



**ANNUAL
REPORT
2016**

 **marel**

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CHAIRMAN'S ADDRESS

ADVANCING FOOD PROCESSING



Yet another good year for Marel.

It was a year of strategic growth and a further strengthening of our foundations. Amidst significant shifts in the world's geopolitical landscape resulting in both political and economic uncertainty the strategic drivers in our industry remained intact. The immense social challenge of how to feed the world's population in the future continues to present Marel with opportunities for sustainable value creation by advancing the way food is processed.

THE CHALLENGE

The only way we can address these immense challenges is with technology, innovation and changes in behavior. We have to find ways to do more and better with less. This represents countless opportunities for Marel and its customers. Armed with innovation—the core of our strategy—Marel pursues its vision of transforming the way food is processed, in partnership with our customers. Marel is continuously seeking new ways of doing more with less, enabling our customers to increase yields, minimize waste, decrease the use of water, energy and other valuable resources while increasing food safety and improve animal welfare as well as the working conditions of employees.



**OVER HALF OF THE
ASIAN POPULATION
IN TOWNS & CITIES**
BY 2018

THE OPPORTUNITIES

Today's global population of 7.5 billion is projected to rise to around 9.7 billion in 2050. This, along with continued urbanization, increased prosperity and changes in consumer behavior, is expected to lead to a substantial rise in the demand for food. The UN's Food and Agricultural Organization predicts the increase will be up to 50%. At the same time, the focus on sustainability and environmental matters is continuously growing. We are using too much of scarce resources such as water, land and energy for food production. On top of this, we waste an unconceivable amount of food. It is estimated that around one third of the food produced in the world today is wasted somewhere in the value chain. That is equivalent to 1.3 billion tons of waste, worth around \$1 trillion.

In 2016, Marel invested €63m in innovation, corresponding to 6.5% of our revenue. In a world where the pace of technology-driven change is faster than ever before, we must be vigilant and remain agile, finding the right balance between addressing customers' current needs and leading the future development of the industry. The industrial Internet revolution, digitalization and big data are changing Marel's business like the rest of the world. We see great future opportunities in our Innova Food Processing Software, which has already been installed in over 1600 plants worldwide. Innova enables food processors to optimize their performance and provides full traceability, adhering to ever changing food safety standards. Marel's future success is based on the ability to bring innovation to the market and deliver value to customers, fueling further investments in our own business and future growth.

PROGRESS IN LINE WITH STRATEGY

Over the last decade, Marel's revenues have grown around 20% per year on average, one-third through organic growth and two-thirds through acquisitions. The target continues to be set at the organic growth being greater than the market, which has been growing by 4-6% per year in the past. The market is still fragmented and ripe for further consolidation. Our aim is to continue to leverage Marel's strong foundation and create additional value for shareholders through acquisitions. In 2016, organic growth was fueled by the continued strengthening of our product portfolio and the introduction of several new, state-of-the-art solutions. Significant investments were also made in advancing our own business, upgrading manufacturing equipment, improving facilities and IT platforms.

**DIVIDENDS
FOR 2016** **20%** OF NET PROFIT

In the beginning of the year, the acquisition of MPS was closed, supporting Marel's full line offering in the meat processing industry and contributing to a more balanced revenue split between industry segments and geographies. Revenues increased by over 18% during the year and are approaching one billion with healthy profitability. Profit for the year amounted to €75.8m and earnings per share increased by 34%, reflecting the strong operating results and the fact that the MPS acquisition was completed without issuing new equity capital. The progress in 2016 is fully in line with our strategy.

DISTRIBUTION OF PROFITS

Marel's financial position is strong with net debt to EBITDA well within the target range of 2-3. In line with the company's capital allocation and dividend policy, the Board of Directors has proposed to the 2017 Annual General Meeting that a dividend payment of €15.3m, corresponding to approximately 20% of net profits, is paid to shareholders.

Furthermore, the Board of Directors has authorized the purchase of own shares for up to €15m to be used as payment for potential future acquisitions.

CORPORATE RESPONSIBILITY

Marel's Board of Directors is committed to good corporate governance and ethical business practices that promote the long-term interests of shareholders. In the beginning of 2016, we were awarded a recognition as "Exemplary in Corporate Governance" by the Research Center for Corporate Governance at the University of Iceland, Nasdaq Iceland, the Iceland Chamber of Commerce and the Confederation of Icelandic Employers.

During the year, significant progress was made in developing and executing a formal approach to corporate social responsibility. Guiding principles for the approach to people, the planet and profitability were introduced throughout the organization and Marel became a signatory to the UN's Global Compact. For further information, reference is made to the Corporate Responsibility section of this report.

During the year, the Board held meetings in Iceland, the Netherlands and the U.S., providing board members with a great opportunity to visit Marel's operations as well as customers in these countries. Board members also participated in several trade shows, providing valuable insights into market dynamics.

POSITIONED FOR FUTURE VALUE CREATION

Marel is well positioned to capture long-term profitable growth. We stay true to our purpose of partnering with customers to transform the way food is processed. Our vision is of a world where quality food is processed sustainably and affordably.

On behalf of the Board of Directors, I congratulate the Marel team on the results and achievements made in 2016 and extend our appreciation for the dedication and hard work. We thank the company's shareholders for their continuous commitment and support.



Asthildur Otharsdottir,
Chairman of Marel's Board of Director

CEO'S ADDRESS

GREAT YEAR

2016 was a great year for Marel. It was a year of strategic moves and solid performance with 983 million in pro forma revenue and 14.6% EBIT.

I would like to thank our customers and employees for an eventful and enjoyable year. With passion and dedication, we are transforming the way food is processed.

The year 2016 was a great year for Marel. Our customers are setting up state-of-the-art-processing plants in Asia, South America, North America and Europe that will enable them to offer affordable quality food. Exciting orders were secured in Africa and the Middle-East as well. Our product portfolio is strong and we introduced several revolutionary products to the market in 2016. Our vision is a world where quality food is affordable and produced in a safe and sustainable way.



MAREL EXPANDS ITS MEAT OPERATIONS

After successfully simplifying our operations, organization and processes, we were ready to take the next steps in executing our strategy of being a full line provider to the poultry, meat and fish industries.

We finalized the acquisition of MPS Meat Processing Systems at the beginning of the year, allowing Marel to become a full-line supplier to the meat industry. In fact, we were repeating the game where we became a full line supplier to the poultry industry with the acquisition of Stork Food Systems in 2008.

Integration is on track with the first year's focus being on combining and cross training the sales force and synchronizing the financial reporting. Companies can become too focused on internal issues and lose sight of serving the customers' needs following acquisitions and during business refocusing. We are acutely aware of this and have always emphasized the essential importance of being at-the-customer, for-the customer while advancing our business.

From January 1, 2017, all Marel meat activities are all branded as Marel. We will take specific steps in the coming quarters to fully integrate our businesses with a focus on after sales services and supply chain activities.

ADVANCING FOOD PROCESSING

We have a good business model with high quality of earnings. Our revenues are well balanced geographically and consist of greenfield projects, modernization and extension projects with a strong backbone in our maintenance business.

The cash flow is strong and we managed to execute the acquisition of MPS without issuing any new shares. As we are advancing the businesses of our customers, we are advancing the business of Marel with extensive investments in our manufacturing, innovation and IT platforms. At year-end 2016, the net debt EBITDA is x2.25 in line with the targeted capital structure.

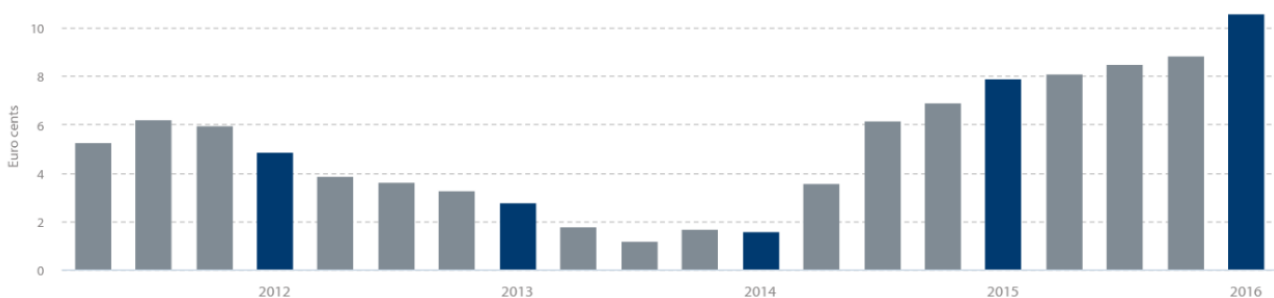
EARNINGS PER SHARE INCREASED BY 34%

Pro forma revenues were €983 million, compared to 819 million in the previous year for Marel stand alone. We have gradually increased the operational performance in recent years and deliver a solid operational performance with 14.6% EBIT in 2016.

Earnings per share increased by 34% between years due to an increased operational performance and a better utilization of the balance sheet.

34% INCREASE IN EARNINGS PER SHARE BETWEEN 2015 AND 2016

EARNINGS PER SHARE
TRAILING TWELVE MONTHS, BY QUARTER



Throughout the year, the modernization and maintenance business remained strong while we saw some softness in the greenfield and expansion projects at the beginning of the year. However, in Q4 we saw the order intake at an all-time high with landmark projects for the poultry, meat and fish industries around the globe resulting in a strong order book entering 2017.

A FAST CHANGING AND DYNAMIC WORLD

Marel is the leading global provider of advanced processing systems and services to the poultry, fish and meat industries. We are at the center point of prevailing trends in a fast changing and dynamic world. The global population is expected to reach between 9 and 10 billion people in the next two or three decades.

Moreover, due to urbanization and better economic prospects in general, the proportion of people considered “active” consumers is increasing at a faster rate than ever before.

The need for solutions and services to process affordable quality food in a safe and sustainable way is clearer than ever.

UNITED TEAM STRIVING FOR EXCELLENCE

As a united team, we strive for excellence in serving our customers’ needs. The aim is to continue to grow organically above market rates with focused market approach. Strong financials and an experienced team make Marel well equipped to take on further growth through strategic acquisitions.

We are firmly committed to delivering increased value to society, customers and shareholders by enhancing safe and sustainable food processing.



Arni Thordarson
CEO

WHO WE ARE

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

OUR VISION

In partnership with our customers we are transforming the way food is processed.

Our vision is of a world where quality food is produced sustainably and affordably.

ONE COMPANY

United under one vision and one set of values.

UNITY

We are united in our success

INNOVATION

Innovation drives the value we create

EXCELLENCE

Excellence is what differentiates us

GLOBAL PRESENCE

With around 4,600 employees worldwide, offices and subsidiaries in some 30 countries, and a network of more than 100 agents and distributors, Marel is in a unique position to serve its customers wherever they may be located.

ONE COMPANY SERVING THREE INDUSTRIES

Marel's industries combine the knowledge, expertise, and decades of experience accumulated across the company in each of the core industries it serves.

MAREL POULTRY

Marel offers the most complete product range and the largest installed base worldwide. Marel provides in-line poultry processing solutions for all process steps and all processing capacities for broilers, turkeys and ducks.

MAREL MEAT

Marel provides advanced equipment and systems to the meat industry, specializing in primary processing, the key processes of deboning and trimming, case-ready, food service and bacon processing.

MAREL FISH

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

FINANCIAL PERFORMANCE

2016 was a great year for Marel. The acquisition of MPS at the beginning of the year allowed Marel to become a full-line supplier to the meat industry. Integration is on track and the acquisition is delivering value to customers and shareholder.

PRO FORMA REVENUE

€983

MILLION

PRO FORMA EBIT*

€143

MILLION

PRO FORMA ORDER INTAKE

€1,013

MILLION

ORDER BOOK

€350

MILLION

* Operating income adjusted for amortization of acquisition-related intangible assets (PPA).

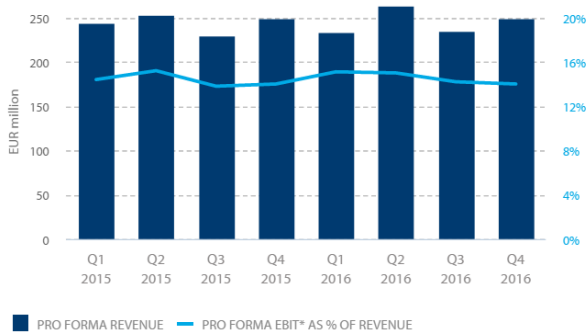


MAREL IN FIGURES

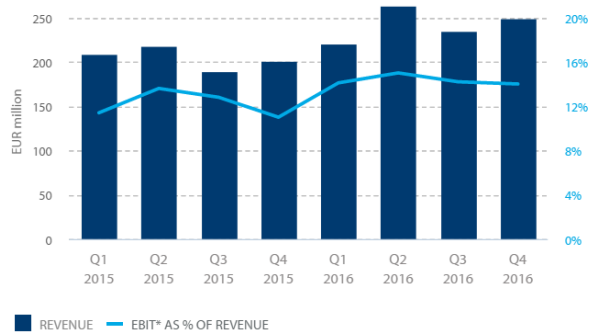
The consolidated financial accounts include the operations of MPS from February 1, 2016. Pro forma results include the operations of MPS for the respective quarters and are presented to provide better comparison.

COMPARISON BETWEEN 2015 AND 2016

REVENUE AND OPERATING PROFIT MARGIN
PRO FORMA OPERATIONS



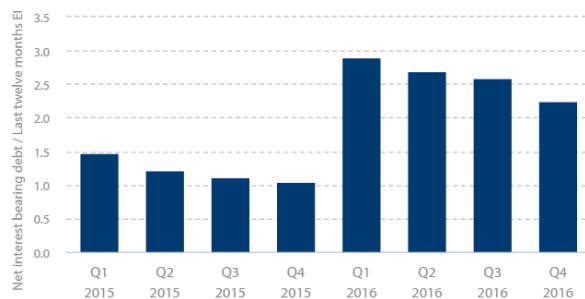
REVENUE AND OPERATING PROFIT MARGIN
CONSOLIDATED FIGURES



ORDER BOOK AND ORDERS RECEIVED
PRO FORMA OPERATIONS

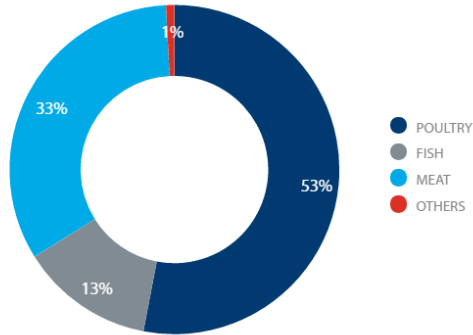


LEVERAGE RATIO
NET INTEREST BEARING DEBT / PRO FORMA LTM EBITDA



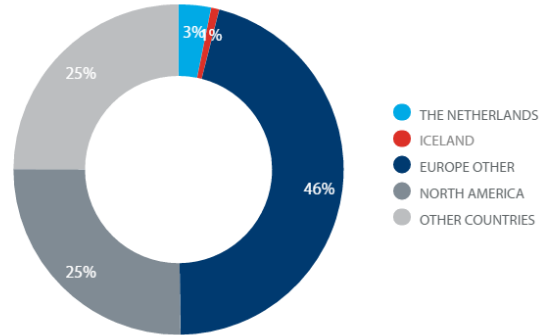
FROM MAREL'S CONSOLIDATED ACCOUNTS

REVENUE BY BUSINESS SEGMENT IN 2016*

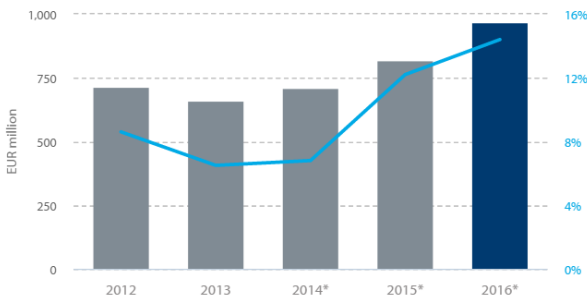


* Includes MPS for the whole of 2016

REVENUE BY GEOGRAPHICAL LOCATION IN 2016



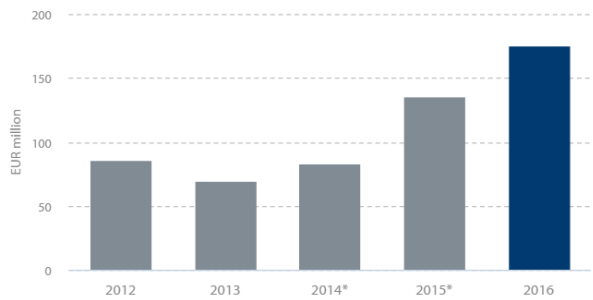
REVENUE AND EBIT
AS PERCENTAGE OF REVENUE



■ REVENUE — EBIT AS % OF REVENUE

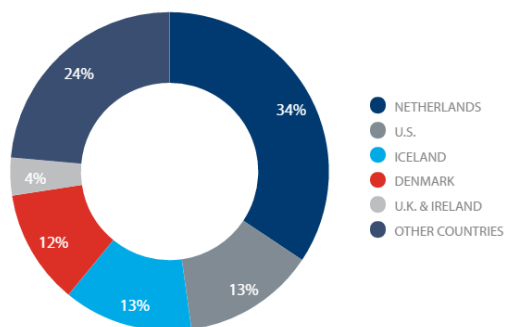
* Operating income adjusted for amortization of acquisition-related intangible assets (PPA) in 2016. 2014 and 2015 EBIT adjusted for refocusing cost and acquisition costs.

EBITDA

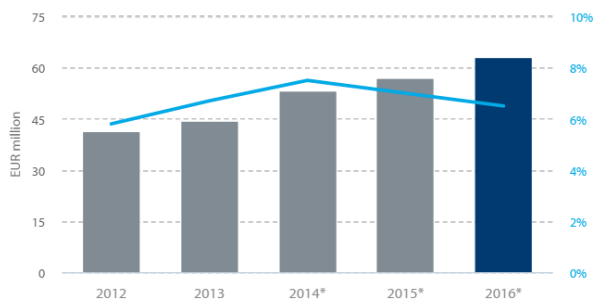


* Before refocusing and acquisition costs

NUMBER OF EMPLOYEES BY GEOGRAPHICAL LOCATION
FTES AT YEAR END 2016

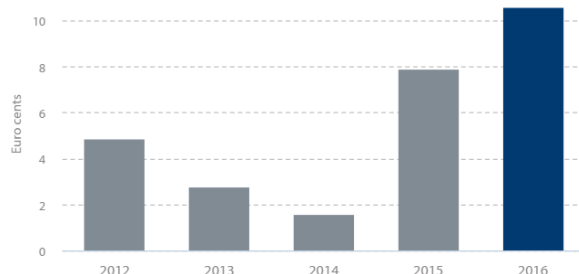


RESEARCH AND DEVELOPMENT EXPENSES

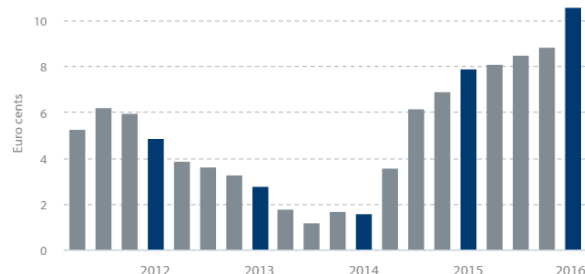


■ R&D EXPENSES — R&D EXPENSES AS % OF REVENUE

* Operating income adjusted for amortization of acquisition-related intangible assets (PPA) in 2016. 2014 and 2015 EBIT adjusted for refocusing cost and acquisition costs.

EARNINGS PER SHARE

EARNINGS PER SHARE

TRAILING TWELVE MONTHS, BY QUARTER



Results	2016	2015 *	2014 *	2013	2012
Revenue	969,671	818,602	712,554	661,536	713,960
Gross profit	397,008	312,155	247,710	233,644	249,226
Result before depreciation and amortization (EBITDA)	175,444	120,813	66,698	69,444	85,963
Result from operations (EBIT)	114,776	81,613	29,178	42,909	61,081
Net result for the period	75,844	56,696	11,731	20,620	35,609

Order book	2016	2015 *	2014 *	2013	2012
Orders received (includes service revenue)	1,005,997	824,609	754,996	668,584	650,493
Order book	349,526	180,887	174,880	132,438	125,390

* 2015 adjusted for refocusing costs and acquisition related costs; 2014 adjusted for refocusing costs

Cash flow statement	2016	2015 *	2014 *	2013	2012
Cash generated from operating activities, before interest & tax	179,017	119,739	102,201	80,320	65,569
Net cash from (to) operating activities	137,140	93,652	85,601	64,552	49,095
Investing activities	(408,136)	(17,859)	(28,395)	(32,418)	(37,294)
Net cash from (used in) financing activities	220,375	(10,723)	(55,623)	(26,461)	(26,486)

Financial position	2016	2015 *	2014 *	2013	2012
Total assets	1,392,428	938,155	851,440	839,568	865,128
Working capital	(13,304)	94,067	25,650	49,041	59,076
Group equity	525,573	446,739	427,498	419,339	403,748
Net debt	403,608	142,760	174,347	217,130	243,242

Various figures in proportion to sales	2016	2015 *	2014 *	2013	2012
Gross profit	40.9%	38.1%	34.8%	35.3%	34.9%
Selling and marketing expenses	13.3%	13.6%	14.5%	14.4%	12.6%
Research and development expenses	6.5%	7.0%	7.8%	6.7%	5.8%
Administrative expenses	6.8%	7.3%	8.4%	7.8%	8.0%
Wages and benefits	35.0%	33.6%	37.6%	37.9%	33.9%
Result before depreciation (EBITDA)	18.1%	14.8%	9.4%	10.5%	12.0%
Depreciation/amortisation	5.7%	4.8%	5.3%	4.0%	3.5%
Result from operations (EBIT)	11.8%	10.0%	4.1%	6.5%	8.6%
Net result for the period	7.8%	6.9%	1.6%	3.1%	5.0%

Other key ratios	2016	2015 *	2014 *	2013	2012
Current ratio	1.0	1.4	1.1	1.3	1.3
Quick ratio	0.6	1.0	0.7	0.8	0.8
Equity ratio	37.7%	47.6%	50.2%	49.9%	46.7%
Return on owners' equity	15.6%	13.0%	2.8%	5.0%	9.2%
Return on total assets	5.4%	6.0%	1.4%	2.4%	4.1%

Key figures from Marel's core operations, normalized	2016 **	2015 *	2014 *	2013	2012
Revenue	982,961	818,602	712,554	661,536	713,960
Result from operations (EBIT) ***	143,479	99,895	48,778	42,909	61,081
EBIT as a % of sales	14.6%	12.2%	6.8%	6.5%	8.6%
Result before depreciation and amortization (EBITDA)	179,742	135,751	83,666	69,444	85,963
EBITDA as a % of sales	18.3%	16.6%	11.7%	10.5%	12.0%
Orders received (includes service revenue)	1,012,697	824,609	754,996	668,584	650,493

Leverage	2.25	1.05	2.08	3.13	2.83
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** 2016 pro forma figures

*** 2016 adjusted for amortization of acquisition-related intangible assets

GLOSSARY OF TERMS

Net debt

Interest bearing borrowings (current & non-current) - Cash & cash equivalents

Net cash

Cash and cash equivalents

Full time equivalents

Number of personnel, where part time employees are counted for the percentage of a full time job

EBIT

Earnings before interest and tax

EBITDA

Earnings before interest, tax, depreciation and amortization

Current ratio

Current assets / Current liabilities

Quick ratio

(Current assets - Inventories) / Current liabilities

Equity ratio

Total equity / (Total equity + Total Liabilities)

Return on owners' equity

Annualized result for the period / Average of total equity ((beginning balance + ending balance for the period) / 2)

Return on total assets

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

Leverage

Net interest bearing debt/ Last twelve months EBITDA

MAREL'S BUSINESS OPERATIONS

GLOBAL SUPPLY CHAIN AND MANUFACTURING

Marel's Global Supply Chain organization is responsible for manufacturing and procurement within the company. It is the foundation of improved efficiency and use of resources as well as being a platform for sharing best practices within the company. In 2016, Marel successfully concluded the consolidation of the organization in the United States. The operations in Gainesville, Lenexa and Des Moines are now a unified organization under a single management team. Investment in Marel's facilities in Slovakia, as well as the maximum utilization of the Iceland facility, resulted in a record number of standalone equipment being delivered in 2016.

The companywide implementation of a new Sales and Operation Planning System along with a Procurement Savings Program were two of the most successful projects implemented for the Global Supply Chain in 2016. Together, they contributed to the maximum utilization of Marel's capacity at its twelve production sites where solutions are manufactured for the company's three major industries: poultry, meat and fish.

Additionally, the introduction of a simpler method of financial performance tracking enabled the supply chain to increase performances while drastically shortening decision-making time frames. The deployment of a global structure for key performance indicators within the supply chain organization ensures that continuous improvement is always high on the agenda.





SALES

Marel's global network of dedicated sales representatives is one of the company's strongest and most visible assets. The Marel sales operation consists of local representatives in 30 countries, 19 regionalized organizations and a global network of more than 100 agents and distributors. With such a large network Marel can serve large and small food processors and food retail companies on location wherever they are.

Each one of the industries Marel operates in is manned with specialized sales people working in partnership with customers around the world. They are dedicated to bringing top-of-the-line services, consistency and excellence to each project they participate in.

GLOBAL SERVICES

The service and maintenance operation is and will be one of the main sources of revenue and growth for Marel, delivering around 40% of the company's revenues. The service and spare part business is a clear growth opportunity, driving value for both customers and shareholders. The company is now moving systematically away from a reactive service model towards a more proactive one. This includes long-term service contracts that are designed to serve the needs of customers that want to prevent downtime in their production facilities and secure peak productivity at all times.

In 2016, Marel took important steps towards modernizing and harmonizing the service business. This was done by implementing one global field service management platform across the company. The system provides a full overview and insight into the installed base, customers and workforce. It collects and shares data faster from the field engineers to the office, harmonizing processes and increasing efficiency delivering better and more reliable data.

By standardizing the company's processes and IT platforms, Marel is now in a better position to take the service network to a new level. The positive effects are already evident in improved service delivery and sustainable growth. Response times have shortened, on-time performance has improved and there are consistent productivity improvements in the field.

Service will continue to be a key source of revenue and growth for Marel in the coming years. Major investments have been made in business improvement in the last few years, including IT and employee development. This has created a solid foundation for future growth and profitability from the service part of the company.

STRONG BUSINESS MODEL SUPPORTING FURTHER GROWTH

MODERNIZATION AND STANDARD EQUIPMENT

Good volume in standard equipment across all industries and geographies throughout the year



GREENFIELD PROJECTS

Landmark Greenfield projects secured in Europe, South-America, North-America and Asia in addition to smaller Greenfields in Africa and Middle-East

MAINTENANCE

Marel has the largest installment base in its industry
Recurring service and spare parts revenues have increased steadily and were 36% of total revenues in 2016

INNOVATION

Innovation at Marel is driven by constant collaboration between employees and customers and their desire to improve processing and solve challenges with a new approach. A myriad of innovative ideas were realized in 2016 with more than 25 new or upgraded products being launched.

New applications that tie into the revolutionary FleXicut fish pinbone detection and removal system were launched, as well as new portioning applications for salmon. In addition, new labelers and primary processing solutions as well as Innova Food Processing Software modules saw the light of day.

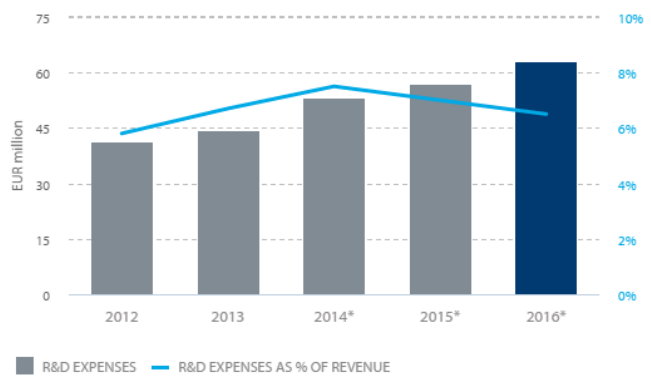
Marel launched the second generation of the Controlled Atmosphere Stunning system called CAS SmoothFlow for the poultry industry. It has been optimized by arranging the system into a single straight horizontal line, which sets a new industry standard.

A new portion cutter for meat processing, the I-Cut 130, was released. This machine uses the latest in laser vision technology to ensure optimal utilization of the raw material. It delivers fixed weight portions with unmatched accuracy.

Marel continues to invest in the further processing industry. A Universal Fresh Sausage Line was launched which enables flexible and highly automated production of fresh sausages in many different types of casings.

Marel's innovation efforts focus on creating breakthrough innovations designed to meet the challenges facing customers. The company also focuses on creating product upgrades and incremental additions to existing machines and systems to make sure its equipment stays competitive.

RESEARCH AND DEVELOPMENT EXPENSES

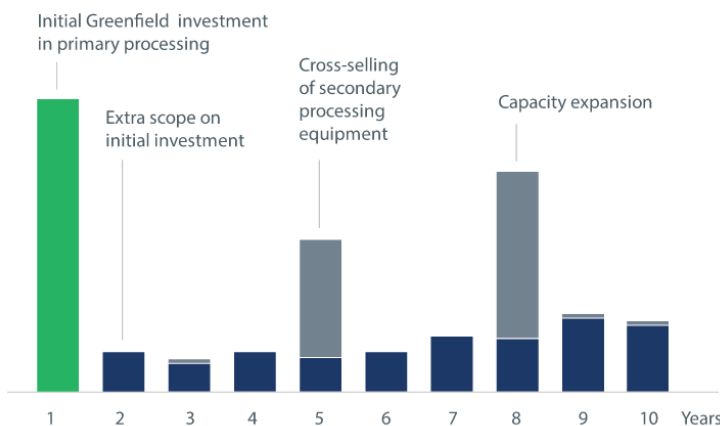


* Operating income adjusted for amortization of acquisition-related intangible assets (PPA) in 2016. 2014 and 2015 EBIT adjusted for refocusing cost and acquisition costs.

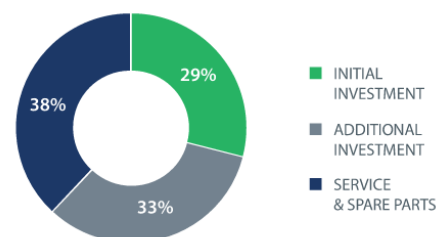


1,600
INNOVA SOFTWARE SYSTEMS
BEING USED AROUND THE WORLD

INNOVATION THROUGH PARTNERSHIP: GROWING TOGETHER



10 YEAR REVENUE PROFILE FROM A CUSTOMER



STRATEGY

MAREL'S VISION

In partnership with our customers, we are transforming the way food is processed.

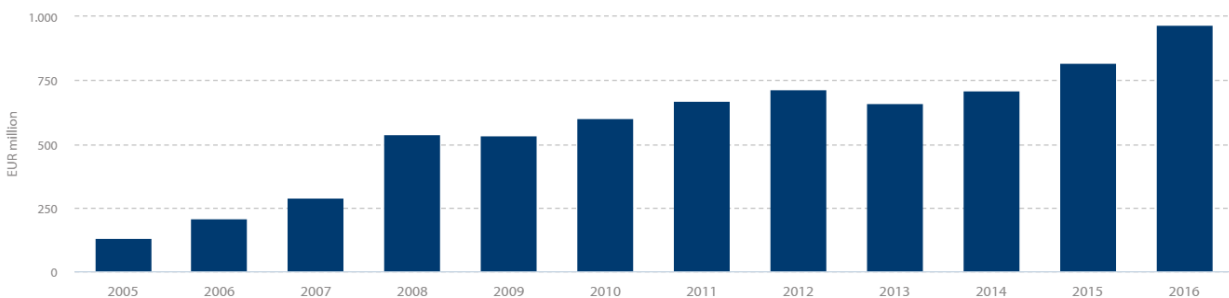
Our vision is of a world where food is produced sustainably and affordably.

A PERIOD OF STRONG GROWTH

An ambitious 10 year growth strategy was laid out for Marel in 2006. The goals included achieving €1bn in revenue as well as a 15% market share through strategic acquisitions and organic growth. Marel's past ten years have been characterized by a continuous and steady growth with the annual compound growth rate in 2005-2016 being 22%, of which organic growth was around 7%. The growth can be attributed to new market entrances, successful innovations and strategic acquisitions along with a sharp operational focus.

Over the past ten years Marel has actively participated in the ongoing consolidation of the food processing equipment market. Marel acquired AEW Delford and Scanvægt in 2006 to complete its product offering in secondary processing solutions. The acquisition of Stork Food Systems in 2008 paved the way for full line poultry processing solutions and the acquisition of MPS in 2016 closed the value chain gaps in primary meat processing, making Marel a full line supplier to the poultry, meat and fish industries.

2005-2016: A PERIOD OF STRONG GROWTH
20% CAGR (7% ORGANIC CAGR)

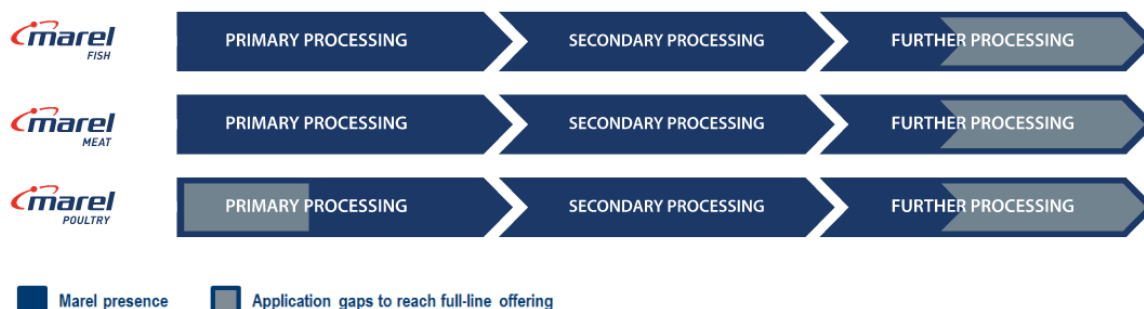


TURNING POINT

The result of the 10 year growth strategy introduced in 2006 has put Marel in a position to build on its solid financial foundations and continue to enjoy sustainable growth. To further cement its position as one of the market leaders in its field, Marel is emphasizing the streamlining of internal processes in order to reach its full potential. An integral part of this will be to get all of the company's business units on the same IT platforms, a project that will strengthen Marel's position significantly as a global market provider. With full-line solutions, the company will also continue to invest further in the already best-in-class sales and service network to reach global markets where growth can be expected through the best possible means.

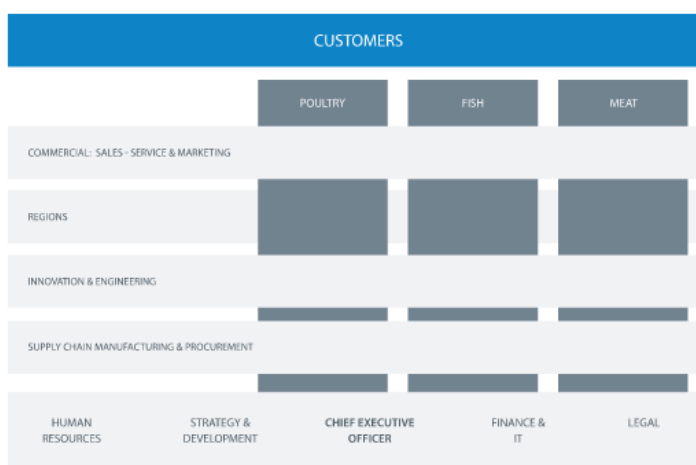
Today, Marel is a full line equipment provider to the global poultry, meat and fish processing industries. The full-line approach combined with extensive process know-how solidifies Marel's position as the preferred supplier for many of the world's largest food processing companies. Marel will continue to assess and fill the relevant application gaps in the coming years in order to strengthen its position across the value chain. In addition, it will focus on growth through innovative solutions and acquisitions with a good strategic fit.

LEADING GLOBAL PROVIDER



AT-THE-CUSTOMER, FOR-THE-CUSTOMER

Marel will continue to have a strong product offering in the advanced and high-end equipment markets as well as strong aftersales services. It will therefore be ready to fulfill one of its most important tasks; to support its customers when they enter new markets and face new challenges.



2015 PRO FORMA 2016 OUTLOOK

PRO FORMA REVENUE	€976m	REVENUE	€983m
PRO FORMA ADJ. EBIT**	€134m	EBIT*	€143m
PRO FORMA ORDER BOOK	€320m	ORDER BOOK	€350m
REVENUE	€819m		
ADJ. EBIT**	€100m		
ORDER BOOK	€181m		

Management expects 4-6% average annual market growth in the long term. Marel aims to grow organically faster than the market.

Results may vary from quarter to quarter due to general economic development, fluctuations in order intake and deliveries of larger systems.

In addition Marel aims to strengthen product offering and stimulate further growth through strategic acquisitions.

OUR MARKETS

Marel Poultry, Marel Meat and Marel Fish offer solutions and services tailored to the sectors they serve. Each division offers primary, secondary and further processing solutions designed to meet current and future processing needs. Marel Poultry is the largest division, followed by Marel Meat and Marel Fish. All of them are equally strong in their respective fields, leading the way in innovation and processing improvements worldwide.

MAREL POULTRY

Marel Poultry had an excellent year, with strong operational profit margins and volumes. Market conditions in poultry remained favorable throughout the year. Projects were well distributed geographically and between different product types and sizes, including large projects in Hungary, France, Russia, China, Korea and in the U.S. A number of innovative solutions were introduced during the year including the revolutionary live bird handling system, which takes into account the highest possible animal welfare.

MAREL MEAT

Marel Meat is now a full-line provider to the meat industry as MPS Meat processing systems has been part of Marel since January 29, 2016. Integration of Marel and MPS is on track and going well. From January 1, 2017 all products from Marel Meat and MPS are presented as Marel Meat. Marel Meat had a good year with strong operational profit margins and volumes. Market conditions for large projects picked up during the latter half of the year which saw a unified sales team secure full line projects in China, S-America and in the U.S.

MAREL FISH

Soft market conditions at the beginning of the year and the rationalization of the product offering negatively affected Marel Fish's results in 2016. During the last quarter of the year market conditions picked up and Marel Fish secured a record order intake due to a strategic shift and improved market conditions. Landmark projects were secured in the salmon industry in Norway in addition to various projects in Europe, North- America and South-America.

MAREL POULTRY

Marel Poultry generated €514 million in revenue with an adjusted EBIT of €85 million (16.6% of revenue) in 2016.

The poultry segment accounted for 52% of Marel's pro forma revenue in 2016. Market conditions in poultry remained favorable throughout the year. Projects were well distributed geographically and between different product groups and sizes of orders, including some large projects in Hungary, France, Russia, China, Korea and the U.S.

POULTRY
52%
OF REVENUE

A number of innovative solutions were introduced during the year including the revolutionary ATLAS live bird handling system, which was awarded the EuroTier 2016 Innovation Medal for setting a new industry standard.



LANDMARK PROJECT WITH HARIM

Marel Poultry continued to increase its strong worldwide presence in 2016. Market conditions remained favorable throughout the year resulting in good projects around the globe. Several landmark orders were secured throughout the year. In Q4, a landmark order was signed with Harim in South Korea. The processing plant will potentially be the world's largest and Marel will install four new processing lines, implementing Marel's latest technology in defeathering, evisceration and chilling. The lines all include low maintenance, self-calibrating high speed SmartWeighers that have proven performance and

stability in more than 100 processing lines worldwide. Marel Poultry and the Harim Group know each other very well, as most of Harim's plants are already equipped with many Marel Poultry solutions.

Marel Poultry also secured two important orders in France in 2016. SBV Volailles, a part of the large LDC group, chose Marel Poultry to extend their Keranna plant in Bretagne. Another French company, Sofral, also ordered a large project. In the U.S., Marel Poultry signed a contract with Simply Essentials for a new Greenfield factory. Marel will supply all the equipment and processing lines for this new project, designed to process 8,400 birds per hour.



**POULTRY PRODUCTION
IN INDIA UP BY 40%
IN THE LAST FIVE YEARS**

In 2016, Marel Poultry exhibited its latest solutions at trade shows around the world, strengthening its relationships with customers and reaching new ones in all markets. In September, Marel Poultry took part in three exhibitions that ran simultaneously on three continents: CIMIE in China, Polagra Tech in Poland and AgrikExpo in Nigeria. At the EuroTier exhibition in Hannover, Marel Poultry launched five major innovations that received a lot of attention from customers, press and other professional visitors.

STEADY STREAM OF INNOVATIVE SOLUTIONS

Many innovative solutions were introduced to the market in 2016. The Stork ATLAS (Advanced Technology Live bird Arrival System) was launched. The innovative system achieves revolutionary impact, efficiency and hygiene, lifting animal-welfare to new heights which are unrivaled in the poultry processing industry.

The impressive carousel modules of the Stork Thigh Fillet System, another global launch, also earned widespread acclaim in 2016. Thigh deboning has become completely industrial now, with no human intervention needed.

2016 marked a year in which Marel Poultry was very passionate about adding ever more intelligence to the process. A fine example of this is the AMF-i intelligent breast cap filleting system. No more manual settings are needed, as all modules adjust themselves to the individually measured breast cap sizes.

Several solutions were also brought to market that help Marel's customers gain better control over their secondary processing, creating better value and insight into yields while increasing food safety.

SUSTAINABLE SOLUTIONS FOR THE FUTURE

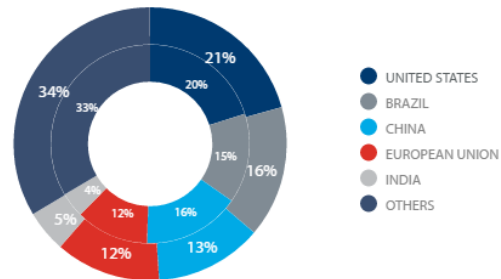
Marel has always focused on optimizing energy and water consumption in its solutions. A good example is the AeroScalder, which uses up to 75% less water and 50% less energy than competing solutions in the market.

In 2016, Marel introduced the revolutionary ATLAS live bird handling system which was awarded the EuroTier 2016 Innovation Medal. This outstanding innovative concept sets new industry standards and is designed to cope with future challenges.

GLOBAL CHICKEN PRODUCTION AND TRADE
CAGR OF 2% IN PRODUCTION AND 3% IN TRADE IN THE LAST 5 YEARS



LARGEST CHICKEN PRODUCERS
2017 FORECAST COMPARED TO 5 YEARS AGO



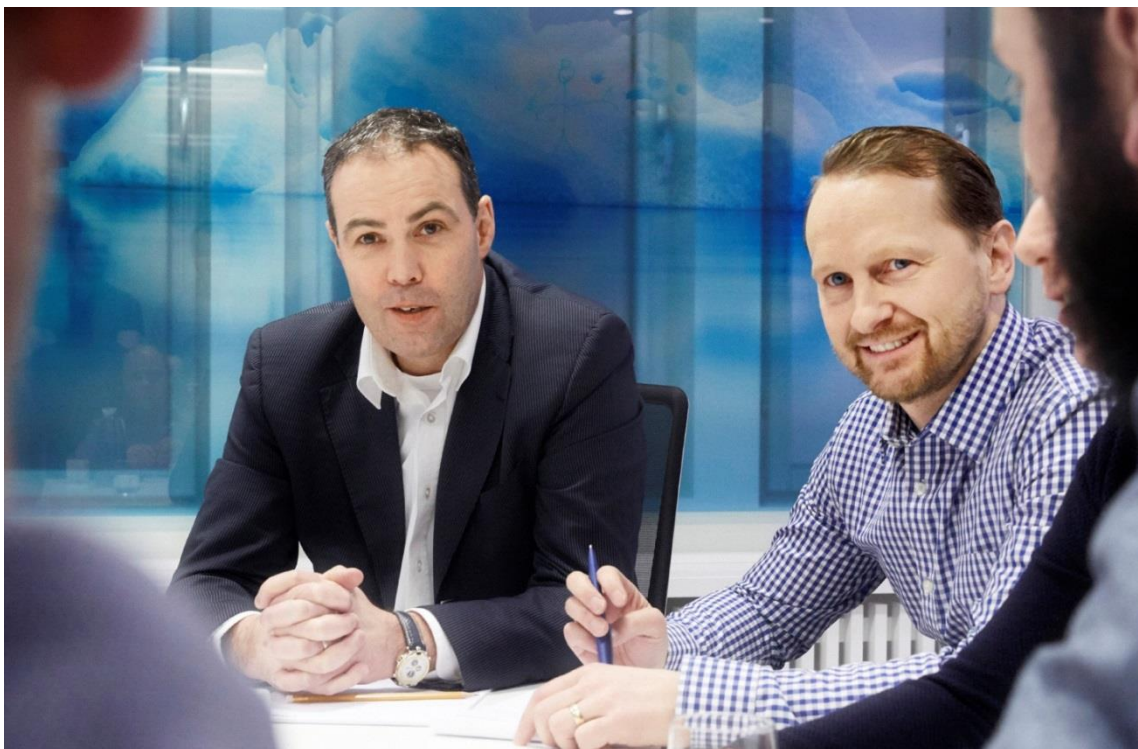
Source: USDA

MAREL MEAT

2016 was a strong year for Marel Meat that generated €334 million in revenue on a pro forma basis and EBIT* of €52 million in 2016.

Marel Meat accounted for 34% of Marel's pro forma revenue in 2016. Marel Meat is now a full-line provider to the meat industry as MPS Meat processing systems has been part of Marel since January 29, 2016. From January 1, 2017 all products from Marel Meat and MPS have been presented as Marel Meat.

MEAT
34%
OF REVENUE



EXCELLENT YEAR FOR MAREL

2016 was an excellent year for Marel Meat with good volume, order intake and improved profitability. Marel, with MPS on board, is a leading global provider for the primary, secondary and further processing of meat. Integration of Marel and MPS is on track and going well. Sales teams have been trained to sell the whole product portfolio in meat, from primary processing to secondary and further processing.

Market conditions were good throughout the year. The mix between product groups and geographies was good most of the year. Large projects picked up in the latter half when a unified and cross-trained sales team secured full line projects in China, S-America and in the U.S.



**LARGEST EXPORTER
OF BEEF AND VEAL**
BRAZIL HAS OVERTAKEN INDIA

Marel Meat participated in many international exhibitions during the year, including the IPPE show in Atlanta, Anuga in Germany and the CFIA exhibition in France. Joint Marel Meat and MPS teams also participated in exhibitions in Brazil, China and Russia with good results.

The 5th Marel Meat ShowHow was held in Progress Point, Denmark. The event drew over 200 customers representing 140 companies based in over 70 countries.

STEADY STREAM OF INNOVATIVE SOLUTIONS

Innovation highlights were closely connected to the continuous work with current solutions in deboning, trim handling and case-ready solutions. One of the solutions Marel Meat released was a new portion cutter, the I-Cut 130. This machine uses the latest in laser vision technology to ensure optimal utilization of the raw material and delivers fixed weight portions with high accuracy.

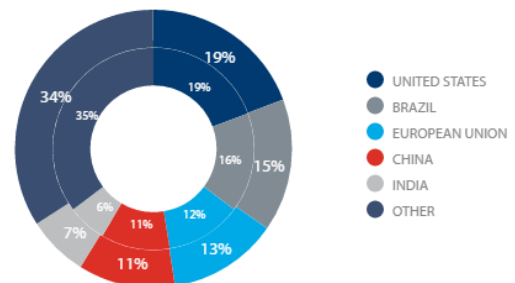
During the year Marel launched a new high-speed wraparound linerless labeler which employs the latest labeling technology. The M360 labeler is designed for the premium labeling of all popular tray sizes and is ideally suited for skin packs. Its high quality labeling promotes superior shelf presentation for all pack types.



GLOBAL BEEF AND VEAL PRODUCTION AND TRADE
CAGR OF 0.2% IN PRODUCTION AND 2% IN TRADE IN THE LAST 5 YEARS

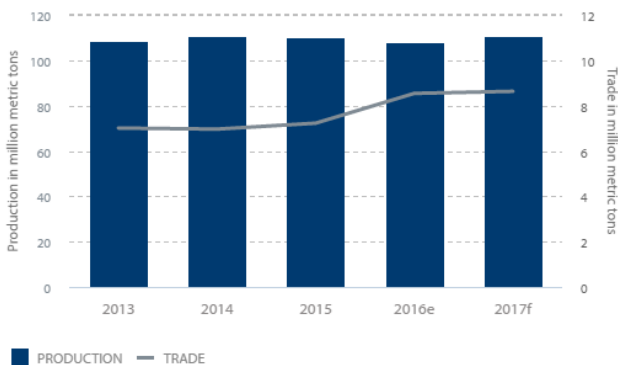


LARGEST BEEF AND VEAL PRODUCERS
2017 FORECAST COMPARED TO 5 YEARS AGO

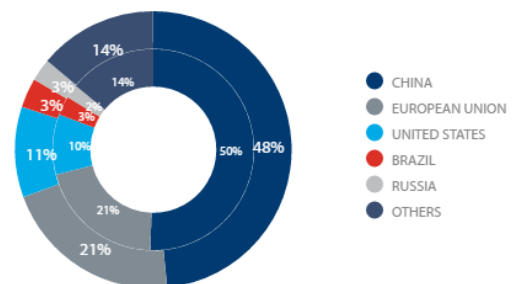


Source: USDA

GLOBAL PORK PRODUCTION AND TRADE
CAGR OF 0.5% IN PRODUCTION AND 5% IN TRADE IN THE LAST 5 YEARS



LARGEST PORK PRODUCERS
2017 FORECAST COMPARED TO 5 YEARS AGO



Source: USDA

EMPHASIS ON SUSTAINABILITY

Marel Meat customers are facing many challenges. The last few years have been tough and margins continue to be challenged. Therefore, customers are looking for solutions that improve their margins. Marel Meat offers customers solutions that help them meet these challenges and are specifically designed to increase their productivity and yield.

Food safety continues to be one of the most important aspects of meat processing. Marel Meat provides processors with the traceability systems they need to comply with regulations and stay ahead of minimum requirements for food safety in the future. Advanced food traceability systems coupled with innovative new applications underpin the range of Marel Meat food safety solutions.

MAREL FISH

Soft market conditions at the beginning of the year and the rationalization of product offering negatively affected the results of Marel Fish in 2016.

Marel Fish accounted for 13% of Marel's revenue in 2016. Marel Fish generated €127 million in revenue and an EBIT of €3.9 million (3.1% of revenue) in 2016. Marel Fish accounted for 12.9% of Marel's pro forma revenue in 2016. In the first half of 2016, Marel streamlined its operations in Seattle and rationalized its product portfolio. Marel is now focusing its onboard business on innovative and standardized solutions instead of customized ad-hoc solutions.

FISH
13%
OF REVENUE



LANDMARK PROJECT WITH LEROY

Market conditions were soft for most of 2016 due to various factors. Prices for whole salmon were high and other issues made fish processors reluctant to invest in equipment and other solutions.

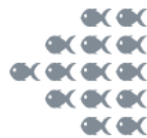
Market conditions improved in Q4 and Marel Fish secured a record order intake with various projects in Europe, North and South America. The highlight was a landmark order with Lerøy Seafood Group in Norway, which is one of the largest fish industry contracts to date.

Marel will deliver a logistics system, a packing system for whole fresh salmon and five filleting lines to Lerøy's new state-of-the-art processing facility in Jøsnoya, Norway, early in 2018. The facility will have

all the latest salmon processing technology from Marel and will set new benchmarks for the industry. Annual capacity will be over 100,000 tons.

The project is a platform for an innovative partnership that aims to drive the salmon processing industry forward. Marel is very proud to be delivering efficient high-tech systems to Lerøy's groundbreaking facility.

As in the previous years, Marel Fish successfully exhibited its latest innovations for the fish industry at various international tradeshows and events.



**70% OF ALL SALMON
PRODUCTION IS FARMED**
NORWAY THE LEADING PRODUCER

STEADY FLOW OF NEW SOLUTIONS

Marel is constantly looking for new opportunities to deliver the next application that will help processors stay ahead. Marel Fish believes that high quality raw material deserves the best quality processing technology. Marel meets the needs of a wide range of customers: from those who need sturdy entry-level equipment to those who are well on their way to revolutionizing the fish processing industry.

Marel Fish introduced innovative new solutions in 2016, with new technologies and updates of existing solutions. The emphasis was on reducing labor and increasing yield and efficiency and help customers get the most out of their valuable raw material.

From Marel's end-of-line solutions, the new M360 labeler was launched. This state-of-the-art labeler employs the latest technology in linerless labeling. It offers premium presence on the retail shelf for all pack types.

The FleXicut high precision water-jet cutter for pinbone removal and portioning—one of the company's flagship innovations—was upgraded and extended. Up and running at several large processors, the system continues to impress customers. It has generated considerable attention following successful development projects.

The high level of technology and automation inherent in the FleXicut are the key elements that will transform the very nature of whitefish processing. The system enables producers to process the fish closer to source, which increases the quality and value of the product. This is a game changer for the industry as processors are under pressure from a very discerning market that calls for high quality products at competitive prices.

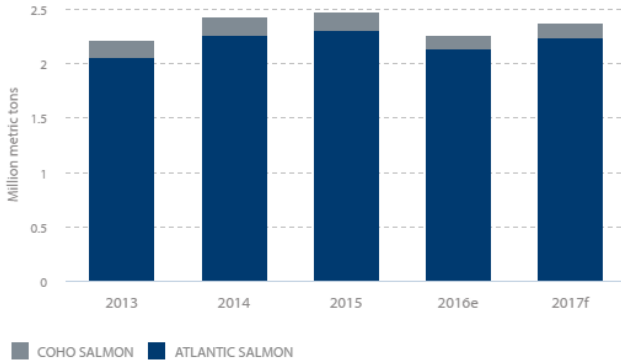
EMPHASIS ON SUSTAINABILITY

Marel Fish is constantly working on greater efficiency and quality to help producers become more sustainable. Energy and water consumption must be considered in processing. Marel's solutions are designed to deal with these issues effectively. By developing the FleXicut, Marel is also contributing to reducing the overall environmental footprint by helping customers process the fish closer to the source, thus drastically reducing the distance the fish must travel before it reaches the end consumer.

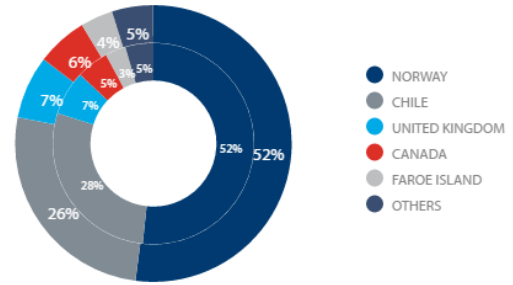


**TILAPIA PRODUCTION
IN INDONESIA**
HAS DOUBLED IN FIVE YEARS

GLOBAL PRODUCTION OF FARMED SALMON
2% CAGR OF ATLANTIC, -4% OF COHO, IN THE LAST 5 YEARS

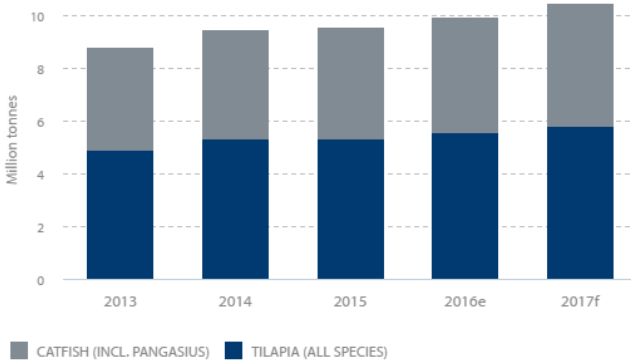


LARGEST SALMON PRODUCERS
2017 FORECAST COMPARED TO 5 YEARS AGO

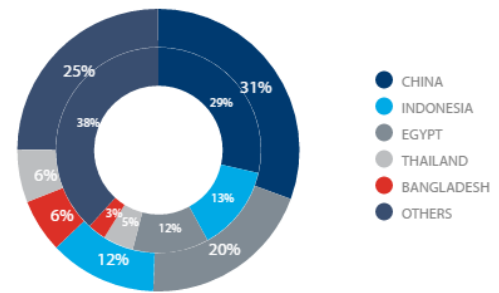


Source: FAO and Groundfish Forum

GLOBAL PRODUCTION OF TILAPIA AND CATFISH
4% CAGR OF TILAPIA, 5% OF CATFISH, IN THE LAST 5 YEARS

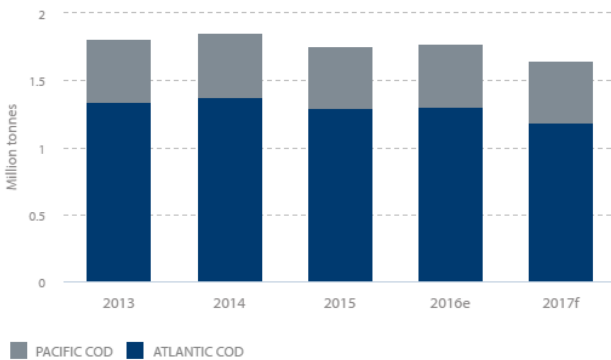


LARGEST TILAPIA PRODUCERS
2017 FORECAST COMPARED TO 5 YEARS AGO

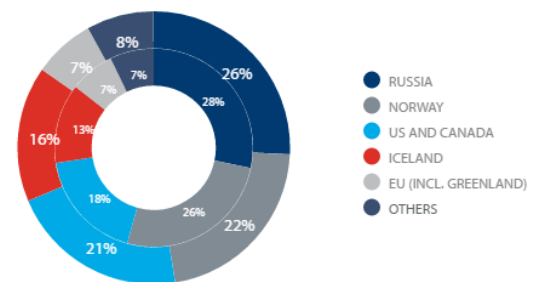


Source: FAO and Ragnar Tveterås

GLOBAL PRODUCTION OF COD
-3% CAGR OF ATLANTIC, -0.4% OF PACIFIC, IN THE LAST 5 YEARS



LARGEST COD PRODUCERS
2017 FORECAST COMPARED TO 5 YEARS AGO



Source: FAO and Groundfish Forum

SHARE PERFORMANCE

Since 1992, Marel's shares have been listed on the Nasdaq Iceland stock exchange under the symbol MARL.

Marel's share price stood at ISK 243.00 at the end of 2016, compared to ISK 253.50 at the end of 2015, a decrease of 4.1%. In euros, the shares stood at €2.04 per share at year-end compared to €1.79 at the end of 2015. SHAREHOLDERS



CLOSE TO
2,000
SHAREHOLDERS

SHAREHOLDERS

As recorded in the shareholders' register, there were 1,907 Marel shareholders at year-end 2016, compared to 1,986 at year-end 2015. As of December 31, 2016, Marel held 21,543,150 treasury shares.

Eyrir Invest hf. is Marel's largest shareholder, with 29.3% of issued shares, followed by Lifyrissjodur verzlunarmanna – The Pension Fund of Commerce (9.1%) and Gildi pension fund (7.0%).

The ten largest shareholders held 69.3% of the total issued shares. In total, Icelandic pension funds held 38.0% of Marel's issued share capital. International shareholders owned 3.2% at year-end 2016. The free float of Marel shares was 71% and free float adjusted market value of the company was €1.1 billion.

SHARE CAPITAL

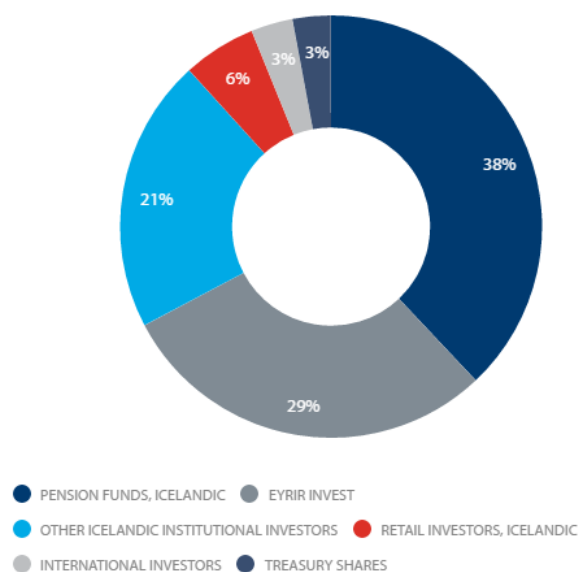
At year-end 2016, there were 735.6 million Marel shares issued, all in one class. Of these, Marel holds 21.5 million treasury shares.

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

Stock options are granted to management and selected key employees. At the end of 2016 there were 8.8 million shares of granted and unexercised stock options, of which 1.8 million were exercisable at the end of 2016. The remainder will become vested in the years 2017 to 2021.

At the company's 2014 Annual General Meeting, the shareholders authorized the Board of Directors to increase the company's share capital by 35 million shares to fulfill stock option agreements. This authorization is valid for five years following its adoption. No new shares according to this resolution were issued at the end of 2016.

HOLDINGS BY TYPE OF INVESTOR
AS OF 31 DECEMBER 2016



LIQUIDITY OF SHARES

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

Shares in Marel were traded 2,654 times in 2016 for a total market value of ISK 70.3 billion (up from ISK 61.1 billion in 2015), which corresponds to a turnover rate of 40%.

This gives Marel the second highest turnover on the Nasdaq Iceland exchange in 2016. Marel's average end-of-day spread was 0.98%. The market value of the company at year-end 2016 was ISK 178.7 billion (€1.5 billion) compared to ISK 186.4 billion (€1.3 billion) at year end 2015, a decrease of ISK 7.7 billion (an increase in euros of €182.2 million). Since the company's shares are traded in ISK, fluctuations of the Icelandic krona during 2016 affected the market value when converted it into euros.

DIVIDEND

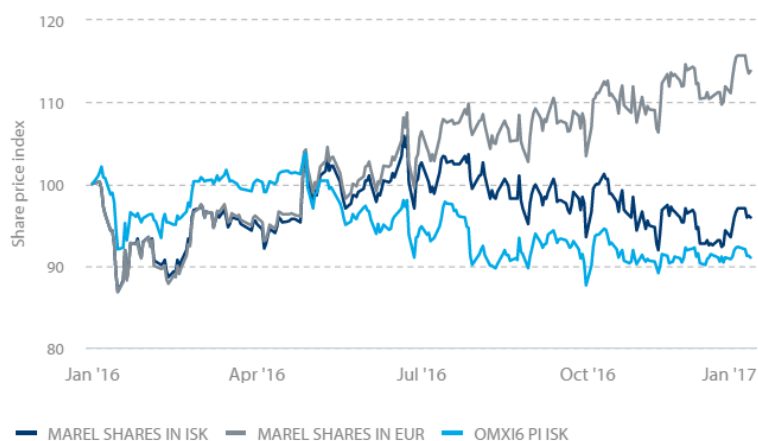
The Board of Directors proposes that a dividend of 2.14 euro cents per share will be paid for the operational year 2016. The estimated total dividend payment, based on current outstanding shares, will be 15.3 million corresponding to approximately 20% of profits for the year. The proposed dividend is in line with Marel's targeted capital allocation and dividend policy. This is in line with the dividend policy of 20-40% of net results and the targeted capital structure of x2-3 net debt/EBITDA.

STOCK OPTIONS AS OF DECEMBER 31, 2016

Program initiated	Number of shares in thousands	Exercise price per share
June 2012	2,811	EUR 1.079 - 1.123
December 2014	2,025	EUR 0.929 - 1.006
August 2015	1,800	EUR 1.461 - 1.582
May 2016	2,160	EUR 1.902 - 2.010
Total	8,796	

SHARE PRICE IN 2016 COMPARED TO OMX ICELAND 8

NOTE: INDEXED NUMBERS, SET AT 100 AT BEGINNING OF YEAR 2016



**DIVIDENDS
FOR 2016**
20%
OF NET PROFIT

DISTRIBUTION OF SHARES EXCLUDING TREASURY SHARES, AS OF DECEMBER 31, 2016

Number of Shares		Shareholders	%	Shares	%
1 -	9,999	1,244	65.23	4,347,016	0.61
10,000 -	99,999	505	26.48	14,878,686	2.08
100,000 -	199,999	55	2.88	7,519,718	1.05
200,000 -	799,999	40	2.10	15,194,733	2.13
800,000 -	1,399,999	14	0.73	15,077,807	2.11
1,400,000 -	2,999,999	16	0.84	31,071,339	4.35
3,000,000 -	9,999,999	20	1.05	106,440,309	14.91
10,000,000 -	99,999,999	12	0.63	304,129,401	42.59
100,000,000 -	>100,000,000	1	0.05	215,366,838	30.16
Total without treasury shares		1,907	100.00	714,025,847	100.00

TOP 10 SHAREHOLDERS AS OF 31 DECEMBER 2016

Shareholders		Year-end 2016		Year-end 2015		
		Million of shares	%	Million of shares	%	
1	Eyrir Invest hf.	Investment company	215.4	29.3	215.4	29.3
2	Lifeyrissjodur verzlunarmanna	Pension fund	67.0	9.1	67.0	9.1
3	Gildi lifeyrissjodur	Pension fund	51.3	7.0	47.7	6.5
4	LSR A, B & S divisions and Lifeyrissjodur hjukrunarfraedinga	Pension fund	48.0	6.5	41.0	5.6
5	Stefnir - IS 15	Asset management	32.1	4.4	39.8	5.4
6	Birta (previously Stafir and Sameinadi lifeyrissjodurinn)	Pension fund	31.9	4.3	32.2	4.4
7	Stefnir - IS 5	Asset management	20.1	2.7	21.2	2.9
8	Stapi lifeyrissjodur	Pension fund	17.3	2.4	22.8	3.1
9	Landsbankinn	Bank	13.7	1.9	12.2	1.7
10	Festa - lifeyrissjodur	Pension fund	12.9	1.8	11.9	1.6
Top 10 total			509.8	69.3	511.2	69.5
Others			204.2	27.8	193.5	26.3
Marel hf.		Treasury shares	21.5	2.9	30.9	4.2
Total issued shares			735.6	100.0	735.6	100.0

INVESTOR RELATIONS

The central aim of the company's investor relations policy is to provide investors with equal access to timely and accurate information about Marel's operations and business environment.

Marel believes that timely distribution of honest, consistent and transparent information, within the bounds of commercial sensitivity, is key to building trust with current shareholders and potential investors.

PUBLICATION OF FINANCIAL INFORMATION

Marel publishes financial information in English and Icelandic. All price-sensitive information, regulatory announcements about Marel and announcements regarding performance and future prospects are published in a timely manner, initially on the website of Nasdaq Iceland and subsequently on Marel's official website.

Financial results are issued quarterly in accordance with the requirements of Nasdaq Iceland.

WEBSITE AND ANNUAL REPORT

Since 2014, the Annual Report has been available only online. Marel's Annual Reports can be accessed on a desktop computer, a tablet or a mobile phone through marel.com/annualreport.

Financial Calendar for 2017	
Annual General Meeting	2 March 2017
1st quarter 2017	3 May 2017
2nd quarter 2017	26 July 2017
3rd quarter 2017	25 October 2017
Capital Markets Day	2 November 2017
4th quarter 2017	8 February 2018

MAREL'S LONG TERM SHARE PRICE DEVELOPMENT



INVESTOR RELATIONS CONTACT

AUDBJORG OLAFSDOTTIR

Corporate Director of Investor Relations and Communications

aubjorg.olafsdottir@marel.com Phone (+354) 563 8626

MAREL'S BOARD OF DIRECTORS



*ALL HOLDINGS AT DECEMBER 31, 2016

CHAIRMAN OF THE BOARD

ASTHILDUR MARGRET OTHARSDOTTIR

Asthildur Margret Otharsdottir is an independent consultant and board member. She has extensive prior business experience as a Director of Treasury and Corporate Development at Össur hf. from 2006 to 2010, Senior Account Manager at Kaupthing Bank, now Arion Bank, from 2004 to 2006, and Consultant at Accenture from 1996 to 2000. She is a member of the Board of Directors of Icelandair Group and Marorka and Chairman of the Board of Frumtak II investment fund. Otharsdottir is on the board of the Research Center for Business Ethics at the University of Iceland and the Court of Arbitration of the Icelandic Chamber of Commerce.

EDUCATION

MBA, Rotterdam School of Management, The Netherlands, 1996; Cand. Oecon., University of Iceland, 1992.

ELECTED

2010, chairman of the board since November 2013

HOLDINGS IN MAREL

32,000

BOARD MEMBER

OLAFUR S. GUDMUNDSSON

Dr. Olafur S. Gudmundsson is currently the Director of Pharmaceuticals at the Bristol-Myers Squibb Company, a global biopharma company. He has previously held various senior level management positions within R&D in the pharmaceutical industry, both for Bristol-Myers Squibb and Genentech Inc. He is also associated with the Pharmaceutical Chemistry department at Purdue University.

EDUCATION

Ph.D. in Pharmaceutical Chemistry, University of Kansas, 1998; Cand. Pharm. in Pharmacy, University of Iceland 1994.

ELECTED

2014

HOLDINGS IN MAREL

1,705,427

BOARD MEMBER

MARGRET JONSDOTTIR

Margret Jonsdottir is the Managing Director of Operations of Eyrir Invest hf. Previously, she was the Director of Finance at Edda Publishing from December 2001 until October 2002. She was the Director of Finance at Kreditkort/MasterCard from August 2000 until December 2001, the Manager of Accounts at FBA Investment Bank (now Islandsbanki) from January 1998 until June 2000, and the Director of Finance at the Industrial Loan Fund (FBA Investment Bank predecessor) from September 1988 until January 1998.

EDUCATION

Master of Accounting and Auditing, University of Iceland, 2006; Cand. Oecon. in Business Administration, University of Iceland, 1983.

ELECTED

2006

HOLDINGS IN MAREL

193,184

BOARD MEMBER

ANN ELIZABETH SAVAGE

Ann Savage recently retired from her role as the Group Technical Director of Bakkavor Group. She served as a member of the management board, where she was mainly responsible for food safety, health and safety management, manufacturing excellence and environmental management at

Bakkavor. Savage has held a variety of roles during her career, spanning over 35 years in technical and R&D departments within the retail and food industry, more specifically for Cooperative Wholesale Society (CWS), Northern Foods (1990-1999) and Geest/Bakkavor (1999-2016).

EDUCATION

Studied at the Open University. Post Graduate Diploma in Management Studies, Nottingham University.

ELECTED

2013

HOLDINGS IN MAREL

0

BOARD MEMBER

ASTVALDUR JOHANNSSON

Astvaldur Johannsson, is currently serving as the VP of Sales at Men and Mice, an International software organization. In addition, Astvaldur has extensive prior international experience, holding various senior management positions for Ossur hf., Global non-invasive Orthopedics Corporation and as an Executive Director of International Division of Valitor hf., an e-commerce payment solutions and services provider. Other experiences include: Director membership of the Executive Team of the IT company Nyherji hf., the Managing Director at Penninn, and as a system analyst expert within the IT sector focusing on process design and development.

EDUCATION

MBA, University of Iceland 2002, B.Sc. in Management Information Systems, Heriot-Watt University Scotland 1987.

ELECTED

2014

HOLDINGS IN MAREL

0

BOARD MEMBER

HELGI MAGNUSSON

Helgi Magnusson is the Chairman of the Board of the companies the Blue Lagoon, Harpa Holding and Husasmidjan. He serves as a board member of several Icelandic companies, including N1 and Hofgardar. He served as a member of the Board of Directors and the Executive Board of the Confederation of Icelandic Employers from 2006 to 2013 and as the Chairman of the Federation of Icelandic Industries from 2006 to 2012. Magnusson has also been a board member of Islandsbanki hf, the Framsyn Pension Fund, the Pension Fund of Commerce, Siminn and the Icelandic Chamber of Commerce. For several years, he was the Chairman of the Board of Harpa Sjöfn Paint Factory and the Flugger Iceland Paint Factory.

EDUCATION

Business Administration, University of Iceland, 1974; CPA, 1975.

ELECTED

2005

HOLDINGS IN MAREL

3,779,044

VICE-CHAIRMAN OF BOARD

ARNAR THOR MASSON

Arnar Thor Masson has extensive experience in re-organization, strategy and project management. He is currently the Alternate Director at the European Bank for Reconstruction and Development in London and also serves as the Chairman of Marel's Audit Committee. His previous roles include being the Director General of the Department of Administrative Development at the Prime Minister's Office in Iceland and the Deputy Director General of the Financial Management Department at the Ministry of Finance. Masson was an adjunct lecturer at the Department of Political Science of the University of Iceland from 2000 until 2008.

EDUCATION

M.Sc. in Comparative Politics, London School of Economics and Political Science, 1997; B.A. in Political Science, University of Iceland, 1996; Studied securities brokerage in 2007; High Performance Boards, executive course for supervisory board members and chairpersons, IMD Business School, 2014.

ELECTED

2001. Vice-Chairman since November 2013.

HOLDINGS IN MAREL

0

EXECUTIVE TEAM



*ALL HOLDINGS AT DECEMBER 31, 2016

CEO

ARNI ODDUR THORDARSON

Thordarson has extensive international business experience within the industrial sector. Before taking up his current position as Marel's CEO in November 2013 he was the CEO of Eyfir Invest, which he co-founded in 2000. Thordarson served on the Board of Directors of Marel between 2005 and 2013, the majority of the time as Chairman.

EDUCATION

MBA, IMD, Switzerland, 2004; Cand. Oecon. in Business Administration, University of Iceland, 1993.

HOLDINGS IN MAREL

131,869

EXECUTIVE VICE PRESIDENT OF COMMERCIAL REGIONS

PETUR GUDJONSSON

Gudjonsson joined Marel in 1984 as a programmer in electronic design. Before taking up his current post in 2016, Gudjonsson served in numerous different positions for Marel, including the Managing Director of Sales and Service Units, the General Manager of Marel in Canada and the Sales Director for Marel Iceland and Denmark.

EDUCATION

B.Sc. in Electrical Engineering, University of Iceland.

HOLDINGS IN MAREL

219,430

MANAGING DIRECTOR (EVP) OF MAREL MEAT

DAVID WILSON

Wilson has been with Marel and its predecessors since 1998. Before taking up his current position in March 2016, he served as the Managing Director (EVP) for Marel Meat. Before that he served as the Senior Vice President for the Marel Poultry Industry Center in Gainesville, Georgia, U.S.

EDUCATION

M.Sc. in Animal Science and Honours B.Sc. in Agricultural Business Management, Aberdeen University.

HOLDINGS IN MAREL

27,300

CFO

LINDA JONSDOTTIR

Before taking up her current position in October 2014, Jonsdottir was Marel's Corporate Director of Treasury and Investor Relations. Before joining Marel, Jonsdottir worked in Treasury and Financing for Eimskip, Burdaras and Straumur investment bank. She also served as a board member at the Enterprise Investment Fund (Framtakssjodur Islands) between 2010 and 2015.

EDUCATION

M.Sc. in Finance, Reykjavik University and Cand.Oecon in Business Administration, University of Iceland.

HOLDINGS IN MAREL

62,500

EXECUTIVE VICE PRESIDENT OF STRATEGY AND CORPORATE DEVELOPMENT

ARNI SIGURDSSON

Sigurdsson has extensive experience in the finance and investment management industry. Before joining Marel in January 2014, he worked for AGC Partners as an associate. Prior to that he worked at Landsbankinn, where he was instrumental in advising Marel on the acquisition of Stork Food Systems.

EDUCATION

MBA, Harvard Business School; B.Sc. in Industrial Engineering, University of Iceland.

HOLDINGS IN MAREL

100,000

MANAGING DIRECTOR (EVP) OF MAREL POULTRY

ANTON DE WEERD

De Weerd has been with Marel and its predecessors since 1982. During his time at Marel he has served in different sales and marketing positions and as a Commercial Director, a Managing Director and as President. He took up his current post in 2007.

EDUCATION

B.Sc. in Mechanical Engineering, Avans University.

HOLDINGS IN MAREL

0

EXECUTIVE VICE PRESIDENT OF HUMAN RESOURCES

DAVID FREYR ODDSSON

Oddsson joined Marel in 2011 as the HR Director of the International Sales and Service Network. He took up his current post in 2013. Before joining Marel, Oddsson worked at Straumur Investment Bank as the Global Head of Human Resources and Corporate Services 2006-2011 and as an HR consultant at Capacent 1999-2006.

EDUCATION

MBA, Reykjavik University; Cand. Theologus from University of Iceland.

HOLDINGS IN MAREL

75,000

MANAGING DIRECTOR (EVP) OF MAREL FISH

SIGURDUR OLASON

Olason worked in Marel's product development department between 2001 and 2006. He took up his current position in May 2014. Before rejoining Marel, Olason was the Director of Business Development at Samherji, one of Iceland's leading seafood companies.

EDUCATION

MBA, Brisbane Graduate School of Business; B.Sc. in Computer Science and B.Sc. in Mechanical and Industrial Engineering, University of Iceland.

HOLDINGS IN MAREL

0

EXECUTIVE VICE PRESIDENT OF SUPPLY CHAIN

PAUL VAN WARMERDAM

Van Warmerdam joined Marel as the Director of Manufacturing and Materials Management in Poultry and was appointed to his current position in 2013. Before joining Marel, Van Warmerdam worked in the semiconductor industry in various operations and business management roles.

EDUCATION

M.Sc. in Mechanical Engineering, Delft University of Technology.

HOLDINGS IN MAREL

0

EXECUTIVE VICE PRESIDENT OF INNOVATION

VIDAR ERLINGSSON

Erlingsson has been with the Marel innovation team since 2000. He was instrumental in developing the SensorX technology within Marel and played a key role in bringing the solution to commercial success. He took up his current post in 2014.

EDUCATION

M.Sc. in Engineering, DTU in Denmark; B.Sc. in Electrical and Computer Engineering, University of Iceland.

HOLDINGS IN MAREL

0

MANAGING DIRECTOR (EVP) OF MAREL MEAT

REMKO ROSMAN (AS OF APRIL 1, 2017)

Prior to taking up the position of Managing Director of Marel Meat, Rosman was CEO of MPS. Before, Rosman served as President in Yageo Corporation (Taiwan) and held various positions in Philips Electronics, McKinsey & Company and Royal Dutch Shell.

EDUCATION

Honors M.Sc. in Applied Physics from Twente University and Honors PhD in Applied Physics of Delft University of Technology.

HOLDINGS IN MAREL

5,630,718

MANAGING DIRECTOR (EVP) OF MAREL FURTHER PROCESSING

JESPER HJORTSHØJ

Hjortshøj is Marel's Managing Director (EVP) of Further Processing. He has been with Marel since 2006 and has during that time served in several different positions including Marketing Manager, Product Center Manager and Manager Strategy and Portfolio for Global Innovation.

EDUCATION

Master of Arts in Communication and Media Studies from Aarhus University.

HOLDINGS IN MAREL

0

ALL HOLDINGS AT DECEMBER 31, 2016

CORPORATE SOCIAL RESPONSIBILITY

Being a responsible corporate citizen is a priority for Marel because in the long run it is simply **GOOD BUSINESS.**



Marel takes pride in going beyond legal requirements to align all business operations with socially accepted principles. The company strives to contribute to society in a positive way in all its operations.

A specific social responsibility guidance policy for the company was approved by Marel's board of Directors and Marel's Executive team in 2016. It is now being implemented. This is the first time Marel reports on its activities under the new corporate social responsibility policy.



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

The corporate social responsibility guidance policy can be divided into three separate focus areas based on the triple bottom line approach; people, planet and profits. Marel's policy is based on the ISO 26000 guidelines as well as the company being a signatory to the United Nations Global Compact.

CORPORATE SOCIAL RESPONSIBILITY - GUIDANCE POLICY

SOCIAL RESPONSIBILITY

Marel provides a safe and healthy working environment and equal opportunities. It fosters individual and team development and ensures the right to freedom of association for all its employees. Human

rights violations and illegal labor conditions are not tolerated. Marel engages with local communities, where innovation and education serve as the main areas of social participation.

ENVIRONMENTAL RESPONSIBILITY

Marel encourages efficient use of resources in its value chain and promotes positive environmental impact and protection. Innovation is at the core of Marel's strategy, where the focus is on continuously creating new methods for improving yields and minimizing waste in food production. The company focuses on promoting food safety and animal welfare while reducing the use of resources such as water and energy.

ECONOMIC RESPONSIBILITY

Marel promotes long term profitability, fair trade and good business practices in its value chain through transparency, innovation and collaboration with all its partners.

SOCIAL RESPONSIBILITY

Marel would be nothing if not for its employees and customers. Social Responsibility is therefore one of the most important aspects of Marel's corporate responsibility. Marel is dedicated to providing a safe and healthy work environment with equal opportunities for all employees. Marel takes pride in making sure the company fosters individual and team development and ensures the right to freedom of association for all employees.

Marel engages with local communities, where innovation and education serve as the main areas of social participation. Human rights violations, including forced labor and under-age labor as well as illegal labor conditions, are not tolerated under any circumstances.

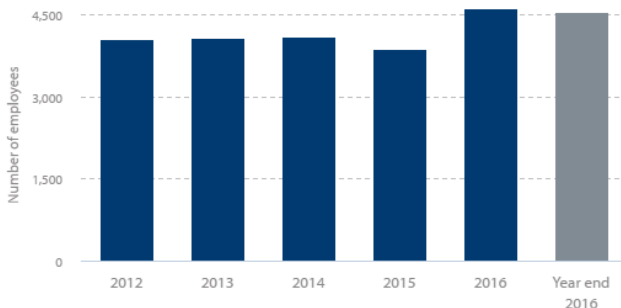


OUR PEOPLE

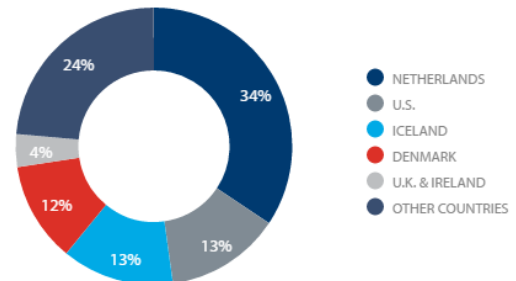
Marel's Human Resources mission is to employ competent employees and to provide a supportive and ambitious work environment which motivates and encourages them to make the Marel vision their own. To do this, Marel provides training programs and opportunities for further education and job development. The company strives to nurture a team spirit and co-operation throughout the operation.

Marel recognizes the importance of respecting cultural diversity, while at the same time working towards strengthening the values that are shared throughout the company. The company encourages open communication, as well as fostering a culture of a healthy balance between work and personal life. It is Marel's goal to help its employees maintain a creative, stimulating work environment that promotes innovation and well-being.

MAREL EMPLOYEES
AVERAGE NUMBER PER YEAR



NUMBER OF EMPLOYEES BY GEOGRAPHICAL LOCATION
FTES AT YEAR END 2016



DIVERSITY

In 2016, important steps were taken to formalize Marel’s diversity policy with the aim of introducing the first results of this work in the 2016 annual report. The objective is to ensure equality and diversity within Marel as well as increasing job satisfaction and wellbeing in the workplace. It must be ensured that employees are not discriminated against on the grounds of their gender, beliefs, nationality, race, sexual orientation, religion, color, personal finances, family, age or on any other grounds.

The policy helps make Marel a desirable and responsible workplace that attracts the most qualified employees. The policy will apply to all Marel employees and governance bodies, including the Board of Directors, its sub-committees and the Executive Team. The diversity policy also states that discrimination is not tolerated within Marel under any circumstances. Data and statistics on equality and diversity at Marel will be systematically collected to ensure the successful implementation of the policy and results will be conveyed in a clear and organized manner.

One of the priorities of the diversity policy is to promote gender equality and diversity across all of Marel’s workforce.

NEW HIRES AND EMPLOYEE TURNOVER IN 2016 BY GENDER

Based on headcount	Female	Male	Total
Total number and rate of new employee hires	18.5%	81.5%	493
Total number and rate of employee terminations	14.7%	85.3%	504

COMPOSITION OF GOVERNANCE BODIES AND BREAKDOWN OF EMPLOYEES PER EMPLOYEE CATEGORY ACCORDING TO GENDER

Based on headcount	Female	Male	Total
Executive Team and Board of Directors	22.2%	77.8%	18
Employees	14.1%	85.9%	4,572

SAFETY, HEALTH AND ENVIRONMENT

Marel is dedicated to providing a safe and healthy working environment for all its employees as well as the contractors working within Marel’s facilities. The company sees it as its obligation to care about the safety, health and environment of its people and the places it operates in.

While every Marel employee is accountable for his or her own safety, local management of all Marel entities is responsible for making sure that all processes comply with Marel's safety, health and environmental policy.

A corporate safety, health and environment support team (SHE) monitors the compliance processes with a specific SHE policy designed to identify possibilities for process improvements.

FORCED LABOR AND UNDER-AGE WORKERS

Human rights violations including child-labor and illegal labor conditions are not tolerated by Marel. All Marel employees are required to have reached the legal working age in the country they work in and no Marel facilities are associated with illegal labor conditions or forced labor. In 2017, all new suppliers will be required to comply with the same standards as Marel on matters related to human rights and labor issues.

No human rights violations were reported in 2016.

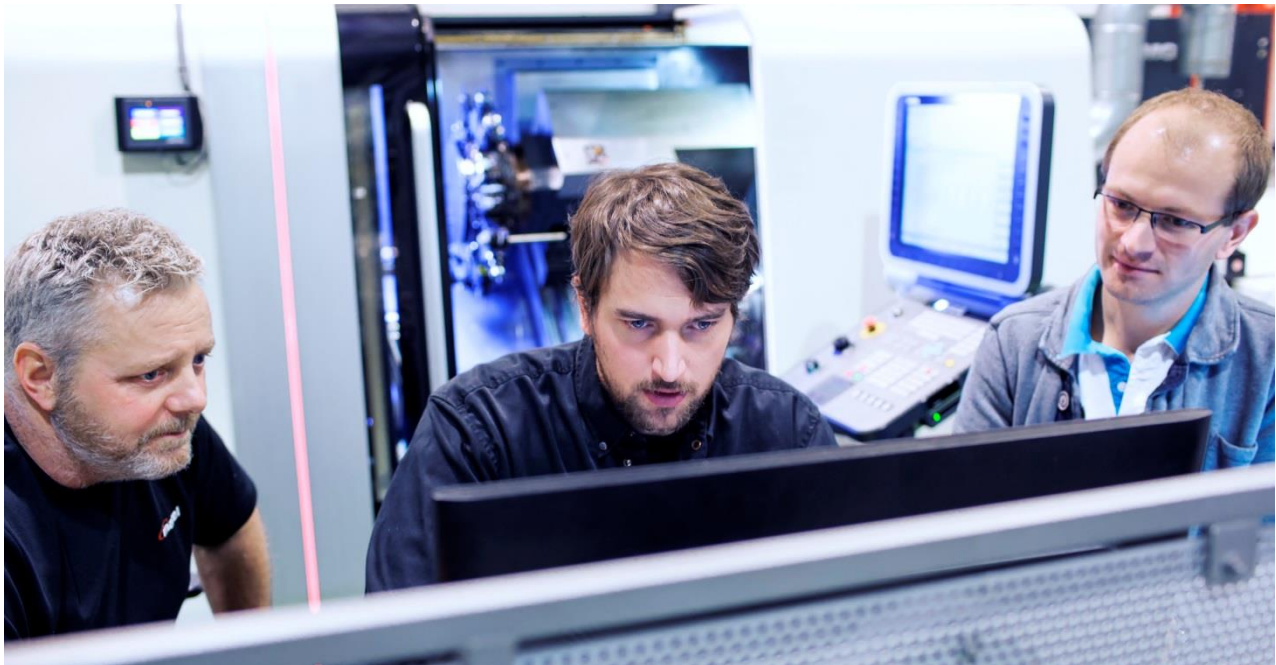
FREEDOM OF ASSOCIATION

Marel commits to respecting all employees' right to freedom of association and collective bargaining free from discrimination, as established in the Freedom of Association and Protection of the Right to Organise Convention (C. 87), and the Right to Organise and Collective Bargaining Convention (C.98). Marel will make sure that these rights can be exercised by all its employees as well as business partners directly associated with Marel's services, products and operations.

ENVIRONMENTAL RESPONSIBILITY

Marel encourages efficient use of resources in its value chain and promotes positive environmental impact and environmental protection. Innovation is at the core of Marel's strategy, where the focus is on continuously creating new methods for improving yields and minimizing waste in food production, reducing the use of scarce resources such as energy and water while promoting food safety, traceability and animal welfare.

One of Marel's goals is to help its customers use less water, less energy and allow them to minimize the CO² footprint in their production. Several projects were started to support precautionary approaches to environmental challenges. Initiatives were also created to promote greater environmental responsibility in the company's value chain.



INNOVATION AND THE ENVIRONMENT

The positive impact Marel can have on the Environment can mostly be felt through the innovations the company's employees are constantly working on. The impact the food processing industry has on the environment in all stages of the supply chain is one of the biggest contributors to global warming today. Although farming and agriculture are the stages responsible for the biggest environmental footprint of the industry, the post-farm stages also play their role.

Marel takes great pride in the company's role in minimizing the use of resources such as energy and water for its customers. Through many of the company's solutions Marel helps food processors minimize their environmental footprint radically while at the same time increasing throughput and efficiency.

CO2

Employee air travel is one of Marel's biggest contributors to negative impact on the environment. Carbon emissions by the aviation industry is considered one of the leading contributors to global warming in the world and it is therefore important for Marel to understand the role the company plays in global warming through employee travel.

In 2016 a new travel platform was put into use by Marel to monitor and coordinate, amongst other, the CO² emission caused by employee traveling.

Through the company's travel policy, Marel will strive to continuously lower emission levels by actively encouraging employees to use alternative ways of meeting and communicating with each other and customers.



**ENERGY USE OF 2,000
AMERICAN HOMES**
ON PAR WITH MAREL'S
USAGE WORLDWIDE

ENERGY

Among projects that have been put into action to minimize energy consumption at Marel is to install car charging points for employees and visitors that own electric cars, replace regular light bulbs with LED lighting where it is possible as well as running a number of local projects prioritizing issues regarding increasing energy efficiency.

Marel started to look at the company's own environmental footprint in 2016 and is happy to disclose the first numbers for the company's total energy consumption.



**TAKES TWO WIND TURBINES
TO OFFSET CO² EMISSION**
OF MAREL EMPLOYEE AIR TRAVEL

ECONOMIC RESPONSIBILITY

Marel promotes good business practices in its value chain through transparency, innovation and collaboration with all its partners.

Long term profitability and fair trade are key aspects of how Marel wants to do business. Long term profitability and fair trade are key aspects of how Marel wants to do business.

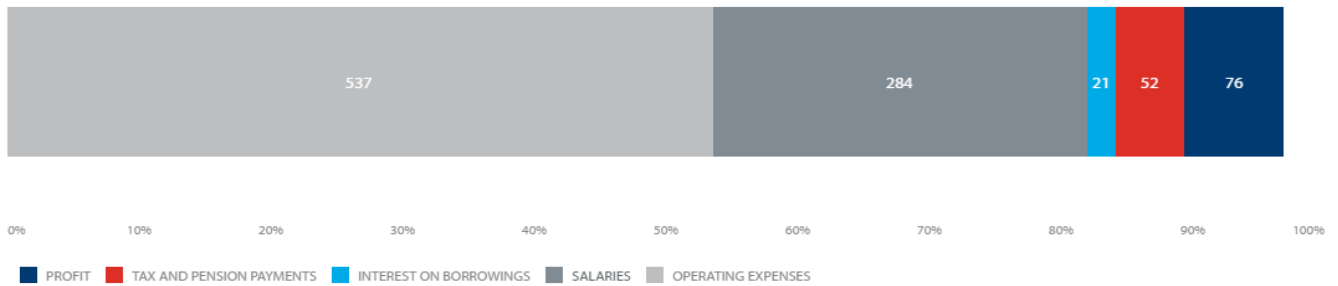
Continuous steps are taken to make sure Marel, its partners, customers and suppliers are compliant with international laws, anti-bribery and compliance laws as well as contributing fairly towards the societies they operate in.



ECONOMIC VALUE GENERATED

Marel operates a network of sales and service units all over the world. Most of the company's products are manufactured in the Netherlands, the U.S., Iceland, Denmark, England and Slovakia

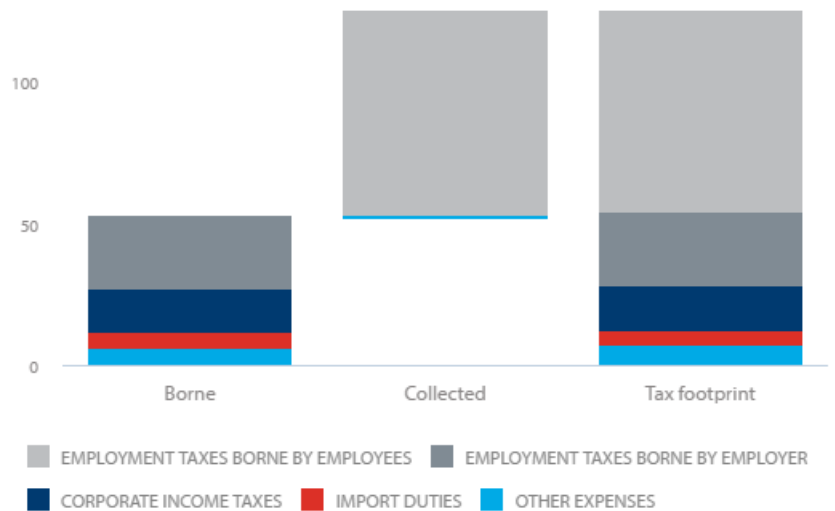
The economic value generated by the company's operations during 2016 amounted to €970.3 million, consisting of sales, finance income and gain on sale of assets. Further, Marel directly employed 4,599 full time employees on average in 2016. Salaries paid during the year, excluding related expenses, amounted to €284.4 million or 29.3% of the economic value generated.



TAX FOOTPRINT

Taxes borne in 2016 amounted to €52.2 million or 5.4% of the economic value generated. Employment taxes represent approximately half of the taxes borne during the period and about a third are corporate income taxes. In addition to taxes borne, Marel collects and pays various taxes and duties on behalf of governments. Total taxes and duties collected in 2016 amounted to EUR 72.7 million.

In 2016, the total tax footprint amounted to EUR 124.9 million which is presented in the image below, specified by categories.



INNOVATION

Innovation is the creation and delivery of new customer value in the marketplace. In Marel, new innovations most often originate from partnership between customers and the company's employees and the desire to solve problems in a new way or improve processing.

Marel invested over €63 million in creating and delivering new value for its customers through innovation in 2016, with over 25 new or upgraded products launched. Marel's innovation efforts focus on creating breakthrough innovations as well as creating product upgrades and incremental additions to existing machines and systems to make sure Marel's equipment stays competitive.

BRIBERY/ANTI-CORRUPTION

Marel's reputation is critical to the company's success, therefore, compliance with global anti-bribery and anti-corruption laws is taken very seriously. The anti-bribery and anti-corruption policy was adopted in January 2016 to reinforce that commitment. It applies to Marel's employees, officers and directors, and any contractors, consultants, agents and other business partners that are engaged in business on behalf of Marel.

As a global company, Marel is subject to the anti-bribery and anti-corruption laws of all countries in which it operates around the world. For further information about anti-bribery and anti-corruption Marel's code of conduct can be found online at Marel's annual report 2016.

CORPORATE GOVERNANCE STATEMENT

Marel hf. (also referred to as the “company”) is committed to the general principles of good corporate governance.

Icelandic law and the company’s corporate governance framework determine the duties of the various bodies within the company. Corporate governance defines and dictates the way in which the company is directed and controlled – it involves the broader inter-workings of the CEO, responsible for the day-to-day management, the Board of Directors, the shareholders at large, regulators and other stakeholders.

In 2015, Marel initiated an external audit of its corporate governance structure and procedures, followed by a certification of the same. In January 2016 the company received recognition as “Exemplary in Corporate Governance” from the Center for Corporate Governance at the University of Iceland.

1. CORPORATE GOVERNANCE FRAMEWORK

Marel’s corporate governance consists of a framework of principles and rules, including its Articles of Association and the Guidelines on Corporate Governance issued in June 2015 by the Iceland Chamber of Commerce, NASDAQ Iceland and the Confederation of Icelandic Employers, accessible on the website of the Iceland’s Chamber of Commerce.

In general, the company is in compliance with the Guidelines on Corporate Governance, with the following exemption:

The company does not have a nomination committee. Marel’s Board of Directors regularly evaluates its work, composition and directors’ independence to ensure the members of the Board jointly have the relevant knowledge, experience and skills to fulfill the Board’s roles and responsibilities in the best interest of the company. The Board initiates discussions with the company’s largest shareholders on board composition and long term succession planning.

2. MAIN ASPECTS OF INTERNAL CONTROLS AND THE COMPANY’S RISK MANAGEMENT IN CONNECTION WITH THE PREPARATION OF FINANCIAL STATEMENTS

The CEO is responsible for ensuring sufficient internal control and risk management in connection with financial reporting. The Board of Directors has an ongoing dialogue with the CEO on the identification, description and handling of the business risks to which the company may be exposed. Material risks are discussed in the Consolidated Financial Statements 2016.

INTERNAL AUDIT AND CONTROL

The company’s risk management and internal controls, in relation to financial processes, are designed with the purpose of effectively controlling the risk of material misstatements in financial reporting. The company’s internal auditor report to the Board’s Audit Committee and plays a key role in relation to internal control.

EXTERNAL AUDIT

An independent auditing firm is elected at the Annual General Meeting (AGM) for a term of one year. The external auditors shall examine the company's annual accounts in accordance with generally accepted auditing standards, and shall for this purpose inspect accounting records and other material relating to the operation and financial position of the company. The external auditors report any significant findings regarding accounting matters and any significant internal control deficiencies via the Audit Committee to the Board of Directors.

KPMG ehf. was elected as the company's auditor at the company's AGM held on 2 March 2016. Auditors on KPMG's behalf are Sæmundur Valdimarsson and Hrafnhildur Helgadóttir, both State Authorized Public Accountants. They have audited and signed without reservation Marel's consolidated financial statements for the year 2016.

3. THE COMPANY'S VALUES, CODE OF CONDUCT AND SOCIAL RESPONSIBILITY POLICY

VALUES

Marel's company values are shared ideals and standards that provide direction in day to day operations. The company's employees played a role in defining the values, which are: unity, excellence and innovation. The values are continuously promoted in daily operations.

CODE OF CONDUCT

The Board of Directors of Marel approved a Code of Conduct with global application in October 2012, which was revised in July 2016. It is closely linked with Marel's company values and is built on four pillars, i.e. employees' (including officers and directors) commitment to: (i) each other; (ii) customers and marketplace; (iii) shareholders and (iv) partners, communities and the environment.

Marel's Code of Conduct can be found on the company's website:

CORPORATE SOCIAL RESPONSIBILITY AND DIVERSITY

A specific social responsibility guidance policy for the company was approved by Marel's board of Directors and Marel's Executive team in 2016 and is now being implemented.

In 2016 important steps were taken in order to formalize Marel's diversity policy with the aim of introducing the first results of this work in Marel's annual report for the year 2016.

Further information on Marel's Social responsibility and Diversity policies are provided in the chapter on Corporate Social Responsibility.

4. COMPOSITION AND ACTIVITIES OF THE BOARD OF DIRECTORS, ITS SUB-COMMITTEES, THE CEO AND EXECUTIVE TEAM

The company has a two-tier management structure consisting of the Board of Directors and Executive Team, led by the CEO. The two bodies are separate, and no person serves as a member of both.

BOARD OF DIRECTORS

The company's Board of Directors is the supreme authority in the affairs of the company between shareholders' meetings. It is elected by shareholders at the AGM for a term of one year and operates in accordance with applicable Icelandic law and regulation, the company's Articles of Association and the

Board's Rules of Procedure. The Board currently comprises seven Board members who were elected at the company's AGM on 2 March 2016.

The Board of Directors is responsible for the organization of the company, for promoting the development of its long-term performance and ensuring the proper conduct of its operation at all times. The Board of Directors shall decide on all matters regarded as extraordinary or of major consequence, as defined by the decision making authorities and division of responsibilities between the Board, the CEO and the Executive Team. The Board shall establish goals for the company in accordance with the company's objectives and shall formulate the policy and strategy required to achieve these goals.

Regular board meetings are held with management over the course of the year, including quarterly financial results meetings, a two day strategy session, a two day human resource and remuneration session and a next-year operational planning meeting. Company site visits as well as visits to customers are conducted each year. In addition, the Board of Directors meets at least once a year without the management to structure the Board's agenda and conduct a self-assessment. Additional meetings are convened as needed. All matters brought before a Board meeting shall be decided by majority vote, provided that the Board meeting has been lawfully convened. In the event of a tie vote, the Chairman of the Board casts the deciding vote. However, important decisions shall not be taken unless all members of the Board have had the opportunity to discuss the matter, if possible.

The Board of Directors convened 12 times in 2016, with a weighted average attendance of 95%.

The Board of Directors has made an assessment on which Board members are independent according to the Guidelines on Corporate Governance. All seven Board members are considered independent of the company: Ann Elizabeth Savage, Arnar Thor Masson, Asthildur Margret Otharsdottir, Helgi Magnusson, Margret Jonsdottir, Astvaldur Johannsson and Olafur S. Gudmundsson. Furthermore, five of the Board members are considered independent of the company's major shareholders; Ann Elizabeth Savage, Arnar Thor Masson, Asthildur Margret Otharsdottir, Helgi Magnusson and Astvaldur Johannsson.

Once a year, the Board of Directors evaluates the work, results, size and composition of the Board and the Board's sub-committees. Furthermore, the Board evaluates the work and results of the CEO according to previously established criteria, including whether the CEO has prepared and carried out a business strategy, which is consistent with the established goals. The Board discusses the results of the assessment and decides which actions are to be taken, if any.

The rules of procedures for the Board of Directors as well as for the Board's sub-committees can be found on the company's website.

SUB-COMMITTEES

The Board's work is supported by its working sub-committees: Remuneration Committee and Audit Committee.

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

REMUNERATION COMMITTEE

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

ensuring that compensation arrangements support the strategic aims of the company and enable the recruitment, motivation and retention of senior executives while also complying with legal and regulatory requirements. The committee is responsible for ensuring that the Board's and CEO's performance is evaluated annually and that succession planning is conducted.

Members of the Remuneration Committee are Asthildur Margret Otharsdottir (Chairman), Ann Elizabeth Savage and Arnar Thor Masson.

The Remuneration Committee convened 6 times in 2016, with a weighted average attendance of 94%

AUDIT COMMITTEE

The Audit Committee is composed of either three or four members of the Board of Directors, unless the Board decides otherwise. The majority of the Audit Committee shall be independent of the company and its external auditors. At least one member of the Audit Committee shall be independent of shareholders that hold 10% or more of the total share capital of the company. The members of the Audit Committee shall possess the knowledge and expertise needed to perform the tasks of the Audit Committee. At least one Member of the Audit Committee shall have solid knowledge and experience in the field of financial statements or auditing. Its field of work includes monitoring Marel's financial status and evaluating the company's internal monitoring and risk management systems, management reporting on finances, whether laws and regulations are followed, and the work of the company's internal and statutory auditors.

Members of the Audit Committee are Arnar Thor Masson (Chairman), Astvaldur Johannsson, Margret Jonsdottir and Helgi Magnusson from March 2016. All members are independent of the company and its auditors, Arnar, Astvaldur and Helgi are independent of large shareholders.

The Audit Committee convened 8 times in 2016, with a weighted average attendance of 97%.

CEO

Arni Oddur Thordarson assumed the position of CEO of Marel in November 2013. He has extensive international business experience within the industrial sector. Thordarson has served on the Board of Directors of Marel since 2005, majority of the time as Chairman. He has an MBA degree from IMD Business School in Switzerland and a Cand.Oecon degree in Business Administration from the University of Iceland.

Thordarson is an Icelandic citizen, born in 1969. Thordarson and related parties hold 131,869 shares in Marel. He is a major shareholder of Eyrir Invest, which on 8 February 2017 held 215,366,838 shares in Marel hf. (29.28% of total issued shares).

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

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

III. The CEO is responsible for the work and results of the Executive Team.

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

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

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

EXECUTIVE TEAM

The company's Executive Team is composed of 12 members:

- Arni Oddur Thordarson, Chief Executive Officer
- Linda Jonsdottir, Chief Financial Officer
- David Wilson, Managing Director (EVP) of Meat
- Petur Gudjonsson, EVP Commercial
- Paul van Warmerdam, EVP Supply Chain
- Arni Sigurdsson, EVP Strategy and Corporate Development
- David Freyr Oddsson, EVP Human Resources
- Sigurdur Olason, Managing Director (EVP) of Fish
- Jesper Hjortshøj, Managing Director (EVP) of Further Processing
- Anton de Weerd, Managing Director (EVP) of Poultry
- Remko Rosman, Managing Director (EVP) of Meat (as of April 1, 2017)
- Vidar Erlingsson, EVP Innovation

5. INFORMATION ON VIOLATIONS OF LAWS AND REGULATIONS THAT THE APPROPRIATE SUPERVISORY OR RULING BODY HAS DETERMINED

On 13 May 2016, the Financial Supervisory Authority of Iceland ("FME") notified Marel of its decision to levy an administrative fine of ISK 1,500,000 on Marel for being in breach of Article 87(1) of Act no. 108/2007 on Securities Transactions, by not publishing a notification regarding changes in significant proportions of voting rights. The notification was sent from the relevant shareholder to Marel on 29 October 2014 through a general email address which was not specifically monitored or intended to receive this kind of notification. Thus, the notification was not timely identified by Marel and the respective shareholder did not communicate any further information to the company. Two days later, FME sent an inquiry to the company concerning the said notification and why it had not been published, which then led to immediate publishing of it.

In accordance with Article 87 of the Act, Marel as issuer shall, as soon as practicable after receipt of notification and no later than at 12:00 hours on the trading day immediately following its receipt of the notification, make public all the information contained in the notification. As Marel was not aware of the notification timely, the notification was not disclosed to the NASDAQ Iceland stock exchange news

system until 31 October 2014, as prior stated. Following both verbal and written communications to FME, the case was concluded with the administrative fine decision.

6. COMMUNICATION BETWEEN SHAREHOLDERS AND THE BOARD OF DIRECTORS

Shareholders' meetings, within the limits established by the company's Articles of Association and statutory law, are the supreme authority in Marel's affairs as well as the primary communication between shareholders and the Board of Directors. The AGM is scheduled once a year, before the end of August, and other shareholders' meetings are convened when necessary. The AGM is advertised publicly with at least three-week's notice in accordance with Icelandic law.

The Chairman is the authorized spokesperson for the Board of Directors. The Board of Directors does not engage in communication regarding details of the company's operational matters and financial results, which is the responsibility of authorized members of management. The Chairman initiates communication with the company's largest shareholders on an annual basis with the objective of establishing trust and understanding. All communication with shareholders is governed by rules and regulations on price sensitive and non-public information (insider information) and other sensitive business information, which may compromise the company's competitive position.

Further information on communication with shareholders can be found in the company's Investor Relations Policy on the company's website.

ENTERPRISE RISK MANAGEMENT

Marel's activities expose the company to a variety of financial risks - market risk (including foreign exchange risk and price risk), credit risk, liquidity risk, cash flow risk and fair-value interest rate risk.

Effective risk management is important for Marel's sustainability as well as the company's long term relationship with its customers and other stakeholders. Marel is exposed to various risks in its operations like other multinational companies. There are numerous activities within the organization designed to identify, monitor and control risk and Marel is now taking the first steps to centralize and align this work by implementing an enterprise risk management process throughout the company. This will contribute to achieving the company's objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance. The company uses financial derivatives as instruments to hedge certain interest rates and foreign exchange risk exposure.

Risk management is carried out within the company, where applicable, under policies approved by the Board of Directors. Financial risk is monitored and managed centrally in the Treasury.



53%

MORE THAN HALF
OF THE WORLD'S URBAN
POPULATION LIVES IN ASIA

FOREIGN EXCHANGE RISK

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR/USD, and EUR/ISK on the cost side. The general policy is to apply natural currency hedging to the extent possible and prohibit any speculative trading of financial instruments.

Company funding is denominated in the main operational currencies to create natural hedging in the balance sheet. Where needed, financial exposure is hedged in accordance to the company's general policy on permitted instruments and exposure limits.

CREDIT RISK

The company minimizes credit risk by monitoring credit granted to customers and by assigning collateral to cover potential claims. The company has policies in place to ensure that sales of products and services are made to customers with an acceptable credit history and that products are not delivered until payments are secured.

Marel has banking relations with a diversified set of financial institutions around the world. There are policies in place that limit the amount of credit exposure to any one financial institution.

INSURANCE POLICIES

The company maintains global and local insurance policies. The coverage includes property damage, business interruption, general and product liability, marine cargo/mounting, directors and officers

liability, employers practice liability, business travel, and accidents. The company believes that its current insurance coverage is adequate.

LIQUIDITY RISK

Due to the dynamic nature of the underlying businesses, the company has prudent liquidity risk management to ensure sufficient flexibility in funding under the revolving part of the facilities agreement and the current financial assets available

CASH FLOW AND FAIR-VALUE INTEREST RATE RISK

The company's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates of finance leases to which the company is lessor or lessee are fixed at the inception of the lease. These leases expose the company to fair-value interest rate risk. The company reports separately an embedded 0% floor in its long term Euro borrowing. The valuation of this embedded derivative is dependent on market interest and is reported in the income statement. The company's cash-flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash-flow interest rate risk, while borrowings issued at fixed rates expose it to fair-value interest rate risk.

The company manages its cash-flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The company raises long-term borrowings at floating rates and swaps a portion of them into fixed rates. The risk, measured as the potential increase in interest paid during the coming year based on a defined movement in interest rates, is monitored and evaluated regularly.