



Condensed Consolidated Interim Financial Statements

30 September 2017



Contents

The Board of Directors' and CEO's Report	2
Consolidated Statement of Income	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Condensed Consolidated Interim Financial Statements	9



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	<u>96,464</u>	<u>86,394</u>

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

Asthildur Margrét Otharsdóttir
Chairman of the Board

Arnar Pór Másson

Ann Elizabeth Savage

Ástvaldur Jóhannsson

Helgi Magnússon

Margrét Jónsdóttir

Ólafur S. Guðmundsson

Chief Executive Officer

Árni Oddur Þórðarson



Consolidated Statement of Income

		Q3 2017	Q3 2016	YTD 2017	YTD 2016
	Notes				
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

		Q3 2017	Q3 2016	YTD 2017	YTD 2016
	Notes				
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
		<u>1,057,801</u>	<u>1,039,656</u>
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
		<u>356,776</u>	<u>352,772</u>
TOTAL ASSETS		<u>1,414,577</u>	<u>1,392,428</u>
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		<u>536,668</u>	<u>525,359</u>
Non-controlling interests.....	14	205	214
Group equity		<u>536,873</u>	<u>525,573</u>
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
		<u>448,544</u>	<u>500,779</u>
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
		<u>429,160</u>	<u>366,076</u>
Total liabilities		<u>877,704</u>	<u>866,855</u>
TOTAL EQUITY AND LIABILITIES		<u>1,414,577</u>	<u>1,392,428</u>

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	Shareholders' 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
<i>Transactions with owners of the Company</i>							
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
<i>Transactions with owners of the Company</i>							
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)
<i>Transactions with owners of the Company</i>							
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

	Notes	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Cash flows from operating activities					
Result from operations.....		35,366	26,656	96,464	86,394
<i>Adjustments to reconcile result from operations to net cash provided by / (used in) operating activities:</i>					
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
		<u>45,934</u>	<u>41,627</u>	<u>136,201</u>	<u>128,298</u>
<i>Changes in:</i>					
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		<u>25,912</u>	<u>(8,459)</u>	<u>34,756</u>	<u>(23,536)</u>
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.....		<u>(2,577)</u>	<u>(4,928)</u>	<u>(11,860)</u>	<u>(30,074)</u>
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	<u>(20,217)</u>	<u>-</u>	<u>(20,217)</u>	<u>(368,408)</u>
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.....		<u>25,004</u>	<u>20,011</u>	<u>45,523</u>	<u>92,976</u>
Net cash at end of the period		<u>25,793</u>	<u>22,546</u>	<u>25,793</u>	<u>22,546</u>

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
	<u>647,006</u>	<u>633,251</u>

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.....	<u>(16,321)</u>	<u>(21,765)</u>
Finance income:		
Interest income.....	429	264
Net finance costs.....	<u>(15,892)</u>	<u>(21,501)</u>

8. Income tax

	YTD 2017	YTD 2016
Income tax recognized in the Consolidated Statement of Income		
Current tax.....	(18,065)	(14,005)
Deferred tax.....	671	2,320
	<u>(17,394)</u>	<u>(11,685)</u>

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		YTD	
	2017	%	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	YTD
	2017	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	YTD
	2017	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 construction	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 & development 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
	<u>16,733</u>	<u>15,068</u>
Amortization of acquisition-related intangible assets.....	14,721	17,880
	<u>31,454</u>	<u>32,948</u>

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.....	<u>(122)</u>
At 30 September 2017	<u>(55,614)</u>

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.....	<u>(61,317)</u>	<u>(63,458)</u>
	<u>(55,614)</u>	<u>(56,115)</u>

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%
		30/09	31/12
Class of share capital:		2017	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

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

	Secured bank loans/ revolver	Capitalized finance charges	Embedded derivatives	Finance lease liabilities	Total 30/09 2017	Total 31/12 2016
Liabilities in currency recorded in EUR						
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
	<u>416,017</u>	<u>(12,735)</u>	<u>(2,968)</u>	<u>5</u>	<u>400,319</u>	<u>449,131</u>
Current maturities.....	(32,821)	3,555	1,035	-	(28,231)	(24,117)
	<u>383,196</u>	<u>(9,180)</u>	<u>(1,933)</u>	<u>5</u>	<u>372,088</u>	<u>425,014</u>

30/09 2017	Secured bank loans/ revolver	Capitalized finance charges	Embedded derivatives	Finance lease liabilities	Total 30/09 2017
Annual maturity of non-current liabilities:					
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
	<u>383,196</u>	<u>(9,180)</u>	<u>(1,933)</u>	<u>5</u>	<u>372,088</u>

31/12 2016	Secured bank loans/ revolver	Capitalized finance charges	Embedded derivatives	Finance lease liabilities	Total 31/12 2016
Annual maturity of non-current liabilities:					
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
	<u>436,432</u>	<u>(8,979)</u>	<u>(2,448)</u>	<u>9</u>	<u>425,014</u>



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	31/12
	2017	2016
Floating rate:		
- Expiring within one year.....	-	-
- Expiring beyond one year.....	170,096	144,452
	<u>170,096</u>	<u>144,452</u>

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	<u>8,996</u>	<u>7,617</u>	<u>-</u>	<u>3,877</u>	<u>20,490</u>
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	<u>7,906</u>	<u>7,885</u>	<u>-</u>	<u>1,832</u>	<u>17,623</u>

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

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



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.....	<u>5,755</u>
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.....	<u>3,733</u>
Liabilities assumed.....	13,267
Total net identified assets.....	10,575
Consideration paid in cash for the transaction on 31 August 2017.....	<u>25,972</u>
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	YTD
	2017	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	-
	<u>14,725</u>	<u>17,880</u>

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.