Consolidated Financial Statements
Annual report

31 December 2015

Contents

The Board of Directors' and CEO's Report

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

The Consolidated Financial Statements for the year 2015 comprise the financial statements of Marel hf. ("the Company") and its subsidiaries (together "the Group"). The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and additional Icelandic disclosure requirements.

Operations in 2015

According to the Consolidated Statement of Comprehensive Income for 2015, the Group's operating revenue amounted to EUR 818.6 million (2014: EUR 712.6 million), an increase of 14.9%. The result from operations, before refocusing cost of EUR 15.0 million, was EUR 96.6 million (2014: EUR 48.8 million), an increase of 98.0%. The result from operations, before refocusing costs and acquisition costs for the MPS acquisition was EUR 99.9 million. Profit for the year amounted to EUR 56.7 million (2014: EUR 11.7 million). Total comprehensive income amounted to EUR 56.2 million (2014: EUR 13.6 million). In 2015 the Company expensed EUR 57.0 million (2014: EUR 53.4 million) for research and development. Earnings per share were 7.93 euro cents (2014: 1.60 euro cents).

Marel divested its manufacturing operations in Norwich, United Kingdom, and in Burgos, Spain and discontinued the manufacturing operation in Singapore. In November Marel agreed to acquire the Dutch company MPS meat processing systems for approximately EUR 382 million on a debt and cash-free basis. The closing of the acquisition of MPS took place in January 2016. Parallel to the acquisition, Marel entered into a long term financing agreement for the total Marel group for the amount of close to EUR 670 million. Maturity date for this long term financing agreement is 2020.

According to the Consolidated Statement of Financial Position, the Company's assets amounted to EUR 938.2 million at the end of 2015 (2014: EUR 851.4 million). Equity amounted to EUR 446.7 million at the end of 2015 (at year-end 2014: EUR 427.5 million) or 47.6% of total assets (at year-end 2014: 50.2%). Net interest bearing debt decreased from EUR 174.3 million at the end of 2014 to EUR 142.8 million at the end of 2015.

In the beginning of January 2015 Marel finalized an amendment and extension of its current long term financing which included an addition of a Junior facility of EUR 50 million. The Senior facility was extended with final maturity in November 2018 and the Junior facility in February 2019. All facilities will be replaced with the new long term financing for the total Marel group at closing of the MPS acquisition.

The average number of full time employees was 3,886 in 2015 (2014: 4,115). Total salaries and wages were EUR 231.2 million (2014: 226.1 million). There was an increase of 60 temporary employees during the year 2015 to cope with increased volume in manufacturing.

Based on the decision taken at the Company's 2015 Annual General Meeting, a dividend was paid out to shareholders for the operational year 2014 amounting to EUR 3.5 million or 0.48 euro cents per share. No dividend was paid in 2014 for the operational year 2013.

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.

At the end of 2015 the Company's order book amounted to EUR 181 million (2014: EUR 175 million).

In the beginning 2014 the two year refocusing plan of becoming Simpler, Smarter, Faster was launched and has proceeded according to plan during 2014 and 2015. 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 one-off cost in 2015 related to the plan amounted to EUR 15.0 million (2014: EUR 19.6 million). The refocusing plan was successfully concluded at the end of 2015.

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

The management of the Company believes it is well placed to manage its business risks successfully based on the present economic outlook. Further information is disclosed in note 3 to the Consolidated Financial Statements 2015.

Share Capital and Articles of Association

At year-end Marel's shares totalled 735.6 million, all in one class, and unchanged from the end of 2014. Thereof Marel holds, at year-end 2015, 30.9 million treasury shares (2014: 7.0 million treasury shares). The number of shareholders at year-end 2015 was 1,987 compared to 1,864 at the end of 2014.

The ten biggest shareholders were:

		Year-end 2015		Year-end 2014	
		Number of shares, million	%	Number of shares, million	%
Eyrir Invest hf.	Investment company	215.4	29.3%	215.4	29.3%
Lífeyrissjóður verslunarmanna	Pension fund	67.0	9.1%	67.0	9.1%
Gildi - lífeyrissjóður	Pension fund	47.7	6.5%	32.2	4.4%
LSR A, B & S deildir og Lífeyrissj. hjúkr.fr.	Pension fund	41.0	5.6%	36.0	4.9%
Stefnir - ÍS 15	Asset management	39.8	5.4%	37.9	5.2%
Marel hf.	Treasury shares	30.9	4.2%	7.0	0.9%
Stapi lífeyrissjóður	Pension fund	22.8	3.1%	19.8	2.7%
Stefnir - ÍS 5	Asset management	21.2	2.9%	15.7	2.1%
Stafir lífeyrissjóður	Pension fund	17.3	2.4%	20.5	2.8%
Sameinaði lífeyrissjóðurinn	Pension fund	14.8	2.0%	15.3	2.1%
	Top 10 total	517.9	70.4%	466.7	63.5%
	Others	217.7	29.6%	268.8	36.5%
	Total issued shares	735.6	100.0%	735.6	100.0%

In 2015, Marel purchased 25.0 million shares for EUR 32.0 million to be used as payment for potential future acquisitions, per the Company's announcement on 29 April 2015. Additionally Marel purchased 6.0 million shares for EUR 6.0 million to fulfil future stock option obligations, and sold 7.1 million treasury shares for a total amount of EUR 4.4 million to fulfil the employees' stock option schedules. In 2014, Marel purchased 9.0 million shares for EUR 6.8 million to fulfil future stock option obligations, and sold 2.2 million treasury shares for a total amount of EUR 1.2 million to fulfil the employees' stock option schedules.

Stock options are granted to management and selected employees. Total granted and unexercised stock options at end of the year 2015 were 10.5 million shares (2014: 16.8 million shares), of which 3.2 million are exercisable at the end of 2015 (2014: 6.4 million) and the remainder will become vested in the years 2016 to 2021. Further information is disclosed in note 19 to the Consolidated Financial Statements 2015.

At the Company's 2014 Annual General Meeting, the shareholders authorised the Board of Directors to increase the Company's share capital by 35 million shares to fulfil stock option agreements. No new shares were issued in 2015. This authorisation applies for five years from its adoption.

The Board of Directors will propose at the 2016 Annual General Meeting that EUR cents 1.58 dividend per outstanding share will be paid for the operational year 2015, corresponding to approximately EUR 11.3 million or 20% of net profit of EUR 56.7 million for the year 2015, and refers to the Consolidated Financial Statements regarding appropriation of the profit for the year and changes in shareholders' equity.

Corporate Governance

The Company's corporate governance policy is based on the Guidelines on Corporate Governance issued in May 2015 by the Iceland Chamber of Commerce, NASDAQ Iceland and SA - Confederation of Icelandic Employers, which is in accordance with Clause 2.26 in the Rules for issuers of financial instruments on NASDAQ Iceland issued in December 2013. In compliance with the guidelines, the Board of Directors has prepared a Corporate Governance Statement which is distributed with the Consolidated Financial Statements 2015 and disclosed in the Annual Report 2015.

In January 2016 Marel received recognition as an "Exemplary in Corporate Governance" from the Research Centre for Corporate Governance at the University of Iceland.

The Board of Directors is comprised of 3 female Directors and 4 male Directors, which is in accordance with statutory gender ratio of Boards of Directors of Public Limited Companies 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 in writing at least five full days before the beginning of the Annual General Meeting. The Company's Articles of Association can only be amended with the approval of 2/3 of casted votes and approval of shareholders who control at least 2/3 of the shares represented in a legal shareholders' meeting, provided that the notification calling the meeting thoroughly informs on such amendment and what the amendment consists in.

Statement by the Board of Directors and the CEO

According to the Board of Directors' and CEO's best knowledge these Consolidated Financial Statements comply with International Financial Reporting Standards (IFRS) as adopted by the EU 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 2015, operating performance and the cash flows for the year ended 31 December 2015 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 2015 with their signatures.

Garðabær, 3 February 2016

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.

We have audited the accompanying Consolidated Financial Statements of Marel hf., which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated financial position of Marel hf. as at 31 December 2015, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the Board of Directors and CEO's report
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.

Reykjavik, 3 February 2016

KPMG ehf.

Kristrún H. Ingólfsdóttir

Hrafnhildur Helgadóttir

Consolidated Statement of Comprehensive Income

	Notes	2015	2014
Revenues	5	818,602	712,554
Cost of sales - before refocusing costs	7	(499,087)	(456,757)
refocusing costs	6	(7,360)	(8,087)
Cost of sales	7	(506,447)	(464,844)
Gross profit		312,155	247,710
Selling and marketing expenses - before refocusing costs	7	(110,438)	(100,466)
refocusing costs	6	(878)	(2,569)
Selling and marketing expenses	7	(111,316)	(103,035)
Research and development expenses - before refocusing costs	7	(57,004)	(53,407)
refocusing costs	6	(74)	(2,029)
Research and development expenses	7	(57,078)	(55,436)
Administrative expenses - before refocusing costs	7	(55,955)	(53,171)
refocusing costs	6	(3,638)	(6,915)
Administrative expenses	7	(59,593)	(60,086)
Other operating income / (expenses) - before refocusing costs	7	465	25
refocusing costs	6	(3,020)	-
Other operating income / (expenses)	7	(2,555)	25
Result from operations - before refocusing costs	5	96,583	48,778
total refocusing costs	6	(14,970)	(19,600)
Result from operations		**81,613**	**29,178**
Finance costs	8	(13,205)	(13,248)
Finance income	8	1,298	874
Net finance costs	8	(11,907)	(12,374)
Result before income tax		69,706	16,804
Income tax	10	(13,010)	(5,073)
Profit (loss) for the period		**56,696**	**11,731**
Other Comprehensive Income / (loss)			
Items that are or will be reclassified to profit or loss:			
Currency translation differences		(1,962)	502
Cash flow hedges		2,356	1,817
Cash flow hedges reclassified to profit or loss		(428)	-
Income tax relating to cash flow hedges		(475)	(472)
Other comprehensive income / (loss) for the period, net of tax		(509)	1,847
Total comprehensive income for the period		**56,187**	**13,578**
Profit (loss) attributable to:			
Shareholders of the Company		**56,696**	**11,731**
Comprehensive income attributable to:			
Shareholders of the Company		**56,187**	**13,578**
Earnings per share for result attributable to shareholders of the Company during the period (expressed in EUR cent per share):			
- basic	11	7.93	1.60
- diluted	11	7.90	1.60
Earnings per share for total comprehensive income attributable to shareholders of the Company during the period (expressed in EUR cent per share):			
- basic	11	7.86	1.85
- diluted	11	7.83	1.85

The notes on pages 10-56 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position

ASSETS	Notes	2015	2014
Non-current assets			
Property, plant and equipment	12	89,005	96,139
Goodwill	13	389,407	387,103
Other intangible assets	13	107,018	114,916
Trade receivables	14	443	94
Deferred income tax assets	15	10,029	7,873
		595,902	606,125
Current assets			
Inventories	16	99,382	88,450
Production contracts	17	17,261	29,123
Trade receivables	14	99,696	77,125
Assets held for sale	18	3,799	2,500
Other receivables and prepayments	14	29,139	23,551
Cash and cash equivalents		92,976	24,566
		342,253	245,315
Total assets		**938,155**	**851,440**
EQUITY			
Capital and reserves attributable to shareholders of Marel hf.			
Share capital	19	6,445	6,664
Share premium	19	277,919	311,748
Hedge reserve	19	(2,521)	(3,974)
Translation reserve	19	(2,580)	(618)
Retained earnings		167,476	113,678
Total equity		446,739	427,498
LIABILITIES			
Non-current liabilities			
Borrowings	20	217,287	180,278
Deferred income tax liabilities	15	15,943	11,308
Provisions	21	6,943	7,292
Derivative financial instruments	23	3,057	5,399
		243,230	204,277
Current liabilities			
Production contracts	17	78,330	64,958
Trade and other payables	24	139,227	122,479
Current income tax liabilities		3,221	4,185
Borrowings	20	18,449	18,635
Provisions	21	8,959	9,408
		248,186	219,665
Total liabilities		491,416	423,942
Total equity and liabilities		**938,155**	**851,440**

The notes on pages 10-56 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company					
	Share capital	Share premium *	Hedge reserve	Translation reserve	Retained earnings	Total equity
Balance at 1 January 2014	6,727	317,294	(5,319)	(1,120)	101,757	419,339
Profit (loss) for the year					11,731	11,731
Total other comprehensive income			1,345	502		1,847
Transactions with owners of the Company						
Treasury shares purchased	(82)	(6,753)				(6,835)
Treasury shares sold	19	1,204				1,223
Treasury shares, transaction costs		(11)				(11)
Value of services provided		208				208
Value of services provided released		(194)			190	(4)
	(63)	(5,546)	1,345	502	11,921	8,159
Balance at 31 December 2014	**6,664**	**311,748**	**(3,974)**	**(618)**	**113,678**	**427,498**
Profit (loss) for the year					56,696	56,696
Total other comprehensive income			1,453	(1,962)		(509)
Transactions with owners of the Company						
Treasury shares purchased	(284)	(37,711)				(37,995)
Treasury shares sold	65	4,340				4,405
Treasury shares, transaction costs		(58)				(58)
Value of services provided		249				249
Value of services provided released		(649)			586	(63)
Dividend					(3,484)	(3,484)
	(219)	(33,829)	1,453	(1,962)	53,798	19,241
Balance at 31 December 2015	**6,445**	**277,919**	**(2,521)**	**(2,580)**	**167,476**	**446,739**

*) Includes reserve for share based payments as per 31 December 2015 of EUR 864 (31 December 2014: EUR 1,264).

Dividends

In March 2015 a dividend of EUR 3,484 (EUR 0.48 cents per share) was declared for the operational year 2014, which has been paid fully (in 2014 no dividend for the operational year 2013 was declared).

Treasury shares

In 2015, Marel purchased 25.0 million shares for EUR 32.0 million to be used as payment for potential future acquisitions, per the company's announcement on 29 April 2015. Marel also purchased 6.0 million shares for EUR 6.0 million to fulfil future stock option obligations, and sold 7.1 million treasury shares for a total amount of EUR 4.4 million to fulfil the employees' stock option programme. In 2014, Marel purchased 9.0 million shares for EUR 6.8 million to fulfil future stock option obligations, and sold 2.2 million treasury shares for a total amount of EUR 1.2 million to fulfil the employees' stock option programme.

For further information on Employee share option schemes, refer to note 19.

Consolidated Statement of Cash Flows

Cash flows from operating activities	Notes	2015	2014
Result from operations		81,613	29,178
Adjustments to reconcile result from operations to net cash provided by / (used in) operating activities:			
Depreciation and impairment of property, plant and equipment	12,18	8,456	11,299
Amortization and impairment of intangible assets	13	29,622	26,220
Loss / (gain) on sale of property, plant and equipment		297	(96)
Changes in non-current receivables		(349)	603
Working capital provided by / (used in) operating activities		119,639	67,204
Changes in working capital:			
Inventories and production contracts		11,798	21,405
Trade and other receivables		(27,680)	(8,433)
Trade and other payables		16,992	13,977
Provisions		(1,010)	8,048
Changes in operating assets and liabilities		100	34,997
Cash generated from operating activities		119,739	102,201
Taxes paid		(12,304)	(3,987)
Interest and finance income		397	109
Interest and finance costs		(14,180)	(12,722)
Net cash from operating activities		93,652	85,601
Cash flows from Investing activities			
Purchase of property, plant and equipment	12	(8,664)	(4,909)
Investments in intangibles	13	(20,267)	(19,380)
Proceeds from sale of property, plant and equipment		4,417	1,603
Business combinations net of cash		6,655	(5,709)
Net cash used in investing activities		(17,859)	(28,395)
Cash flows from financing activities			
Purchase of treasury shares		(38,053)	(6,846)
Sale of treasury shares		4,405	1,223
Proceeds from borrowings		50,000	20,000
Repayments of borrowings		(23,591)	(70,000)
Dividends paid		(3,484)	-
Net cash used in financing activities		(10,723)	(55,623)
Net increase (decrease) in net cash		**65,070**	**1,583**
Exchange (loss) / gain on net cash		3,340	3,190
Net cash at beginning of the period		24,566	19,793
Net cash at end of the period		92,976	24,566

The notes on pages 10-56 are an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. General information

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

The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2015 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, fish, meat and further processing industries and is involved in the manufacturing, development, distribution and sales of solutions for these industries. All amounts are in EUR*1000 unless otherwise stated.

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

The Consolidated Financial Statements as presented in this report are subject to the adoption by the Annual General Meeting of Shareholders, to be held on 2 March 2016.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

Statement of Compliance
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 in Nasdaq in Iceland.

These Consolidated Financial Statements have been approved for issue by the Board of Directors and CEO on 3 February 2016.

Basis of Measurement
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 or Other Comprehensive Income.

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

Use of estimates and judgements
The preparation of the Consolidated Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise 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 4. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised 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. Significant fair value measurements are directly reported to the chief financial officer.

Further information about the assumptions made in measuring fair values is included in the following notes:

2.8 Financial assets
3 Financial risk management

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

The following standards and amendments to existing standards have been published and have an effective date on or after 1 January 2014.

- IFRIC 21 Levies
- IAS 36 Amendments: Recoverable Amount Disclosures for Non-Financial Assets

These standards have been adopted as per 1 January 2014 and have no or a non-material effect on the Group's Consolidated Financial Statements of 2014.

There are no standards and amendments to existing standards which have an effective date on 1 January 2015.

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

- IFRS 9 Financial instruments
- IFRS 15 Revenue from Contracts with Customers

The impact of this new standard will be assessed in 2016.

The following standards have been published and have an effective date on or after 1 January 2016:

- IFRS 14 Regulatory Deferral Accounts
- IFRS 11 Amendments: Accounting for Acquisitions of Interests in Joint Operations
- IFRS 16 Leases
- IAS 16 and IAS 18 Amendments: Clarification of Acceptable Methods of Depreciation and Amotization
- IFRS 10 and IAS 28 Amendments: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1: Disclosure Initiative

The impact of these standards is expected to have no or a non-material effect on the Group's Consolidated Financial Statements.

2.2 Consolidation

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.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related Non-Controlling Interest (NCI) and other components of equity. Any resulting gain or loss is recognised in the Consolidated Statement of Comprehensive Income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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. Any goodwill that arises is tested annually for impairment. Any gain on a purchase is recognized in the Consolidated Statement of Comprehensive 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 Comprehensive 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 remeasured 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 combination. 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.

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

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

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

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

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

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

2.3 Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. 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 recognised in the Statement of Comprehensive Income, except when deferred in equity as permanent loan, as qualifying cash flow hedges and as qualifying net investment hedges as explained in note 2.9. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents as well as all other foreign exchange gains and losses are recognised immediately in the Statement of Comprehensive Income within 'Finance income' or 'Finance costs'.

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

i. assets and liabilities presented are translated at the closing rate at the date of that Consolidated Statement of Financial Position;
ii. income and expenses for each Statement of Comprehensive Income are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
iii. translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to financing of subsidiaries are recognised as a separate component of equity (Translation reserve).

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

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

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

2.5 Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income for the period during the financial period in which they are incurred.

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

- 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 sooner.

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 (see note 2.7).

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

Borrowing cost is expensed as incurred except when directly attributable to acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use. Such borrowing cost is 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.

2.6 Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is 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 on some acquisitions that occurred prior to 1 January 2004 has been charged in full to retained earnings in shareholders' equity, such goodwill has not been retroactively capitalized.

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 combination in which the goodwill arose.

Research and development
Research expenditure is recognised as an expense as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible assets when it is probable that the project will generate future economic benefits, considering its commercial and technological feasibility, 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 recognised as an expense as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amotization and any accumulated impairment losses.

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

Patents & Trade name
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, with the exception of Stork and Townsend who have an infinite useful life and are subject to annual impairment testing (see note 2.7).

Other intangible assets
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

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

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

Computer software development costs recognised as 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 recognised in the Consolidated Statement of Comprehensive Income as incurred.

Amotization 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.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amotization and are tested annually for impairment. Assets that are subject to amotization 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 Cash Generating Units (CGU). Goodwill arising from a business combination 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 recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. 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 amotization, if no impairment loss had been recognised.

2.8 Financial assets

Financial assets other than derivatives
The Group classifies its investments 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 investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in the Consolidated Statement of Comprehensive Income as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in the Consolidated Statement of Comprehensive 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
If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at 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 (notes 2.12 and 2.13) and are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

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

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

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

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

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

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 recognised in profit or loss – is removed from Equity and recognised in the Consolidated Statement of Comprehensive Income for the period. Impairment losses recognised in the Consolidated Statement of Comprehensive Income for the period on equity instruments are not reversed through the Consolidated Statement of Comprehensive Income for the period. Impairment testing of receivables is described in note 2.12.

The carrying value less impairment provision of trade receivables 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 recognised 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.

2.9 Derivative financial instruments and hedging activities

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

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

i. Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
ii. Hedges of a net investment in a foreign operation (net investment hedge);
iii. 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 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.

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

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

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

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

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

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

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

2.10 Inventories

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

2.11 Production contracts

Production costs are recognised when incurred.

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

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

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

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

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

2.12 Receivables and prepayments

Trade receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. All trade receivables are monitored closely and aging analysis is performed on a regular basis. Annually counterparty confirmation is performed. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

2.13 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 remeasurement are recognized in the Consolidated Statement of Comprehensive Income.

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

2.14 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.

2.15 Share capital

Ordinary shares are classified as equity.

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

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from Equity attributable to the Company's shareholders until the shares are cancelled or reissued. 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 in Equity attributable to the Company's shareholders.

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

2.16 Trade payables

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

2.17 Borrowings

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

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

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to a business combination, or items recognised 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 recognised in Equity.

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

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

Deferred tax is not recognised 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 realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. 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 realised such reductions are reversed when the probability of future taxable profits improves.

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

2.19 Employee benefits

Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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 (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

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

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

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

Pension plans
Marel has several pension plans in accordance with local rules and conditions. Based on IAS 19, only one arrangement with regards to early retirement rights can be classified as defined benefit until the moment of settlement expected in 2020 (VPL in the Netherlands). Two other defined benefit obligations refer to jubilee rights in the Netherlands and the postretirement medical benefit plan in the USA. 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, in which the liabilities to the employees are based on the number of years of service and the salary levels. A defined contribution plan is a plan to provide benefits after retirement in which an entity makes fixed contributions to a separate entity, and legally has no constructive obligation to make further contributions. Obligations relating to defined contribution pension plans are charged to the Consolidated Statement of Comprehensive Income as employee remuneration expenses when the contributions are payable. Contributions paid in advance are presented as assets to the extent that cash repayment or a reduction in future contributions is available.

2.20 Provisions

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

The Group gives guarantee on certain products and undertakes to repair or replace items that fail to perform satisfactorily. If the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.
A provision for guarantee commitments is recognised when the underlying product and services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Further operation losses are not provided for.

The pension provisions for defined contributions are recognised at costs.

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

2.21 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when specific criteria have been met. The amount of revenue is 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 design services and solutions is recognised under the percentage of completion (POC) method. Under the POC method, revenue is generally recognised based on the services performed and direct expenses incurred to date as a percentage of the total services to be performed and total expenses to be incurred.

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

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

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor are charged to the Consolidated Statement of Comprehensive 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 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 Comprehensive 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 Statement of Financial Position according to the nature of the asset. Operating lease income is recognized in the Consolidated Statement of Comprehensive Income over the lease term on a straight line basis.

2.23 Dividend distribution

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

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

3. Financial risk management

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.

In November 2010, the Group entered into a EUR 350 million facilities agreement with six international banks, led by ING bank, Rabobank and ABN Amro. Marel amended and extended this facilities agreement with the consortium with effective date 14 March 2014 and again with effective date 14 January 2015 while the terms and conditions generally remained in line with Loan Market Association (LMA) corporate standards. The key amendments were:

- The facility was extended in total to November 2018
- Initial interest terms EURIBOR/LIBOR +250 bps for the facility depending on leverage
- Additional EUR 50 million Junior Facility granted to the Group with maturity 28 February 2019

The Group has a financing structure which can accommodate the Group’s financing requirements until 2018 with USD and EUR borrowings matching the Group´s exposure in these currencies to a large extent.

(i) Foreign exchange risk
The Group operates internationally and is exposed to currency risk arising from mainly the USD and GBP, primarily with respect to the EUR, as the EUR is the Group’s reporting currency. Only a fraction of a percentage of revenues is denominated in ISK, while around 3.8% (2014: 6.3%) 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 2015	Average rate 2015	Year-end rate 2014	Average rate 2014
EUR/USD	1.0927	1.1108	1.2156	1.3293
EUR/GBP	0.7371	0.7267	0.7826	0.8066

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

	2015		2014	
	USD impact	GBP impact	USD impact	GBP impact
Profit or (loss)	(844)	(371)	(753)	(732)
Equity	-	-	-	-

Liabilities in currency recorded in EUR in 2015	Finance lease liabilities	Capitalized finance charges	Other borrowings	Total
Liabilities in EUR	-	(3,206)	135,000	131,794
Liabilities in USD	-	(1,316)	105,243	103,927
Liabilities in other currencies	15	-		15
	15	(4,522)	240,243	235,736
Current liabilities	-	1,551	(20,000)	(18,449)
	15	(2,971)	220,243	217,287

Liabilities in currency recorded in EUR in 2014	Finance lease liabilities	Capitalized finance charges	Other borrowings	Total
Liabilities in EUR	-	(2,802)	105,000	102,198
Liabilities in USD	-	(1,185)	97,894	96,709
Liabilities in other currencies	6	-	-	6
	6	(3,987)	202,894	198,913
Current liabilities	-	1,365	(20,000)	(18,635)
	6	(2,622)	182,894	180,278

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risk is managed by maintaining a mix between fixed and floating interest rate on borrowings. 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. Presently around 42% (2014: 32%) of the core debt has floating interest rates and the rest is fixed. As at reporting date a total of EUR 139.0 million (2014: EUR 138.0 million) floating rate liabilities were swapped into fixed interest rates. The weighted average fixed rate of the interest swaps currently is 2.00% (2014: 2.80%).

In 2008 the company 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 2015 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 2015, 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 150 (2014: EUR 62,5) lower/higher.

At year-end 2015, 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 103 (2014: EUR 101) 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.

(iii) 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.

The Board's target is to arrange for maximum 6% of total share capital for shares held by employees of the Group under the stock option plans. At present employees will hold 1.40% (2014: 2.30%) of the shares, assuming that all outstanding share 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:

	2015	2014
Total borrowings	235,736	198,913
Cash and cash equivalents	(92,976)	(24,566)
Net Interest Bearing Debt	142,760	174,347
Total Equity	446,739	427,498
Hedge Reserve	2,521	3,974
Adjusted Capital	449,260	431,472
Debt to adjusted capital ratio	0.32	0.40

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 share 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.

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

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

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

	Carrying amount	
	2015	2014
Trade receivables	100,139	77,219
Other receivables and prepayments	29,139	23,551
Cash and cash equivalents	92,976	24,566
	222,254	125,336

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties (see 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 (see also note 2.12).

Marel 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 ISDA 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 100 million of committed ancillary facilities, which can be used both as a revolver and to issue guarantees for down payments. At year end the Group had drawn EUR 0 million (2014: EUR 3.3 million) on the revolver and issued EUR 26 million (2014: EUR 17.3 million) of guarantees under the facility, therefore the total usage is EUR 26 million (2014: EUR 21.6 million), leaving a headroom of EUR 74 million (2014: EUR 78.4million). All facilities are subject to operational and Consolidated Statement of Financial Position covenants (interest cover and leverage). At the end of 2015 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 analyses 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 2015	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	18,449	217,272	-
Interest on borrowings	5,725	13,050	-
Finance lease liabilities	-	15	-
Trade and other payables	139,227	-	-
Interest rate swaps	2,425	2,260	-
Total	165,826	232,597	-
At 31 December 2014			
Borrowings	18,635	180,272	
Interest on borrowings	5,200	8,437	-
Finance lease liabilities	-	6	-
Trade and other payables	122,479	-	-
Interest rate swaps	3,380	2,258	-
Total	149,694	190,973	-

Fair value estimation

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model (references made to note 23). Therefore a change in interest rates at the reporting date would not affect profit or loss.

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 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 3.00% (2014: 4.45%). The weighted average interest rate on borrowings in 2015, including effect of floating to fixed interest rates swaps is 3.00% (2014: 4.45%).

The fair value of the finance lease liabilities equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the average interest rate of 4.0% (2014: 4.0%).

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

2015	Note	Fair value-hedging instruments	Loans & receivables	Other financial liabilities	Total carrying amount	Fair Value
Cash and cash equivalents		-	92,976	-	92,976	92,976
Receivables	14	-	129,278	-	129,278	129,278
		-	222,254	-	222,254	222,254
Interest rate swaps used for hedging	23	(3,057)	-	-	(3,057)	(3,057)
Secured bank loans	20	-	-	(235,721)	(235,721)	(235,721)
Finance lease liabilities	20	-	-	(15)	(15)	(15)
Trade and other payables	24	-	-	(139,227)	(139,227)	(139,227)
		(3,057)	-	(374,963)	(378,020)	(378,020)
2014						
Cash and cash equivalents		-	24,566	-	24,566	24,566
Receivables	14	-	100,770	-	100,770	100,770
		-	125,336	-	125,336	125,336
Interest rate swaps used for hedging	23	(5,399)	-	-	(5,399)	(5,399)
Secured bank loans	20	-	-	(198,907)	(198,907)	(198,907)
Finance lease liabilities	20	-	-	(6)	(6)	(6)
Trade and other payables	24	-	-	(122,479)	(122,479)	(122,479)
		(5,399)	-	(321,392)	(326,791)	(326,791)

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

At 31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivate liabilities held for risk management	-	3,057	-	3,057
At 31 December 2014				
Derivate liabilities held for risk management	-	5,399	-	5,399

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

4. Critical accounting estimates and assumptions

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

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

(a) Estimated impairment
The Group tests annually whether financial and non-financial assets, including goodwill, have suffered any impairment, in accordance with the accounting policy stated in note 2.7 and 2.8. The recoverable amounts of Cash Generating Units have been determined based on value in use calculation. These calculations require the use of estimates (see note 13).

(b) 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 recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

(d) 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.

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

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

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Goodwill	389,407	-	387,103	-
Other intangible assets	107,018	-	114,916	-
Current and deferred income taxes	10,029	19,164	7,873	15,493
Financial instruments	-	3,057	-	5,399
Assets & liabilities held for sale	3,799	-	2,500	-
Production contracts	17,261	78,330	29,123	64,958

5. Segment information

Operating segments

The identified operating segments comprise the four 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.
- Fish processing: Marel provides advanced equipment and systems for salmon and whitefish processing, both farmed and wild, onboard and ashore.
- Meat processing: Our Meat Industry specializes in the key processes of deboning and trimming, case ready food service and bacon processing.
- Further processing: Marel offers an extensive range of products for portioning, coating, heat treatment and sausage making.
- The 'Others' segment includes the holding companies as well as any revenues, result from operations and assets which do not belong to the four 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. 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 result from operations before refocusing costs; 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.

The Company has changed its internal reporting structure of the segments and the allocation of operating expenses to the segments from 1 April 2015 to reflect the new organizational structure and as well retrospectively for the Q1 figures. The Company is now managed on the basis of four industries with functions that work across all segments to effectively manage business operations. Comparative amounts in this note to the Consolidated Financial Statements have not been restated; the information is not readily available and hence cannot be determined accurately due to changes in the Company's internal reporting systems. Management's assessment of the potential impact of a restatement of comparative amounts is estimated to be minimal. The reporting changes do not have any impact on consolidated revenue, operational profit or net profit.

The segment information for the period ended 31 December 2015 is as follows:

	Poultry	Fish	Meat	Further Processing	Others	Total
Third Party Revenues	**450,749**	**140,322**	**114,515**	**101,456**	**11,560**	**818,602**
Result from operations before refocusing costs	**84,927**	**11,682**	**8,540**	**(1,504)**	**(7,062)**	**96,583**
Refocusing costs						(14,970)
Result from operations						**81,613**
Finance costs - net						(11,907)
Result before income tax						**69,706**
Income tax						(13,010)
Profit (loss) for the period						**56,696**
Assets	566,710	105,489	91,063	80,728	94,165	938,155
Depreciation and amortization	(17,582)	(5,481)	(4,100)	(7,295)	(4,741)	(39,199)
Of which Impairments	(1,393)	(413)	(393)	(367)	(3,226)	(5,792)

The segment information for the period ended 31 December 2014 is as follows:

	Poultry	Fish	Meat	Further Processing	Others	Total
Third Party Revenues	**376,357**	**111,655**	**122,047**	**89,574**	**12,921**	**712,554**
Result from operations	**45,202**	**6,391**	**(2,592)**	**(153)**	**(70)**	**48,778**
Refocusing costs						(19,600)
Result from operations						**29,178**
Finance costs - net						(12,374)
Result before income tax						**16,804**
Income tax						(5,073)
Profit (loss) for the period						**11,731**
Assets	523,649	85,371	96,138	94,788	51,494	851,440
Depreciation and amortization	(12,564)	(5,863)	(8,070)	(7,144)	(3,878)	(37,519)
Of which Impairments	(363)	(469)	(2,475)	(370)	-	(3,677)

Geographical information

The Group's four 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 two main operating companies are located in Iceland and The Netherlands; however, these companies realise most of their revenues in other countries.

Revenues, allocated based on country where the customer is located	**2015**	**2014**
Iceland	9,905	7,757
The Netherlands	19,842	15,413
Europe other	320,860	286,680
North America	252,055	180,604
Other countries	215,940	222,100
	818,602	712,554

Total assets excluding Cash and cash equivalents		
Iceland	133,080	139,511
The Netherlands	431,416	417,936
Europe other	112,451	124,359
North America	133,975	116,484
Other countries	34,257	28,585
	845,179	826,875

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

Capital expenditure		
Iceland	3,774	6,227
The Netherlands	20,169	10,021
Europe other	1,139	6,008
North America	3,235	1,292
Other countries	687	741
	29,004	24,289

6. Refocusing costs

In the Consolidated Statement of Comprehensive Income and note 5 Segment information, refocusing costs are shown separately in order to give transparency on the ordinary business, excluding these costs. Refocusing costs are defined as the costs in relation for the Simpler, Smarter, Faster program of the Group. This program started in January 2014 with the following goals:

- Combine business units that serve the same customer needs and rely on the same technical capabilities.
- Optimize manufacturing footprint to balance utilization of resources within the company.

The refocusing costs consist of:

	2015	2014
Streamlining Sales, Service, Innovation and Administration	1,328	6,455
Manufacturing and Product portfolio optimization	11,507	9,583
Other costs	2,135	3,562
	14,970	19,600

By nature of cost:

	2015	2014
Personnel related (severance, outplacement)	5,795	10,788
Relocation / building related	600	1,959
Depreciation and amortization (including impairments)	1,641	2,630
Divestment	3,020	-
Other costs	3,914	4,223
	14,970	19,600

Of the EUR 14,970 (2014: EUR 19,600) total refocusing costs EUR 2,630 (2014: EUR 6,962) is related to refocusing provision.

7. Expenses by nature

	2015	2014
Cost of Goods Sold	301,011	258,074
Employee benefits	292,384	283,738
Depreciation and amortization	38,078	37,519
Maintenance and rent of buildings and equipment	14,028	16,611
Other	91,488	87,433
	736,989	683,375

8. Net finance costs

Finance costs:	2015	2014
Interest on borrowings	(10,665)	(10,801)
Interest on finance leases	(2)	(5)
Other finance expenses	(2,538)	(2,442)
Subtotal Finance costs	(13,205)	(13,248)
Finance income:		
Interest income	292	153
Net foreign exchange transaction gains	1,006	721
Subtotal Finance income	1,298	874
Net Finance costs	(11,907)	(12,374)

The other finance expenses consist of amortization of capitalized finance charges, amounting to EUR 1,532 (2014: EUR 1,343), guarantee and commitment fees, amounting to EUR 811 (2014: EUR 885) in addition to other finance related costs.

9. Staff costs

	2015	2014
Salaries and Wages	231,203	226,073
Related expenses	27,473	25,907
Expenses related to equity-settled share-based payments	249	208
Post retirement costs	16,473	15,876
	275,398	268,064
Cost of sales	131,078	133,798
Selling and marketing expenses	72,923	60,592
Research and development expenses	40,361	37,814
Administrative expenses	31,036	35,860
	275,398	268,064
Average number of Full Time Equivalents	3,886	4,115

10. Income tax

Income tax recognised in the Consolidated Statement of Comprehensive Income	2015	2014
Current tax	(10,752)	(5,929)
Deferred tax	(2,258)	856
	(13,010)	(5,073)

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	2015		2014	
		%		%
Result before income tax	69,706		16,804	
Income tax using Iceland rate	(13,941)	20.0	(3,361)	20.0
Effect of tax rates in other jurisdictions	(5,080)	7.3	(3,043)	18.1
Weighted average applicable tax	(19,021)	27.3	(6,404)	38.1
FX effect Iceland	600	(0.9)	67	(0.4)
R&D tax incentives	3,839	(5.5)	2,086	(12.4)
Permanent differences	72	(0.1)	972	(5.8)
Tax losses (un)recognised	(188)	0.3	(1,229)	7.3
(Impairment)/reversal of tax losses	620	(0.9)	(487)	2.9
Effect of tax rate changes	304	(0.4)	201	(1.2)
Others	764	(1.1)	(279)	1.7
Tax charge included in the profit or loss for the period	(13,010)	18.7	(5,073)	30.2

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)

	2015	2014
Net profit (loss) attributable to shareholders	56,696	11,731
Weighted average number of outstanding shares in issue (thousands)	715,223	733,687
Basic earnings per share (EUR cent per share)	7.93	1.60

	2015	2014
Comprehensive income attributable to shareholders	56,187	13,578
Weighted average number of outstanding shares in issue (thousands)	715,223	733,687
Basic earnings per share (EUR cent per share)	7.86	1.85

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

Diluted earnings per share (EUR cent)

	2015	2014
Net profit (loss) used to determine diluted earnings per share	56,696	11,731
Weighted average number of outstanding shares in issue (thousands)	715,223	733,687
Adjustments for share options (thousands)	2,593	1,642
Weighted average number of outstanding shares for diluted earnings per share (thousands)	717,816	735,329
Diluted earnings per share (EUR cent per share)	7.90	1.60

	2015	2014
Comprehensive income used to determine diluted earnings per share	56,187	13,578
Weighted average number of outstanding shares in issue (thousands)	715,223	733,687
Adjustments for share options (thousands)	2,593	1,642
Weighted average number of outstanding shares for diluted earnings per share (thousands)	717,816	735,329
Diluted earnings per share (EUR cent per share)	7.83	1.85

12. Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2014				
Cost	115,497	66,693	44,767	226,957
Accumulated depreciation	(35,746)	(48,959)	(37,545)	(122,250)
Net book amount	79,751	17,734	7,222	104,707
Year ended 31 December 2014				
Opening net book amount	79,751	17,734	7,222	104,707
Effect of movements in exchange rates	1,262	436	133	1,831
Additions	2,876	787	1,246	4,909
Disposals	(894)	(228)	(387)	(1,509)
Assets held for sale	(2,500)	-	-	(2,500)
Impairment charge	(2,199)	(103)	(213)	(2,515)
Depreciation charge	(3,015)	(3,444)	(2,325)	(8,784)
Closing net book amount	75,281	15,182	5,676	96,139
At 1 January 2015				
Cost	115,049	66,342	42,272	223,663
Accumulated depreciation	(39,768)	(51,160)	(36,596)	(127,524)
Net book amount	75,281	15,182	5,676	96,139
Year ended 31 December 2015				
Opening net book amount	75,281	15,182	5,676	96,139
Divestments	(2,653)	(759)	(410)	(3,822)
Effect of movements in exchange rates	1,108	419	(148)	1,379
Additions	2,056	4,948	1.660	8,664
Assets held for sale	(4,899)	-	-	(4,899)
Reclassification	118	40	(158)	-
Impairment charge	(352)	-	-	(352)
Depreciation charge	(2,645)	(3,388)	(2,071)	(8,104)
Closing net book amount	68,014	16,442	4,549	89,005
At 31 December 2015				
Cost	105.966	66,899	40,807	213,672
Accumulated depreciation	(37.952)	(50,457)	(36,258)	(124,667)
Net book amount	68.014	16,442	4,549	89,005

An impairment loss of EUR 1.5 million has been included in Cost of Sales (2014: EUR 2.2 million) to write-down real estate to the lower of its carrying amount and its fair value less costs to sell.

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

	2015	**2014**
Cost of sales	5,092	5,511
Selling and marketing expenses	736	685
Research and development expenses	349	422
Administrative expenses	1,927	2,166
	8,104	8,784

The carrying amount of the assets recognised under finance lease is EUR 134 (2014: EUR 121).

The insurance value of real estate is not materially different from the replacement value (see note 26).

13. Intangible assets

	Goodwill	Developm. costs	Patents & Trade name	Other Intangibles	Total other Intangibles
At 1 January 2014					
Cost	378,708	122,537	50,512	22,792	195,841
Accumulated amortization	-	(47,630)	(19,182)	(10,468)	(77,280)
Net book amount	378,708	74,907	31,330	12,324	118,561
Year ended 31 December 2014					
Opening net book amount	378,708	74,907	31,330	12,324	118,561
Business combination	5,709	-	-	-	-
Exchange differences	2,686	1,006	2,190	(1)	3,195
Additions	-	16,465	-	2,915	19,380
Impairment charge	-	(1,162)	-	-	(1,162)
Amortization charge	-	(17,215)	(4,668)	(3,175)	(25,058)
Closing net book amount	387,103	74,001	28,852	12,063	114,916
At 1 January 2015					
Cost	387,103	139,001	54,318	25,499	218,818
Accumulated amortization	-	(65,000)	(25,466)	(13,436)	(103,902)
Net book amount	387,103	74,001	28,852	12,063	114,916
Year ended 31 December 2015					
Opening net book amount	387,103	74,001	28,852	12,063	114,916
Business combination	-	(1,238)	-	(132)	(1,370)
Exchange differences	2,304	841	1,991	(5)	2,827
Additions	-	12,360	-	7,907	20,267
Impairment charge	-	(1,700)	-	(2,566)	(4,266)
Amortization charge	-	(17,733)	(4,202)	(3,421)	(25,356)
Closing net book amount	389,407	66,531	26,641	13,846	107,018
At 31 December 2015					
Cost	389,407	148,735	56,842	32,665	238,242
Accumulated amortization	-	(82,204)	(30,201)	(18,819)	(131,224)
Net book amount	389,407	66,531	26,641	13,846	107,018

The additions for 2015 predominantly comprise internally generated assets of EUR 20,267 (2014: EUR 19,380) for product development costs and for development of software products.

An impairment loss of EUR 4.3 million is reported to write-down development costs for unsuccessful development projects and ERP-software no longer used (2014: EUR 1.2 million write-down development costs for unsuccessful development projects). The impairment charge in the intangible assets analyses as follows in the Consolidated Statement of Comprehensive Income:

	2015	2014
Cost of sales	528	-
Selling and marketing expenses	1,773	-
Research and development expenses	1,700	1,162
Administrative expenses	265	-
	4,266	1,162

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

	2015	2014
Cost of sales	80	96
Selling and marketing expenses	634	497
Research and development expenses	18,837	18,457
Administrative expenses	5,805	6,008
	25,356	25,058

Impairment testing

Annually goodwill is tested for impairment at the level of the Group's Cash Generating Units ("CGUs"). For Marel, the CGUs are based on the market oriented business model (Poultry, Fish, Meat and Further Processing) in accordance with IFRS 8 Operating Segments. 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 future cashflows were management's estimates taking into account past experience and internal and external information on the outlook in the protein consumption. The time value of money and price of uncertainty are based on external information on market, industry and country risk. Future cash flows are based on a conservative scenario which is approved by management and used to assess future financing needs. The average weighted growth rate of the 5 years of forecasted cash flows is 1% to 4% (2014: 4% to 8%). This reduction in growth is not a result of lower growth expectations, but on conservative financial planning instead of business strategy planning. Cash flows beyond the 5 year forecast are extrapolated using estimated growth rates as shown in the table below, as well as a post-tax discount rate of 8.5% (2014: 8.4%). The pre-tax discount rate is 10.7% (2014: 10.4%).The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The Goodwill impairment test performed in the fourth quarter, which was based on the numbers of 30 September 2015, confirmed the recoverability of existing goodwill. Breakeven scenarios and the current scenario used show that there is sufficient headroom and as such there are no triggers indicating that impairment is necessary. At 31 December 2015 there were no triggers which indicated that a new calculation was required.

The key assumptions used for the impairment test in 2015 are listed below.

2015	**Poultry**	**Fish**	**Meat**	**Further Processing**	**Total**
Goodwill	327,487	27,160	21,334	13,426	389,407
Infinite Intangible assets	3,365	-	3,238	4,199	10,802
Growth rate [1]	2.0%	2.0%	2.0%	2.0%	2.0%
Discount rate [2]	8.5%	8.5%	8.5%	8.5%	8.5%

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

The key assumptions used for the impairment tests in 2014 are shown in the table below:

2014	Poultry	Fish	Meat	Further Processing	Total
Goodwill	325,937	27,261	22,546	11,359	387,103
Infinite Intangible assets	3,290	-	2,910	3,871	10,071
Growth rate [1]	2.0%	2.0%	2.0%	2.0%	2.0%
Discount rate [2]	8.4%	8.4%	8.4%	8.4%	8.4%

[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

Current receivables and pre-payments	2015	2014
Trade receivables	103,512	79,918
Less: write-down to net-realisable value	(3,373)	(2,699)
Trade receivables - net	100,139	77,219
Less non-current portion	(443)	(94)
Current portion of Trade receivables	99,696	77,125
Other receivables and pre-payments		
Pre-payments	7,488	6,439
Other receivables	21,651	17,112
	29,139	23,551
Total Trade receivables, Other receivables and pre-payments	129,278	100,770

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

The carrying amounts of Trade receivables and Other receivables and pre-payments approximate their fair value.

Trade receivables that are less than 90 days past due are not considered impaired. As of 31 December 2015, Trade receivables of EUR 18.483 (2014: EUR 18,676) were past due but not impaired. In 2015 the write-down of Trade receivables to net realizable value amounted to EUR 1,317 (2014: EUR 1,260). These relate to a number of independent customers for whom there is no recent history of default. As of 31 December 2015, Trade receivables of EUR 6,884 (2014: EUR 4,599) were tested for impairment and written down when necessary. The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations.

The ageing of Trade receivables is as follows:

	2015		2014	
	Gross amount	Provision for Impairment	Gross amount	Provision for Impairment
Not overdue	78,145	-	56,643	-
Up to 90 days overdue	18,483	-	18,676	-
Over 90 days overdue	6,884	(3,373)	4,599	(2,699)
	103,512	(3,373)	79,918	(2,699)

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

	2015	2014
EUR	53,325	41,506
US Dollar	25,691	23,072
UK Pound	13,064	3,821
Other Currencies	10,989	11,425
	103,069	79,824
Provision	(3,373)	(2,699)
	99,696	77,125

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

	2015	2014
At 1 January	2.699	2,340
Provision for receivables impairment	1.317	1,260
Receivables written off during the year as uncollectible	(29)	(719)
Unused amounts reversed	(614)	(182)
At 31 December	3.373	2,699

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

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

15. Deferred income tax

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

At 1 January 2014	(4,274)
Exchange differences and changes within the Group	455
Consolidated Statement of Comprehensive Income charge (excluding rate change)	658
Effect of change in tax rates	198
Hedge reserve & translation reserve recognised in other Comprehensive Income	(472)
At 31 December 2014	(3,435)
At 1 January 2015	(3,435)
Exchange differences and changes within the Group	254
Consolidated Statement of Comprehensive Income charge (excluding rate change)	(2,557)
Effect of change in tax rates	299
Hedge reserve & translation reserve recognised in other Comprehensive Income	(475)
At 31 December 2015	(5,914)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The following amounts, determined after appropriate offsetting, are shown in the Consolidated Statement of Financial Position.

The deferred tax recognised in other Comprehensive Income during the period is as follows:

Fair value reserves in shareholders' equity	2015	2014
- Employer's contribution social charges on stock option exercises	-	-
- Hedge Reserve	(475)	(472)
	(475)	(472)

The deferred tax charged / (credited) to Equity during the period is as follows:

	2015	2014
Deferred income tax assets	10,029	7,873
Deferred income tax liabilities	(15,943)	(11,308)
	(5,914)	(3,435)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Based on future profits expected in the strategic plan the recoverability has been tested; a reversal of EUR 620 (2014: impairment of EUR 487) has been applied. Sensitivity analysis on impairment of tax losses used the assumption of decreasing the forecasted profit before tax by 5%. Based on the outcome of this calculation the impairment is not substantially affected. The Group has no unrecognised deferred tax liabilities.

Taxable effects of losses will expire according to below schedule:

	2015		2014	
	Total tax losses	Of which not capitalized	Total tax losses	Of which not capitalized
Less than 6 years	18,024	3,524	18,292	2,877
Between 6 and 10 years	37,062	215	33,574	14
More than 10 years	897	641	6,877	1,964
Indefinite	39,056	22,783	43,679	25,468
	95,039	27,163	102,422	30,323

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	At 1 January 2014	Exchange differences	Booked in other compre-hensive income	Compre-hensive income charge	Effect of change in tax rates	**At 31 December 2014**
Property, plant and equipment	(6,388)	31	-	554	3	(5,800)
Intangible assets	(19,184)	(302)	-	(1,070)	400	(20,156)
Other financial assets	1,828	32	(472)	(9)	-	1,379
Receivables	(2,379)	(67)	-	1,007	26	(1,413)
Inventories	2,417	311	-	(67)	(8)	2,653
Current liabilities	398	61	-	440	(1)	898
Long term liabilities	707	-	-	(69)	-	638
Provisions for pensions	633	33	-	467	1	1,134
Provisions for reorganisations	12	-	-	-	-	12
Provisions for guarantees	193	26	-	160	(5)	374
Provisions others	49	(8)	-	36	1	78
Subtotal	(21,714)	117	(472)	1,449	417	(20,203)
Subtotal tax losses	17,440	339	-	(792)	(219)	16,768
Overall total	(4,274)	456	(472)	657	198	(3,435)

	At 1 January 2015	Exchange differences	Booked in other compre-hensive income	Compre-hensive income charge	Effect of change in tax rates	At 31 December 2015
Property, plant and equipment	(5,800)	43	-	238	99	(5,420)
Intangible assets	(20,156)	(305)	-	15	166	(20,280)
Other financial assets	1,379	12	(475)	(214)	2	704
Receivables	(1,413)	(63)	-	(793)	30	(2,239)
Inventories	2,653	263	-	(154)	32	2,794
Current liabilities	898	14	-	144	(3)	1,053
Long term liabilities	638	-	-	(68)	-	570
Provisions for pensions	1,134	37	-	323	(12)	1,482
Provisions for reorganisations	12	9	-	540	4	565
Provisions for guarantees	374	18	-	(145)	(6)	241
Provisions others	78	(25)	-	119	-	172
Subtotal	(20,203)	3	(475)	5	312	(20,358)
Subtotal tax losses	16,768	251	-	(2,562)	(13)	14,444
Overall total	(3,435)	254	(475)	(2,557)	299	(5,914)

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Property, plant and equipment	1,708	640	(7,128)	(6,440)	(5,420)	(5,800)
Intangible assets	5,024	4,836	(25,304)	(24,992)	(20,280)	(20,156)
Other financial assets	758	1,440	(54)	(61)	704	1,379
Receivables	222	450	(2,461)	(1,863)	(2,239)	(1,413)
Inventories	3,489	3,237	(695)	(584)	2,794	2,653
Current liabilities	1,408	1,179	(355)	(281)	1,053	898
Long term liabilities	605	638	(35)	-	570	638
Provisions for pensions	1,485	1,146	(3)	(12)	1,482	1,134
Provisions for reorganisations	565	12	-	-	565	12
Provisions for guarantees	828	568	(587)	(194)	241	374
Provisions others	230	138	(58)	(60)	172	78
Subtotal	16,322	14,284	(36,680)	(34,487)	(20,358)	(20,203)
Tax losses	19,767	23,003	(5,323)	(6,235)	14,444	16,768
Overall total	36,089	37,287	(42,003)	(40,722)	(5,914)	(3,435)

16. Inventories

	2015	2014
Raw materials	5,144	5,407
Semi-finished goods	84,530	74,862
Finished Goods	29,391	28,505
	119,065	108,774
Provision	(19,683)	(20,324)
	99,382	88,450

The cost of inventories recognised as expense and included in Cost of sales amounted to EUR 497,666 (2014: EUR 366,418). In 2015 the write-down of inventories to net-realizable value amounted to EUR 3,715 (2014: EUR 8,955).

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

	2015	2014
Ordered work in progress	1,786	4,124
Advances received on ordered work in progress	(62,855)	(39,959)
	(61,069)	(35,835)
Cost exceed billing	17,261	29,123
Billing exceed cost	(78,330)	(64,958)
	(61,069)	(35,835)

An amount of EUR 131.1 million (2014: EUR 144.4 million) has been included in the Revenues of 2015 as included in the Consolidated Statement of Comprehensive 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. Construction contract revenue has been determined based on the percentage of completion method (cost based).

18. Assets and liabilities held for sale

In 2015, management committed to a plan to transfer production facilities from the Bornholm facility in Denmark to other Marel locations in Denmark and Slovakia, and sell the real estate in Bornholm. The business is serving multiple Marel segments. The real estate is presented as Assets held for sale for EUR 1.6 million. The deal was finalized on 3 June 2015 and the assets will be transferred per 1 January 2016. An impairment charge of EUR 25 has been included in Cost of Sales in 2015 to write down the real estate to the lower of its carrying amount and its fair value less costs to sell.

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Assets held for sale

Value 31 December 2015	1,576

In 2015, management committed to a plan to transfer production facilities from the Des Moines facility in the United States of America to the Gainesville (Georgia) production facility in the United States of America and sell the real estate in Des Moines. The production facility in Des Moines is serving the Meat segment. The real estate is presented as Assets held for sale for EUR 2.2 million and is valued at the lower of its carrying amount and its fair value less costs to sell.

Marel Meat Processing Inc.

Assets held for sale

Value 30 June 2015	3,342
Impairment Charge	(1,119)
Value 31 December 2015	2,223

19. Equity

Share Capital	Ordinary shares (thousands)	Treasury shares (thousands)	Outstanding number of shares (thousands)
At 1 January 2014	735,569	(117)	735,452
Treasury shares - purchased	-	(9,000)	(9,000)
Treasury shares - sold	-	2,159	2,159
At 31 December 2014	735,569	(6,958)	728,611
	100.00%	0.95%	99.05%
Treasury shares - purchased	-	(31,000)	(31,000)
Treasury shares - sold	-	7,055	7,055
At 31 December 2015	735,569	(30,903)	704,666
	100.00%	4.20%	95.80%

Class of share capital:	**2015**	**2014**
Nominal value	6,445	6,664
Share premium	277,055	310,484
Reserve for share based payments	864	1,264
Total share premium reserve	277,919	311,748

The total authorised number of ordinary shares is 735.6 million shares (2014: 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.

Share options are granted to directors and to selected employees. The exercise prices of options granted in June 2012, December 2014 and August 2015 are higher than the market price of the shares on the date of grant. The option holders in the 2014 and 2015 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 period's / years' service (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	Average exercise price per share	Options (thousands)
At 1 January 2014	EUR 0.820	18,108
Granted in 2014	EUR 0.965	2,475
Exercised	EUR 0.567	(2,159)
Forfeited in 2014	EUR 0.958	(1,653)
At 31 December 2014	EUR 0.866	16,771
Granted in 2015	EUR 1.501	2,200
Exercised	EUR 0.625	(7,055)
Forfeited in 2015	EUR 1.018	(1,367)
At 31 December 2015	EUR 1.139	10,549
Exercisable options at 31 December 2015		3,227

Stock options granted in the year	2012	2014	2015
Stock options expire in year	2018	2021	2021
The exercise prices* per share after:			
31 October 2016	EUR 1.080	-	-
31 October 2017	EUR 1.109	-	-
31 October 2018	EUR 1.138	-	-
28 April 2018	-	EUR 0.945	-
28 April 2019	-	EUR 0.970	-
28 April 2020	-	EUR 0.996	-
28 April 2021	-	EUR 1.022	-
28 October 2018	-	-	EUR 1.477
28 October 2019	-	-	EUR 1.517
28 October 2020	-	-	EUR 1.558
28 October 2021	-	-	EUR 1.598

* Exercise prices after dividend payment in 2013, EUR 0.0097 per share and after dividend payment in 2015, EUR 0.0048 per share.

In 2015 the following shares were exercised: 3,122 thousand shares at exercise price EUR 0.572 per share, 3,117 thousand shares at exercise price EUR 0.567 per share and 816 thousand shares were exercised at exercise price EUR 1.051 per share. No options were cash settled.

In 2014 the following shares were exercised: 475 thousand shares at exercise price EUR 0.549 per share and 1,684 thousand shares at exercise price EUR 0.572 per share. No options were cash settled.

The fair value of the employee share 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	Esti-mated volatility	Weighted average remaining contr. life in months [1)]
Option plan June 2012, 60% exercisable > 31 October 2015	1.066	5.4	0.96%	3%	19.68%	34
Option plan June 2012, 20% exercisable > 31 October 2016	1.095	5.4	0.96%	3%	19.68%	34
Option plan June 2012, 20% exercisable > 31 October 2017	1.124	5.4	0.96%	3%	19.68%	34
Option plan December 2014, 60% exercisable > 28 April 2018	0.949	5.4	0.00%	3%	22.04%	64
Option plan December 2014, 20% exercisable > 28 April 2019	0.975	5.4	0.00%	3%	22.04%	64
Option plan December 2014, 20% exercisable > 28 April 2020	1.001	5.4	0.00%	3%	22.04%	64
Option plan August 2015, 60% exercisable > 28 October 2018	1.477	5.2	0.00%	3%	22.04%	70
Option plan August 2015, 20% exercisable > 28 October 2019	1.517	5.2	0.00%	3%	22.04%	70
Option plan August 2015, 20% exercisable > 28 October 2020	1.558	5.2	0.00%	3%	22.04%	70

[1)] Based on last possible exercise dates in each option plan.

Reserves

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.

The Hedge reserve comprises revaluations on derivatives, on which hedge accounting is applied. The value of 31 December 2015 and 2014 relates to derivatives for the Group, the interest rate swap contracts.

The 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.

20. Borrowings

The numbers disclosed below reflect the situation as per 31 December 2015, for 31 December 2014 this is excluding the amendment to the facility agreement with the bank consortium with effective date 9 January 2015.

Non-current:	**2015**	**2014**
Bank borrowings	217,272	180,272
Finance lease liabilities	15	6
	217,287	180,278
Current:		
Bank borrowings excluding bank overdrafts	18,449	18,635
Total borrowings	235,736	198,913
Secured bank loans	235,721	198,907
Finance lease liabilities	15	6
Total borrowings	235,736	198,913

2015 Annual maturity of non-current liabilities:	Finance lease liabilities	Capitalized finance charges	Other borrowings	Total **2015**
Year 2017	-	(1,551)	20,000	18,449
Year 2018	15	(1,420)	150,243	148,838
Year 2019	-	-	50,000	50,000
Year 2020	-	-	-	-
Year 2021	-	-	-	-
Later	-	-	-	-
	15	(2,971)	220,243	217,287

2014 Annual maturity of non-current liabilities:	Finance lease liabilities	Capitalized finance charges	Other borrowings	Total **2014**
Year 2016	-	(1,364)	20,000	18,636
Year 2017	-	(1,258)	162,894	161,636
Year 2018	6	-	-	6
Year 2019	-	-	-	-
Year 2020	-	-	-	-
Later	-	-	-	-
	6	(2,622)	182,894	180,278

As of 31 December 2015, interest bearing debt amounted to EUR 240,258 (2014: EUR 202,900), of which EUR 240,258 (2014: EUR 202,900) are 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.

The Group loan agreements contain various restrictive covenants, relating to interest cover and leverage. At year end 2015 and 2014 the Group complies with all restrictive covenants.

The Group has the following headroom in committed ancillary facilities:

Floating rate:	**2015**	**2014**
- Expiring within one year	-	-
- Expiring beyond one year	73,517	79,430
	73,517	79,430

21. Provisions

	Guarantee commitments	Pension commitments *)	Refocusing provisions	Other Provisions	Total
At 1 January 2014	3,821	3,638	-	699	8,158
Release	(235)	-	(7)	(43)	(285)
Additions	1,624	1,457	6,969	126	10,176
Used	171	7	(1,051)	(476)	(1,349)
At 1 January 2015	5,381	5,102	5,911	306	16,700
Release	(1,143)	-	(799)	(113)	(2,055)
Additions	2,157	1,715	3,429	560	7,861
Used	130	(443)	(6,495)	204	(6,604)
At 31 December 2015	6,525	6,374	2,046	957	15,902

*) Including the provision for early retirement rights, which has increased to EUR 3,541 (2014: EUR 2,675).

Analysis of total provisions	**2015**	**2014**
Current	8,959	9,408
Non-current	6,943	7,292
	15,902	16,700

Specification of major items in provisions:

Nature of obligation for 2015	**Country**	**Maturity**	**Likelihood**	**Amount**
Guarantee	Netherlands	Dynamic	Dynamic	2,255
Guarantee	US	Dynamic	Dynamic	1,302
Guarantee	Denmark	Dynamic	Dynamic	723
Refocusing	US	Static	Highly probable	646
Refocusing	Denmark	Static	Highly probable	615

Nature of obligation for 2014	**Country**	**Maturity**	**Likelihood**	**Amount**
Guarantee	Netherlands	Dynamic	Dynamic	1,953
Guarantee	Denmark	Dynamic	Dynamic	611
Guarantee	US	Dynamic	Dynamic	820
Refocusing	Netherlands	Static	Highly probable	4,269
Refocusing	Singapore	Static	Highly probable	1,607

22. Employee benefits

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

The Company's pension costs for all employees for 2015 were EUR 16,473 (2014: EUR 15,876).
This includes defined contribution plans for EUR 9,940 (2014: EUR 9,062), as well as a pension plan based on multi-employer union plan for EUR 6,533 (2014: EUR 6,814)

The Company's employees in the Netherlands, 1,030 (2014: 1,056) in full-time employees ("FTEs"), participate in a multi-employer union plan ("Bedrijfstakpensioenfonds Metalektro", PME) determined in accordance with the collective bargaining agreements effective for the industry in which Marel operates. This pension plan is treated as a defined contribution scheme based on the following grounds:

1. It is an industry-wide pension fund, used by the Company in common with other legal entities;
2. 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 147,000 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 decreased to 96.40 percent as per 31 December 2015 (31 December 2014: 102.0). The decrease is caused by developments in the financial markets and abolition of the 3 months average interest rate to the 12 months average interest rate, as prescribed by De Nederlandsche Bank (the Dutch central bank, the supervisor of all pension companies in the Netherlands). 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 2016 the pension premium will be 23.2 percent of the total pensionable salaries (2015: 23.6%), 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.

23. Derivative financial instruments

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

The notional principal amount of the outstanding interest rate swap contract at 31 December 2015 was EUR 139,061 (2014: EUR 137,585).

The contractual maturities are as follows:

2015	**Currency**	**Principal**	**Maturity**	**Interest %**
Interest rate SWAP	USD	70,000	2016	1.8%
Interest rate SWAP	EUR	50,000	2016	3.1%
Forward starting Interest rate SWAP	USD	55,000	2017	2.4%
Forward starting Interest rate SWAP	EUR	6,000	2017	0.8%
Interest rate SWAP	EUR	25,000	2017	0.1%
Forward starting Interest rate SWAP	EUR	55,000	2018	0.2%
Forward starting Interest rate SWAP	USD	60,000	2018	2.2%

2014	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	80,000	2016	3.1%
Interest rate SWAP	USD	70,000	2016	2.4%
Forward starting Interest rate SWAP	EUR	6,000	2017	0.8%
Forward starting Interest rate SWAP	USD	55,000	2017	2.4%

24. Trade and other payables

	2015	2014
Trade payables	52,392	51,757
Accruals	8,586	6,927
Personnel payables	34,931	31,264
Other payables	43,318	32,531
Total Trade and other payables	139,227	122,479

25. Contingencies

At 31 December 2015 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 27,822 (2014: EUR 22,110) to third parties.

As part of doing business Marel 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.

26. 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:

	2015	2014
Less than 1 year	6,334	6,073
Between 1 and 5 years	8,999	6,931
Later than 5 years	4,824	2,867
Total operational lease liabilities	20,157	15,871

During the year an amount of EUR 7,029 was recognised as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (2014: EUR 7,638).

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 BV and 18 months for all other Marel entities. The insurance benefits for Business Interruption amount to EUR 414 million for 2015 for the whole Group. The Group Insurance value of buildings amounts to EUR 140 million, productions machinery and equipment including software and office equipment amount to EUR 132 million and inventories to EUR 120 million. Currently there are no major differences between appraisal value and insured value.

27. Related party transactions

At 31 December 2015 and 2014 and during the financial years there are no loans to directors.

Board fee for the year 2015 and shares at year-end

	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	98	8	-	-	32
Arnar Þór Másson, Vice Chairman	65	5	-	-	-
Ann Elizabeth Savage, Board Member	33	3	-	-	-
Ástvaldur Jóhannsson, Board Member	33	3	-	-	-
Helgi Magnússon, Board Member	33	3	-	-	4,305
Margrét Jónsdóttir, Board Member	33	3	-	-	193 [3)]
Ólafur S. Guðmundsson, Board Member	33	3	-	-	1,705

Management remuneration 2015

	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	523	-	33	53	-	-	132 [3)]
Linda Jónsdóttir, Chief Financial Officer	259	40	20	26	545	63	63
Anton de Weerd, Managing Director (EVP) Poultry	298	217	20	30	740	350	-
David Wilson, Managing Director (EVP) Meat	211	22	62	20	635	50	-
Gerrit den Bok, Managing Director (EVP) Further Processing	193	51	12	22	635	125	-
Sigurður Ólason, Managing Director (EVP) Fish	244	-	14	21	425	-	-
Six other Executive Vice Presidents (EVP)	1,444	267	99	142	3,555	450	395 [4)]

1) Pension contributions for all board members and the management are part of a defined contribution plan.
2) Number of shares * 1000.
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 2015 held 215,366,838 shares in Marel hf. (29.28% of total issued shares).
4) Marel has identified six executive vice presidents who have material significance for Marel's operations. This group consists of EVP Commercial; EVP Supply Chain, EVP Human Resources, EVP Strategy and Corporate Development, EVP Innovation and EVP Commercial Regions.

Stock options 2015

	Number of shares [2]	Average exercise price EUR per share
Linda Jónsdóttir, Chief Financial Officer	120	1.077
	225	0.960
	200	1.501
Anton de Weerd, Managing Director (EVP) Poultry	315	1.077
	225	0.960
	200	1.501
David Wilson, Managing Director (EVP) Meat	210	1.077
	225	0.960
	200	1.501
Gerrit den Bok, Managing Director (EVP) Further Processing	210	1.077
	225	0.960
	200	1.501
Sigurður Ólason, Managing Director (EVP) Fish	225	0.096
	200	1.501
Six other Executive Vice Presidents (EVP)	1,005	1.077
	1,350	0.960
	1,200	1.501

Board fee for the year 2014 and shares at year-end

	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	90	7	-	-	32 [3]
Arnar Þór Másson, Vice Chairman	60	5	-	-	-
Ann Elizabeth Savage, Board Member	30	2	-	-	-
Ástvaldur Jóhannsson, Board Member (from 05-03-2014)	25	2	-	-	-
Helgi Magnússon, Board Member	30	2	-	-	5,305
Margrét Jónsdóttir, Board Member	30	2	-	-	200
Ólafur S. Guðmundsson, Board Member (from 05-03-2014)	25	2	-	-	1,705

Management remuneration 2014

	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, CEO	414	-	-	33	-	-	215,499 [3]
Linda Jónsdóttir, CFO (from 27-10-2014)	42	-	-	4	408	-	-
Erik Kaman, CFO (until 27-10-2014)	1,335	-	44	30	350	-	1,675
Sigsteinn Grétarsson, COO, Global Head of Commercial	344	-	38	36	763	-	26
Anton de Weerd, Global Head of Industry Poultry	289	-	31	33	890	-	-
David Wilson, Global Head of Industry Meat	200	-	14	18	485	-	-
Gerrit den Bok, Global Head of Industry Further Processing	191	-	17	24	560	-	-
Sigurður Ólason, Global Head of Industry Fish (from 28-04-2014)	118	-	-	9	225	-	-
Jón Birgir Gunnarsson, Managing Director of IC Fish (until 28-04-2014)	81	3	-	7	-	25	-
Five other Managers	812	-	30	77	2,043	-	288 [4]

[1] Pension contributions for all board members are part of a defined contribution plan.
[2] Number of shares * 1000.
[3] Shares owned by Eyrir Invest hf., including those of financially related parties. Margrét Jónsdóttir is the Managing Director of Operation of Eyrir Invest hf..
[4] Marel has identified five Managers who have material significance for Marel's operations. This group consists of Strategy and Corporate Development, Human Resources, Supply Chain, Innovation and Managing Director of Commercial.

Stock options 2014

	Number of shares [2)]	Average exercise price EUR per share
Linda Jónsdóttir, CFO (from 27-10-2014)........	63	0.572
	120	1.073
	225	0.965
Erik Kaman, CFO (until 27-10-2014)........	350	0.572
Sigsteinn Grétarsson, COO, Global Head of Commercial	88	0.572
	450	1.073
	225	0.965
Anton de Weerd, Global Head of Industry Poultry	350	0.572
	315	1.073
	225	0.965
David Wilson, Global Head of Industry Meat........	50	0.572
	210	1.073
	225	0.965
Gerrit den Bok, Global Head of Industry Further Processing........	125	0.572
	210	1.073
	225	0.965
Sigurður Ólason, Global Head of Industry Fish (from 28-04-2014)	225	0.965
Five other Managers	363	0.572
	555	1.073
	1,125	0.965

28. Events after balance sheet date

Acquisition MPS Holding III B.V.

On 21 November 2015, Marel Holding B.V., a Dutch subsidiary of Marel hf., signed an agreement to acquire 100% of the shares of MPS Holding III B.V. (“MPS”) from a consortium of shareholders. MPS is domiciled in The Netherlands.

MPS is a leader 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 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 will support Marel’s full line offering in the meat processing industry.

The closing date of this transaction is 29 January 2016. The purchase price is approximately EUR 382 million on a debt-free and cash-free basis. Due to the timing of the closing of the transaction, the final amount will only be known in the course of 2016. Acquisition related costs that were recognized in 2015 in General and Administrative expenses amounted to EUR 3.3 million.

As the acquisition date is close to the date on which the financial statements are authorized for issue, no details on fair value of assets and liabilities (purchase price allocation) per acquisition date are known. The fair value of assets and liabilities after the acquisition will be assessed in the course of 2016.

The resulting goodwill from this acquisition is primarily related to the strategic (and cultural) fit with highly complementary product portfolios and geographic presence. The goodwill is not tax deductible.

The acquisition of MPS will be paid with Marel cash reserves and an additional borrowing.

Parallel to the announced acquisition Marel has secured long-term senior financing arranged by a bank consortium: Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., ABN AMRO Bank N.V.and ING Bank N.V..

The new loan facilities are all senior debt and have maturity in November 2020. The terms and conditions are in line with current market terms and current senior facility. The facility is composed of a EUR 343 million tranche, USD 105 million tranche and EUR 225 million revolving facility.

Other events after balance sheet date

As of 1 January 2016 Marel Stork Poultry Processing Inc., Marel Meat Processing Inc. and Marel Inc. will be merged to one legal entity.

29. Acquisitions and divestments

The Company has divested on 7 April 2015 its High Speed Slicing business in the United Kingdom. The High Speed Slicing business is mainly related to the Meat segment. This divestment is an important step in the Simpler, Smarter, Faster program. The assets and liabilities have been sold to Middleby Corporation, United Kingdom, in 2015. The cash consideration for this divestment was EUR 9.0 million. The result of this divestment was EUR 2.2 million, which has been included in the other operating income / (expenses) in the Consolidated Statement of Comprehensive Income. Subsequent to the sale of the High Speed Slicing business, management assessed the carrying value of the related intangibles assets, resulting in an impairment charge of EUR 1.7 million, which has been included in other operating income / (expenses) in the Consolidated Statement of Comprehensive Income. The financial impact off the above transaction is included in 2015. Revenues of the High Speed Slicing business were approximately EUR 10.0 million on an annual basis.

The Company has divested on 27 February 2015 its Stork Inter Iberica operations. This divestment is an important step in the Simpler, Smarter, Faster program. The shares have been sold to Groupe Saint Jacques in Spain, a private equity company. The consideration for this divestment is 1 Euro in cash after the cash injection of EUR 2.4 million. The result of this divestment was EUR (3.4) million, which has been included in the other operating income / (expenses) in the Consolidated Statement of Comprehensive Income. Revenues of the Stork Inter Iberica operations amounted to EUR 3.3 million in 2014.

Marel discontinued its production of freezers in Singapore, as part of Simpler, Smarter, Faster program, and entered into a partnership to continue to provide freezing solutions for integrated solutions to its customers. The wind-down of manufacturing activities in Singapore was completed early 2015. The costs associated with the closure were booked as one-off costs in 2014. The closure of the manufacturing operation in Singapore improved operational profit during the second half of 2015 and onwards. Revenues of the discontinued operation in Singapore were approximately EUR 12 million on an annual basis.

For details on the acquisition of MPS, subsequent to the reporting date, reference is made to note 28.

30. Subsidiaries

The largest subsidiaries are listed below:

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

31. Quarterly results (unaudited)

	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Total
Revenue	201,913	189,106	218,272	209,311	818,602
Cost of sales	(125,422)	(116,504)	(134,805)	(129,716)	(506,447)
Gross profit	76,491	72,602	83,467	79,595	312,155
Selling and marketing expenses	(29,069)	(24,371)	(29,613)	(28,263)	(111,316)
Research and development expenses	(14,924)	(13,182)	(12,917)	(16,055)	(57,078)
Administrative expenses	(18,404)	(12,824)	(13,137)	(15,228)	(59,593)
Other operating income / (expenses)	532	(19)	737	(3,805)	(2,555)
Result from operations (EBIT)	14,626	22,206	28,537	16,244	81,613
Net finance costs	(3,544)	(4,877)	(3,474)	(12)	(11,907)
Result before income tax	11,082	17,329	25,063	16,232	69,706
Income tax	(1,220)	(2,631)	(5,547)	(3,612)	(13,010)
Profit (loss) for the period	9,862	14,698	19,516	12,620	56,696
Profit before deprec. & amortization (EBITDA)	23,599	29,686	38,135	29,393	120,813

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Total
Revenue	200,018	187,931	169,848	154,757	712,554
Cost of sales	(127,119)	(120,517)	(114,600)	(102,608)	(464,844)
Gross profit	72,899	67,414	55,248	52,149	247,710
Selling and marketing expenses	(27,512)	(24,347)	(25,369)	(25,807)	(103,035)
Research and development expenses	(18,006)	(12,931)	(12,040)	(12,459)	(55,436)
Administrative expenses	(18,908)	(14,023)	(14,288)	(12,867)	(60,086)
Other operating income / (expenses)	20	-	2	3	25
Result from operations (EBIT)	8,493	16,113	3,553	1,019	29,178
Net finance costs	(2,988)	(2,793)	(2,934)	(3,659)	(12,374)
Result before income tax	5,505	13,320	619	(2,640)	16,804
Income tax	(2,510)	(3,479)	147	769	(5,073)
Profit (loss) for the period	2,995	9,841	766	(1,871)	11,731
Profit before deprec. & amortization (EBITDA)	20,989	24,616	13,022	8,071	66,698