# Condensed Consolidated Interim Financial Statements

30 September 2017

# Contents

# The Board of Directors' and CEO's Report

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

The Condensed Consolidated Interim Financial Statements for the nine-month period ended 30 September 2017 comprise the financial statements of Marel hf. (“the Company”) and its subsidiaries (together “the Group” or “Marel”). The Condensed Consolidated Interim Financial Statements are prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group’s Annual Consolidated Financial Statements as at and for the year ended 31 December 2016. The Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understand the changes in the Group’s financial position and performance from year end 2016.

**Operations in the nine-month period ended 30 September 2017**

**Acquisition of Sulmaq Industrial e Comercial S.A.**

On 31 August 2017 Marel concluded the acquisition of Sulmaq Industrial e Comercial S.A. (“Sulmaq”) and obtained control through acquiring 100% of the issued shares of Sulmaq. This acquisition will strengthen Marel’s position in Central and South America and ensure better access to a large and growing market for beef, pork and poultry. Sulmaq is at the forefront of providing primary processing solutions to the pork and beef industries. The operations of Sulmaq´s primary processing solutions are reported in the Meat segment. Sulmaq also develops and manufactures precision investment castings for various market segments, which are reported in Marel´s Other segment. Sulmaq is domiciled in Brazil and has annual revenues of approximately EUR 25 million.

Sulmaq will be run as a standalone business with support from Marel, while the companies work on optimizing the synergies of their partnership. Short term the acquisition is not expected to have material impact on Marel’s earnings. The long term market potential in the 600 million person market in Central and South America for Poultry, Meat and Fish processing is great both for supplying regional consumption and to export around the globe.

**Acquisition of MPS Holding III B.V**

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

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

| | YTD 2017 | YTD 2016 |
|---|---|---|
| Adjusted result from operations | 111,189 | 104,274 |
| Adjustment amortization of acquisition-related (in)tangible assets | (14,725) | (17,880) |
| Result from operations | 96,464 | 86,394 |

The consolidated revenues for Marel for the nine-month period 2017 are EUR 743.5 million (2016: EUR 719.6 million). The adjusted result from operations for the same period is EUR 111.2 million or 15.0% of revenues (2016: EUR 104.3 million or 14.5% of revenues).

The pro forma revenues for Marel, including MPS, for the nine-month period 2016 were EUR 732.9 million. The pro forma adjusted result from operations for the same period was EUR 108.4 million or 14.8% of revenues.

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

In Q3 2017, Marel purchased 5.0 million treasury shares for a total amount of EUR 14.5 million to be used as a payment for potential future acquisitions, as per the Company's announcement on 8 February 2017. Marel sold 0.9 million treasury shares for EUR 2.5 million to the management of Sulmaq Industrial e Comercial S.A., in relation to Marel's acquisition of Sulmaq. The sold shares are with a lock-up period of 18 months from the date of closing which was 31 August 2017. At the end of Q3 2017, Marel has 32.4 million treasury shares (31 December 2016: 21.5 million treasury shares).

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

At 30 September 2017 the Company's order book amounted to EUR 468 million (at 31 December 2016: EUR 350 million).

**Statement by the Board of Directors and the CEO**

According to the Board of Directors' and CEO's best knowledge, the Condensed Consolidated Interim Financial Statements give a true and fair view of the consolidated financial performance of the Group for the nine-month period ended 30 September 2017, its assets, liabilities and consolidated financial position as at 30 September 2017 and its consolidated cash flows for the nine-month period ended 30 September 2017.

Furthermore, in our opinion the Condensed Consolidated Interim Financial Statements and the endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describe the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statements of Marel hf. for the nine-month period ended 30 September 2017 and ratify them with their signatures.

Garðabær, 25 October 2017

**Board of Directors**

Ásthildur Margrét Otharsdóttir
Chairman of the Board

| | | |
|---|---|---|
| Arnar Þór Másson | Ann Elizabeth Savage | Ástvaldur Jóhannsson |
| Helgi Magnússon | Margrét Jónsdóttir | Ólafur S. Guðmundsson |

**Chief Executive Officer**

Árni Oddur Þórðarson

# Consolidated Statement of Income

| | Notes | Q3 2017 | Q3 2016 | YTD 2017 | YTD 2016 |
|---|---|---|---|---|---|
| Revenues | 5 | 246,987 | 234,806 | 743,470 | 719,645 |
| Cost of sales | 6 | (152,977) | (140,787) | (453,596) | (423,820) |
| **Gross profit** | | 94,010 | 94,019 | 289,874 | 295,825 |
| Selling and marketing expenses | 6 | (28,182) | (28,138) | (88,236) | (92,483) |
| Research and development expenses | 6 | (12,956) | (16,358) | (41,089) | (49,522) |
| General and administrative expenses | 6 | (15,307) | (16,121) | (49,360) | (49,627) |
| Other operating income | 6 | - | - | - | 81 |
| **Adjusted result from operations*)** | 5 | **37,565** | **33,402** | **111,189** | **104,274** |
| Amortization of acquisition-related (in)tangible assets | 6 | (2,199) | (6,746) | (14,725) | (17,880) |
| **Result from operations** | | **35,366** | **26,656** | **96,464** | **86,394** |
| Finance costs | 7 | (5,505) | (5,905) | (16,321) | (21,765) |
| Finance income | 7 | 96 | 136 | 429 | 264 |
| Net finance costs | 7 | (5,409) | (5,769) | (15,892) | (21,501) |
| **Result before income tax** | | 29,957 | 20,887 | 80,572 | 64,893 |
| Income tax | 8 | (6,765) | (3,559) | (17,394) | (11,685) |
| **Net result** | | **23,192** | **17,328** | **63,178** | **53,208** |
| Of which: | | | | | |
| - Net result attributable to non-controlling interests | 14 | 12 | 14 | 51 | 27 |
| - Net result attributable to Shareholders of the Company | | 23,180 | 17,314 | 63,127 | 53,181 |
| **Earnings per share for result attributable to Shareholders of the Company during the period (expressed in EUR cent per share):** | | | | | |
| - basic | 9 | 3.29 | 2.42 | 8.90 | 7.44 |
| - diluted | 9 | 3.26 | 2.40 | 8.85 | 7.40 |

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

The notes on pages 9-26 are an integral part of the Condensed Consolidated Interim Financial Statements.

# Consolidated Statement of Comprehensive Income

| | Notes | Q3 2017 | Q3 2016 | YTD 2017 | YTD 2016 |
|---|---|---|---|---|---|
| Net Result | | **23,192** | **17,328** | **63,178** | **53,208** |
| **Items that are or will be reclassified to profit or loss:** | | | | | |
| Currency translation differences | | (972) | (938) | (4,366) | (1,543) |
| Cash flow hedges | | (164) | 954 | 911 | (661) |
| Income tax relating to cash flow hedges | 12 | 68 | (345) | (122) | 111 |
| **Other comprehensive income / (loss) for the period, net of tax** | | (1,068) | (329) | (3,577) | (2,093) |
| **Total comprehensive income for the period** | | **22,124** | **16,999** | **59,601** | **51,115** |
| Of which: | | | | | |
| - Comprehensive income attributable to non-controlling interests | 14 | 12 | 14 | 51 | 27 |
| - Comprehensive income attributable to Shareholders of the Company | | 22,112 | 16,985 | 59,550 | 51,088 |

The notes on pages 9-26 are an integral part of the Condensed Consolidated Interim Financial Statements.

# Consolidated Statement of Financial Position

| ASSETS | Notes | 30/09 2017 | 31/12 2016 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | 138,246 | 118,991 |
| Goodwill | 11 | 647,956 | 635,180 |
| Intangible assets (excluding goodwill) | 11,20 | 260,712 | 277,458 |
| Trade and other receivables | | 4,701 | 237 |
| Derivative financial instruments | 17 | 483 | 447 |
| Deferred income tax assets | 12 | 5,703 | 7,343 |
| | | 1,057,801 | 1,039,656 |
| **Current assets** | | | |
| Inventories | 13 | 123,130 | 122,250 |
| Production contracts | | 49,414 | 36,962 |
| Trade receivables | | 119,339 | 115,259 |
| Other receivables and prepayments | | 39,100 | 32,723 |
| Derivative financial instruments | 17 | - | 55 |
| Cash and cash equivalents | | 25,793 | 45,523 |
| | | 356,776 | 352,772 |
| **TOTAL ASSETS** | | **1,414,577** | **1,392,428** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 14 | 6,431 | 6,531 |
| Share premium | 14 | 255,811 | 288,688 |
| Other reserves | 14 | (5,690) | (2,113) |
| Retained earnings | 14 | 280,116 | 232,253 |
| **Shareholders' equity** | | 536,668 | 525,359 |
| Non-controlling interests | 14 | 205 | 214 |
| **Group equity** | | 536,873 | 525,573 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 15 | 372,088 | 425,014 |
| Deferred income tax liabilities | 12 | 61,317 | 63,458 |
| Provisions | 16 | 7,960 | 7,361 |
| Trade and other payables | | 3,600 | - |
| Derivative financial instruments | 17 | 3,579 | 4,946 |
| | | 448,544 | 500,779 |
| **Current liabilities** | | | |
| Production contracts | | 214,884 | 150,769 |
| Trade and other payables | | 164,503 | 168,980 |
| Current income tax liabilities | | 11,879 | 9,081 |
| Borrowings | 15 | 28,231 | 24,117 |
| Provisions | 16 | 9,663 | 13,129 |
| | | 429,160 | 366,076 |
| **Total liabilities** | | 877,704 | 866,855 |
| **TOTAL EQUITY AND LIABILITIES** | | **1,414,577** | **1,392,428** |

The notes on pages 9-26 are an integral part of the Condensed Consolidated Interim Financial Statements.

## Consolidated Statement of Changes in Equity

| | Share capital | Share premium** | Other reserves | Retained earnings | Share-holders' equity | Non-controlling interests | Group equity |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2016** | 6,445 | 277,919 | (5,101) | 167,476 | 446,739 | - | 446,739 |
| Result for the period | | | | 53,181 | 53,181 | 27 | 53,208 |
| Total other comprehensive income* | | | (2,254) | | (2,254) | | (2,254) |
| Business combinations | | | | | | 161 | 161 |
| *Transactions with owners of the Company* | | | | | | | |
| Treasury shares sold | 118 | 18,261 | | | 18,379 | | 18,379 |
| Treasury shares, transaction costs | | (16) | | | (16) | | (16) |
| Value of services provided | | 200 | | | 200 | | 200 |
| Value of services provided released | | (252) | | 226 | (26) | | (26) |
| Dividend | | | | (11,304) | (11,304) | | (11,304) |
| | 118 | 18,193 | (2,254) | 42,103 | 58,160 | 188 | 58,348 |
| **Balance at 30 September 2016** | **6,563** | **296,112** | **(7,355)** | **209,579** | **504,899** | **188** | **505,087** |
| Result for the period | | | | 22,610 | 22,610 | 26 | 22,636 |
| Total other comprehensive income | | | 5,242 | | 5,242 | | 5,242 |
| *Transactions with owners of the Company* | | | | | | | |
| Treasury shares purchased | (36) | (8,016) | | | (8,052) | | (8,052) |
| Treasury shares sold | 4 | 583 | | | 587 | | 587 |
| Treasury shares, transaction costs | | (14) | | | (14) | | (14) |
| Value of services provided | | 100 | | | 100 | | 100 |
| Value of services provided released | | (77) | | 64 | (13) | | (13) |
| | (32) | (7,424) | 5,242 | 22,674 | 20,460 | 26 | 20,486 |
| **Balance at 31 December 2016** | **6,531** | **288,688** | **(2,113)** | **232,253** | **525,359** | **214** | **525,573** |
| Result for the period | | | | 63,127 | 63,127 | 51 | 63,178 |
| Total other comprehensive income | | | (3,577) | | (3,577) | | (3,577) |
| *Transactions with owners of the Company* | | | | | | | |
| Treasury shares purchased | (112) | (36,204) | | | (36,316) | | (36,316) |
| Treasury shares sold | 12 | 2,905 | | | 2,917 | | 2,917 |
| Treasury shares, transaction costs | | (55) | | | (55) | | (55) |
| Value of services provided | | 530 | | | 530 | | 530 |
| Value of services provided released | | (53) | | 16 | (37) | | (37) |
| Dividend | | | | (15,280) | (15,280) | (60) | (15,340) |
| | (100) | (32,877) | (3,577) | 47,863 | 11,309 | (9) | 11,300 |
| **Balance at 30 September 2017** | **6,431** | **255,811** | **(5,690)** | **280,116** | **536,668** | **205** | **536,873** |

*) Includes recognition of non-controlling interest.

**) Includes reserve for share based payments as per 30 September 2017 of EUR 1,313 (31 December 2016: EUR 834).

The notes on pages 9-26 are an integral part of the Condensed Consolidated Interim Financial Statements.

# Consolidated Statement of Cash Flows

| Cash flows from operating activities | Notes | Q3 2017 | Q3 2016 | YTD 2017 | YTD 2016 |
|---|---|---|---|---|---|
| Result from operations | | 35,366 | 26,656 | 96,464 | 86,394 |
| *Adjustments to reconcile result from operations to net cash provided by / (used in) operating activities:* | | | | | |
| Depreciation of property, plant and equipment | 10 | 2,728 | 2,555 | 8,093 | 7,182 |
| Amortization and impairment of intangible assets | 11 | 7,743 | 12,317 | 31,454 | 34,514 |
| Changes in non-current receivables and payables | | 97 | 99 | 190 | 208 |
| | | 45,934 | 41,627 | 136,201 | 128,298 |
| *Changes in:* | | | | | |
| Inventories and production contracts | | 16,862 | 406 | 52,267 | (22,913) |
| Trade and other receivables | | 12,354 | 4,669 | (11,001) | 3,900 |
| Trade and other payables | | (3,586) | (11,106) | (3,946) | 1,152 |
| Provisions | | 282 | (2,428) | (2,564) | (5,675) |
| Changes in operating assets and liabilities | | 25,912 | (8,459) | 34,756 | (23,536) |
| Cash generated from operating activities | | 71,846 | 33,168 | 170,957 | 104,762 |
| Taxes paid | | (3,194) | (66) | (15,774) | (3,140) |
| Interest and finance income | | 50 | 139 | 398 | 542 |
| Interest and finance costs | | (2,577) | (4,928) | (11,860) | (30,074) |
| **Net cash from operating activities** | | 66,125 | 28,313 | 143,721 | 72,090 |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 10 | (8,107) | (3,457) | (23,184) | (14,686) |
| Investments in intangibles | 11 | (5,949) | (5,153) | (16,697) | (15,836) |
| Proceeds from sale of property, plant and equipment | | 100 | 47 | 481 | 4,246 |
| Acquisition of subsidiary, net of cash | 20 | (20,217) | - | (20,217) | (368,408) |
| **Net cash provided by / (used in) investing activities** | | (34,173) | (8,563) | (59,617) | (394,684) |
| **Cash flows from financing activities** | | | | | |
| Purchase of treasury shares | | (14,474) | - | (36,371) | - |
| Sale of treasury shares | | 2,501 | - | 2,917 | 18,362 |
| Proceeds from borrowings | | 35,000 | 15,000 | 88,000 | 365,300 |
| Repayments of borrowings | | (50,023) | (32,000) | (134,787) | (119,500) |
| Dividends paid | | - | - | (15,340) | (11,304) |
| **Net cash from / (used in) financing activities** | | (26,996) | (17,000) | (95,581) | 252,858 |
| **Net increase (decrease) in net cash** | | **4,956** | **2,750** | **(11,477)** | **(69,736)** |
| Exchange (loss) / gain on net cash | | (4,167) | (215) | (8,253) | (694) |
| Net cash at beginning of the period | | 25,004 | 20,011 | 45,523 | 92,976 |
| **Net cash at end of the period** | | **25,793** | **22,546** | **25,793** | **22,546** |

The notes on pages 9-26 are an integral part of the Condensed Consolidated Interim Financial Statements.

# Notes to the Condensed Consolidated Interim Financial Statements

## 1. General information

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

The Condensed Consolidated Interim Financial Statements of the Company as at and for the nine-month period ended 30 September 2017 comprise the Company and its subsidiaries (together referred to as "the Group" or "Marel").

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

The Condensed Consolidated Interim Financial Statements for the nine-month period ended 30 September 2017 have not been audited nor reviewed by an external auditor.

These Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors and CEO on 25 October 2017.

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

## 2. Basis of preparation

These Condensed Consolidated Interim Financial Statements of the Company and its subsidiaries are for the nine-month period ended 30 September 2017 and have been prepared in accordance with IAS 34 as adopted by the European Union. The Condensed Consolidated Interim Financial Statements should be read in conjunction with the Group's Annual Consolidated Financial Statements for the year ended 31 December 2016. The Consolidated Financial Statements for the Group for the period ended 31 December 2016 are available upon request from the Company's registered office at Austurhraun 9, Garðabær, Iceland or at www.marel.com.

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

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

## 3. Accounting policies

The accounting policies adopted are consistent with those of the Annual Consolidated Financial Statements, as described in the Annual Consolidated Financial Statements for the year ended 31 December 2016.

### Standards issued but not yet effective

Standards, amendments and interpretations to existing standards that are not yet effective have not been early adopted by the Group. The following new standards apply to the Group's Consolidated Financial Statements for the annual periods beginning on or after 1 January 2018. However the Group has not early adopted the following new standards in preparing these Condensed Consolidated Interim Financial Statements:

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

**IFRS 9 Financial instruments**

In July 2014 the International Accounting Standards Board ("IASB") issued the final version of IFRS 9 Financial Instruments which has been endorsed by the European Union. The new version includes revised requirements for the classification and measurement of financial assets and regulations on the impairment of financial instruments; with the new "expected loss model" losses are recognized earlier because both existing and expected losses are recognized. The new regulations must be applied for financial years beginning on or after 1 January 2018. In general they must be applied retrospectively, but various transition options are allowed and earlier application is permitted.

Currently, Marel is in the process of assessing what impact adoption of the standard will have. Marel is expecting that the impact of IFRS 9 will have no or a non-material effect on the Group's Consolidated Financial Statements.

**IFRS 15 Revenue from Contracts with Customers**

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

In April 2016 clarifications to IFRS 15 were issued mainly relating to the identification of separate performance obligations, the definition of principal and agent as well as the recognition of income from licenses. The clarifications have not yet been endorsed by the European Union.

The standard is effective for financial reporting periods beginning on or after 1 January 2018; earlier application is permitted. Marel has decided not to opt for early application of IFRS 15. The transition guidance of IFRS 15 permits a full retrospective or a modified retrospective approach on initial application. Given the status of our implementation project, as set out below, the Group will decide on which transition option to use in the fourth quarter of 2017.

Marel is finalizing the qualitative analysis phase where we assess the impact of IFRS 15. The results of the initial impact analysis will be verified at segment and company level with reference to defined contract types. Based on the contract analysis, a detailed concept will be developed for the transition of revenue recognition to the new requirements of IFRS 15, also including the need, if any, for adjustments to existing IT processes/systems, if any.

When applying the IFRS 15 criteria for revenue recognition over time, the timing of revenue recognition may be deferred compared to the revenue recognition using the percentage of completion method in accordance with IAS 11, Construction Contracts, and with IAS 18, Revenue.

Currently, Marel is finalizing the qualitative assessment and hence a final conclusion on the impact on the Consolidated Financial Statements cannot be provided at this stage. However, Marel is expecting that the impact of IFRS 15 will have a non-material effect on the Group's Consolidated Financial Statements.

**IFRS 16 Leases**

In January 2016 the IASB issued the new standard IFRS 16 Leases, which is to replace the current lease standard IAS 17. Application of the new standard is mandatory for financial years beginning on or after 1 January 2019. Earlier application is permitted as long as IFRS 15 is also applied. The European Union has not yet endorsed the standard.

Under the new standard the lessee must report all leases and associated contractual rights and obligations on the balance sheet. The current requirement to differentiate between finance leases and operating leases under IAS 17 will therefore no longer apply for lessees. Under IFRS 16 for all leases the lessee must recognize a lease liability on the balance sheet in the present value of future lease payments of the respective lease plus directly allocable costs and at the same time recognize a corresponding right of use to the underlying asset. Over the term of the lease, the lease liability is adjusted using financial mathematics methods – similar to the rules for finance leases under the current IAS 17 – and the right of use is depreciated. The accounting for short-term leases and leases of low-value assets has been simplified.

IFRS 16 will have an impact on the Consolidated Statement of Financial Position as both the assets (right to use the underlying asset) and liabilities (lease liability in the present value of future lease payments of the respective lease plus directly allocable costs) will increase. Currently, Marel is in the process of assessing what impact adoption of the standard will have if IFRS 16 is endorsed by the European Union in the current version.

# 4. Financial management

The Company’s policy is to finance its operations in its revenue currencies. More than 99% of Marel’s revenues originate outside of Iceland and there is a good currency balance between the Company’s revenues and costs. Efforts have been made to systematically reduce currency risk in the Company’s financing and to reduce interest cost.

The Group has a 640 EUR million equivalents facilities agreement with seven international banks, led by ING bank, Rabobank and ABN AMRO. The terms and conditions are generally in line with Loan Market Association corporate standards. It is an all senior facility, which matures in 2022.

The key elements of the financing are:

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

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

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

# 5. Segment information

## Operating segments

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

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

Sulmaq is involved in providing primary processing solutions to the pork and beef industries, which operations are reported in the Meat segment. Sulmaq also develops and manufactures precision investment castings for various market segments, which are reported in Marel´s Other segment.

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

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

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

**The segment information for the period ended 30 September 2017 is as follows:**

| | Poultry | Meat | Fish | Others | Total |
|---|---|---|---|---|---|
| **Third Party Revenues** | **406,240** | **238,864** | **90,771** | **7,595** | **743,470** |
| **Adjusted result from operations** | **75,902** | **28,695** | **3,570** | **3,022** | **111,189** |
| Amortization of acquisition-related (in)tangible assets | | | | | (14,725) |
| **Result from operations** | | | | | **96,464** |
| Net finance costs | | | | | (15,892) |
| Result before income tax | | | | | **80,572** |
| Income tax | | | | | (17,394) |
| **Net result for the period** | | | | | **63,178** |
| Assets | 628,607 | 642,938 | 104,388 | 38,644 | 1,414,577 |
| Depreciation and amortization | (14,026) | (21,417) | (4,104) | - | (39,547) |

**The segment information for the period ended 30 September 2016 is as follows:**

| | Poultry | Meat | Fish | Others | Total |
|---|---|---|---|---|---|
| **Third Party Revenues** | **393,447** | **229,365** | **91,078** | **5,755** | **719,645** |
| **Adjusted result from operations** | **68,104** | **30,928** | **3,300** | **1,942** | **104,274** |
| Amortization of acquisition-related (in)tangible assets | | | | | (17,880) |
| **Result from operations** | | | | | **86,394** |
| Net finance costs | | | | | (21,501) |
| Result before income tax | | | | | **64,893** |
| Income tax | | | | | (11,685) |
| **Net result for the period** | | | | | **53,208** |
| Assets | 606,745 | 640,686 | 103,941 | 25,100 | 1,376,472 |
| Depreciation and amortization | (13,235) | (24,742) | (3,669) | (50) | (41,696) |
| Of which Impairments | (536) | (965) | (66) | - | (1,567) |

## 6. Expenses by nature

| | YTD 2017 | YTD 2016 |
|---|---|---|
| Cost of goods sold | 256,291 | 256,571 |
| Employee benefits | 265,308 | 247,553 |
| Depreciation and amortization | 39,547 | 40,129 |
| Maintenance and rent of buildings and equipment | 11,848 | 11,083 |
| Other | 74,012 | 77,915 |
| | 647,006 | 633,251 |

## 7. Net Finance costs

| | YTD 2017 | YTD 2016 |
|---|---|---|
| Finance costs: | | |
| Interest on borrowings | (9,722) | (16,141) |
| Interest on finance leases | (1) | (1) |
| Other finance expenses | (3,771) | (4,571) |
| Net foreign exchange transaction losses | (2,827) | (1,052) |
| Subtotal finance costs | (16,321) | (21,765) |
| Finance income: | | |
| Interest income | 429 | 264 |
| Net finance costs | (15,892) | (21,501) |

## 8. Income tax

| **Income tax recognized in the Consolidated Statement of Income** | YTD 2017 | YTD 2016 |
|---|---|---|
| Current tax | (18,065) | (14,005) |
| Deferred tax | 671 | 2,320 |
| | (17,394) | (11,685) |

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

**Reconciliation of effective income tax**

| | YTD 2017 | % | YTD 2016 | % |
|---|---|---|---|---|
| Result before income tax | 80,572 | | 64,893 | |
| | | | | |
| Income tax using Icelandic rate | (16,114) | 20.0 | (12,979) | 20.0 |
| Effect of tax rates in other jurisdictions | (5,743) | 7.1 | (3,110) | 4.8 |
| Weighted average applicable tax | (21,857) | 27.1 | (16,089) | 24.8 |
| | | | | |
| Foreign exchange effect Iceland | (396) | 0.5 | 819 | (1.3) |
| Research and development tax incentives | 3,312 | (4.1) | 3,430 | (5.3) |
| Permanent differences | 144 | (0.2) | (136) | 0.2 |
| Tax losses (un)recognized | (2) | - | (116) | 0.2 |
| (Impairment)/reversal of tax losses | 245 | (0.3) | 159 | (0.2) |
| Effect of tax rate changes | (33) | - | (7) | 0.0 |
| Others | 1,193 | (1.5) | 255 | (0.4) |
| Tax charge included in the profit or loss for the period | (17,394) | 21.5 | (11,685) | 18.0 |

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

# 9. Earnings per share

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

**Basic earnings per share (EUR cent per share)**

| | YTD 2017 | YTD 2016 |
|---|---|---|
| Net result attributable to Shareholders | 63,127 | 53,181 |
| Weighted average number of outstanding shares in issue (thousands) | 709,266 | 715,250 |
| Basic earnings per share (EUR cent per share) | 8.90 | 7.44 |

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

**Diluted earnings per share (EUR cent per share)**

| | YTD 2017 | YTD 2016 |
|---|---|---|
| Net result attributable to Shareholders | 63,127 | 53,181 |
| | | |
| Weighted average number of outstanding shares in issue (thousands) | 709,266 | 715,250 |
| Adjustments for stock options (thousands) | 3,907 | 3,327 |
| Weighted average number of outstanding shares for diluted earnings per share (thousands) | 713,173 | 718,577 |
| Diluted earnings per share (EUR cent per share) | 8.85 | 7.40 |

## 10. Property, plant and equipment

| | Land & buildings | Plant & machinery | Under con- struction | Vehicles & equipment | Total |
|---|---|---|---|---|---|
| **At 1 January 2016** | | | | | |
| Cost | 105,966 | 63,510 | 3,389 | 40,807 | 213,672 |
| Accumulated depreciation | (37,952) | (50,457) | - | (36,258) | (124,667) |
| Net book amount | 68,014 | 13,053 | 3,389 | 4,549 | 89,005 |
| | | | | | |
| **Year ended 31 December 2016** | | | | | |
| Opening net book amount | 68,014 | 13,053 | 3,389 | 4,549 | 89,005 |
| Divestments | (136) | (39) | - | (499) | (674) |
| Transfer between categories | 1,309 | 3,424 | (5,511) | 778 | - |
| Effect of movements in exchange rates | 753 | 233 | (18) | 456 | 1,424 |
| Additions | 8,227 | 7,441 | 3,549 | 1,902 | 21,119 |
| Business combinations, note 20 | 12,885 | 4,610 | 241 | 224 | 17,960 |
| Depreciation charge | (2,784) | (5,115) | - | (1,944) | (9,843) |
| Closing net book amount | 88,268 | 23,607 | 1,650 | 5,466 | 118,991 |
| | | | | | |
| **At 1 January 2017** | | | | | |
| Cost | 130,061 | 93,398 | 1,650 | 40,953 | 266,062 |
| Accumulated depreciation | (41,793) | (69,791) | - | (35,487) | (147,071) |
| Net book value | 88,268 | 23,607 | 1,650 | 5,466 | 118,991 |
| | | | | | |
| **Nine months ended 30 September 2017** | | | | | |
| Opening net book value | 88,268 | 23,607 | 1,650 | 5,466 | 118,991 |
| Divestments | (121) | (54) | - | (271) | (446) |
| Effect of movements in exchange rates | (928) | (639) | (108) | (243) | (1,918) |
| Additions | 1,790 | 1,984 | 17,097 | 2,313 | 23,184 |
| Transfer between categories | (1,381) | 68 | 1,302 | 11 | - |
| Business combinations, see note 20 | 6,528 | - | - | - | 6,528 |
| Depreciation charge | (2,360) | (4,196) | - | (1,537) | (8,093) |
| Closing net book value | 91,796 | 20,770 | 19,941 | 5,739 | 138,246 |
| | | | | | |
| **At 30 September 2017** | | | | | |
| Cost | 140,767 | 93,124 | 19,941 | 42,206 | 296,038 |
| Accumulated depreciation | (48,971) | (72,354) | - | (36,467) | (157,792) |
| Net book value | 91,796 | 20,770 | 19,941 | 5,739 | 138,246 |

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

| | **YTD 2017** | **YTD 2016** |
|---|---|---|
| Cost of sales | 4,569 | 3,930 |
| Selling and marketing expenses | 542 | 564 |
| Research and development expenses | 301 | 224 |
| General and administrative expenses | 2,677 | 2,464 |
| | 8,089 | 7,182 |
| Amortization of acquisition-related tangible assets | 4 | - |
| | 8,093 | 7,182 |

## 11. Goodwill and intangible assets

| | Goodwill | Technology & develop-ment costs | Customer relations, patents & trademarks | Other intangibles | Total |
|---|---|---|---|---|---|
| **At 1 January 2016** | | | | | |
| Cost | 389,407 | 148,735 | 56,842 | 32,665 | 238,242 |
| Accumulated amortization | - | (82,204) | (30,201) | (18,819) | (131,224) |
| Net book amount | 389,407 | 66,531 | 26,641 | 13,846 | 107,018 |
| **Year ended 31 December 2016** | | | | | |
| Opening net book amount | 389,407 | 66,531 | 26,641 | 13,846 | 107,018 |
| Business combinations, see note 20 | 245,622 | 53,709 | 136,987 | 8,283 | 198,979 |
| Exchange differences | 151 | (185) | (423) | (294) | (902) |
| Additions | - | 15,632 | 33 | 7,523 | 23,188 |
| Impairment charge | - | (5,456) | - | - | (5,456) |
| Amortization charge | - | (13,394) | (29,658) | (2,317) | (45,369) |
| Closing net book amount | 635,180 | 116,837 | 133,580 | 27,041 | 277,458 |
| **At 1 January 2017** | | | | | |
| Cost (including transfers between categories) | 635,180 | 218,948 | 172,802 | 63,872 | 455,622 |
| Accumulated amortization (including transfers between categories) | - | (102,111) | (39,222) | (36,831) | (178,164) |
| Net book value | 635,180 | 116,837 | 133,580 | 27,041 | 277,458 |
| **Nine months ended 30 September 2017** | | | | | |
| Opening net book value | 635,180 | 116,837 | 133,580 | 27,041 | 277,458 |
| Business combinations, see note 20 | 15,397 | - | - | 198 | 198 |
| Exchange differences | (2,621) | (1,969) | (222) | 4 | (2,187) |
| Additions | - | 11,347 | - | 5,350 | 16,697 |
| Amortization charge | - | (11,716) | (8,186) | (11,552) | (31,454) |
| Closing net book value | 647,956 | 114,499 | 125,172 | 21,041 | 260,712 |
| **At 30 September 2017** | | | | | |
| Cost | 647,956 | 228,120 | 169,011 | 70,363 | 467,494 |
| Accumulated amortization | - | (113,621) | (43,839) | (49,322) | (206,782) |
| Net book value | 647,956 | 114,499 | 125,172 | 21,041 | 260,712 |

The additions for 2017 of EUR 16,697 (31 December 2016: EUR 23,188) predominantly comprise internally generated assets for product development costs and for development of software products.

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

| | YTD 2017 | YTD 2016 |
|---|---|---|
| Research and development expenses | - | 1,567 |
| | - | 1,567 |

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

| | YTD 2017 | YTD 2016 |
|---|---|---|
| Cost of sales | 25 | 20 |
| Selling and marketing expenses | 1,218 | 1,100 |
| Research and development expenses | 10,312 | 10,349 |
| General and administrative expenses | 5,178 | 3,599 |
| | 16,733 | 15,068 |
| Amortization of acquisition-related intangible assets | 14,721 | 17,880 |
| | 31,454 | 32,948 |

**Impairment testing**
The Group tested at the end of 2016 whether goodwill and infinite intangible assets had suffered any impairment. The conclusion was there were no triggers indicating that impairment was necessary. At the end of Q3 2017, there is no reason to deviate from the conclusions taken at year-end.

## 12. Deferred income tax

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

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

| | |
|---|---|
| **At 1 January 2017** | (56,115) |
| Exchange differences and changes within the Group | (48) |
| Consolidated Statement of Income charge (excluding tax rate change) | 704 |
| Effect of change in tax rates | (33) |
| Hedge reserve & translation reserve recognized in Other Comprehensive Income | (122) |
| **At 30 September 2017** | (55,614) |

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

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

| | 30/09 2017 | 31/12 2016 |
|---|---|---|
| Deferred income tax assets | 5,703 | 7,343 |
| Deferred income tax liabilities | (61,317) | (63,458) |
| | (55,614) | (56,115) |

## 13. Inventories

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

## 14. Equity

**Share Capital**

| | Ordinary shares (thousands) | Treasury shares (thousands) | Outstanding number of shares (thousands) |
|---|---|---|---|
| **At 1 January 2016** | 735,569 | (30,903) | 704,666 |
| Treasury shares - sold | - | 12,812 | 12,812 |
| **At 30 September 2016** | 735,569 | (18,091) | 717,478 |
| | 100.00% | 2.46% | 97.54% |
| Treasury shares - purchased | - | (4,000) | (4,000) |
| Treasury shares - sold | - | 548 | 548 |
| **At 1 January 2017** | 735,569 | (21,543) | 714,026 |
| | 100.00% | 2.93% | 97.07% |
| Treasury shares - purchased | - | (12,200) | (12,200) |
| Treasury shares - sold | - | 1,307 | 1,307 |
| **At 30 September 2017** | 735,569 | (32,436) | 703,133 |
| | 100.00% | 4.41% | 95.59% |

| Class of share capital: | **30/09 2017** | **31/12 2016** |
|---|---|---|
| Nominal value | 6,431 | 6,531 |
| | | |
| Share premium | 254,498 | 287,854 |
| Reserve for share based payments | 1,313 | 834 |
| Total share premium reserve | 255,811 | 288,688 |

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

**Treasury shares**

In Q3 2017, Marel purchased 5.0 million treasury shares for a total amount of EUR 14.5 million to be used as a payment for potential future acquisitions, as per the Company's announcement on 8 February 2017. Marel sold 0.9 million treasury shares for EUR 2.5 million to the management of Sulmaq Industrial e Comercial S.A., in relation to Marel's acquisition of Sulmaq. The sold shares are with a lock-up period of 18 months from the date of closing which was 31 August 2017. At the end of Q3 2017, Marel has 32.4 million treasury shares (31 December 2016: 21.5 million treasury shares).

**Dividends**

In March 2017 a dividend of EUR 15,280 (EUR 2.14 cents per share) was declared and paid for the operational year 2016 (in 2016, a dividend of EUR 11,304 (EUR 1.58 cents per share)) was declared and paid for the operational year 2015).

## Reserves

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

| | Hedge reserve | Translation reserve | Total other reserves |
|---|---|---|---|
| **At 1 January 2016** | (2,521) | (2,580) | (5,101) |
| Total other comprehensive income | (550) | (1,704) | (2,254) |
| **At 30 September 2016** | **(3,071)** | **(4,284)** | **(7,355)** |
| Total other comprehensive income | 2,280 | 2,962 | 5,242 |
| **At 31 December 2016** | **(791)** | **(1,322)** | **(2,113)** |
| Total other comprehensive income | 789 | (4,366) | (3,577) |
| **At 30 September 2017** | **(2)** | **(5,688)** | **(5,690)** |

### Limitation in the distribution of Shareholders' equity

As at 30 September 2017, pursuant to Icelandic law, certain limitations exist relating to the distribution of Shareholders' equity. Such limitations relate to legal reserves required by Icelandic law included under Retained earnings for capitalized intangible assets related to product development projects and for legal reserves relating to any legal or economic restrictions to the ability of affiliated companies to transfer funds to the parent company in the form of dividends.

The legal reserve included under Retained earnings for capitalized intangible assets related to product development projects amounted to EUR 64.4 million as at 30 September 2017 (31 December 2016: EUR 63.4 million). Since the profits retained in Marel hf.'s subsidiaries can be distributed and received in Iceland, no legal reserve for any legal or economic restrictions to the ability of affiliated companies to transfer funds to the parent company in the form of dividends is required.

The amount of the legal reserve for the share of profit of affiliates is reduced by dividends received from those companies and those dividends from them which can be claimed. Therefore Marel could, based on its control as the parent company, decide to let its subsidiaries pay dividends. The dividends would lower the amount of legal reserves within equity and therefore leave more room for Marel to make dividend payments to its shareholders. The new provision of the act does not prevent Marel from making dividend payments to its shareholders in 2017 since the Company has sufficient retained earnings from previous years.

The legal reserves as required by Icelandic law are required as of effective date 1 January 2016.

### Non-controlling interests

Non-controlling interests ("NCI") relate to minority shares held by third parties in consolidated Group companies. The net income attributable to NCI amounted to EUR 51 for the nine-month period ended 30 September 2017 (30 September 2016: EUR 27).

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

## 15. Borrowings

| Non-current: | 30/09 2017 | 31/12 2016 |
|---|---|---|
| Bank borrowings | 372,083 | 425,005 |
| Finance lease liabilities | 5 | 9 |
| | 372,088 | 425,014 |
| Current: | | |
| Bank borrowings excluding bank overdrafts | 28,231 | 24,117 |
| Total borrowings | 400,319 | 449,131 |
| | | |
| Bank Borrowings | 400,314 | 449,122 |
| Finance lease liabilities | 5 | 9 |
| Total borrowings | 400,319 | 449,131 |

| Liabilities in currency recorded in EUR | Secured bank loans / revolver | Capitalized finance charges | Embedded derivatives | Finance lease liabilities | **Total 30/09 2017** | **Total 31/12 2016** |
|---|---|---|---|---|---|---|
| Liabilities in EUR | 345,999 | (10,719) | (2,968) | - | 332,312 | 350,108 |
| Liabilities in USD | 66,433 | (2,016) | - | - | 64,417 | 98,032 |
| Liabilities in other currencies | 3,585 | - | - | 5 | 3,590 | 991 |
| | 416,017 | (12,735) | (2,968) | 5 | 400,319 | 449,131 |
| Current maturities | (32,821) | 3,555 | 1,035 | - | (28,231) | (24,117) |
| | 383,196 | (9,180) | (1,933) | 5 | 372,088 | 425,014 |

| **30/09 2017**<br>Annual maturity of non-current liabilities: | Secured bank loans / revolver | Capitalized finance charges | Embedded derivatives | Finance lease liabilities | **Total 30/09 2017** |
|---|---|---|---|---|---|
| Between 1 and 2 years | 31,259 | (3,555) | (707) | - | 26,997 |
| Between 2 and 3 years | 30,710 | (3,555) | (607) | - | 26,548 |
| Between 3 and 4 years | 30,420 | (2,070) | (483) | 5 | 27,872 |
| Between 4 and 5 years | 290,154 | - | (136) | - | 290,018 |
| After 5 years | 653 | - | - | - | 653 |
| | 383,196 | (9,180) | (1,933) | 5 | 372,088 |

| **31/12 2016**<br>Annual maturity of non-current liabilities: | Secured bank loans / revolver | Capitalized finance charges | Embedded derivatives | Finance lease liabilities | **Total 31/12 2016** |
|---|---|---|---|---|---|
| Between 1 and 2 years | 30,000 | (4,705) | (1,178) | - | 24,117 |
| Between 2 and 3 years | 30,000 | (4,274) | (786) | - | 24,940 |
| Between 3 and 4 years | 375,450 | - | (484) | 9 | 374,975 |
| Between 4 and 5 years | - | - | - | - | - |
| After 5 years | 982 | - | - | - | 982 |
| | 436,432 | (8,979) | (2,448) | 9 | 425,014 |

As of 30 September 2017, interest bearing debt amounted to EUR 416.0 million (31 December 2016: EUR 466.4 million), of which none (31 December 2016: EUR 465.5 million) is secured against shares that Marel hf. holds in certain subsidiaries. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The Group loan agreements contain restrictive covenants, relating to interest cover and leverage.
At 30 September 2017 and at year end 2016 the Group complies with all restrictive covenants.

The Group has the following headroom in committed ancillary facilities:

| | **30/09 2017** | **31/12 2016** |
|---|---|---|
| Floating rate: | | |
| - Expiring within one year | - | - |
| - Expiring beyond one year | 170,096 | 144,452 |
| | 170,096 | 144,452 |

## 16. Provisions

| | Guarantee commitments | Pension commitments *) | Refocusing provisions | Other provisions | Total |
|---|---|---|---|---|---|
| **At 1 January 2016** | 6,525 | 6,374 | 2,046 | 957 | 15,902 |
| Release | (952) | - | - | (2,618) | (3,570) |
| Business combinations, note 20 | 1,376 | 111 | - | 8,047 | 9,534 |
| Additions | 2,658 | 1,487 | - | 2,265 | 6,410 |
| Used | (611) | (355) | (2,046) | (4,774) | (7,786) |
| **At 31 December 2016** | 8,996 | 7,617 | - | 3,877 | 20,490 |
| | | | | | |
| **At 1 January 2017** | 8,996 | 7,617 | - | 3,877 | 20,490 |
| Release | (279) | (208) | - | (180) | (667) |
| Business combinations, note 20 | 207 | - | - | - | 207 |
| Additions | 875 | 675 | - | 99 | 1,649 |
| Used | (1,893) | (199) | - | (1,964) | (4,056) |
| **At 30 September 2017** | 7,906 | 7,885 | - | 1,832 | 17,623 |

*) Including the provision for early retirement rights, which has increased to EUR 4,706 at 30 September 2017 (31 December 2016: EUR 3,960).

| Analysis of total provisions | **30/09 2017** | **31/12 2016** |
|---|---|---|
| Current | 9,663 | 13,129 |
| Non-current | 7,960 | 7,361 |
| | 17,623 | 20,490 |

## 17. Financial instruments

**Interest-rate swap**

To protect Marel from fluctuations in Euribor-EUR-Reuters/Libor-BBA and in accordance with the interest hedge policy Marel has entered into interest rate swaps (the hedging instruments) to receive floating interest and to pay fixed interest. It is in line with Marel's risk management policy to have 50 - 70% of core debt fixed for 3 – 5 years.

The notional principal amount of the outstanding active interest rate swap contracts at 30 September 2017 was EUR 261.3 million (31 December 2016: EUR 298.2 million).

| 30/09 2017 | Currency | Principal | Maturity | Interest % |
|---|---|---|---|---|
| Interest rate SWAP | USD | 55,000 | 2017 | 2.4% |
| Interest rate SWAP | EUR | 6,000 | 2017 | 0.8% |
| Interest rate SWAP | EUR | 49,000 | 2018 | 0.2% |
| Forward starting interest rate SWAP | USD | 60,000 | 2018 | 2.2% |
| Embedded floor (0,00% cap on interest rates in financing agreements) | EUR | 376,000 | 2020 | 0.0% |
| Interest rate SWAP | USD | 10,000 | 2020 | 1.3% |
| Interest rate SWAP | EUR | 150,000 | 2020 | -0.1% |
| Forward starting interest rate SWAP | USD | 60,000 | 2020 | 1.5% |
| FX EUR DKK interest rate SWAP (EUR fixed, DKK floating) | EUR | 1,079 | 2027 | 5.2% |

| 31/12 2016 | Currency | Principal | Maturity | Interest % |
|---|---|---|---|---|
| Interest rate SWAP | USD | 55,000 | 2017 | 2.4% |
| Interest rate SWAP | EUR | 6,000 | 2017 | 0.8% |
| Interest rate SWAP | EUR | 25,000 | 2017 | 0.1% |
| Interest rate SWAP | EUR | 55,000 | 2018 | 0.2% |
| Forward starting interest rate SWAP | USD | 60,000 | 2018 | 2.2% |
| Embedded floor (0,00% cap on interest rates in financing agreements) | EUR | 445,000 | 2020 | 0.0% |
| Interest rate SWAP | USD | 10,000 | 2020 | 1.3% |
| Interest rate SWAP | EUR | 150,000 | 2020 | -0.1% |
| Forward starting interest rate SWAP | USD | 60,000 | 2020 | 1.5% |
| FX EUR DKK interest rate SWAP (EUR fixed, DKK floating) | EUR | 1,079 | 2027 | 5.2% |

The fair values of net interest rate swaps used for hedging, together with the carrying amounts shown in the Consolidated Statement of Financial Position amounts to EUR 3,096 (31 December 2016: EUR 4,444).

## 18. Contingencies

At 30 September 2017, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business, the Group has given guarantees amounting to EUR 58.0 million (31 December 2016: EUR 42.6 million) to third parties.

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

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

## 19. Related party transactions

At 30 September 2017 and at 31 December 2016 there were no loans to the members of the Board of Directors and the CEO. In addition, there were no transactions carried out (purchases of goods and services) between the Group and members of the Board of Directors, nor the CEO in the nine-month period ended 30 September 2017 and the year 2016.

## 20. Business combinations

**Sulmaq Industrial e Comercial S.A.**
On 25 July 2017, Marel signed an agreement to acquire 100% of the shares of Sulmaq Industrial e Comercial S.A. ("Sulmaq") from the founding family. Sulmaq is domiciled in Rio Grande do Sul in Brazil. The closing of the acquisition of Sulmaq took place on 31 August 2017.

Sulmaq's main business is supply of complete slaughtering, deboning and industrialized equipment lines for hog, cattle and sheep processors. The focus market is Brazil and the rest of Central and South America. The acquisition enhances Marel's position as a leading global provider of advanced equipment and solutions to the Poultry, Meat and Fish industries and is fully in line with the Company's previously announced strategy. This step will support Marel's market position in Central and South America.

The amounts recorded for the acquisition as disclosed below are provisional. In accordance with IFRS 3, Business Combinations, the purchase price of Sulmaq will be allocated to identifiable assets and liabilities acquired. Immediately after the acquisition date the purchase price allocation activities started. Due to the short timeframe the process is still ongoing and is expected to be finished in the fourth quarter of 2017. As a consequence all of the numbers recorded for the acquisition are provisional. Provisional Goodwill amounted to EUR 15.4 million. The resulting Goodwill from this acquisition is primarily related to the strategic (and cultural) fit of Sulmaq and Marel with highly complementary product portfolios and geographic presence. The goodwill is tax deductible in Brazil if certain conditions are met.

Under IFRS 3, up to one year from the acquisition date, the initial accounting for business combinations needs to be adjusted to reflect additional information that has been received about facts and circumstances that existed at the acquisition date and would have affected the measurement of amounts recognized as of that date. As a result of such adjustments the values of assets and liabilities recognized may change in the one-year period from the acquisition date which did not result in adjustments to the opening balance sheet of Sulmaq.

Sulmaq contributed EUR 2.5 million to revenues in September 2017 and affected result from operation positively.

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

| | |
|---|---|
| Property, plant and equipment | 6,528 |
| Other intangible assets | 198 |
| Inventories | 5,064 |
| Trade and other receivables | 5,429 |
| Other receivables and prepayments | 868 |
| Cash and cash equivalents | 5,755 |
| **Assets acquired** | 23,842 |
| | |
| Long-term debt, current and non-current | 5,327 |
| Deferred and other tax liabilities | 365 |
| Production contracts | 3,635 |
| Provisions, current and non-current | 207 |
| Trade and other payables | 3,733 |
| **Liabilities assumed** | 13,267 |
| | |
| **Total net identified assets** | 10,575 |
| | |
| Consideration paid in cash for the transaction on 31 August 2017 | 25,972 |
| | |
| **Goodwill on acquisition** | 15,397 |

**Acquisition MPS Holding III B.V.**
On 29 January 2016, Marel concluded the acquisition of MPS Holding III B.V. ("MPS") and obtained control through acquiring 100% of the issued shares of MPS. MPS is a subsidiary of Marel Holding B.V. The purchase price was EUR 368 million on a debt-free and cash-free basis.

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

| | |
|---|---|
| Property, plant and equipment | 17,960 |
| Other intangible assets | 198,979 |
| Inventories | 16,693 |
| Trade and other receivables | 22,229 |
| Cash and cash equivalents | 18,384 |
| **Assets acquired** | 274,245 |
| | |
| Long-term debt, current and non-current | 92,782 |
| Deferred and other tax liabilities | 51,231 |
| Production contracts | 43,649 |
| Provisions, current and non-current | 9,534 |
| Trade and other payables | 27,593 |
| **Liabilities assumed** | 224,789 |
| | |
| **Total net identified assets** | 49,456 |
| | |
| Consideration paid in cash for the transaction on 29 January 2016 | 295,078 |
| | |
| **Goodwill on acquisition** | 245,622 |

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

| | **YTD 2017** | **YTD 2016** |
|---|---|---|
| Cost of sales | 8,256 | 11,056 |
| Selling and marketing expenses | 4,408 | 5,024 |
| Research and development expenses | 2,057 | 1,800 |
| General and administrative expenses | 4 | - |
| | 14,725 | 17,880 |

**Change in Group structure**
As of 1 January 2016 three entities in the United States of America: Marel Stork Poultry Processing Inc., Marel Meat Processing Inc. and Marel Inc., have been merged to one legal entity Marel Inc.

## 21. Events after balance sheet date

No significant events have taken place since the reporting date.

## 22. Quarterly results

| | Q3 2017 | Q2 2017 | Q1 2017 | Q4 2016 |
|---|---|---|---|---|
| Revenue | 246,987 | 244,019 | 252,464 | 250,026 |
| Cost of sales | (152,977) | (147,599) | (153,019) | (148,843) |
| **Gross profit** | 94,010 | 96,420 | 99,445 | 101,183 |
| Selling and marketing expenses | (28,182) | (29,096) | (30,958) | (36,016) |
| Research and development expenses | (12,956) | (14,217) | (13,915) | (13,581) |
| General and administrative expenses | (15,307) | (17,173) | (16,880) | (16,643) |
| Other operating income / (expenses) | - | - | - | 144 |
| Adjusted result from operations *) | 37,565 | 35,934 | 37,692 | 35,087 |
| Amortization of acquisition-related (in)tangible assets | (2,199) | (6,310) | (6,217) | (6,705) |
| **Result from operations (EBIT)** | 35,366 | 29,624 | 31,475 | 28,382 |
| Net finance costs | (5,409) | (6,700) | (3,783) | (3,786) |
| **Result before income tax** | 29,957 | 22,924 | 27,692 | 24,596 |
| Income tax | (6,765) | (4,286) | (6,343) | (1,960) |
| **Result for the period** | 23,192 | 18,638 | 21,349 | 22,636 |
| Result before depreciation & amortization (EBITDA) | 45,837 | 44,218 | 45,955 | 47,353 |

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