to Production contracts and unused amounts reversed	(3.1)	(0.5)
At 31 December	**2.3**	**5.1**

The impairment to net-realizable value and reversals has been included in Selling and marketing expenses in the Consolidated Statement of Income.

The other classes within Other receivables and prepayments do not contain impaired assets.

Information about the Group's exposure to credit and market risks, is included in note 22.

15 Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method.

The gross movement on the deferred income tax account is as follows:

	2017	2016
At 1 January	**(56.2)**	**(5.9)**
Exchange differences and changes within the Group	0.1	0.0
Consolidated Statement of Income charge (excluding tax rate change)	0.2	1.3
Effect of change in tax rates	1.1	0.3
Business combinations, note 4	(1.7)	(51.6)
Hedge reserve & translation reserve recognized in Other Comprehensive Income	(0.4)	(0.3)
At 31 December	**(56.9)**	**(56.2)**

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 deferred tax charged / (credited) in the Consolidated Statement of Comprehensive Income, in Other Comprehensive Income, during the period is as follows:

Fair value reserves in Shareholders' equity	**2017**	**2016**
- Employer's contribution social charges on stock option exercises	-	-
- Hedge reserve	(0.4)	(0.3)
	(0.4)	**(0.3)**

The deferred tax charge recognized in the Consolidated Statement of Financial Position is as follows:

	2017	2016
Deferred income tax assets	4.4	7.3
Deferred income tax liabilities	(61.3)	(63.5)
	(56.9)	**(56.2)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization 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; a reversal of EUR 0.3 million (2016: a reversal of EUR 0.8 million) has been applied. Sensitivity analysis on impairment of tax losses used the assumption of decreasing the forecast profit before tax by 5%. Based on the outcome of this calculation the impairment is not substantially affected. The Group has no unrecognized deferred tax liabilities.

Taxable effects of losses will expire according to below schedule:

	2017		2016	
	Total tax losses	Of which not capitalised	Total tax losses	Of which not capitalised
Less than 6 years	5.6	2.8	4.6	2.7
Between 6 and 10 years	40.7	-	44.0	-
More than 10 years	1.4	-	5.8	-
Indefinite	21.9	18.6	31.5	26.1
	69.6	**21.4**	**85.9**	**28.8**

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	At 1 January 2017	Recognized in income statement	Other [1]	At 31 December 2017	Assets	Liabilites
Property, plant and equipment	(7.5)	0.1	(0.5)	(7.9)	0.6	(8.5)
Intangible assets	(67.5)	3.9	1.7	(61.9)	1.8	(63.7)
Other financial assets	0.5	(0.4)	(0.3)	(0.2)	0.0	(0.2)
Receivables	(1.5)	(0.9)	0.1	(2.3)	0.4	(2.7)
Inventories	4.0	(0.6)	(1.4)	2.0	2.4	(0.4)
Current liabilities	2.4	0.3	(0.2)	2.5	0.8	1.7
Long term liabilities	(0.3)	0.2	0.1	(0.0)	0.1	(0.1)
Provisions for pensions	0.6	(0.0)	(0.2)	0.4	0.4	0.0
Provisions for reorganizations	(0.0)	(0.0)	(0.0)	(0.0)	0.0	(0.0)
Provisions for guarantees	1.2	(0.2)	(0.8)	0.2	0.5	(0.3)
Provisions others	0.2	0.0	0.1	0.3	0.4	(0.1)
Subtotal	**(67.9)**	**2.4**	**(1.4)**	**(66.9)**	**7.4**	**(74.3)**
Subtotal tax losses	11.7	(2.6)	0.9	10.0	13.9	(3.9)
Overall total	**(56.2)**	**(0.2)**	**(0.5)**	**(56.9)**	**21.3**	**(78.2)**

[1] Other includes the movements of assets and liabilities recognized in OCI, which includes foreign currency translation differences, acquisitions and divestments.

	At 1 January 2016	Recognized in income statement	Other [2]	At 31 December 2016	Assets	Liabilites
Property, plant and equipment	(5.4)	(1.7)	(0.4)	(7.5)	0.6	(8.1)
Intangible assets	(20.3)	4.6	(51.8)	(67.5)	4.8	(72.3)
Other financial assets	0.7	0.1	(0.3)	0.5	0.6	(0.1)
Receivables	(2.2)	0.8	(0.1)	(1.5)	0.3	(1.8)
Inventories	2.7	0.9	0.4	4.0	4.5	(0.5)
Current liabilities	1.1	1.3	0.0	2.4	2.5	(0.1)
Long term liabilities	0.6	(0.9)	(0.0)	(0.3)	0.1	(0.4)
Provisions for pensions	1.5	(1.0)	0.1	0.6	0.6	(0.0)
Provisions for reorganizations	0.5	(0.5)	(0.0)	(0.0)	0.0	(0.0)
Provisions for guarantees	0.2	0.2	0.8	1.2	1.4	(0.2)
Provisions others	0.2	(0.1)	0.1	0.2	0.3	(0.1)
Subtotal	**(20.4)**	**3.7**	**(51.3)**	**(67.9)**	**15.7**	**(83.6)**
Subtotal tax losses	14.4	(2.4)	(0.3)	11.7	17.3	(5.6)
Overall total	**(6.1)**	**1.3**	**(51.6)**	**(56.2)**	**33.0**	**(89.2)**

[2] Other includes the movements of assets and liabilities recognized in OCI, which includes foreign currency translation differences, acquisitions and divestments. The significant movement in Other relates to deferred income tax as a result of the acquisition of MPS, refer to note 4 for further information.

16 Inventories

	2017	2016
Raw materials	16.0	13.7
Semi-finished goods	95.4	98.8
Finished goods	33.3	29.9
	144.7	**142.4**
Allowance for obsolescence and/or lower market value	(20.3)	(20.2)
	124.4	**122.2**

The cost of inventories recognized as an expense and included in Cost of sales amounted to EUR 496.8 million (2016: EUR 483.4 million). In 2017 the write-down of inventories to net-realizable value amounted to EUR 4.8 million (2016: EUR 3.8 million).

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

17 Production contracts

	2017	2016
Ordered work in progress	419.4	355.8
Advances received on ordered work in progress	(581.0)	(469.7)
	(161.4)	**(113.8)**
Cost exceed billing	48.2	37.0
Billing exceed cost	(209.6)	(150.8)
	(161.4)	**(113.8)**

In anticipation of adoption of IFRS 9 in 2018, Marel reassessed the impaired Trade receivables. A part of the impairment related to product risk. This part has been transferred from Write-down of Trade receivables to Production contracts for an amount of EUR 3.1 million (see also note 17).

An amount of EUR 241.0 million (2016: EUR 234.0 million) has been included in the Revenues of 2017 as included in the Consolidated Statement of Income. For this portion of the revenues the conditions of sale of goods are not met, therefore the IFRS treatments of construction contracts have been applied (IAS 11 Construction Contracts). Construction contract revenue has been determined based on the percentage of completion method (cost based).

18 Equity

Share Capital	Ordinary shares (thousands)	Treasury shares (thousands)	Outstanding number of shares (thousands)
At 1 January 2017	735,569	(21,543)	714,026
Treasury shares - purchased	-	(22,200)	(22,200)
Treasury shares - sold	-	1,996	1,996
At 31 December 2017	**735,569**	**(41,747)**	**693,822**
	100.00%	5.68%	94.32%
At 1 January 2016	735,569	(30,903)	704,666
Treasury shares - purchased	-	(4,000)	(4,000)
Treasury shares - sold	-	13,360	13,360
At 31 December 2016	**735,569**	**(21,543)**	**714,026**
	100.00%	2.93%	97.07%

Class of share capital	2017	2016
Nominal value	6.3	6.5
Share premium reserve	228.2	287.9
Reserve for share based payments	1.4	0.8
Total share premium reserve	**229.6**	**288.7**

The total authorized number of ordinary shares is 735.6 million shares (31 December 2016: 735.6 million shares) with a par value of ISK 1 per share. All issued shares are fully paid. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at shareholders meetings of the Company. All rights attached to the Company's treasury shares are suspended until those shares are sold again.

Dividends

In March 2017 a dividend of EUR 15.3 million (EUR 2.14 cents per share) was declared for the operational year 2016 (in 2016, a dividend of EUR 11.3 million (EUR 1.58 cents per share)) was declared and paid for the operational year 2015.

Treasury shares

In the beginning of the year 2017 Marel had 21.5 million treasury shares. During the year 2017, Marel purchased 22.2 million treasury shares for a total amount of EUR 63.4 million. Thereof 19.7 million treasury shares were purchased to be used as a payment for potential future acquisitions and 2.5 million treasury shares were purchased to fulfill future stock options obligations.

Marel sold 0.9 million treasury shares for EUR 2.5 million to the management of Sulmaq in relation to Marel's acquisition of Sulmaq. The sold shares include a lock-up period of 18 months from the date of closing which was 31 August 2017. Marel also sold 1.1 million treasury shares for EUR 1.2 million in order to fulfill obligations of stock option agreements. At the end of 2017 Marel had 41.7 million treasury shares.

In 2016 Marel purchased 4.0 million shares for EUR 8.1 million to fulfill future stock option obligations and sold 2.6 million treasury shares for a total amount of EUR 2.7 million to fulfill the employees' stock option program. In connection with the acquisition of MPS, Marel sold 10.8 million treasury shares for EUR 16.3 million to the previous owners of MPS. At the end of 2016 Marel had 21.5 million treasury shares.

Stock options are granted to Executive Management and to selected employees. The exercise prices of options granted in June 2012, in December 2014, in August 2015 and in May 2016 are higher than the market price of the shares on the date of grant. For options granted in March 2017 the exercise price is the same as the market price at the date of grant. The option holders in the 2014, 2015, 2016 and 2017 programs are required to hold shares corresponding to approximately the net gain after tax from exercising the options, whilst employed by Marel.

Options are conditional on the employee completing particular periods' / years' service (the vesting period).

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Stock options

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

	Average exercise price per share	Stock options (thousands)
At 1 January 2017	**EUR 1.339**	**8,796**
Granted in 2017	EUR 2.772	3,200
Exercised 2017	EUR 1.067	(1,079)
Forfeited in 2017	EUR 1.668	(1,033)
At 31 December 2017	**EUR 1.780**	**9,884**
Exercisable stock options at 31 December 2017		**1,684**
At 1 January 2016	**EUR 1.139**	**10,549**
Granted in 2016	EUR 1.924	2,160
Exercised 2016	EUR 1.053	(2,559)
Forfeited in 2016	EUR 1.167	(1,354)
At 31 December 2016	**EUR 1.339**	**8,796**
Exercisable stock options at 31 December 2016		**1,751**

Stock options granted in the year Stock options expire in year	**2012** **2018**	**2014** **2021**	**2015** **2021**	**2016** **2022**	**2017** **2021**
The exercise prices* per share after 31 October 2018	EUR 1.101	-	-	-	-
28 April 2018		EUR 0.907	-	-	-
28 April 2019		EUR 0.933	-	-	-
28 April 2020	-	EUR 0.959	-	-	-
28 April 2021	-	EUR 0.985	-	-	-
28 October 2018	-	-	EUR 1.440	-	-
28 October 2019	-	-	EUR 1.480	-	-
28 October 2020	-	-	EUR 1.521	-	-
28 October 2021	-	-	EUR 1.561	-	-
28 April 2019	-	-	-	EUR 1.881	-
28 April 2020	-	-	-	EUR 1.917	-
28 April 2021	-	-	-	EUR 1.953	-
28 April 2022	-	-	-	EUR 1.988	-
28 April 2020	-	-	-	-	EUR 2.779

*) Exercise prices after dividend payment in 2013; EUR 0.0097 per share, after dividend payment in 2015; EUR 0.0048, after dividend payment in 2016; EUR 0.0158 and after dividend payment in 2017; EUR 0.0214.

In 2017 the following shares were exercised: 390 thousand shares at exercise price EUR 1.057 per share and 689 thousand shares at exercise price EUR 1.072 per share. No options were cash settled.

In 2016 the following shares were exercised: 2,012 thousand shares at exercise price EUR 1.050 per share and 547 thousand shares at exercise price EUR 1.064 per share. No stock options were cash settled.

The fair value of the employee stock options granted is measured using the Black-Scholes model. Variables used in the Black Scholes calculation:

	Exercise price per share (EUR)	Expected term (years)	Annual dividend yield	Expected risk-free interest rate	Estimated volatility	Weighted average remaining contr. life in months *)
Option plan June 2012						
60% exercisable > 31 October 2015	1.066	3.4	0.96%	3%	19.68%	10
20% exercisable > 31 October 2016	1.095	4.4	0.96%	3%	19.68%	10
20% exercisable > 31 October 2017	1.124	5.4	0.96%	3%	19.68%	10
Option plan December 2014						
60% exercisable > 28 April 2018	0.949	3.0	0.00%	3%	22.04%	40
20% exercisable > 28 April 2019	0.975	4.0	0.00%	3%	22.04%	40
20% exercisable > 28 April 2020	1.001	5.0	0.00%	3%	22.04%	40
Option plan August 2015						
60% exercisable > 28 October 2018	1.477	3.0	0.00%	3%	22.04%	46
20% exercisable > 28 October 2019	1.517	4.0	0.00%	3%	22.04%	46
20% exercisable > 28 October 2020	1.558	5.0	0.00%	3%	22.04%	46
Option plan May 2016						
60% exercisable > 28 April 2019	1.902	3.0	0.00%	2%	21.52%	52
20% exercisable > 28 April 2020	1.938	4.0	0.00%	2%	21.52%	52
20% exercisable > 28 April 2021	1.974	5.0	0.00%	2%	21.52%	52
Option plan March 2017						
100% exercisable > 28 April 2020	2.779	3.0	0.00%	2%	23.72%	28

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

Reserves

Share premium reserve

The Share premium reserve comprises of payment in excess of par value of ISK 1 per share that shareholders have paid for shares sold by the Company, less payments in excess of par value that the Company has paid for treasury shares. According to the Icelandic Companies Act, 25% of the nominal value share capital must be held in reserve which cannot be paid out as dividend to shareholders. Marel is compliant with this requirement.

Other reserves

Other reserves in Shareholder's equity include the following reserves:

- Hedge reserve: comprises revaluations on derivatives, on which hedge accounting is applied. The value of 31 December 2017 and 2016 relates to derivatives for the Group, the interest rate swap contracts.
- Translation reserve: comprises the translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to financing of subsidiaries.

	Hedge reserve	Translation reserve	Total other reserves
Balance at 1 January 2017	**(0.8)**	**(1.3)**	**(2.1)**
Total other comprehensive income	1.4	(7.5)	(6.1)
Balance at 31 December 2017	**0.6**	**(8.8)**	**(8.2)**
Balance at 1 January 2016	**(2.5)**	**(2.6)**	**(5.1)**
Total other comprehensive income	1.7	1.3	3.0
Balance at 31 December 2016	**(0.8)**	**(1.3)**	**(2.1)**

Limitation in the distribution of Shareholders' equity

As at 31 December 2017, pursuant to Icelandic law, certain limitations exist relating to the distribution of Shareholders' equity. Such limitations relate to legal reserves required by Icelandic law included under Retained earnings for capitalized intangible assets related to product development projects and for legal reserves relating to any legal or economic restrictions to the ability of affiliated companies to transfer funds to the parent company in the form of dividends.

The legal reserve included under Retained earnings for capitalized intangible assets related to product development projects amounted to EUR 65.3 million as at 31 December 2017 (31 December 2016: EUR 63.4 million).

Since the profits retained in Marel hf.'s subsidiaries can be distributed and received in Iceland, no legal reserve for any legal or economic restrictions to the ability of affiliated companies to transfer funds to the parent company in the form of dividends is required.

The amount of the legal reserve for the share of profit of affiliates is reduced by dividends received from those companies and those dividends from them which can be claimed.

Therefore Marel could, based on its control as the parent company, decide to let its subsidiaries pay dividends. The dividends would lower the amount of legal reserves within equity and therefore leave more room for Marel to make dividend payments to its shareholders. The new provision of the act does not prevent Marel from making dividend payments to its shareholders in 2018 since the Company has sufficient retained earnings from previous years. The legal reserves as required by Icelandic law are required as of effective date 1 January 2016.

Non-controlling interests

Non-controlling interests ("NCI") relate to minority shares held by third parties in consolidated Group companies. The net income attributable to NCI amounted to EUR 0.1 million in 2017 (2016: EUR 0.1 million).

The NCI relates to MPS France S.A.R.L., France, in which the managing director of MPS France holds an ownership percentage of 24%.

19 Borrowings

As of 31 December 2017, interest bearing debt amounted to EUR 411.6 million (31 December 2016: EUR 466.4 million), of which nothing (31 December 2016: EUR 465.5 million) is secured against shares that Marel hf. holds in certain subsidiaries. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. No assets have been pledged as security for liabilities.

The Group loan agreements contain restrictive covenants, relating to interest cover and leverage. At 31 December 2017 and 2016 the Group complies with all restrictive covenants.

The Group has the following headroom in committed ancillary facilities:

Floating rate	2017	2016
Expiring within one year	-	-
Expiring beyond one year	150.2	144.5
	150.2	**144.5**

	2017	2016
Bank borrowings	370.5	425.0
Finance lease liabilities	0.2	0.0
Non-current	**370.7**	**425.0**
Bank borrowings excluding bank overdrafts	26.2	24.1
Total borrowings	**396.9**	**449.1**
Bank Borrowings	396.7	449.1
Finance lease liabilities	0.2	0.0
Total borrowings	**396.9**	**449.1**

2017 Annual maturity of non-current liabilities	Bank loans / revolver	Capitalized finance charges	Embedded derivatives	Finance lease liabilities	Total **2017**
Between 1 and 2 years	30.3	(3.5)	(0.7)	0.1	26.2
Between 2 and 3 years	30.4	(3.5)	(0.6)	0.1	26.4
Between 3 and 4 years	30.4	(1.3)	(0.6)	0.0	28.5
Between 4 and 5 years	289.2	-	(0.1)	-	289.1
After 5 years	0.5	-	-	-	0.5
	380.8	**(8.3)**	**(2.0)**	**0.2**	**370.7**

2016 Annual maturity of non-current liabilities	Bank loans / revolver	Capitalized finance charges	Embedded derivatives	Finance lease liabilities	Total **2016**
Between 1 and 2 years	30.0	(4.7)	(1.2)	0.0	24.1
Between 2 and 3 years	30.0	(4.3)	(0.8)	0.0	24.9
Between 3 and 4 years	375.4	-	(0.4)	0.0	375.0
Between 4 and 5 years	-	-	-	-	-
After 5 years	1.0	-	-	-	1.0
	436.4	**(9.0)**	**(2.4)**	**0.0**	**425.0**

Reconciliation of movements of liabilities to cash flows arising from financing activities:

		Derivatives		Equity				
	Borrowings	Interest rate swap and forward exchange contracts used for hedging –assets	Interest rate swap and forward exchange contracts used for hedging –liabilities	Share Capital and share premium reserve	Other reserves	Retained earnings	NCI	Total
At 1 January 2017	**449.1**	**0.4**	**4.9**	**295.2**	**(2.1)**	**232.3**	**0.2**	**980.0**
Changes from financing cash flows								-
Proceeds from loans and borrowings	130.0							**130.0**
Purchase of treasury shares				(63.4)				**(63.4)**
Proceeds from exercise of share options				4.1				**4.1**
Proceeds from settlement of derivatives	0.6							**0.6**
Repayment of borrowings	(177.2)							**(177.2)**
Dividend paid						(15.3)		**(15.3)**
Total changes from financing cash flows	**402.5**	**0.4**	**4.9**	**235.9**	**(2.1)**	**217.0**	**0.2**	**858.8**
Changes arising from obtaining or losing control of subsidiaries or other businesses	5.0							**5.0**
The effect of changes in foreign exchange rates	(11.7)							**(11.7)**
Changes in fair value	**(6.7)**	**-**	**-**	**-**	**-**	**-**	**-**	**(6.7)**
Other changes								
Liability related	(1.0)	0.5	(2.2)					**(2.7)**
New finance leases	0.2							**0.2**
Capitalised borrowing costs	1.8							**1.8**
Total liability-related other changes	**1.0**	**0.5**	**(2.2)**	**-**	**-**	**-**	**-**	**(0.7)**
Total equity-related other changes					(6.1)	96.9	0.1	**90.9**
Balance at 31 December 2017	**396.8**	**0.9**	**2.7**	**235.9**	**(8.2)**	**313.9**	**0.3**	**942.3**

20 Provisions

	Guarantee commit-ments	Pension commit-ments *)	Refocusing provisions	Other provisions	Total
At 1 January 2017	**9.0**	**7.6**	-	**3.9**	**20.5**
Additions	1.3	1.0	-	0.1	2.4
Business combinations, note 4	0.3	0.1	-	0.2	0.6
Used	(2.1)	(0.2)	-	(2.2)	(4.5)
Release	(0.6)	(0.2)	-	(0.5)	(1.3)
At 31 December 2017	**7.9**	**8.3**	**-**	**1.5**	**17.7**
At 1 January 2016	**6.5**	**6.4**	**2.0**	**1.0**	**15.9**
Additions	2.7	1.5	-	2.3	6.5
Business combinations, note 4	1.4	0.1	-	8.0	9.5
Used	(0.6)	(0.4)	(2.0)	(4.8)	(7.8)
Release	(1.0)	0.0	-	(2.6)	(3.6)
At 31 December 2016	**9.0**	**7.6**	**-**	**3.9**	**20.5**

*) Including the provision for early retirement rights, which has increased to EUR 5.0 million at 31 December 2017 (31 December 2016: EUR 4.0 million).

Analysis of total provisions	2017	2016
Current	9.1	13.1
Non-current	8.6	7.4
	17.7	20.5

Specification of major items in provisions:

Nature of obligation for 2017	Country	Maturity	Likelihood	Amount
Guarantee	Netherlands	Dynamic	Dynamic	4.3
Guarantee	US	Dynamic	Dynamic	1.2
Guarantee	Denmark	Dynamic	Dynamic	1.1

Nature of obligation for 2016	Country	Maturity	Likelihood	Amount
Guarantee	Netherlands	Dynamic	Dynamic	4.8
Guarantee	US	Dynamic	Dynamic	1.1
Guarantee	Denmark	Dynamic	Dynamic	0.8

Guarantee commitments

The provisions for guarantee commitments reflect the estimated costs of replacement and free-of-charge services that will be incurred by the Company with respect to products sold. The Company expects the provisions to be utilized mainly within the next year.

Pension commitments

Refer to note 21.

Refocusing provisions

In the beginning of the year 2014 the refocusing plan of becoming simpler, smarter and faster was launched. The plan's objective was to serve customers' needs more effectively and to reduce the annual cost base by EUR 20-25 million over the course of 2014 and 2015. The refocusing plan was successfully closed in 2015.

21 Post-employment benefits

The Group maintains various pension plans covering the majority of its employees.

The Company's pension costs for all employees for 2017 were EUR 21.9 million (2016: EUR 19.9 million). This includes defined contribution plans for EUR 13.0 million (2016: EUR 11.6 million), as well as a pension plan based on multi-employer union plan for EUR 8.9 million (2016: EUR 8.3 million).

The Company's employees in the Netherlands, 1,471 FTEs (2016: 1,443), participate in a multi-employer union plan ("Bedrijfstakpensioenfonds Metalektro", PME). This plan is determined in accordance with the collective bargaining agreements effective for the industry in which Marel operates. This pension plan is treated as a defined contribution scheme based on the following grounds:

- It is an industry-wide pension fund, used by the Company in common with other legal entities.
- Under the regulations of the PME, the only obligation for the affiliated businesses towards the PME is to pay the annual premium liability.
- The affiliated businesses are under no obligation whatsoever to pay off any deficits the PME may incur, nor have they any claim to any potential surpluses.

The multi-employer plan covers approximately 1,300 companies and 145,000 contributing members. The plan monitors its risks on a global basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By law ("the Dutch Pension Act"), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan's assets to its obligations. This coverage ratio must exceed 104.3 percent for the total plan. Every company participating in a Dutch multi-employer union plan contributes a premium calculated as a percentage of its total pensionable wages and salaries, with each company subject to the same percentage contribution rate.

The Company's net periodic pension cost for this multi-employer plan for any period is the amount of the required contribution for that period.

The coverage ratio of the multi-employer plan increased to 100.1 percent as per 31 December 2017 (31 December 2016: 91.80). The increase is caused by developments in the financial markets and the average interest rate. The coverage ratio is below the legally required level of 104.3. The "Recovery Plan", which was approved by the board of the pension fund on 25 June 2015, indicates that the coverage ratio will increase within 12 years to 121.2%.

In 2018 the pension premium will be 23.0 percent of the total pensionable salaries (2017: 22.9%), in accordance with the articles of association of the Pension Fund. The coverage ratio is calculated by dividing the fund's capital by the total sum of pension liabilities and is based on actual market interest.

22 Financial instruments and risks

Financial risk factors

This note presents information about the Group's exposure to each of the below 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

The main financial risks faced by Marel relate to liquidity risk and market risk (comprising interest rate risk, currency risk, price risk and credit risk). 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.

(a) Foreign exchange risk

The Group operates internationally and is exposed to currency risk arising from mainly the USD and ISK, primarily with respect to the EUR, as the EUR is the Group's reporting currency. Generally Marel maintains a good natural hedge in its operations with a good match between revenue and cost in most currencies although only a fraction of a percentage of revenues is denominated in ISK, while around 8.50% (2016: 7.64%) of costs is in ISK. Financial exposure is hedged in accordance with the Group's general policy and within set limits. The Group monitors foreign exchange risk arising from commercial transactions, recognized assets and liabilities (transaction risk) that are determined in a currency other than the entity's functional currency.

Derivative hedging is applied if the exposure is outside of the risk tolerance band on a consolidated basis. Currently all exposures are within risk tolerance and the Group has no FX derivatives in place.

Currency exposure arising from net assets of the Group's major foreign operations (translation risk) is managed primarily through borrowings denominated in the relevant foreign currencies as the policy is to apply natural exchange rate hedging where possible. Economic risk is defined as the extent to which currency fluctuations can alter a company's future operating cash flows, that is future revenues and costs. Economic risk is not hedged.

The year end and average rates used for the main currencies mentioned above are:

	Year-end rate 2017	Average rate 2017	Year-end rate 2016	Average rate 2016
EUR/USD	1.19	1.13	1.05	1.11
EUR/ISK	125.03	120.68	119.38	134.49

The following table details the Group's sensitivity of transaction and translation risk to a 10% increase and decrease in the EUR against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a 10% change in foreign currency rates.

The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or loss or Equity where the EUR strengthens 10% against the relevant currency. For a 10% weakening of the EUR against the relevant currency, there would be a comparable impact on the profit or loss or Equity, and the balances below would be opposite.

	2017		2016	
	USD impact	ISK impact	USD impact	ISK impact
Profit or (loss)	(2.0)	0.8	(2.6)	0.7
Equity	0.0	0.0	-	-

Liabilities in currency recorded in EUR in 2017	Finance lease liabilities	Capitalised finance charges	Embedded derivative	Bank borrowings	Total
Liabilities in EUR	0.0	(10.1)	(3.0)	346.0	332.9
Liabilities in USD	0.0	(1.8)	0.0	63.3	61.5
Liabilities in other currencies	0.2	0.0	0.0	2.3	2.5
	0.2	**(11.9)**	**(3.0)**	**411.6**	**396.9**
Current liabilities	0.0	3.6	1.0	(30.8)	(26.2)
	0.2	**(8.3)**	**(2.0)**	**380.8**	**370.7**

Liabilities in currency recorded in EUR in 2016	Finance lease liabilities	Capitalised finance charges	Embedded derivative	Bank borrowings	Total
Liabilities in EUR	-	(11.3)	(3.6)	364.9	350.0
Liabilities in USD	-	(2.4)	-	100.5	98.1
Liabilities in other currencies	0.0	-	-	1.0	1.0
	0.0	**(13.7)**	**(3.6)**	**466.4**	**449.1**
Current liabilities	-	4.7	1.2	(30.0)	(24.1)

(b) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risk is managed by maintaining a mix between fixed and floating interest rate on borrowings. Generally the Group raises long term borrowings and pays a floating interest rate. To hedge the resulting cash flow interest rate risk the Group uses interest rate swaps, where it pays a fixed interest rate and receives a floating interest rate. The floating rates are fixed on a quarterly basis. The Group adopts a policy of ensuring that between 50 – 70% of its exposure to changes in interest rates on core debt is hedged with an interest rate swap with a maximum maturity of 5 years. Currently around 39% (2016: 36%) of the core debt has floating interest rates and the rest is fixed. As at reporting date a total of EUR 248.7 million (2016: EUR 298.0 million) floating rate liabilities were swapped into fixed interest rates. The weighted average fixed rate of the interest swaps currently is 0.48% (2016: 0.50%).

In 2008 the Group started applying Cash flow hedge accounting to hedge the variability in the interest cash outflows of the 3 months EURIBOR/LIBOR Senior Secured Floating Rate Notes.

Throughout the year 2017 as well as per year end the cash flow hedge accounting relationships were effective. The amounts deferred in Equity at year-end are expected to affect interest costs within the coming 3 years.

At year-end 2017, if EURIBOR interest rates had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 0.4 million (2016: EUR 0.3 million) lower/higher.

At year-end 2017, if US LIBOR interest rates had been 25 basis points higher/lower, with all other variables held constant, post-tax profit for the year would have been EUR 0.0 million (2016: EUR 0.1 million) lower/higher.

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.

(c) Capital Management

The Board of Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board monitors on leverage, defined as Net Debt divided by EBITDA, as well as on the return on capital, which the Group defines as result from operations divided by total Equity. The Board also monitors the level of dividends to ordinary shareholders.

At present employees will hold 1.34% (2016: 1.20%) of the shares, assuming that all outstanding stock options are vested and / or are executed.

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

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

	2017	2016
Total borrowings	396.9	449.1
Cash and cash equivalents	(31.9)	(45.5)
Net Interest Bearing Debt	**365.0**	**403.6**
Total Equity	541.9	525.6
Hedge Reserve	(0.6)	0.8
Adjusted Capital	**541.3**	**526.4**
Debt to adjusted capital ratio	0.67	0.77

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

Secondarily, shares are intended to be used as payment for potential future acquisitions, per the Company's announcement on 29 April 2015.

(d) Insurance

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

Credit risk

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

Exposure to credit risk

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

	2017	2016
Trade receivables	132.9	115.5
Other receivables and prepayments	46.6	32.7
Cash and cash equivalents	31.9	45.5
	211.4	**193.7**

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties (refer to note14).

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 (refer to note 14).

The Group has banking relations with a diversified set of financial institutions around the world. The Group has policies that limit the amount of credit exposure to any one financial institution and has International Swaps and Derivatives Association agreements in place with counterparties in all derivative transactions.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and committed credit facilities to give reasonable operating headroom. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by maintaining availability under committed credit lines. The Group has EUR 325.0 million of committed ancillary facilities, which can be used both as a revolver and to issue guarantees for down payments. At year end the Group had drawn EUR 133.0 million (2016: EUR 52.0 million) on the revolver, issued EUR 33.0 million (2016: EUR 28.0 million) of guarantees under the facility and allocated EUR 7.2 million to the Group's cash pool (2016: EUR 0.0 million), therefore the total usage is EUR 174.7 million (2016: EUR 80.0 million), leaving a headroom of EUR 151.8 million (2016: EUR 145.0 million). All facilities are subject to operational and Consolidated Statement of Financial Position covenants (interest cover and leverage). At the end of 2017 there is sufficient headroom.

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

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

At 31 December 2017	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	26.2	370.7	-
Interest on borrowings	7.1	23.8	-
Finance lease liabilities	-	-	-
Trade and other payables	195.9	-	-
Interest rate swaps	0.8	1.8	-
	230.0	**396.3**	**-**
At 31 December 2016			
Borrowings	24.1	424.0	1.0
Interest on borrowings	12.5	23.6	-
Finance lease liabilities	-	0.0	-
Trade and other payables	168.9	-	-
Interest rate swaps	1.3	3.1	-
	206.8	**450.8**	**1.0**

In May 2017, Marel finalized an extension and amendment of its long term financing at favorable terms and conditions reflecting its financial strength and current market conditions The Group has a 640 EUR million equivalents facilities agreement with seven international banks, led by ING bank, Rabobank and ABN AMRO. The terms and conditions are generally in line with Loan Market Association corporate standards. It is an all senior facility, which matures in 2022.

The key elements of the financing are:

- A five-year all senior loan and revolver, consisting of a EUR 243 million and a USD 75 million term loan and EUR 325 million multi-currency revolving credit facility, all with final maturity in May 2022.
- Initial interest terms are EURIBOR/LIBOR + 185 bps, which will vary in line with Marel's leverage ratio (Net debt/EBITDA) at the end of each quarter.

The Group has a financing structure which can accommodate the Group's financing requirements until 2022 with USD and EUR borrowings matching the Group's exposure in these currencies to a large extent.

The facility has an embedded 0% floor in the EURIBOR and LIBOR rates. At the date of utilization of the loans (5 May 2017) the 5 year EURIBOR curve was negative and consequently the floor has intrinsic value at the date of inception. In accordance to IAS 39 Financial Instruments, Marel has separated the embedded derivative from the facility and reports the intrinsic value on a fair value basis as a financial derivative on the Consolidated Statement of Financial Position.

Fair value estimation

The Group generally does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. The only fair value instrument accounted for in the profit and loss statement is the 0% floor embedded in the EUR term loan and revolving facility. During 2017 the floor results in a profit of EUR 1.0 million in finance cost. If 3 months EURIBOR restores to values above 0% the result would be a profit EUR 2.6 million.

Fair value versus carrying amount

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 an active market, such as trading and available-for-sale securities, is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2:

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These valuation techniques are based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Derivatives are valued by an independent third party based on market conditions, which takes into account Credit Value Adjustment and Debit Value Adjustment corrections.

Level 3:

Valuation techniques using significant unobservable inputs.

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant and is classified as Level 2 in the fair value hierarchy. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 2.16% (2016: 3.16%).
The weighted average interest rate on borrowings in 2017, including effect of floating to fixed interest rates swaps is 2.16% (2016: 3.16%).

The fair value of the finance lease liabilities equals its carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the average interest rate of 4.0% (2016: 4.0%).

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

2017	Cash flow-hedging instruments	Loans & receivables	Other financial liabilities	Total carrying amount	Fair Value
Cash and cash equivalents	-	31.9	-	31.9	31.9
Receivables	-	179.5	-	179.5	179.5
	-	**211.4**	**-**	**211.4**	**211.4**
Interest rate swaps used for hedging	(1.8)	-	-	(1.8)	(1.8)
Bank loans	-	-	(396.7)	(396.7)	(396.7)
Finance lease liabilities	-	-	(0.2)	(0.2)	(0.2)
Trade and other payables		-	(199.5)	(199.5)	(199.5)
	(1.8)	**-**	**(596.4)**	**(598.2)**	**(598.2)**
2016					
Cash and cash equivalents	-	45.5	-	45.5	45.5
Receivables	-	148.2	-	148.2	148.2
	-	**193.7**	**-**	**193.7**	**193.7**
Interest rate swaps used for hedging	(4.4)	-	-	(4.4)	(4.4)
Bank loans	-	-	(449.1)	(449.1)	(449.1)
Finance lease liabilities	-	-	(0.0)	(0.0)	(0.0)
Trade and other payables	-	-	(168.9)	(168.9)	(168.9)
	(4.4)	**-**	**(618.0)**	**(622.4)**	**(622.4)**

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 categorized:

Derivatives liabilities held for risk management	Level 1	Level 2	Level 3	Total
At 31 December 2017	-	1.8	-	1.8
At 31 December 2016	-	4.4	-	4.4

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

Interest-rate swap

To protect Marel from fluctuations in Euribor-EUR-Reuters/Libor-BBA (''British Bankers Association'') and in accordance with the interest hedge policy Marel has entered into interest rate swaps (the hedging instruments) to receive floating interest and to pay fixed interest.
This is in line with Marel's risk management policy to have 50 - 70% of core debt fixed for 3 – 5 years. The notional principal amount of the outstanding active interest rate swap contracts at 31 December 2017 was EUR 248.7 million (31 December 2016: EUR 298.2 million).

FX Forwards

With the acquisitions of MPS in January 2016, Marel acquired FX forward contracts with principal of approximately EUR 2.9 million and market to market value of EUR 0.05 million. The forward swaps were used for hedging purposes of projects in USD. These contracts will be held to maturity and Marel's currency risk policy will be applied for future transactions.

2017	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	50.0	2020	-0.1%
Interest rate SWAP	EUR	40.0	2018	0.2%
Interest rate SWAP	EUR	50.0	2020	-0.1%
Interest rate SWAP	EUR	50.0	2020	-0.1%
Interest rate SWAP	USD	10.0	2020	1.3%
Interest rate SWAP	USD	60.0	2018	2.2%
Forward starting interest rate SWAP	EUR	80.0	2022	0.4%
Forward starting interest rate SWAP	EUR	40.0	2022	0.4%
Forward starting interest rate SWAP	USD	60.0	2020	1.6%
Forward starting interest rate SWAP	USD	50.0	2022	2.3%
Embedded floor (0,00% cap on interest rates in financing agreements)	EUR	346.0	2022	0.0%
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	1.1	2027	5.2%

2016	Currency	Principal	Maturity	Interest %
Interest rate SWAP	USD	55.0	2017	2.4%
Interest rate SWAP	EUR	6.0	2017	0.8%
Interest rate SWAP	EUR	25.0	2017	0.1%
Interest rate SWAP	EUR	55.0	2018	0.2%
Forward starting interest rate SWAP	USD	60.0	2018	2.2%
Embedded floor (0,00% cap on interest rates in financing agreements)	EUR	445.0	2020	0.0%
Interest rate SWAP	USD	10.0	2020	1.3%
Interest rate SWAP	EUR	150.0	2020	-0.1%
Forward starting interest rate SWAP	USD	60.0	2020	1.5%
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	1.1	2027	5.2%

23 Trade and other payables

	2017	2016
Trade payables	90.0	73.0
Accruals	7.6	9.0
Personnel payables	48.6	43.8
Other payables	53.3	43.1
Total Trade and other payables	**199.5**	**168.9**
less non-current portion	3.6	-
Current portion of Trade and other payables	**195.9**	**168.9**

Information about the Group's exposure to currency and liquidity risks is included in note 22.

24 Operating leases, commitments and insurance

Operating lease commitments

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

	2017	2016
Less than 1 year	8.3	8.1
Between 1 and 5 years	16.6	15.5
More than 5 years	6.0	8.5
Total operational lease liabilities	**30.9**	**32.1**

During the year an amount of EUR 9.0 million was recognized as an expense in the Consolidated Statement of Income in respect of operating leases (2016: EUR 9.5 million).

Commitments and Insurance

The Group has covered Business Interruption Risks with an insurance policy underwritten by an independent insurance company for a maximum period of 24 months for Marel Stork Poultry Processing B.V. and 18 months for all other Marel entities. The insurance benefits for Business Interruption amount to EUR 631 million for 2017 (2016: EUR 628 million) for the whole Group. The Group Insurance value of buildings amounts to EUR 130 million (2016: EUR 147 million), production machinery and equipment including software and office equipment amount to EUR 147 million (2016: EUR 160 million) and inventories to EUR 142 million (2016: EUR 142 million). Currently there are no major differences between appraisal value and insured value.

25 Contingencies

Contingent liabilities

At 31 December 2017 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 50.3 million (31 December 2016: EUR 42.6 million) to third parties.

Legal proceedings

As part of doing business and acquisitions the Group is involved in claims and litigations, under such indemnities and guarantees. These claims are pending and all are contested. Provisions are recognized when an outflow of economic benefits for settlement is probable and the amount can be estimated reliably. It should be understood that, in light of possible future developments, such as (a) potential additional lawsuits, (b) possible future settlements, and (c) rulings or judgments in pending lawsuits, certain cases may result in additional liabilities and related costs.

At this point in time, we cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts with sufficient certainty to allow such amount or range of amounts to be meaningful. Moreover, if and to the extent that the contingent liabilities materialize, they are often resolved over a number of years and the timing of such payments cannot be predicted with confidence. While the outcome of said cases, claims and disputes cannot be predicted with certainty, we believe, based upon legal advice and information received, that the final outcome will not materially affect our consolidated financial position but could be material to our results of operations or cash flows in any one accounting period.

Environmental remediation

The Company and its subsidiaries are subject to environmental laws and regulations. Under these laws, the Company and/or its subsidiaries may be required to remediate the effects of certain chemicals on the environment.

26 Related party transactions and information on remuneration

At 31 December 2017 and 2016 there are no loans to the members of the Board of Directors and the CEO. In addition, there were no transactions carried out (purchases of goods and services) between the Group and members of the Board of Directors nor the CEO in the year ended 31 December 2017 and 2016.

Board of Directors' fee for the year 2017 and shares at year-end (EUR 1,000)	Board fee	Pension contribu-tion 1)	Stock options 2)	Bought shares acc. to stock options 2)	Shares at year-end 2)
Ásthildur Margrét Otharsdóttir , Chairman	116	11	-	-	32
Arnar Þór Másson, Vice Chairman	81	8	-	-	-
Ann Elizabeth Savage, Board Member	45	4	-	-	-
Ástvaldur Jóhannsson, Board Member	45	4	-	-	-
Helgi Magnússon, Board Member	45	4	-	-	2,779
Margrét Jónsdóttir, Board Member	45	4	-	-	195 3)
Ólafur S. Guðmundsson, Board Member	44	4	-	-	1,705

Board of Directors' fee for the year 2016 and shares at year-end (EUR 1,000)					
Ásthildur Margrét Otharsdóttir , Chairman	107	9	-	-	32
Arnar Þór Másson, Vice Chairman	74	6	-	-	-
Ann Elizabeth Savage, Board Member	41	3	-	-	-
Ástvaldur Jóhannsson, Board Member	41	3	-	-	-
Helgi Magnússon, Board Member	41	3	-	-	3,779
Margrét Jónsdóttir, Board Member	41	3	-	-	193 3)
Ólafur S. Guðmundsson, Board Member	33	3	-	-	1,705

Key management remuneration 2017 (EUR 1,000)	Salary and benefits	Share based benefits	Incentive payments	Pension contribu-tion 1)	Stock options 2)	Bought shares acc. to stock options 2)	Shares at year-end 2)
Árni Oddur Þórðarson, Chief Executive Officer	581	-	198	83	960	-	132 3)
Executive Management	2,838	795	728	309	7,645	432	739 4)

Key management remuneration 2016 (EUR 1,000)							
Árni Oddur Þórðarson, Chief Executive Officer	539	-	203	73	360	-	132 3)
Executive Management	3,645	552	1,093	353	6,510	711	63 4)

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

2) Number of shares * 1,000.

3) Margrét Jónsdóttir is the Managing Director of Operation of Eyrir Invest hf. and Árni Oddur Þórðarson is a major shareholder of Eyrir Invest hf., which on 31 December 2017 held 190,366,838 (2016: 215,366,838) shares in Marel hf. (25.88% (2016: 29.28%)) of total issued shares.

4) Marel has identified ten executives who have material significance for Marel's operations. This group consists of Chief Financial Officer, Executive Vice President ("EVP") Poultry, EVP Meat, EVP Fish, EVP Commercial, EVP Further Processing, EVP Supply Chain, EVP Human Resources, EVP Strategy and Corporate Development and EVP Innovation. Two of them left the company in March 2017 and May 2017 and two joined in February 2017 and June 2017. In March 2016 two of them left the Company and one joined at the same time. Salaries and benefits include severance settlements to two ex-EVPs which are according to local laws and employment contracts.

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Stock options 2017	2017 Number of shares *)	2017 Average exercise price EUR per share	2016 Number of shares *)	2016 Average exercise price EUR per share
Árni Oddur Þórðarson, Chief Executive Officer	360	1.902	360	1.924
	600	2.779	-	-
Ten other Executives	405	1.094	885	1.079
	1,800	0.923	2,025	0.944
	1,600	1.464	1,800	1.485
	1,440	1.902	1,800	1.924
	2,400	2.779	-	-

*) Number of shares * 1,000.

27 Subsequent events

No significant events have taken place since the reporting date, 31 December 2017.

28 Subsidiaries

The following lists presents the material subsidiaries as per 31 December 2017 representing greater than 2% of either the consolidated Group sales, income from operations or net income (before any intra-group eliminations). All of the entities are fully consolidated in Group financial statements. Companies are listed in alphabetical order of the country of incorporation:

	Country of Incorporation	Ownership Interest
Marel Australia Pty. Ltd.	Australia	100%
Marel Brasil Commercial e Industrial Ltda	Brazil	100%
Sulmaq Industrial e Comercial S.A.	Brazil	100%
Marel A/S	Denmark	100%
Butina A/S	Denmark	100%
Marel Salmon A/S	Denmark	100%
Marel France S.A.R.L.	France	100%
Marel GmbH & Co. KG	Germany	100%
Marel Iceland ehf.	Iceland	100%
Marel Holding B.V.	Netherlands	100%
Marel Meat Processing B.V.	Netherlands	100%
Marel Stork Poultry Processing B.V.	Netherlands	100%
Marel Townsend Further Processing B.V.	Netherlands	100%
Marel Water Treatment B.V.	Netherlands	100%
Marel Red Meat Slaughtering B.V.	Netherlands	100%
Marel Meat Service B.V.	Netherlands	100%
Marel Norge AS	Norway	100%
Marel Polska Sp. z.o.o.	Poland	100%
Marel Spain & Portugal S.L.	Portugal	100%
Marel Food Systems LLC	Russia	100%
Marel Slovakia s.r.o.	Slovakia	100%
Marel GB Ltd.	UK	100%
Marel Seattle Inc.	USA	100%
Marel Inc.	USA	100%

29 Quarterly results (unaudited)

2017	Q1	Q2	Q3	Q4	Total
Revenue	252.5	244.0	247.0	294.7	1,038.2
Cost of sales	(153.0)	(147.6)	(153.0)	(177.9)	(631.5)
Gross profit	**99.5**	**96.4**	**94.0**	**116.8**	**406.7**
Selling and marketing expenses	(31.0)	(29.1)	(28.2)	(32.2)	(120.5)
Research and development expenses	(13.9)	(14.2)	(13.0)	(16.7)	(57.8)
General and administrative expenses	(16.9)	(17.2)	(15.3)	(21.6)	(71.0)
Other operating income / (expenses)	-	-	-	-	-
Adjusted result from operations *)	**37.7**	**35.9**	**37.5**	**46.3**	**157.4**
Amortization of acquisition-related (in)tangible assets	(6.2)	(6.3)	(2.2)	(2.4)	(17.1)
Result from operations (EBIT)	**31.5**	**29.6**	**35.3**	**43.9**	**140.3**
Net finance costs	(3.8)	(6.7)	(5.4)	(4.4)	(20.3)
Result before income tax	**27.7**	**22.9**	**29.9**	**39.5**	**120.0**
Income tax	(6.3)	(4.3)	(6.8)	(5.7)	(23.1)
Result for the period	**21.4**	**18.6**	**23.1**	**33.8**	**96.9**
Result before depreciation & amortization (EBITDA)	**46.0**	**44.2**	**45.8**	**56.0**	**192.0**

2016	Q1	Q2	Q3	Q4	Total
Revenue	220.6	264.2	234.8	250.1	969.7
Cost of sales	(128.0)	(155.0)	(140.8)	(148.9)	(572.7)
Gross profit	**92.6**	**109.2**	**94.0**	**101.2**	**397.0**
Selling and marketing expenses	(30.5)	(33.9)	(28.1)	(36.0)	(128.5)
Research and development expenses	(15.3)	(17.9)	(16.4)	(13.5)	(63.1)
General and administrative expenses	(15.8)	(17.7)	(16.1)	(16.6)	(66.2)
Other operating income / (expenses)	0.1	-	-	0.1	0.2
Adjusted result from operations *)	**31.1**	**39.7**	**33.4**	**35.2**	**139.4**
Amortization of acquisition-related (in)tangible assets	(4.5)	(6.6)	(6.7)	(6.8)	(24.6)
Result from operations (EBIT)	**26.6**	**33.1**	**26.7**	**28.4**	**114.8**
Net finance costs	(8.9)	(6.8)	(5.8)	(3.9)	(25.4)
Result before income tax	**17.7**	**26.3**	**20.9**	**24.5**	**89.4**
Income tax	(3.9)	(4.3)	(3.6)	(1.8)	(13.6)
Result for the period	**13.8**	**22.0**	**17.3**	**22.7**	**75.8**
Result before depreciation & amortization (EBITDA)	**38.2**	**48.4**	**41.5**	**47.3**	**175.4**

*) Adjusted result from operations: result has been adjusted for amortization of acquisition-related (in)tangible assets.

30 Definitions and abbreviations

BBA
British Bankers Association

BPS
Basis points

CGU
Cash Generating Units

EBIT
Earnings before interest and tax

EBITDA
Earnings before interest, tax, depreciation and amortization

ECL
Expected credit loss

EURIBOR
Euro Interbank Offered Rates

FVOCI
Fair Value Through Other Comprehensive Income

FVTPL
Fair Value Through Profit and Loss

FTE
Full-time equivalent

FX
Foreign exchange

GAAP
Generally Accepted Accounting Principles

IAS
International Accounting Standard

IFRIC
International Financial Reporting Interpretation Committee

IFRS
International Financial Reporting Standards

LIBOR
London Interbank Offered Rate

NCI
Non-Controlling Interest

OCI
Other Comprehensive Income

POC
Percentage of completion

SIC
Standard interpretation committee

WACC
Weighted Average Cost of Capital