



Condensed Consolidated Interim Financial Statements

31 March 2017



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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 three-month period ended 31 March 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 three-month period ended 31 March 2017

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:

	Q1 2017	Q1 2016
Adjusted result from operations	37,692	31,123
Adjustment amortization of acquisition-related intangible assets.....	(6,217)	(4,547)
Result from operations	<u>31,475</u>	<u>26,576</u>

The consolidated revenues for Marel for the first quarter 2017 are EUR 252.5 million (first quarter 2016: EUR 220.6 million). The adjusted result from operations for the same period is EUR 37.7 million or 14.9% of revenues (first quarter 2016: EUR 31.1 million or 14.1% of revenues).

The pro forma revenues for Marel, including MPS, for the first quarter 2016 are EUR 233.9 million. The pro forma adjusted result from operations for the same period is EUR 35.2 million or 15.1% of revenues.

Based on the decision taken at the Company's 2017 Annual General Meeting, a dividend was declared 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).

At 31 March 2017 the Company's order book amounted to EUR 390 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 three-month period ended 31 March 2017, its assets, liabilities and consolidated financial position as at 31 March 2017 and its consolidated cash flows for the three-month period ended 31 March 2017.

Further, 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 three-month period ended 31 March 2017 and ratify them with their signatures.

Garðabær, 3 May 2017

Board of Directors

Ásthildur Margrét Otharsdóttir
Chairman of the Board

Arnar Þór Másson

Ann Elizabeth Savage

Ástvaldur Jóhannsson

Helgi Magnússon

Margrét Jónsdóttir

Ólafur S. Guðmundsson

Chief Executive Officer

Árni Oddur Þórðarson



Consolidated Statement of Income

		Q1 2017	Q1 2016
	Notes		
Revenues.....	5	252,464	220,631
Cost of sales.....	6	(153,019)	(128,024)
Gross profit		<u>99,445</u>	<u>92,607</u>
Selling and marketing expenses.....	6	(30,958)	(30,452)
Research and development expenses.....	6	(13,915)	(15,307)
General and administrative expenses.....	6	(16,880)	(15,806)
Other operating income / (expenses).....	6	-	81
Adjusted result from operations*)	5	37,692	31,123
Total amortization of acquisition-related intangible assets.....	6	(6,217)	(4,547)
Result from operations		<u>31,475</u>	<u>26,576</u>
Finance costs.....	7	(4,590)	(9,080)
Finance income.....	7	807	132
Net finance costs.....	7	(3,783)	(8,948)
Result before income tax		27,692	17,628
Income tax	8	(6,343)	(3,876)
Net result		<u>21,349</u>	<u>13,752</u>
Of which:			
- Result attributable to non-controlling interests	14	10	10
- Net result attributable to Shareholders of the Company.....		<u>21,339</u>	<u>13,742</u>

Earnings per share for result attributable to Shareholders of the Company during the period (expressed in EUR cent per share):

- basic	9	2.99	1.93
- diluted	9	2.98	1.92

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

The notes on pages 10-25 are an integral part of the Condensed Consolidated Interim Financial Statements.



Consolidated Statement of Comprehensive Income

	Q1 2017	Q1 2016
Net Result	21,349	13,752
	Notes	
Items that are or will be reclassified to profit or loss:		
Currency translation differences.....	(37)	(1,333)
Cash flow hedges.....	815	(343)
Income tax relating to cash flow hedges.....	12 (137)	105
Other comprehensive income / (loss) for the period, net of tax	<u>641</u>	<u>(1,571)</u>
Total comprehensive income for the period	<u>21,990</u>	<u>12,181</u>
Of which:		
- Comprehensive income attributable to non-controlling interests	10	10
- Comprehensive income attributable to Shareholders of the Company.....	<u>22,000</u>	<u>12,191</u>

The notes on pages 10-25 are an integral part of the Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Financial Position

ASSETS	Notes	31/03 2017	31/12 2016
Non-current assets			
Property, plant and equipment.....	10	120,413	118,991
Goodwill.....	11	634,498	635,180
Intangible assets (excluding goodwill).....	11	270,413	277,458
Trade receivables.....		140	237
Derivative financial instruments.....	17	450	447
Deferred income tax assets.....	12	7,542	7,343
		<u>1,033,456</u>	<u>1,039,656</u>
Current assets			
Inventories.....	13	120,686	122,250
Production contracts		37,453	36,962
Trade receivables.....		130,188	115,259
Other receivables and prepayments.....		37,704	32,723
Derivative financial instruments.....	17	-	55
Cash and cash equivalents.....		29,515	45,523
		<u>355,546</u>	<u>352,772</u>
TOTAL ASSETS		<u>1,389,002</u>	<u>1,392,428</u>
EQUITY AND LIABILITIES			
Equity			
Share capital.....	14	6,508	6,531
Share premium.....	14	281,994	288,688
Other reserves.....	14	(1,472)	(2,113)
Retained earnings.....	14	238,312	232,253
		<u>525,342</u>	<u>525,359</u>
Shareholders' equity			
Non-controlling interests.....	14	164	214
		<u>525,506</u>	<u>525,573</u>
LIABILITIES			
Non-current liabilities			
Borrowings.....	15	406,677	425,014
Deferred income tax liabilities.....	12	63,130	63,458
Provisions.....	16	7,681	7,361
Derivative financial instruments.....	17	3,506	4,946
		<u>480,994</u>	<u>500,779</u>
Current liabilities			
Production contracts.....		162,833	150,769
Trade and other payables.....		170,932	168,980
Current income tax liabilities.....		14,350	9,081
Borrowings.....	15	24,233	24,117
Provisions.....	16	10,154	13,129
		<u>382,502</u>	<u>366,076</u>
Total liabilities		863,496	866,855
TOTAL EQUITY AND LIABILITIES		<u>1,389,002</u>	<u>1,392,428</u>

The notes on pages 10-25 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.....				13,742	13,742	10	13,752
Total other comprehensive income*.....			(1,732)		(1,732)		(1,732)
Business combinations..						161	161
Transactions with owners of the Company							
Treasury shares							
Treasury shares sold.....	99	16,165			16,264		16,264
Treasury shares, transaction costs.....		(14)			(14)		(14)
Value of services provided.....		6			6		6
Dividend.....				(11,304)	(11,304)		(11,304)
	99	16,157	(1,732)	2,438	16,962	171	17,133
Balance at 31 March 2016	6,544	294,076	(6,833)	169,914	463,701	171	463,872
Result for the period.....				62,049	62,049	43	62,092
Total other comprehensive income..			4,720		4,720		4,720
Transactions with owners of the Company							
Treasury shares							
purchased.....	(36)	(8,016)			(8,052)		(8,052)
Treasury shares sold.....	23	2,679			2,702		2,702
Treasury shares, transaction costs.....		(16)			(16)		(16)
Value of services provided.....		294			294		294
Value of services provided released.....		(329)		290	(39)		(39)
	(13)	(5,388)	4,720	62,339	61,658	43	61,701
Balance at 31 December 2016	6,531	288,688	(2,113)	232,253	525,359	214	525,573

^{*)} Includes recognition of non-controlling interest.

^{**)} Includes reserve for share based payments as per 31 March 2017 of EUR 964 (31 December 2016: EUR 834).

The notes on pages 10-25 are an integral part of the Condensed Consolidated Interim Financial Statements.

	Share capital	Share premium **	Other reserves	Retained earnings	Shareholders' equity	Non-controlling interests	Group equity
Balance at 1 January 2017	6,531	288,688	(2,113)	232,253	525,359	214	525,573
Result for the period.....				21,339	21,339	10	21,349
Total other comprehensive income..			641		641		641
Transactions with owners of the Company							
Treasury shares purchased.....	(23)	(6,811)			(6,834)		(6,834)
Treasury shares, transaction costs.....		(10)			(10)		(10)
Value of services provided.....		127			127		127
Dividend.....				(15,280)	(15,280)	(60)	(15,340)
	(23)	(6,694)	641	6,059	(17)	(50)	(67)
Balance at 31 March 2017	6,508	281,994	(1,472)	238,312	525,342	164	525,506

** Includes reserve for share based payments as per 31 March 2017 of EUR 964 (31 December 2016: EUR 834).

Dividends

In March 2017 a dividend of EUR 15,280 (EUR 2.14 cents per share) was declared for the operational year 2016, of which EUR 13,921 was paid in Q1 2017 and EUR 1,359 will be paid in Q2 2017 (in 2016, a dividend of EUR 11,304 (EUR 1.58 cents per share)) was declared and paid for the operational year 2015.

Treasury shares

In Q1 2017, Marel purchased 2.5 million treasury shares for a total amount of EUR 6.8 million in order to fulfill obligations of stock option agreements. At the end of Q1 2017 Marel has 24.0 million treasury shares (end of Q4 2016: 21.5 million treasury shares).

The notes on pages 10-25 are an integral part of the Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Cash Flows

	Notes	Q1 2017	Q1 2016
Cash flows from operating activities			
Result from operations.....		31,475	26,576
<i>Adjustments to reconcile result from operations to net cash provided by / (used in) operating activities:</i>			
Depreciation and impairment of property, plant and equipment.....	10	2,654	2,232
Amortization and impairment of intangible assets.....	11	11,827	9,376
Changes in non-current receivables.....		97	106
Working capital provided by / (used in) operating activities		<u>46,053</u>	<u>38,290</u>
<i>Changes in working capital:</i>			
Inventories and production contracts.....		12,888	(7,980)
Trade and other receivables.....		(20,949)	(6,704)
Trade and other payables.....		2,476	8,042
Provisions.....		<u>(2,559)</u>	<u>(3,762)</u>
Changes in operating assets and liabilities		<u>(8,144)</u>	<u>(10,404)</u>
Cash generated from operating activities		37,909	27,886
Taxes paid.....		(1,379)	(1,465)
Interest and finance income.....		179	455
Interest and finance costs.....		<u>(3,991)</u>	<u>(20,541)</u>
Net cash from operating activities		<u>32,718</u>	<u>6,335</u>
Cash flows from investing activities			
Purchase of property, plant and equipment.....	10	(4,624)	(5,374)
Investments in intangibles.....	11	(5,341)	(4,899)
Proceeds from sale of property, plant and equipment.....		188	4,162
Acquisition of subsidiary, net of cash.....	20	-	(368,408)
Net cash provided by / (used in) investing activities		<u>(9,777)</u>	<u>(374,519)</u>
Cash flows from financing activities			
Purchase of treasury shares.....		(6,844)	-
Sale of treasury shares.....		-	16,252
Proceeds from borrowings.....		5,000	343,300
Repayments of borrowings.....		(22,023)	(42,500)
Dividends paid.....		<u>(13,921)</u>	<u>(10,302)</u>
Net cash from / (used in) financing activities		<u>(37,788)</u>	<u>306,750</u>
Net increase (decrease) in net cash		(14,847)	(61,434)
Exchange (loss) / gain on net cash.....		(1,161)	(269)
Net cash at beginning of the period.....		<u>45,523</u>	<u>92,976</u>
Net cash at end of the period		<u>29,515</u>	<u>31,273</u>

The notes on pages 10-25 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, Gardabaer.

The Condensed Consolidated Interim Financial Statements of the Company as at and for the three-month period ended 31 March 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 three-month period ended 31 March 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 3 May 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 three-month period ended 31 March 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 included in the Condensed Consolidated Interim Financial Statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The 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.

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 EUR 670 million facilities agreement with eight 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 2020.

The key elements of the financing are:

- 1 A five-year all senior loan and revolver, consisting of a EUR 343 million and a USD 105 million term loan and EUR 225 million multicurrency revolver, all with final maturity in November 2020.
- 2 Initial interest terms are EURIBOR/LIBOR + 275 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 2020 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 (29 January 2016) 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.

Refer to Note 21, Events after balance sheet date, for further information on the extension and amendment of the current long term financing agreement.

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.

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 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 intangible 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 31 March 2017 is as follows:

	Poultry	Meat	Fish	Others	Total
Third Party Revenues	134,956	85,115	30,172	2,221	252,464
Adjusted result from operations	22,272	12,627	1,999	794	37,692
Amortization of acquisition-related intangible assets.....					(6,217)
Result from operations					<u>31,475</u>
Finance costs - net.....					(3,783)
Result before income tax.....					27,692
Income tax.....					(6,343)
Net result for the period					<u>21,349</u>
Assets.....	620,011	621,124	106,421	41,446	1,389,002
Depreciation and amortization.....	(4,647)	(8,544)	(1,290)	-	(14,481)

The segment information for the period ended 31 March 2016 is as follows:

	Poultry	Meat	Fish	Others	Total
Third Party Revenues	124,441	63,256	31,514	1,420	220,631
Adjusted result from operations	17,757	9,522	2,324	1,520	31,123
Amortization of acquisition-related intangible assets.....					(4,547)
Result from operations					<u>26,576</u>
Finance costs - net.....					(8,948)
Result before income tax.....					17,628
Income tax.....					(3,876)
Net result for the period					<u>13,752</u>
Assets.....	608,072	654,360	102,208	34,704	1,399,344
Depreciation and amortization.....	(4,238)	(6,262)	(1,092)	(16)	(11,608)

6. Expenses by nature

	Q1 2017	Q1 2016
Cost of goods sold.....	87,366	72,700
Employee benefits.....	92,045	80,627
Depreciation and amortization.....	14,481	11,608
Maintenance and rent of buildings and equipment.....	3,918	3,322
Other.....	23,179	25,798
	<u>220,989</u>	<u>194,055</u>

7. Net Finance costs

	Q1 2017	Q1 2016
Finance costs:		
Interest on borrowings.....	(3,778)	(6,443)
Other finance expenses.....	(812)	(1,616)
Net foreign exchange transaction losses.....	-	(1,021)
Subtotal Finance costs.....	<u>(4,590)</u>	<u>(9,080)</u>
Finance income:		
Interest income.....	182	132
Net foreign exchange transaction gains.....	625	-
Subtotal Finance income.....	<u>807</u>	<u>132</u>
Net Finance costs.....	<u>(3,783)</u>	<u>(8,948)</u>

8. Income tax

	Q1 2017	Q1 2016
Income tax recognized in the Consolidated Statement of Income		
Current tax.....	(6,991)	(4,148)
Deferred tax.....	648	272
	<u>(6,343)</u>	<u>(3,876)</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	<u>Q1 2017</u>		<u>Q1 2016</u>	
		%		%
Result before income tax.....	<u>27,692</u>		<u>17,628</u>	
Income tax using Icelandic rate.....	(5,538)	20.0	(3,526)	20.0
Effect of tax rates in other jurisdictions.....	(2,138)	7.7	(755)	4.3
Weighted average applicable tax.....	<u>(7,676)</u>	<u>27.7</u>	<u>(4,281)</u>	<u>24.3</u>
Foreign exchange effect Iceland.....	(157)	0.6	(64)	0.4
Research and development tax incentives.....	960	(3.5)	811	(4.6)
Permanent differences.....	(190)	0.7	(36)	0.2
Tax losses (un)recognized.....	(59)	0.2	(86)	0.5
(Impairment)/reversal of tax losses.....	33	(0.1)	(11)	0.1
Effect of tax rate changes.....	57	(0.2)	(54)	0.3
Others.....	689	(2.5)	(155)	0.9
Tax charge included in the profit or loss for the period	<u>(6,343)</u>	<u>22.9</u>	<u>(3,876)</u>	<u>22.0</u>

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)

	Q1 2017	Q1 2016
Net result attributable to Shareholders.....	21,339	13,742
Weighted average number of outstanding shares in issue (thousands).....	713,359	711,633
Basic earnings per share (EUR cent per share).....	<u>2.99</u>	<u>1.93</u>

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)

	Q1 2017	Q1 2016
Net result attributable to Shareholders.....	21,339	13,742
Weighted average number of outstanding shares in issue (thousands).....	713,359	711,633
Adjustments for stock options (thousands).....	3,569	3,036
Weighted average number of outstanding shares for diluted earnings per share (thousands)...	<u>716,928</u>	<u>714,669</u>
Diluted earnings per share (EUR cent per share).....	<u>2.98</u>	<u>1.92</u>

10. Property, plant and equipment

	Land & buildings	Plant & machinery	Under construction	Vehicles & equipment	Total
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 amount.....	88,268	23,607	1,650	5,466	118,991
Three months ended 31 March 2017					
Opening net book amount	88,268	23,607	1,650	5,466	118,991
Divestments.....	-	-	-	(157)	(157)
Effect of movements in exchange rates.....	(231)	(151)	(1)	(8)	(391)
Additions	698	635	2,990	301	4,624
Transfer between categories.....	(1,396)	117	1,274	5	-
Depreciation charge	(783)	(1,362)	-	(509)	(2,654)
Closing net book amount.....	86,556	22,846	5,913	5,098	120,413
At 31 March 2017					
Cost	130,346	94,256	5,913	41,884	272,399
Accumulated depreciation.....	(43,790)	(71,410)	-	(36,786)	(151,986)
Net book amount.....	86,556	22,846	5,913	5,098	120,413

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

	Q1 2017	Q1 2016
Cost of sales.....	1,536	1,259
Selling and marketing expenses.....	188	164
Research and development expenses.....	69	73
General and administrative expenses.....	861	736
	2,654	2,232

11. Goodwill and intangible assets

	Goodwill	Technology & development costs	Customer relations, patents & trademarks	Other intangibles	Total
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 amount.....	635,180	116,837	133,580	27,041	277,458
Three months ended 31 March 2017					
Opening net book amount	635,180	116,837	133,580	27,041	277,458
Exchange differences.....	(682)	(186)	(381)	8	(559)
Additions.....	-	3,875	-	1,466	5,341
Amortization charge	-	(3,851)	(2,754)	(5,222)	(11,827)
Closing net book amount.....	634,498	116,675	130,445	23,293	270,413
At 31 March 2017					
Cost	634,498	222,380	171,802	65,364	459,546
Accumulated amortization.....	-	(105,705)	(41,357)	(42,071)	(189,133)
Net book amount.....	634,498	116,675	130,445	23,293	270,413

The additions for 2017 predominantly comprise internally generated assets of EUR 5,341 (31 December 2016: EUR 23,188) for product development costs and for development of software products.

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

	Q1 2017	Q1 2016
Cost of sales.....	4,130	2,868
Selling and marketing expenses.....	1,835	1,508
Research and development expenses.....	4,116	3,874
General and administrative expenses.....	1,746	1,126
	<u>11,827</u>	<u>9,376</u>

Impairment testing

The Group tested at the end of 2016 whether goodwill and infinite intangible assets had suffered any impairment and the conclusion was there were no triggers indicating that impairment was necessary. At the end of Q1 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.....	16
Consolidated Statement of Income charge (excluding tax rate change).....	591
Effect of change in tax rates.....	57
Hedge reserve & translation reserve recognized in Other Comprehensive Income.....	(137)
At 31 March 2017	<u>(55,588)</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:

	31/03	31/12
	2017	2016
Deferred income tax assets.....	7,542	7,343
Deferred income tax liabilities.....	(63,130)	(63,458)
	<u>(55,588)</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.....	-	10,800	10,800
At 31 March 2016	735,569	(20,103)	715,466
	100.00%	2.73%	97.27%
Treasury shares - purchased.....	-	(4,000)	(4,000)
Treasury shares - sold.....	-	2,560	2,560
At 1 January 2017	735,569	(21,543)	714,026
	100.00%	2.93%	97.07%
Treasury shares - purchased.....	-	(2,500)	(2,500)
At 31 March 2017	735,569	(24,043)	711,526
	100.00%	3.27%	96.73%
		31/03	31/12
Class of share capital:		2017	2016
Nominal value.....		6,508	6,531
Share premium.....		281,030	287,854
Reserve for share based payments.....		964	834
Total share premium reserve.....		281,994	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.

Reserves

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

	Hedge reserve	Translation reserve	Total other reserves
Balance at 1 January 2016	(2,521)	(2,580)	(5,101)
Result for the year.....			-
Total other comprehensive income.....	(238)	(1,494)	(1,732)
Balance at 31 March 2016	(2,759)	(4,074)	(6,833)
Result for the year.....			-
Total other comprehensive income.....	1,968	2,752	4,720
Balance at 31 December 2016	(791)	(1,322)	(2,113)
Result for the year.....			-
Total other comprehensive income.....	678	(37)	641
Balance at 31 March 2017	(113)	(1,359)	(1,472)

Limitation in the distribution of Shareholders' equity

As at 31 March 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 65.2 million as at 31 March 2017 (31 December 2016: EUR 63.4). 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 a 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 10 for the three-month period ended 31 March 2017 (31 March 2016: EUR 10).

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

	31/03	31/12
	2017	2016
Non-current:		
Bank borrowings.....	406,670	425,005
Finance lease liabilities.....	7	9
	<u>406,677</u>	<u>425,014</u>
Current:		
Bank borrowings excluding bank overdrafts.....	24,233	24,117
Total borrowings.....	<u>430,910</u>	<u>449,131</u>
Secured bank loans / revolver.....	430,903	449,122
Finance lease liabilities.....	7	9
Total borrowings.....	<u>430,910</u>	<u>449,131</u>

Liabilities in currency recorded in EUR	Secured bank loans / revolver	Capitalized finance charges	Embedded derivatives	Finance lease liabilities	Total 31/03 2017	Total 31/12 2016
Liabilities in EUR.....	348,000	(10,300)	(3,366)	-	334,334	350,108
Liabilities in USD.....	97,802	(2,191)	-	-	95,611	98,032
Liabilities in other currencies.....	958	-	-	7	965	991
	<u>446,760</u>	<u>(12,491)</u>	<u>(3,366)</u>	<u>7</u>	<u>430,910</u>	<u>449,131</u>
Current maturities.....	(30,069)	4,684	1,152	-	(24,233)	(24,117)
	<u>416,691</u>	<u>(7,807)</u>	<u>(2,214)</u>	<u>7</u>	<u>406,677</u>	<u>425,014</u>

31/03 2017	Secured bank loans / revolver	Capitalized finance charges	Embedded derivatives	Finance lease liabilities	Total 31/03 2017
Annual maturity of non-current liabilities:					
Between 1 and 2 years.....	30,092	(4,684)	(788)	-	24,620
Between 2 and 3 years.....	30,092	(3,123)	(786)	-	26,183
Between 3 and 4 years.....	355,894	-	(640)	7	355,261
Between 4 and 5 years.....	92	-	-	-	92
After 5 years.....	521	-	-	-	521
	<u>416,691</u>	<u>(7,807)</u>	<u>(2,214)</u>	<u>7</u>	<u>406,677</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 31 March 2017, interest bearing debt amounted to EUR 446.8 million (31 December 2016: EUR 466.4 million), of which EUR 445.8 million (31 December 2016: EUR 465.5 million) are secured against shares that Marel hf. holds in certain subsidiaries. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The Group loan agreements contain restrictive covenants, relating to interest cover and leverage. At 31 March 2017 and at year end 2016 the Group complies with all restrictive covenants.

The Group has the following headroom in committed ancillary facilities:

	31/03	31/12
	2017	2016
Floating rate:		
- Expiring w ithin one year.....	-	-
- Expiring beyond one year.....	157,248	144,452
	<u>157,248</u>	<u>144,452</u>

16. Provisions

	Guarantee commitments	Pension commitments ¹⁾	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.....	(48)	(218)	-	(12)	(278)
Additions.....	253	257	-	89	599
Used.....	(1,581)	(67)	-	(1,328)	(2,976)
At 31 March 2017	<u>7,620</u>	<u>7,589</u>	<u>-</u>	<u>2,626</u>	<u>17,835</u>

¹⁾ Including the provision for early retirement rights, which has increased to EUR 4,205 at 31 March 2017 (31 December 2016: EUR 3,960).

	31/03	31/12
	2017	2016
Analysis of total provisions		
Current.....	10,154	13,129
Non-current.....	7,681	7,361
	<u>17,835</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 31 March 2017 was EUR 271.5 million (31 December 2016: EUR 298.2 million).

31/03 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	55,000	2018	0.2%
Forw ard 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%
Forw ard 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%
Forw ard 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%
Forw ard 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%

FX Forwards	Currency	Principal	Maturity	Av. Rate
FX forw ards Sell CAD Buy EUR.....	CAD	98	2016	1.552

18. Contingencies

At 31 March 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 51.3 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 31 March 2017 and at 31 December 2016 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 nor the CEO in the three months period ended 31 March 2017 and the year 2016.

20. Business combinations

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
Consideration transferred.....	295,078
Goodwill on acquisition.....	245,622

Amortization of acquisition related intangible assets relate to the following lines in the Consolidated Statement of Income:

	Q1	Q1
	2017	2016
Cost of sales.....	4,118	2,859
Selling and marketing expenses.....	1,422	1,255
Research and development expenses.....	677	433
	<u>6,217</u>	<u>4,547</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

Marel amends and extends financing facilities

Marel has secured an extension to 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 640 EUR 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. This provides Marel with increased strategic and operational flexibility to support the ambitious growth plan introduced at Marel's Annual General Meeting in March 2017.

The agreement is in final documentation.

22. Quarterly results

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Revenue.....	252,464	250,026	234,806	264,208	220,631
Cost of sales.....	(153,019)	(148,843)	(140,787)	(155,009)	(128,024)
Gross profit	99,445	101,183	94,019	109,199	92,607
Selling and marketing expenses.....	(30,958)	(36,016)	(28,138)	(33,893)	(30,452)
Research and development expenses.....	(13,915)	(13,581)	(16,358)	(17,857)	(15,307)
General and administrative expenses.....	(16,880)	(16,643)	(16,121)	(17,700)	(15,806)
Other operating income / (expenses).....	-	144	-	-	81
Adjusted result from operations ^{*)}	37,692	35,087	33,402	39,749	31,123
Amortization of acquisition-related intangible assets.....	(6,217)	(6,705)	(6,746)	(6,587)	(4,547)
Result from operations (EBIT)	31,475	28,382	26,656	33,162	26,576
Net finance costs.....	(3,783)	(3,786)	(5,769)	(6,784)	(8,948)
Result before income tax	27,692	24,596	20,887	26,378	17,628
Income tax	(6,343)	(1,960)	(3,559)	(4,250)	(3,876)
Result for the period	21,349	22,636	17,328	22,128	13,752
Result before depreciation & amortization (EBITDA).....	45,955	47,353	41,527	48,379	38,185

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