CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2018

ADVANCING
FOOD PROCESSING

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Contents Condensed Consolidated Interim Financial Statements

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 32 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 2018 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 2017. 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 2017.

Acquisition of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG

On 25 July 2018, Marel signed an agreement to acquire 100% of the shares of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG and related companies ("MAJA"). This transaction is in line with Marel's strategic objective to be a full-line supplier of advanced food processing solutions and accelerate market penetration through acquisitions.

Founded in 1955, MAJA is a highly innovative manufacturer of food processing machinery, specializing in skinning and portioning with main focus on the meat market as well as ice machines for the preservation of fresh food. Based in Kehl-Goldscheuer in Germany, MAJA has around 200 employees and annual revenues of roughly EUR 30 million in 2017.

This bolt-on acquisition supports Marel in achieving its ambitious goals for future growth and value creation. With MAJA's innovative product offering and complimentary geographical reach, Marel is able to offer full-line solutions for the meat industry globally and strengthen its market presence.

The transaction was finalized on 14 August 2018. Closing was subject to anti-trust approval and standard closing conditions. The transaction is funded from cash on hand and available facilities.

Acquisition of Sulmaq Industrial e Comercial S.A.

On 31 August 2017, Marel concluded the acquisition of 100% of the shares of Sulmaq Industrial e Comercial S.A. ("Sulmaq") from a consortium of shareholders. Further information is provided in note 5 of the Condensed Consolidated Interim Financial Statements.

Operations in the nine-month period ended 30 September 2018

The consolidated revenues for Marel for the nine-month period 2018 are EUR 867.1 million (2017: EUR 743.5 million). The adjusted result from operations for the same period is EUR 127.0 million or 14.6% of revenues (2017: EUR 111.2 million or 15.0% of revenues).

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

	YTD 2018	**YTD 2017**
Adjusted result from operations	127.0	111.2
Adjustment amortization of acquisition-related (in)tangible assets	(7.0)	(14.7)
Result from operations	**120.0**	**96.5**

At 30 September 2018 the Company's order book amounted to EUR 510.8 million (at 1 January 2018: EUR 487.8 million).

Based on the decision taken at the Company's 2018 Annual General Meeting, a dividend was declared and paid to shareholders for the operational year 2017 amounting to EUR 28.7 million, EUR 4.19 cents per share, corresponding to approximately 30% of net result for the year 2017 (2017: a dividend of EUR 15.3 million, EUR 2.14 cents per share, corresponding to approximately 20% of net result for the year 2016, was declared and paid out to shareholders for the operational year 2016).

In Q3 2018 Marel purchased 10.0 million treasury shares for EUR 29.7 million. At the end of Q3 2018 Marel had 60.7 million treasury shares (end of year 2017: 41.7 million treasury shares.

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 2018, its assets, liabilities and consolidated financial position as at 30 September 2018 and its consolidated cash flows for the nine-month period ended 30 September 2018.

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 2018 and ratify them with their signatures.

Garðabær, 31 October 2018

Board of Directors

Ásthildur Margrét Otharsdóttir
Chairman of the Board

Arnar Þór Másson

Ann Elizabeth Savage

Ástvaldur Jóhannsson

Helgi Magnússon

Margrét Jónsdóttir

Ólafur S. Guðmundsson

Chief Executive Officer

Árni Oddur Þórðarson

Consolidated Statement of Income

In EUR million unless stated otherwise	Notes	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Revenues	6 & 7	282.0	247.0	867.1	743.5
Cost of sales	8	(171.3)	(153.0)	(529.9)	(453.6)
Gross profit		**110.7**	**94.0**	**337.2**	**289.9**
Selling and marketing expenses	8	(32.0)	(28.2)	(98.1)	(88.2)
Research and development expenses	8	(18.4)	(12.9)	(52.5)	(41.1)
General and administrative expenses	8	(20.3)	(15.3)	(59.6)	(49.4)
Adjusted result from operations*)		**40.0**	**37.6**	**127.0**	**111.2**
Amortization of acquisition-related (in)tangible assets	5 & 8	(2.4)	(2.2)	(7.0)	(14.7)
Result from operations		**37.6**	**35.4**	**120.0**	**96.5**
Finance costs	9	(3.4)	(5.5)	(13.4)	(16.3)
Finance income	9	0.5	0.1	1.4	0.4
Net finance costs	9	(2.9)	(5.4)	(12.0)	(15.9)
Result before income tax		**34.7**	**30.0**	**108.0**	**80.6**
Income tax	10	(8.0)	(6.8)	(23.5)	(17.4)
Net result		**26.7**	**23.2**	**84.5**	**63.2**
Of which:					
- Net result attributable to non-controlling interests	18	0.1	0.0	0.1	0.1
- Net result attributable to Shareholders of the Company	11	26.6	23.2	84.4	63.1
Earnings per share for result attributable to Shareholders of the Company during the period (expressed in EUR cent per share):					
- basic	11	3.94	3.29	12.34	8.90
- diluted	11	3.92	3.26	12.28	8.85

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

The notes on pages 8-30 are an integral part of the Condensed Consolidated Interim Financial Statements

Consolidated Statement of Comprehensive Income

In EUR million	Notes	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Net Result		**26.7**	**23.2**	**84.5**	**63.2**
Items that are or may be reclassified to profit or loss:					
Currency translation differences	18	(3.1)	(1.0)	(5.8)	(4.4)
Cash flow hedges	18	(0.2)	(0.2)	1.3	0.9
Income tax relating to cash flow hedges	16 & 18	0.1	0.1	(0.2)	(0.1)
Other comprehensive income / (loss) for the period, net of tax		(3.2)	(1.1)	(4.7)	(3.6)
Total comprehensive income for the period		**23.5**	**22.1**	**79.8**	**59.6**
Of which:					
Comprehensive income attributable to non-controlling interests	18	0.0	0.0	0.0	0.1
Comprehensive income attributable to Shareholders of the Company		23.5	22.1	79.8	59.5

The notes on pages 8-30 are an integral part of the Condensed Consolidated Interim Financial Statements

Consolidated Statement of Financial Position

In EUR million	Notes	30/09 2018	31/12 2017
ASSETS			
Property, plant and equipment	12	167.6	144.7
Right of use assets	13	30.5	-
Goodwill	14	654.1	643.9
Intangible assets	15	256.1	262.7
Trade and other receivables		3.0	4.0
Derivative financial instruments	21	2.2	0.9
Deferred income tax assets	16	8.6	4.4
Non-current assets		**1,122.1**	**1,060.6**
Inventories	17	147.2	124.4
Contract assets		37.8	48.2
Trade receivables		141.1	128.9
Other receivables and prepayments		63.1	46.6
Cash and cash equivalents		33.8	31.9
Current assets		**423.0**	**380.0**
TOTAL ASSETS		**1,545.1**	**1,440.6**
EQUITY AND LIABILITIES			
Share capital	18	6.1	6.3
Share premium reserve	18	171.5	229.6
Other reserves	18	(12.9)	(8.2)
Retained earnings	18	365.0	313.9
Shareholders' equity		**529.7**	**541.6**
Non-controlling interests	18	0.4	0.3
Total equity		**530.1**	**541.9**
LIABILITIES			
Borrowings	19	430.3	370.5
Lease liabilities	13 & 19	24.1	0.2
Deferred income tax liabilities	16	62.9	61.3
Provisions	20	8.4	8.6
Other liabilities		3.5	3.6
Derivative financial instruments	21	1.8	2.7
Non-current liabilities		**531.0**	**446.9**
Contract liabilities		223.9	209.6
Trade and other payables		202.4	195.9
Current income tax liabilities		17.9	11.0
Borrowings	19	24.1	26.2
Lease liabilities	13 & 19	6.8	-
Provisions	20	8.9	9.1
Current liabilities		**484.0**	**451.8**
Total liabilities		**1,015.0**	**898.7**
TOTAL EQUITY AND LIABILITIES		**1,545.1**	**1,440.6**

The notes on pages 8-30 are an integral part of the Condensed Consolidated Interim Financial Statements

Consolidated Statement of Changes in Equity

In EUR million	Share capital	Share premium reserve [1]	Other reserves [2]	Retained earnings	Share-holders' equity	Non-controlling interests	Total equity
Balance at 31 December 2017	**6.3**	**229.6**	**(8.2)**	**313.9**	**541.6**	**0.3**	**541.9**
Impact IFRS 9 & 15				(4.8)	(4.8)		(4.8)
Balance at 1 January 2018	**6.3**	**229.6**	**(8.2)**	**309.1**	**536.8**	**0.3**	**537.1**
Net result for the period				84.4	84.4	0.1	84.5
Total other comprehensive income			(4.7)		(4.7)	-	(4.7)
Transactions with owners of the Company							
Treasury shares purchased	(0.2)	(60.0)			(60.2)		(60.2)
Treasury shares sold		1.0			1.0		1.0
Value of services provided		0.9			0.9		0.9
Other movements				0.2	0.2		0.2
Dividend				(28.7)	(28.7)	-	(28.7)
	(0.2)	**(58.1)**	**(4.7)**	**55.9**	**(7.1)**	**0.1**	**(7.0)**
Balance at 30 September 2018	**6.1**	**171.5**	**(12.9)**	**365.0**	**529.7**	**0.4**	**530.1**
Balance at 1 January 2017	**6.5**	**288.7**	**(2.1)**	**232.2**	**525.3**	**0.2**	**525.5**
Net result for the period				63.1	63.1	0.1	63.2
Total other comprehensive income			(3.6)		(3.6)		(3.6)
Transactions with owners of the Company							
Treasury shares purchased	(0.1)	(36.2)			(36.3)		(36.3)
Treasury shares sold	0.0	2.9			2.9		2.9
Value of services provided		0.5			0.5		0.5
Other movements		(0.1)		0.2	0.1		0.1
Dividend				(15.3)	(15.3)	(0.1)	(15.4)
	(0.1)	**(32.9)**	**(3.6)**	**48.0**	**11.4**	**-**	**11.4**
Balance at 30 September 2017	**6.4**	**255.8**	**(5.7)**	**280.2**	**536.7**	**0.2**	**536.9**
Net result for the period				33.7	33.7	-	33.7
Total other comprehensive income			(2.5)		(2.5)		(2.5)
Transactions with owners of the Company							
Treasury shares purchased	(0.1)	(27.0)			(27.1)		(27.1)
Treasury shares sold		0.8			0.8		0.8
Value of services provided		0.1			0.1		0.1
Other movements		(0.1)			(0.1)	0.1	-
	(0.1)	**(26.2)**	**(2.5)**	**33.7**	**4.9**	**0.1**	**5.0**
Balance at 31 December 2017	**6.3**	**229.6**	**(8.2)**	**313.9**	**541.6**	**0.3**	**541.9**

[1] Includes reserve for share based payments as per 30 September 2018 of EUR 2.4 million (31 December 2017: EUR 1.4 million).

[2] For details on Other reserves refer to note 18.

The notes on pages 8-30 are an integral part of the Condensed Consolidated Interim Financial Statements

Consolidated Statement of Cash Flows

In EUR million	Notes	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Cash flows from operating activities					
Result from operations		**37.6**	**35.4**	**120.0**	**96.5**
Adjustments to reconcile result from operations to net cash provided by / (used in) operating activities:					
Depreciation of property, plant and equipment and right of use assets	12 & 13	5.1	2.7	15.6	8.1
Amortization and impairment of intangible assets	15	7.3	7.7	23.5	31.4
Changes in non-current receivables and payables		0.1	0.1	0.3	0.2
Working capital provided by / (used in) operating activities		**50.1**	**45.9**	**159.4**	**136.2**
Changes in working capital:					
Inventories and contract assets and liabilities		(18.7)	16.9	(1.3)	52.3
Trade and other receivables		(6.1)	12.4	(16.6)	(11.0)
Trade and other payables		6.5	(3.6)	5.4	(3.9)
Provisions		(0.2)	0.3	(3.3)	(2.6)
Changes in operating assets and liabilities		**(18.5)**	**25.9**	**(15.8)**	**34.8**
Cash generated from operating activities		**31.6**	**71.8**	**143.6**	**171.0**
Taxes paid		(6.0)	(3.2)	(24.5)	(15.8)
Interest and finance income		0.6	0.0	1.4	0.4
Interest and finance costs		(2.4)	(2.6)	(6.8)	(11.9)
Net cash from operating activities		**23.8**	**66.0**	**113.7**	**143.7**
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(10.6)	(8.1)	(24.5)	(23.2)
Investments in intangibles	15	(5.3)	(6.0)	(17.7)	(16.7)
Proceeds from sale of property, plant and equipment		0.7	0.1	3.2	0.5
Acquisition of subsidiary, net of cash aquired		(29.9)	(20.2)	(29.9)	(20.2)
Net cash provided by / (used in) investing activities		**(45.1)**	**(34.2)**	**(68.9)**	**(59.6)**
Cash flows from financing activities					
Purchase of treasury shares	18	(29.7)	(14.5)	(60.0)	(36.4)
Sale of treasury shares	18	-	2.5	1.0	2.9
Proceeds from borrowings		64.5	35.0	144.0	88.0
Repayments of borrowings		(2.8)	(50.0)	(91.8)	(134.8)
Payments lease liabilities		(2.3)	-	(6.8)	-
Dividends paid	18	0.1	-	(28.7)	(15.3)
Net cash provided by / (used in) financing activities		**29.8**	**(27.0)**	**(42.3)**	**(95.6)**
Net increase (decrease) in net cash		**8.5**	**5.0**	**2.5**	**(11.5)**
Exchange (loss) / gain on net cash		(2.6)	(4.2)	(0.6)	(8.2)
Net cash at beginning of the period		27.9	25.0	31.9	45.5
Net cash at end of the period		**33.8**	**25.8**	**33.8**	**25.8**

The notes on pages 8-30 are an integral part of the Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Interim Financial Statements

1 General information

Reporting entity

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

The Condensed Consolidated Interim Financial Statements of the Company as at and for the nine-month period ended 30 September 2018 comprise the Company and its subsidiaries (together referred to as "the Group" or "Marel").

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

The Condensed Consolidated Interim Financial Statements for the nine-month period ended 30 September 2018 have not been audited nor reviewed by an external auditor.

All amounts are in millions of EUR and have been rounded to the nearest million, unless otherwise indicated.

These Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors and CEO on 31 October 2018.

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

2 Basis of preparation and use of judgements and estimates

Basis of preparation

These Condensed Consolidated Interim Financial Statements of the Company and its subsidiaries are for the nine-month period ended 30 September 2018 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 2017. The Consolidated Financial Statements for the Group for the period ended 31 December 2017 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 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 an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

IFRS 9, IFRS 15 and IFRS 16 have been applied as of 1 January 2018. The Condensed Consolidated Interim Financial Statements include the impact of these standards. Changes to significant accounting policies are described in note 3.

These Condensed Consolidated Interim Financial Statements have been prepared under the historical cost convention, except for the valuation of 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.

Use of judgements and estimates

In preparing these Condensed Consolidated Interim Financial Statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last Group's Annual Consolidated Financial Statements for the year ended 31 December 2017, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 9, IFRS 15 and IFRS 16, which are described in note 3.

3 Accounting policies

Except as described below, the accounting policies applied in these Condensed Consolidated Interim Financial Statements are the same as those applied and described in the Annual Consolidated Financial Statements for the year ended 31 December 2017.

The changes in accounting policies are expected to be reflected in the Group's Consolidated Financial Statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, both with an effective date of 1 January 2018 and has early adopted IFRS 16 Leases, which has an effective date of 1 January 2019.

Impact of the adoption of new standards on the opening Retained earnings

The effect of initially applying IFRS 9 and IFRS 15 on the Group's Consolidated Financial Statements is described below.

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

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

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

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

The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

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

IFRS 9 Financial instruments

IFRS 9 contains a new classification and measurement approach for financial assets and liabilities that reflects the business model in which assets are managed and their cash flow characteristics.

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

The new classification requirements have no material impact on accounting for trade receivables. The new classification requirements did not affect the carrying amount of borrowings.

The Group has adopted IFRS 9 using the exemption which allows it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 have been recognized in Retained earnings as at 1 January 2018.

Amendments made by IFRS 9 to paragraph 82 of IAS 1 introduced additional line items that are required to be presented in the Consolidated Statement of Income (Impairment loss on Trade and other receivables). The Group has not presented them because during the interim period the Group did not have events or transactions to be reflected in those line items.

Hedge accounting

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 became effective as at 1 January 2018 and replaced IAS 18 Revenue, IAS 11 Construction Contracts and interpretations on revenue recognition related to sale of goods and services. The standard establishes a comprehensive framework about revenue recognition of information on nature, amounts, timing and uncertainty of revenue and cash flows from contracts with customers. The new revenue recognition model is different from prior rules as revenue shall be recognized in a way that reflects the transfer of goods and service to customers, i.e. transfer of control, but according to prior rules the revenue recognition was based on transfer of the risk and rewards.

The Group has adopted IFRS 15 using the cumulative effect method (with practical expedient: completed contract method), with the effect of 1 January 2018. Accordingly, the information presented for 2017 has not been restated and is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The following tables summarizes the impact of adopting IFRS 15 on the Group's interim Consolidated Statement of Financial Position as at 30 September 2018 and its Consolidated Statement of Income and Consolidated Statement of Comprehensive Income for the nine months then ended for each of the line items affected. There was no material impact on the Group's interim Consolidated Statement of Cash Flows for the nine-month period ended 30 September 2018.

Consolidated Statement of Financial Position In EUR million	**As Reported**	**Adjustments**	**Amounts without adoption of IFRS 15**
ASSETS			
Deferred income tax assets	8.6	(3.6)	5.0
Other non-current assets	1,113.5	-	1,113.5
Non-current assets	**1,122.1**	**(3.6)**	**1,118.5**
Contract assets	37.8	14.0	51.8
Other current assets	385.2	-	385.2
Current assets	**423.0**	**14.0**	**437.0**
TOTAL ASSETS	**1,545.1**	**10.4**	**1,555.5**
EQUITY AND LIABILITIES			
Share capital	6.1	-	6.1
Share premium reserve	171.5	-	171.5
Other reserves	(12.9)	-	(12.9)
Retained earnings	365.0	10.4	375.4
Shareholders' equity	**529.7**	**10.4**	**540.1**
Non-controlling interests	0.4	-	0.4
Total equity	**530.1**	**10.4**	**540.5**
LIABILITIES			
Non-current liabilities	531.0	-	531.0
Current liabilities	484.0	-	484.0
Total liabilities	**1,015.0**	**-**	**1,015.0**
TOTAL EQUITY AND LIABILITIES	**1,545.1**	**10.4**	**1,555.5**

Condensed Consolidated Statement of Income In EUR million	As Reported	Adjustments	Amounts without adoption of IFRS 15
Revenues	867.1	2.8	869.9
Cost of sales	(529.9)	(0.7)	(530.6)
Gross profit	**337.2**	**2.1**	**339.3**
Adjusted result from operations*)	**127.0**	**2.1**	**129.1**
Result from operations	**120.0**	**2.1**	**122.1**
Result before income tax	**108.0**	**2.1**	**110.1**
Income tax	(23.5)	(0.5)	(24.0)
Net result	**84.5**	**1.6**	**86.1**
Comprehensive income	**79.8**	**1.6**	**81.4**

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

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Sales of goods

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

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

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

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

For the sale of complete solutions or systems, revenue was under the previous accounting standards, IAS 11 and IAS 18, recognized over time. Revenue was recognized as the Group manufactures the equipment. Under IFRS 15, the recognition of revenue for these categories will not change. Under IFRS 15, all these complete solutions or systems are deemed to not have an alternative use and Marel has an enforceable right to payment and therefore related revenues will be recognized over time.

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

As a result of the above adjustments the opening order book as at 1 January 2018 increased to EUR 487.8 million.

Rendering of services

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

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

The application of IFRS 15 did not result in significant differences in the timing of revenue recognition for these services.

Commissions
The Group applied the practical expedient in relation to the incremental costs of obtaining a contract. The Group will recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. Costs for obtaining a contract for which the contract exceeds one year will be capitalized and amortized over the contract period. Based on the Group's assessment, the accounting of commissions under IFRS 15 has not resulted in significant differences in recognition of revenues or costs.

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

The Group has completed a detailed assessment of the impact on its consolidated financial statements. The most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases of office buildings and vehicles.

Application of the new standard is mandatory for financial years beginning on or after 1 January 2019. The Group has early adopted IFRS 16 and started reporting as of 1 January 2018.

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

As at 1 January 2018, the additional assets and liabilities on the Statement of Financial Position amount to EUR 33.2 million. In addition, the nature of expenses related to those leases changed as IFRS 16 replaced the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

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

Transition
As a lessee, the Group has applied IFRS 16 on 1 January 2018, using the cumulative catch up approach and measuring the amounts equal to liability at adoption, with no restatement of comparative information.

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:

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

The Group has a financing structure which can accommodate the Group's financing requirements until 2022 with USD and EUR borrowings matching the Group's exposure in these currencies to a large extent. The facility has an embedded 0% floor in the EURIBOR and LIBOR rates. At the date of utilization of the loans (5 May 2017) the 5 year EURIBOR curve was negative and consequently the floor has intrinsic value at the date of inception. In accordance with IFRS 9 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 Business combinations

Acquisition of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG

On 25 July 2018, Marel signed an agreement to acquire 100% of the shares of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG and related companies ("MAJA"). This transaction is in line with Marel's strategic objective to be a full-line supplier of advanced food processing solutions and accelerate market penetration through acquisitions.

Founded in 1955, MAJA is a highly innovative manufacturer of food processing machinery, specializing in skinning and portioning with main focus on the meat market as well as ice machines for the preservation of fresh food. Based in Kehl-Goldscheuer in Germany, MAJA has around 200 employees and annual revenues of roughly EUR 30 million in 2017.

This bolt-on acquisition supports Marel in achieving its ambitious goals for future growth and value creation. With MAJA's innovative product offering and complimentary geographical reach, Marel is able to offer full-line solutions for the meat industry globally and strengthen its market presence.

The transaction was finalized on 14 August 2018. Closing was subject to anti-trust approval and standard closing conditions. The transaction is funded from cash on hand and available facilities.

The amounts recorded for the acquisition as disclosed on the next page are provisional. In accordance with IFRS 3, Business Combinations, the purchase price of MAJA 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 during 2019. As a consequence all of the numbers recorded for the acquisition are provisional. Provisional Goodwill amounted to EUR 14.5 million. The resulting Goodwill from this acquisition is primarily related to the strategic (and cultural) fit of MAJA and Marel with highly complementary product portfolios and geographic presence. The goodwill is tax deductible in Germany.

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 MAJA.

MAJA contributed EUR 2.8 million to revenues since the acquisition date and affected result from operation positively.

The following table summarizes the consideration paid for MAJA and the recognized provisional amounts of assets acquired and liabilities assumed at the acquisition date being 14 August 2018.

14 August 2018	
Property, plant and equipment	7.9
Inventories	7.0
Trade receivables, current and non-current	5.4
Other receivables and prepayments	1.0
Cash and cash equivalents	1.4
Assets acquired	**22.7**
Borrowings, current and non-current	5.0
Provisions, current and non-current	0.3
Trade and other payables	0.6
Liabilities assumed	**5.9**
Total net identified assets	**16.8**
Consideration paid in cash for the transaction on 14 August 2018	31.3
Consideration transferred	**31.3**
Provisional goodwill on acquisition	**14.5**

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 a consortium of shareholders. Sulmaq is domiciled in Brazil. The closing of the acquisition of Sulmaq took place on 31 August 2017.

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

In accordance with IFRS 3, Business Combinations, the purchase price of Sulmaq was allocated to identifiable assets and liabilities acquired. Goodwill amounted to EUR 10.3 million and is allocated to the Meat segment. The resulting goodwill from this acquisition is primarily related to the strategic (and cultural) fit of Sulmaq and Marel with highly complementary product portfolios and geographic presence, new customers and synergies. The goodwill is, under certain conditions, deductible for income tax purposes.

Sulmaq contributed EUR 23.4 million to revenues for the nine-month period of 2018 and affected result from operations positively.

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

The Purchase Price Allocation of Sulmaq is finalized. The impact of the valuation of Property, plant and equipment, and as a consequence the impact on Intangible assets and Goodwill, is described in note 12, note 14 and note 15 and is included in the numbers as presented below.

The following table summarizes the consideration paid for Sulmaq and the recognized amounts of assets acquired and liabilities assumed at the acquisition date being 31 August 2017.

31 August 2017	
Property, plant and equipment	10.3
Intangible assets	3.3
Inventories	6.1
Trade receivables, current and non-current	5.5
Other receivables and prepayments	0.5
Cash and cash equivalents	5.8
Assets acquired	**31.5**
Borrowings, current and non-current	5.0
Deferred and other tax liabilities	2.7
Provisions, current and non-current	0.6
Trade and other payables	7.5
Liabilities assumed	**15.8**
Total net identified assets	**15.7**
Consideration paid in cash for the transaction on 31 August 2017	26.0
Consideration transferred	**26.0**
Goodwill on acquisition	**10.3**

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

	YTD 2018	YTD 2017
Cost of sales	0.0	-
Selling and marketing expenses	0.1	-
Research and development expenses	0.0	-
General and administrative expenses	0.1	-
	0.2	**-**

6 Segment information

Operating segments

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

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

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

Results are monitored and managed at the operating segment level, up to the Adjusted 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 and delivery of orders, margin on projects and business mix. Decisions on tax and financing structures including cash and cash equivalents are taken at a corporate level, therefore no financial income and expenses nor tax are allocated to the operating segments. The profit or loss per operating segment is the Adjusted result from operations (before amortization of acquisition-related (in)tangible assets); finance costs and taxes are reported in the column Total.

Intercompany transactions are entered 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.

30 September 2018	Poultry	Meat	Fish	Others	Total
Third Party Revenues	**461.0**	**274.7**	**121.3**	**10.1**	**867.1**
Adjusted result from operations	**80.8**	**32.6**	**11.5**	**2.1**	**127.0**
Amortization of acquisition-related (in)tangible assets					(7.0)
Result from operations					**120.0**
Net finance costs					(12.0)
Result before income tax					**108.0**
Income tax					(23.5)
Net result for the period					**84.5**
Assets	**695.0**	**665.4**	**143.0**	**41.7**	**1,545.1**
Depreciation and amortization	(16.5)	(17.9)	(4.7)	-	(39.1)
Of which Impairments	-	(1.3)	-	-	(1.3)

30 September 2017	Poultry	Meat	Fish	Others	Total
Third Party Revenues	**406.2**	**238.9**	**90.8**	**7.6**	**743.5**
Adjusted result from operations	**75.9**	**28.7**	**3.6**	**3.0**	**111.2**
Amortization of acquisition-related (in)tangible assets					(14.7)
Result from operations					**96.5**
Net finance costs					(15.9)
Result before income tax					**80.6**
Income tax					(17.4)
Net result for the period					**63.2**
Assets	**628.6**	**643.0**	**104.4**	**38.6**	**1,414.6**
Depreciation and amortization	(14.0)	(21.4)	(4.1)	-	(39.5)

7 Revenue

Revenue

The Group's operations and main revenue streams are those described in the last annual Consolidated Financial Statements. The Group's revenue is derived from contracts with customers. The nature and effect of initially applying IFRS 15 on the Group's Condensed Consolidated Interim Financial Statements is disclosed in note 3.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical markets:

30 September 2018	Poultry	Meat	Fish	Others	Total
Primary geographical markets					
Iceland	0.5	0.2	4.8	-	**5.5**
The Netherlands	14.6	13.0	1.3	0.5	**29.4**
Europe other	174.2	110.6	73.4	2.1	**360.3**
North America	153.8	75.3	20.2	1.3	**250.6**
Other countries	117.9	75.6	21.6	6.2	**221.3**
	461.0	**274.7**	**121.3**	**10.1**	**867.1**

30 September 2017	Poultry	Meat	Fish	Others	Total
Primary geographical markets					
Iceland	0.1	0.4	4.2	0.1	**4.8**
The Netherlands	9.4	10.4	2.7	0.8	**23.3**
Europe other	159.8	95.3	45.2	4.8	**305.1**
North America	110.9	56.4	23.6	1.2	**192.1**
Other countries	126.0	76.4	15.1	0.7	**218.2**
	406.2	**238.9**	**90.8**	**7.6**	**743.5**

8 Expenses by nature and Adjusted result from operations

The table below shows the Expenses by nature:

	YTD 2018	YTD 2017
Cost of goods sold	302.8	256.3
Employee benefits	301.9	265.3
Depreciation and amortization	39.1	39.5
Maintenance and rent of buildings and equipment	11.0	11.9
Other	92.3	74.0
	747.1	**647.0**

Management has presented Adjusted result from operations as performance measure in the Consolidated Statement of Income and believes that this measure is relevant to an understanding of the Group's financial performance. The definition of Adjusted result from operations is the same as in the 2017 Consolidated Financial Statements. Adjusted result from operations is calculated by adjusting Result from operations to exclude the impact of amortization of acquisition-related (in)tangible assets. No other adjustments are included in Adjusted results from operations.

The table below shows the amortization of acquisition-related (in)tangible assets for the acquisition of MPS Holding III B.V. in 2016 and Sulmaq in 2017, which relate to the following lines in the Consolidated Statement of Income:

	YTD 2018	YTD 2017
Cost of sales	-	8.3
Selling and marketing expenses	4.7	4.4
Research and development expenses	2.1	2.0
General and administrative expenses	0.2	-
	7.0	**14.7**

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

9 Net finance costs

	YTD 2018	YTD 2017
Finance costs:		
Interest on borrowings	(7.3)	(9.7)
Interest on leases	(0.7)	(0.0)
Other finance expenses	(4.3)	(3.8)
Net foreign exchange transaction losses	(1.1)	(2.8)
Subtotal Finance costs	**(13.4)**	**(16.3)**
Finance income:		
Interest income	1.4	0.4
Net finance costs	**(12.0)**	**(15.9)**

10 Income tax

Income tax recognized in the Consolidated Statement of Income	YTD 2018	YTD 2017
Current tax	(24.8)	(18.1)
Deferred tax	1.3	0.7
	(23.5)	**(17.4)**

Income tax expense is recognized at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in the interim period. As such, the effective tax rate in the interim financial statements may differ from the effective tax rate for the annual financial statements.

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 shown in the table below.

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.

Reconciliation of effective income tax	YTD 2018	%	YTD 2017	%
Result before income tax	108.0		80.6	
Income tax using Icelandic rate	(21.6)	20.0	(16.1)	20.0
Effect of tax rates in other jurisdictions	(5.1)	4.7	(5.7)	7.1
Weighted average applicable tax	(26.7)	24.7	(21.8)	27.1
Foreign exchange effect Iceland	(0.2)	0.2	(0.4)	0.5
Research and development tax incentives	3.9	(3.7)	3.3	(4.1)
Permanent differences	(0.3)	0.3	0.1	(0.2)
(Impairment)/reversal of tax losses	-	-	0.2	(0.3)
Effect of tax rate changes	(0.2)	0.2	(0.0)	0.0
Others	-	-	1.2	(1.5)
Tax charge included in the profit or loss for the period	**(23.5)**	**21.7**	**(17.4)**	**21.5**

11 Earnings per share

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

Basic earnings per share (EUR cent per share)	YTD 2018	YTD 2017
Net result attributable to Shareholders	84.4	63.1
Weighted average number of outstanding shares in issue (millions)	684.5	709.3
Basic earnings per share (EUR cent per share)	**12.34**	**8.90**

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)	YTD 2018	YTD 2017
Net result attributable to Shareholders	84.4	63.1
Weighted average number of outstanding shares in issue (millions)	684.5	709.3
Adjustments for stock options (millions)	3.6	3.9
Weighted average number of outstanding shares for diluted earnings per share (millions)	**688.1**	**713.2**
Diluted earnings per share (EUR cent per share)	**12.28**	**8.85**

12 Property, plant and equipment

	Land & buildings	Plant & machinery	Under con-struction	Vehicles & equipment	Total
1 January 2018					
Cost	146.4	96.8	19.7	42.2	305.1
Accumulated depreciation	(50.6)	(73.2)	-	(36.6)	(160.4)
Net book value	**95.8**	**23.6**	**19.7**	**5.6**	**144.7**
Nine months ended 30 September 2018					
Opening net book value	95.8	23.6	19.7	5.6	144.7
Divestments	(0.1)	(2.2)	-	(0.3)	(2.6)
Effect of movements in exchange rates	(1.7)	0.0	0.0	(0.1)	(1.8)
Additions	1.6	3.7	17.3	1.9	24.5
Business combinations, note 5	10.8	-	-	0.9	11.7
Transfer between categories	11.5	2.6	(14.4)	0.3	-
Depreciation and amortization charge	(3.1)	(4.3)	-	(1.5)	(8.9)
Closing net book value	**114.8**	**23.4**	**22.6**	**6.8**	**167.6**
At 30 September 2018					
Cost	166.3	90.5	22.6	44.3	323.7
Accumulated depreciation	(51.5)	(67.1)	-	(37.5)	(156.1)
Net book value	**114.8**	**23.4**	**22.6**	**6.8**	**167.6**

	Land & buildings	Plant & machinery	Under con-struction	Vehicles & equipment	Total
At 1 January 2017					
Cost	130.1	93.4	1.6	41.0	266.1
Accumulated depreciation	(41.8)	(69.8)	-	(35.5)	(147.1)
Net book value	**88.3**	**23.6**	**1.6**	**5.5**	**119.0**
Year ended 31 December 2017					
Opening net book value	88.3	23.6	1.6	5.5	119.0
Divestments	(0.1)	0.0	-	(0.3)	(0.4)
Effect of movements in exchange rates	(1.4)	(0.7)	(0.1)	(0.3)	(2.5)
Additions	2.6	5.3	23.3	2.8	34.0
Business combinations, note 5	6.5	-	-	-	6.5
Transfer between categories	4.2	0.9	(5.1)	0.0	0.0
Depreciation charge	(4.3)	(5.5)	-	(2.1)	(11.9)
Closing net book value	**95.8**	**23.6**	**19.7**	**5.6**	**144.7**
At 31 December 2017					
Cost	146.4	96.8	19.7	42.2	305.1
Accumulated depreciation	(50.6)	(73.2)	-	(36.6)	(160.4)
Net book value	**95.8**	**23.6**	**19.7**	**5.6**	**144.7**

Depreciation of Property, plant and equipment and amortization of acquisition-related tangible assets analyzes as follows in the Consolidated Statement of Income:

	YTD 2018	YTD 2017
Cost of sales	4.3	4.6
Selling and marketing expenses	0.4	0.5
Research and development expenses	0.2	0.3
General and administrative expenses	4.0	2.7
	8.9	**8.1**

13 Right of use assets

The Group has early adopted IFRS 16 and started reporting as of 1 January 2018. As a consequence, the Group recognizes a Right of use assets representing its right to use the underlying assets and a Lease liability representing its obligation to make lease payments.

The following table shows the Right of use assets:

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2018				
Cost	22.4	1.0	9.8	33.2
Net book value	22.4	1.0	9.8	33.2
Nine months ended 30 September 2018				
Opening net book value	22.4	1.0	9.8	33.2
Divestments	(0.2)	-	-	(0.2)
Additions	-	-	4.2	4.2
Depreciation charge	(2.9)	(0.2)	(3.6)	(6.7)
Closing net book value	**19.3**	**0.8**	**10.4**	**30.5**
At 30 September 2018				
Cost	22.2	1.0	14.0	37.2
Accumulated depreciation	(2.9)	(0.2)	(3.6)	(6.7)
Net book value	**19.3**	**0.8**	**10.4**	**30.5**

Depreciation of Right of use assets analyzes as follows in the Consolidated Statement of Income:

	YTD 2018
Cost of sales	1.5
Selling and marketing expenses	1.4
Research and development expenses	0.2
General and administrative expenses	3.6
	6.7

The following table shows the annual maturity of the Lease liabilities:

Annual maturity of Lease liabilities	YTD 2018
Less than 1 year	6.8
Between 1 and 2 years	11.2
Between 2 and 3 years	3.3
Between 3 and 4 years	2.1
Between 4 and 5 years	3.0
After 5 years	4.5
	30.9

14 Goodwill

At 1 January 2018	
Cost	643.9
Net book value	**643.9**
Nine months ended 30 September 2018	
Opening net book value	643.9
Business combinations, note 5	12.2
Exchange differences	(2.0)
Closing net book value	**654.1**
At 30 September 2018	
Cost	654.1
Net book value	**654.1**

At 1 January 2017	
Cost	635.2
Net book value	**635.2**
Year ended 31 December 2017	
Opening net book value	635.2
Business combinations, note 5	12.6
Exchange differences	(3.9)
Closing net book value	**643.9**
At 31 December 2017	
Cost	643.9
Net book value	**643.9**

Impairment testing

The Group tested at the end of 2017 whether goodwill had suffered any impairment. The conclusion was there were no triggers indicating that impairment was necessary. At the end of Q3 2018, there is no reason to deviate from the conclusions taken at year-end.

15 Intangible assets

	Techno-logy & develop-ment costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2018				
Cost	232.4	171.6	73.3	477.3
Accumulated amortization	(117.7)	(46.2)	(50.7)	(214.6)
Net book value	**114.7**	**125.4**	**22.6**	**262.7**
Nine months ended 30 September 2018				
Opening net book value	114.7	125.4	22.6	262.7
Exchange differences	(0.2)	(0.6)	0.0	(0.8)
Additions	12.0	-	5.7	17.7
Impairment charge	(1.3)	-	-	(1.3)
Amortization charge	(11.2)	(7.8)	(3.2)	(22.2)
Closing net book value	**114.0**	**117.0**	**25.1**	**256.1**
At 30 September 2018				
Cost	242.9	171.5	78.5	492.9
Accumulated amortization	(128.9)	(54.5)	(53.4)	(236.8)
Net book value	**114.0**	**117.0**	**25.1**	**256.1**

	Techno-logy & develop-ment costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2017				
Cost (including transfers between categories)	218.9	172.8	63.9	455.6
Accumulated amortization (including transfers between categories)	(102.1)	(39.2)	(36.8)	(178.1)
Net book value	**116.8**	**133.6**	**27.1**	**277.5**
Year ended 31 December 2017				
Opening net book value	116.8	133.6	27.1	277.5
Business combinations, note 5	0.4	3.2	0.1	3.7
Exchange differences	(2.2)	(0.4)	(0.1)	(2.7)
Additions	15.5	-	8.4	23.9
Amortization charge	(15.8)	(11.0)	(12.9)	(39.7)
Closing net book value	**114.7**	**125.4**	**22.6**	**262.7**
At 31 December 2017				
Cost	232.4	171.6	73.3	477.3
Accumulated amortization	(117.7)	(46.2)	(50.7)	(214.6)
Net book value	**114.7**	**125.4**	**22.6**	**262.7**

Business combinations for 2018 relate to the acquisition of MAJA and for 2017 to the acquisition of Sulmaq. Further information on the acquisitions is disclosed in note 5 of the Condensed Consolidated Interim Financial Statements.

The additions for 2018 predominantly comprise internally generated assets of EUR 17.7 million (31 December 2017: EUR 23.9 million) for product development and for development of software products.

The impairment charge in Intangible assets analyzes as follows in the Consolidated Statement of Income:

	YTD 2018	YTD 2017
Research and development expenses	1.3	-
	1.3	**-**

Amortization of Intangible assets and amortization of acquisition-related intangible assets analyzes as follows in the Consolidated Statement of Income:

	YTD 2018	YTD 2017
Cost of sales	0.0	0.0
Selling and marketing expenses	1.0	1.2
Research and development expenses	9.5	10.3
General and administrative expenses	4.7	5.2
	15.2	**16.7**
Amortization of acquisition-related intangible assets	7.0	14.7
	22.2	**31.4**

Impairment testing

The Group tested at the end of 2017 whether infinite Intangible assets had suffered any impairment. The conclusion was there were no triggers indicating that impairment was necessary. At the end of Q3 2018 there is no reason to deviate from the conclusions taken at year-end.

16 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 in the table below:

At 31 December 2017	**(56.9)**
Impact IFRS 9 & 15	1.8
At 1 January 2018	**(55.1)**
Exchange differences and changes within the Group	0.0
Consolidated Statement of Income charge (excluding tax rate change)	1.3
Effect of change in tax rates	(0.3)
Hedge reserve & translation reserve recognized in Other Comprehensive Income	(0.2)
At 30 September 2018	**(54.3)**

At 1 January 2017	**(56.2)**
Exchange differences and changes within the Group	0.1
Consolidated Statement of Income charge (excluding tax rate change)	0.2
Effect of change in tax rates	1.1
Business combinations, note 5	(1.7)
Hedge reserve & translation reserve recognized in Other Comprehensive Income	(0.4)
At 31 December 2017	**(56.9)**

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 2018	**31/12 2017**
Deferred income tax assets	8.6	4.4
Deferred income tax liabilities	(62.9)	(61.3)
	(54.3)	**(56.9)**

17 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.

18 Equity

Share Capital	Ordinary shares (thousands)	Treasury shares (thousands)	Outstanding number of shares (thousands)
At 1 January 2018	735,569	(41,747)	693,822
Treasury shares - purchased	-	(20,000)	(20,000)
Treasury shares - sold	-	1,010	1,010
At 30 September 2018	**735,569**	**(60,737)**	**674,832**
	100.00%	8.26%	91.74%
At 1 January 2017	735,569	(21,543)	714,026
Treasury shares - purchased	-	(22,200)	(22,200)
Treasury shares - sold	-	1,996	1,996
At 31 December 2017	**735,569**	**(41,747)**	**693,822**
	100.00%	5.68%	94.32%

Class of share capital	**30/09 2018**	**31/12 2017**
Nominal value	6.1	6.3
Share premium reserve	169.1	228.2
Reserve for share based payments	2.4	1.4
Total share premium reserve	**171.5**	**229.6**

The total authorized number of ordinary shares is 735.6 million shares (31 December 2017: 735.6 million shares) with a par value of ISK 1 per share. All issued shares are fully paid. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at shareholders meetings of the Company. All rights attached to the Company's treasury shares are suspended until those shares are sold again.

Dividends
In March 2018 a dividend of EUR 28.7 million (EUR 4.19 cents per share) was declared for the operational year 2017 of which EUR 25.9 million was paid in Q1 2018 and EUR 2.8 million was paid in Q2 2018 (in 2017, a dividend of EUR 15.3 million (EUR 2.14 cents per share) was declared and paid for the operational year 2016).

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

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

- Hedge reserve: comprises revaluations on derivatives, on which hedge accounting is applied. The value of 30 September 2018 and 31 December 2017 relates to derivatives for the Group, the interest rate swap contracts.
- Translation reserve: comprises the translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to financing of subsidiaries.

	Hedge reserve	Translation reserve	Total other reserves
Balance at 1 January 2018	**0.6**	**(8.8)**	**(8.2)**
Total other comprehensive income	1.1	(5.8)	(4.7)
Balance at 30 September 2018	**1.7**	**(14.6)**	**(12.9)**
Balance at 1 January 2017	**(0.8)**	**(1.3)**	**(2.1)**
Total other comprehensive income	1.4	(7.5)	(6.1)
Balance at 31 December 2017	**0.6**	**(8.8)**	**(8.2)**

Limitation in the distribution of Shareholders' equity
As at 30 September 2018, 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 66.7 million as at 30 September 2018 (31 December 2017: EUR 65.3 million).

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

The amount of the legal reserve for the share of profit of affiliates is reduced by dividends received from those companies and those dividends from them which can be claimed. Therefore Marel could, based on its control as the parent company, decide to let its subsidiaries pay dividends. The dividends would lower the amount of legal reserves within equity and therefore leave more room for Marel to make dividend payments to its shareholders. The new provision of the act does not prevent Marel from making dividend payments to its shareholders in 2018 since the Company has sufficient retained earnings from previous years.

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

Non-controlling interests

Non-controlling interests ("NCI") relate to minority shares held by third parties in consolidated Group companies. The net income attributable to NCI amounted to EUR 0.1 million for the nine-month period in 2018 (30 September 2017: EUR 0.1 million).

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

19 Bank borrowings and lease liabilities

	30/09 2018	31/12 2017
Bank borrowings	430.3	370.5
Lease liabilities	24.1	0.2
Non-current	**454.4**	**370.7**
Bank borrowings excluding bank overdrafts	24.1	26.2
Lease liabilities	6.8	-
Current	**30.9**	**26.2**
Total borrowings and lease liabilities	**485.3**	**396.9**
Bank borrowings	454.4	396.7
Lease liabilities	30.9	0.2
Total borrowings and lease liabilities	**485.3**	**396.9**

As of 30 September 2018, interest bearing debt amounted to EUR 500.5 million including lease liabilities (31 December 2017: EUR 411.6 million), of which for 30 September 2018 and 31 December 2017 nothing 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 2018 and at year end 2017 the Group complies with all restrictive covenants.

The Group has the following headroom in committed ancillary facilities:

Floating rate	30/09 2018	31/12 2017
Expiring within one year	-	-
Expiring beyond one year	74.3	150.2
	74.3	**150.2**

Liabilities in currency recorded in EUR	Bank loans / revolver	Capitalized finance charges	Embedded derivatives	Lease liabilities	**Total 30/09 2018**	Total 31/12 2017
Liabilities in EUR	401.8	(7.7)	(2.1)	11.2	403.2	332.9
Liabilities in USD	62.9	(1.5)	-	8.1	69.5	61.5
Liabilities in other currencies	1.0	-	-	11.6	12.6	2.5
	465.7	(9.2)	(2.1)	30.9	485.3	396.9
Current maturities	28.6	(3.6)	(0.9)	6.8	30.9	26.2
Non-current maturities	**437.1**	**(5.6)**	**(1.2)**	**24.1**	**454.4**	**370.7**

30/09/2018 Annual maturity of non-current bank borrowings	Bank loans / revolver	Capitalized finance charges	Embedded derivatives	**30/09 2018**
Between 1 and 2 years	29.1	(3.6)	(0.6)	24.9
Between 2 and 3 years	29.6	(2.0)	(0.5)	27.1
Between 3 and 4 years	108.5	-	(0.1)	108.4
Between 4 and 5 years	266.1	-	-	266.1
After 5 years	3.8	-	-	3.8
	437.1	**(5.6)**	**(1.2)**	**430.3**

31/12/2017 Annual maturity of non-current bank borrowings	Bank loans / revolver	Capitalized finance charges	Embedded derivatives	**31/12 2017**
Between 1 and 2 years	30.3	(3.5)	(0.7)	26.1
Between 2 and 3 years	30.4	(3.5)	(0.6)	26.3
Between 3 and 4 years	30.4	(1.3)	(0.6)	28.5
Between 4 and 5 years	289.2	-	(0.1)	289.1
After 5 years	0.5	-	-	0.5
	380.8	**(8.3)**	**(2.0)**	**370.5**

20 Provisions

	Guarantee commit-ments	Pension commit-ments *)	Other provisions	Total
Balance at 1 January 2018	**7.9**	**8.3**	**1.5**	**17.7**
Additions	1.1	1.1	0.1	2.3
Business combinations, note 5	0.3	-	-	0.3
Used	(0.8)	(0.4)	(0.3)	(1.5)
Release	(1.4)	-	(0.1)	(1.5)
Balance at 30 September 2018	**7.1**	**9.0**	**1.2**	**17.3**

	Guarantee commit-ments	Pension commit-ments *)	Other provisions	Total
Balance at 1 January 2017	**9.0**	**7.6**	**3.9**	**20.5**
Additions	1.3	1.0	0.1	2.4
Business combinations, note 5	0.3	0.1	0.2	0.6
Used	(2.1)	(0.2)	(2.2)	(4.5)
Release	(0.6)	(0.2)	(0.5)	(1.3)
Balance at 31 December 2017	**7.9**	**8.3**	**1.5**	**17.7**

*) Including the provision for early retirement rights, which has increased to EUR 5.8 million 30 September 2018 (31 December 2017: EUR 5.0 million).

Analysis of total provisions	**30/09 2018**	**31/12 2017**
Current	8.9	9.1
Non-current	8.4	8.6
	17.3	**17.7**

21 Financial instruments and risks

Interest-rate swap

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

This is in line with Marel's risk management policy to have 50 - 70% of core debt fixed for 3 – 5 years.

The notional principal amount of the outstanding active interest rate swap contracts at 30 September 2018 was EUR 250.5 million (31 December 2017: EUR 248.7 million).

30/09 2018	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	40.0	2018	0.2
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	USD	10.0	2020	1.3
Interest rate SWAP	USD	60.0	2018	2.2
Forward starting interest rate SWAP	EUR	80.0	2022	0.4
Forward starting interest rate SWAP	EUR	40.0	2022	0.4
Forward starting interest rate SWAP	USD	60.0	2020	1.6
Forward starting interest rate SWAP	USD	50.0	2022	2.3
Embedded floor (0,00% cap on interest rates in financing agreements)	EUR	346.0	2022	0.0
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	1.1	2027	5.2

31/12 2017	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	40.0	2018	0.2
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	USD	10.0	2020	1.3
Interest rate SWAP	USD	60.0	2018	2.2
Forward starting interest rate SWAP	EUR	80.0	2022	0.4
Forward starting interest rate SWAP	EUR	40.0	2022	0.4
Forward starting interest rate SWAP	USD	60.0	2020	1.6
Forward starting interest rate SWAP	USD	50.0	2022	2.3
Embedded floor (0,00% cap on interest rates in financing agreements)	EUR	346.0	2022	0.0
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	1.1	2027	5.2

22 Contingencies

Contingent liabilities

At 30 September 2018 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 53.3 million (31 December 2017: EUR 50.3 million) to third parties.

Legal proceedings

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

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

Environmental remediation

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

23 Related party transactions

At 30 September 2018 and 31 December 2017 there are no loans to the members of the Board of Directors and the CEO. In addition, there were no transactions carried out (purchases of goods and services) between the Group and members of the Board of Directors or the CEO in the nine-month period ended 30 September 2018 and the year 2017.

24 Subsequent events

No significant events have taken place since the reporting date, 30 September 2018.

25 Quarterly results

	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3
Revenue	282.0	296.7	288.4	294.7	247.0
Cost of sales	(171.3)	(181.7)	(176.9)	(177.9)	(153.0)
Gross profit	**110.7**	**115.0**	**111.5**	**116.8**	**94.0**
Selling and marketing expenses	(32.0)	(33.5)	(32.6)	(32.2)	(28.2)
Research and development expenses	(18.4)	(16.7)	(17.4)	(16.7)	(12.9)
General and administrative expenses	(20.3)	(21.6)	(17.7)	(21.6)	(15.3)
Adjusted result from operations*)	**40.0**	**43.2**	**43.8**	**46.3**	**37.6**
Amortization of acquisition-related (in)tangible assets	(2.4)	(2.3)	(2.3)	(2.4)	(2.2)
Result from operations (EBIT)	**37.6**	**40.9**	**41.5**	**43.9**	**35.4**
Net finance costs	(2.9)	(3.1)	(6.0)	(4.4)	(5.4)
Result before income tax	**34.7**	**37.8**	**35.5**	**39.5**	**30.0**
Income tax	(8.0)	(8.3)	(7.2)	(5.7)	(6.8)
Net result for the period	**26.7**	**29.5**	**28.3**	**33.8**	**23.2**
Result before depreciation & amortization (EBITDA)	**50.0**	**53.9**	**55.3**	**56.0**	**45.8**

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