



Condensed Consolidated Interim Financial Statements

30 September 2016



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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, fish and meat 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 2016 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 2015. 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 2015.

Operations in the nine-month period ended 30 September 2016

MPS Holding III B.V. ("MPS") and its subsidiaries were acquired with effective date 29 January 2016. Further information is provided in Note 22 of the Condensed Consolidated Interim Financial Statements. The comparative information for 2015 is not adjusted as a result of this acquisition.

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

	YTD 2016	YTD 2015
Adjusted result from operations	104,274	77,662
Adjustment for refocusing costs	-	(10,675)
Adjustment for amortization of acquisition-related intangible assets	(17,880)	-
Result from operations	86,394	66,987

The pro forma revenues for Marel, including MPS for the full nine months, are EUR 733 million YTD 2016 and EUR 727 million YTD 2015. The pro forma adjusted results from operations for the same periods are EUR 108.4 million or 14.8% of revenues YTD 2016 and EUR 105.2 million or 14.5% of revenues YTD 2015.

The order book amounted to EUR 305 million as at 30 September 2016 compared to a pro forma order book of EUR 320 million as at 31 December 2015.



Statement by the Board of Directors and the CEO

According to 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 2016, its assets, liabilities and consolidated financial position as at 30 September 2016 and its consolidated cash flows for the nine-month period ended 30 September 2016.

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 nine-month period ended 30 September 2016 and ratify them with their signatures.

Garðabær, 26 October 2016

Board of Directors

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

Chief Executive Officer

Árni Oddur Þórðarson

Consolidated Statement of Comprehensive Income

		Q3 2016	Q3 2015	YTD 2016	YTD 2015
	Notes				
Revenues	5	234,806	189,106	719,645	616,689
Cost of sales	7	(140,787)	(115,183)	(423,820)	(377,038)
Gross profit		94,019	73,923	295,825	239,651
Selling and marketing expenses	7	(28,138)	(24,368)	(92,483)	(81,989)
Research and development expenses	7	(16,358)	(13,182)	(49,522)	(41,985)
Administrative expenses	7	(16,121)	(12,184)	(49,627)	(37,971)
Other operating income / (expenses)	7	-	(23)	81	(44)
Adjusted result from operations ¹⁾	5	33,402	24,166	104,274	77,662
Total refocusing costs	6	-	(1,960)	-	(10,675)
Total amortization of acquisition-related intangible assets	22	(6,746)	-	(17,880)	-
Result from operations		26,656	22,206	86,394	66,987
Finance costs	8	(5,905)	(5,064)	(21,765)	(10,081)
Finance income	8	136	187	264	1,718
Net finance costs	8	(5,769)	(4,877)	(21,501)	(8,363)
Result before income tax		20,887	17,329	64,893	58,624
Income tax	9	(3,559)	(2,631)	(11,685)	(11,790)
Profit (loss) for the period		17,328	14,698	53,208	46,834
Other Comprehensive Income / (loss)					
Items that are or will be reclassified to profit or loss:					
Currency translation differences		(938)	(3,680)	(1,543)	(2,959)
Cash flow hedges		954	110	(661)	1,059
Income tax relating to cash flow hedges		(345)	1	111	(208)
Other comprehensive income / (loss) for the period, net of tax		(329)	(3,569)	(2,093)	(2,108)
Total comprehensive income for the period		16,999	11,129	51,115	44,726
Profit attributable to Shareholders of the Company		17,328	14,698	53,208	46,834
Comprehensive income attributable to Shareholders of the Company ..		16,999	11,129	51,115	44,726

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

- basic	10	2.42	2.07	7.44	6.51
- diluted	10	2.40	2.07	7.40	6.49

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

- basic	10	2.37	1.57	7.15	6.22
- diluted	10	2.36	1.56	7.11	6.20

¹⁾ Adjusted result from operations: for 2016 this means adjusted for amortization of acquisition-related intangible assets and for 2015 adjusted for refocusing costs.

The notes on pages 8-24 are an integral part of the Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Financial Position

ASSETS	Notes	30/09 2016	31/12 2015
Non-current assets			
Property, plant and equipment.....	11	113,652	89,005
Goodwill	12	633,425	389,407
Other intangible assets	12	286,069	107,018
Trade receivables		235	443
Deferred income tax assets.....	13	8,942	10,029
		1,042,323	595,902
Current assets			
Inventories.....	14	123,692	99,382
Production contracts		44,578	17,261
Trade receivables		101,815	99,696
Assets held for sale.....	15	-	3,799
Other receivables and prepayments		41,518	29,139
Cash and cash equivalents		22,546	92,976
		334,149	342,253
Total assets		1,376,472	938,155
EQUITY			
Capital and reserves attributable to shareholders of Marel hf.			
Share capital.....	16	6,563	6,445
Share premium.....	16	296,112	277,919
Hedge reserve.....		(3,071)	(2,521)
Translation reserve		(4,123)	(2,580)
Retained earnings.....		209,606	167,476
Total equity		505,087	446,739
LIABILITIES			
Non-current liabilities			
Borrowings.....	17	441,513	217,287
Deferred income tax liabilities	13	63,914	15,943
Provisions.....	18	6,847	6,943
Derivative financial instruments	19	9,150	3,057
		521,424	243,230
Current liabilities			
Production contracts		134,327	78,330
Trade and other payables		160,804	139,227
Derivative financial instruments		45	-
Current income tax liabilities.....		14,964	3,221
Borrowings.....	17	24,401	18,449
Provisions.....	18	15,420	8,959
		349,961	248,186
Total liabilities		871,385	491,416
Total equity and liabilities		1,376,472	938,155

The notes on pages 8-24 are an integral part of the Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Changes in Equity

	Attributable to Shareholders of the Company					
	Share capital	Share premium [*]	Hedge reserve	Translation reserve	Retained earnings	Total equity
Balance at 1 January 2015	6,664	311,748	(3,974)	(618)	113,678	427,498
Profit (loss) for the period.....					46,834	46,834
Total other comprehensive income.....			851	(2,959)		(2,108)
Transactions with owners of the Company						
Treasury shares purchased.....	(284)	(37,710)				(37,994)
Treasury shares sold.....	58	3,493				3,551
Treasury shares, transaction costs.....		(58)				(58)
Value of services provided.....		159				159
Value of services provided released.....		(543)			484	(59)
Dividend.....					(3,484)	(3,484)
	(226)	(34,659)	851	(2,959)	43,834	6,841
Balance at 30 September 2015	6,438	277,089	(3,123)	(3,577)	157,512	434,339
Profit (loss) for the period.....					9,862	9,862
Total other comprehensive income.....			602	997		1,599
Transactions with owners of the Company						
Treasury shares purchased.....		(1)				(1)
Treasury shares sold.....	7	847				854
Treasury shares, transaction costs.....		-				-
Value of services provided.....		90				90
Value of services provided released.....		(106)			102	(4)
	7	830	602	997	9,964	12,400
Balance at 31 December 2015	6,445	277,919	(2,521)	(2,580)	167,476	446,739
Profit (loss) for the period.....					53,208	53,208
Total other comprehensive income.....			(550)	(1,543)		(2,093)
Transactions with owners of the Company						
Treasury shares sold.....	118	18,261				18,379
Treasury shares, transaction costs.....		(16)				(16)
Value of services provided.....		200				200
Value of services provided released.....		(252)			226	(26)
Dividend.....					(11,304)	(11,304)
	118	18,193	(550)	(1,543)	42,130	58,348
Balance at 30 September 2016	6,563	296,112	(3,071)	(4,123)	209,606	505,087

^{*)} Includes reserve for share based payments as per 30 September 2016 of EUR 811 (31 December 2015: EUR 864).

Dividends

In March 2016 a dividend of EUR 11,304 (EUR 1.58 cents per share) was declared for the operational year 2015, of which EUR 10,302 was paid in Q1 2016 and EUR 1,002 withholding tax was paid in Q2 2016 (in 2015, a dividend of EUR 3,484 (EUR 0.48 cents per share) was declared and paid for the operational year 2014).

Treasury shares

In Q1 2016, Marel sold 10.8 million treasury shares for a total amount of EUR 16.3 million in relation to the acquisition of MPS. In Q2 2016, Marel sold 2.0 million treasury shares for a total amount of EUR 2.1 million in relation to exercises of stock options. At end of Q3 2016, Marel has 18.1 million treasury shares (end of Q4 2015: 30.9 million treasury shares).

The notes on pages 8-24 are an integral part of the Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Cash Flows

	Notes	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Cash flows from operating activities					
Result from operations		26,656	22,206	86,394	66,987
<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	11	2,555	1,971	7,182	6,450
Amortization and impairment of intangible assets	12	12,317	5,512	34,514	23,778
Loss / (gain) on sale of property, plant and equipment		-	(22)	-	303
Changes in non-current receivables		99	(424)	208	(347)
Working capital provided by / (used in) operating activities		41,627	29,243	128,298	97,171
<i>Changes in working capital:</i>					
Inventories and production contracts		406	(12,549)	(22,913)	(2,895)
Trade and other receivables		4,669	18,004	3,900	(4,298)
Trade and other payables		(11,106)	(4,893)	1,152	96
Provisions		(2,428)	(146)	(5,675)	2,815
Changes in operating assets and liabilities		(8,459)	416	(23,536)	(4,282)
Cash generated from operating activities		33,168	29,659	104,762	92,889
Taxes paid		(66)	(1,466)	(3,140)	(8,586)
Interest and finance income		139	239	542	501
Interest and finance costs		(4,928)	(3,147)	(30,074)	(10,988)
Net cash from operating activities		28,313	25,285	72,090	73,816
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(3,457)	(1,063)	(14,686)	(3,171)
Investments in intangibles	12	(5,153)	(4,052)	(15,836)	(13,874)
Proceeds from sale of property, plant and equipment		47	211	4,246	3,369
Business combinations net of cash	22	-	-	(368,408)	6,655
Net cash provided by / (used in) investing activities		(8,563)	(4,904)	(394,684)	(7,021)
Cash flows from financing activities					
Purchase of treasury shares		-	(13,759)	-	(37,994)
Sale of treasury shares		-	-	18,362	3,551
Proceeds from borrowings		15,000	-	365,300	50,000
Repayments of borrowings		(32,000)	-	(119,500)	(13,413)
Dividends paid		-	-	(11,304)	(3,484)
Net cash from / (used in) financing activities		(17,000)	(13,759)	252,858	(1,340)
Net increase (decrease) in net cash		2,750	6,622	(69,736)	65,445
Exchange (loss) / gain on net cash		(215)	(1,960)	(694)	2,098
Net cash at beginning of the period		20,011	87,457	92,976	24,566
Net cash at end of the period		22,546	92,119	22,546	92,119

The notes on pages 8-24 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 2016 comprise the Company and its subsidiaries (together referred to as "the Group" or "Marel"). The Group is a leading global provider of advanced equipment, systems and services for the poultry, fish and meat 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 2016 have not been audited nor reviewed by an external auditor.

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

These Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors on 26 October 2016.

All amounts are in thousands of EUR, unless otherwise stated.

2. Basis of preparation

These Condensed Consolidated Interim Financial Statements of the Company and its subsidiaries (the Group) are for the nine-month period ended 30 September 2016. These 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 2015. The Consolidated Financial Statements for the Group for the period ended 31 December 2015 are available upon request from the Company's registered office at Austurhraun 9, Garðabær, Iceland or at www.marel.com.

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. Comparative financial information presented in the Condensed Consolidated Interim Financial Statements does not include information on MPS.

3. Accounting policies

The accounting policies adopted are consistent with those of the Annual Consolidated Financial Statements for the year ended 31 December 2015, as described in the Annual Consolidated Financial Statements for the year ended 31 December 2015, except for the below change in accounting policies.

Expenditure to acquire patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives, but not exceeding 8 years, or 11 years in case of trademarks.

In March 2016, Marel announced a new branding strategy. As of that time the industries poultry, meat and fish are united under common Marel brand, with one Marel logo and tag line. As of now, the trade names used in the poultry industry (Marel Stork Poultry Processing) and further processing business (Marel Townsend Further Processing) will be used in product descriptions for equipment and Marel will continue to use these brands in spare parts business. These tradenames will be amortized in 10 years. Consequently Marel started to amortize mentioned trade names as from March 2016. The impact of these amortizations for the period ended 30 September 2016 is EUR 0.6 million.

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.

In November 2015, the Group entered into a new 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. The new facility was utilized to repay the previous facility from 2010 as well as providing funds for the acquisition of MPS. The facility converts the previous facility into an all senior facility, extends the term to 2020 as well as provides funds for the acquisition of MPS.

The key elements of the financing are:

- 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, with final maturity in November 2020.
- 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. For further details see Notes 17 and 19.

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:

- Poultry processing: Our poultry processing product range offers integrated systems for processing broilers, turkeys and ducks;
- Fish processing: Marel provides advanced equipment and systems for salmon and whitefish processing, both farmed and wild, onboard and ashore;
- Meat processing: Our Meat Industry specializes in the key processes of slaughtering, deboning and trimming, case ready food service and bacon processing;
- 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. The business of the Company is not highly seasonal; 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 refocusing costs and 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 Company has changed its internal reporting structure of the segments and the allocation of operating expenses to these three operating segments from 1 January 2016 to reflect the new organizational structure. Allocation to these three operating segments is mainly done based on a detailed review of equipment revenues and installed base for segments where the customers operate in. The Company is now managed on the basis of three industries with functions that work across all segments to effectively manage business operations. Comparative amounts in this note to the Condensed Consolidated Interim Financial Statements have been restated. The change into three operating segments does not have any impact on consolidated revenue, operational profit or net profit.

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

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

The segment information for the period ended 30 September 2015 is as follows:

	Poultry	Fish	Meat	Others	Total
Third Party Revenues	373,949	104,773	128,906	9,061	616,689
Adjusted result from operations	58,925	9,705	7,394	1,638	77,662
Refocusing costs					(10,675)
Result from operations					66,987
Finance costs - net					(8,363)
Result before income tax					58,624
Income tax					(11,790)
Profit (loss) for the period					46,834
Assets.....	593,990	102,737	127,650	93,269	917,646
Depreciation and amortization	(16,655)	(4,257)	(6,092)	(3,224)	(30,228)
Of which Impairments	(1,573)	(417)	(576)	(2,052)	(4,618)

6. Refocusing costs

In the Consolidated Statement of Comprehensive Income and Note 5 Segment information, refocusing costs are shown separately in order to give transparency on the ordinary business, excluding these costs. Refocusing costs are defined as the costs in relation to the Simpler, Smarter & Faster program of the Group. This program started in January 2014 and was successfully concluded in 2015 with the following goals:

- Combine business units that serve the same customer needs and rely on the same technical capabilities.
- Optimize the manufacturing footprint to balance utilization of resources within the Company.

The refocusing costs consist of:

	YTD 2016	YTD 2015
Streamlining Sales, Service, Innovation and Administration	-	731
Manufacturing and Product portfolio optimization	-	7,899
Other costs.....	-	2,045
	-	10,675

By nature of cost:

	YTD 2016	YTD 2015
Personnel related (severance, outplacement).....	-	3,237
Relocation / building related.....	-	417
Depreciation and amortization (including impairments)	-	466
Divestment	-	3,043
Other costs.....	-	3,512
	-	10,675

Refocusing costs are presented in the Consolidated Statement of Comprehensive Income as follows:

	YTD 2016	YTD 2015
Cost of sales.....	-	3,987
Selling and marketing expenses	-	258
Research and development expenses.....	-	169
Administrative expenses	-	3,218
Other operating income / (expenses)	-	3,043
	<u>-</u>	<u>10,675</u>

7. Expenses by nature

	YTD 2016	YTD 2015
Cost of goods sold	256,571	228,332
Employee benefits.....	261,254	214,158
Depreciation and amortization	40,129	28,060
Maintenance and rent of buildings and equipment	11,083	10,610
Other	64,214	68,542
	<u>633,251</u>	<u>549,702</u>

8. Net Finance costs

	YTD 2016	YTD 2015
Finance costs:		
Interest on borrowings	(16,141)	(8,081)
Interest on finance leases	(1)	(1)
Other finance expenses	(4,571)	(1,999)
Net foreign exchange transaction losses	(1,052)	-
Subtotal Finance costs	<u>(21,765)</u>	<u>(10,081)</u>
Finance income:		
Interest income.....	264	407
Net foreign exchange transaction gains	-	1,311
Subtotal Finance income.....	<u>264</u>	<u>1,718</u>
Net Finance costs	<u>(21,501)</u>	<u>(8,363)</u>

The Group's net finance cost increase significantly between years as borrowings increase due to the acquisition of MPS. Interest on borrowings in YTD in 2016 are exceptionally high due to one off repayment fee (EUR 2,424) on the junior loan acquired in Q1 2015. Other finance costs YTD 2016 increase due to new capitalized finance charges in connection with the new facility as well as revaluation of the embedded derivative.

9. Income tax

	YTD 2016	YTD 2015
Income tax recognized in the Consolidated Statement of Comprehensive Income		
Current tax	(14,005)	(9,850)
Deferred tax	2,320	(1,940)
	<u>(11,685)</u>	<u>(11,790)</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 2016		YTD 2015	
		%		%
Result before income tax	<u>64,893</u>		<u>58,624</u>	
Income tax using Iceland rate.....	(12,979)	20.0	(11,725)	20.0
Effect of tax rates in other jurisdictions	(3,110)	4.8	(4,468)	7.6
Weighted average applicable tax	(16,089)	24.8	(16,193)	27.6
FX effect Iceland.....	819	(1.3)	522	(0.9)
R&D tax incentives	3,430	(5.3)	2,575	(4.4)
Permanent differences	(136)	0.2	670	(1.1)
Tax losses (un)recognized	(116)	0.2	(68)	0.1
(Impairment)/reversal of tax losses	159	(0.2)	21	(0.0)
Effect of tax rate changes.....	(7)	0.0	398	(0.7)
Others.....	255	(0.4)	285	(0.5)
Tax charge included in the profit or loss for the period	<u>(11,685)</u>	18.0	<u>(11,790)</u>	20.1

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.

10. Earnings per share

Basic earnings per share is calculated by dividing the net profit or the comprehensive income 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 2016	YTD 2015
Net profit (loss) attributable to Shareholders	53,208	46,834
Weighted average number of outstanding shares in issue (thousands)	715,250	718,912
Basic earnings per share (EUR cent per share)	7.44	6.51

	YTD 2016	YTD 2015
Comprehensive income attributable to Shareholders.....	51,115	44,726
Weighted average number of outstanding shares in issue (thousands)	715,250	718,912
Basic earnings per share (EUR cent per share)	7.15	6.22

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: share options. For the share 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 share 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 share options.

Diluted earnings per share (EUR cent)

	YTD 2016	YTD 2015
Net profit (loss) used to determine diluted earnings per share	53,208	46,834
Weighted average number of outstanding shares in issue (thousands)	715,250	718,912
Adjustments for share options (thousands)	3,327	2,215
Weighted average number of outstanding shares for diluted earnings per share (thousands)	718,577	721,127
Diluted earnings per share (EUR cent per share)	7.40	6.49

	YTD 2016	YTD 2015
Comprehensive income used to determine diluted earnings per share.....	51,115	44,726
Weighted average number of outstanding shares in issue (thousands)	715,250	718,912
Adjustments for share options (thousands)	3,327	2,215
Weighted average number of outstanding shares for diluted earnings per share (thousands)	718,577	721,127
Diluted earnings per share (EUR cent per share)	7.11	6.20

11. Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2016				
Cost	105,966	66,899	40,807	213,672
Accumulated depreciation	(37,952)	(50,457)	(36,258)	(124,667)
Net book amount	68,014	16,442	4,549	89,005
Nine months ended 30 September 2016				
Opening net book amount	68,014	16,442	4,549	89,005
Divestments	(67)	-	(306)	(373)
Effect of movements in exchange rates	(562)	20	98	(444)
Additions	5,656	6,872	2,158	14,686
Business combinations, see Note 22.....	12,885	4,610	465	17,960
Depreciation charge	(1,974)	(3,799)	(1,409)	(7,182)
Closing net book amount	83,952	24,145	5,555	113,652
At 30 September 2016				
Cost	126,321	92,425	41,428	260,174
Accumulated depreciation	(42,369)	(68,280)	(35,873)	(146,522)
Net book amount	83,952	24,145	5,555	113,652

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

	YTD 2016	YTD 2015
Cost of sales.....	3,930	3,797
Selling and marketing expenses	564	563
Research and development expenses.....	224	267
Administrative expenses	2,464	1,471
	7,182	6,098

12. Intangible assets and Goodwill

	Goodwill	Technology & Develop- ment costs	Customer relations, Patents & Trade name	Other Intangibles	Total other Intangibles
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
Nine months ended 30 September 2016					
Opening net book amount	389,407	66,531	26,641	13,846	107,018
Business combination, see Note 22	245,622	56,385	119,137	23,457	198,979
Exchange differences.....	(1,604)	(1,633)	524	(141)	(1,250)
Additions.....	-	10,400	-	5,436	15,836
Impairment charge	-	(1,567)	-	-	(1,567)
Amortization charge	-	(11,643)	(8,760)	(12,544)	(32,947)
Closing net book amount	633,425	118,473	137,542	30,054	286,069
At 30 September 2016					
Cost	633,425	212,762	177,067	61,822	451,651
Accumulated amortization	-	(94,289)	(39,525)	(31,768)	(165,582)
Net book amount	633,425	118,473	137,542	30,054	286,069

The additions for 2016 predominantly comprise internally generated assets of EUR 15,836 (31 December 2015: EUR 20,267) for product development costs and for development of software products.

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

	YTD 2016	YTD 2015
Cost of sales.....	-	528
Selling and marketing expenses	-	1,773
Research and development expenses.....	1,567	-
Administrative expenses	-	265
Other Operating expenses	-	1,700
	1,567	4,266

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

	YTD 2016	YTD 2015
Cost of sales.....	11,075	60
Selling and marketing expenses	6,124	457
Research and development expenses.....	12,149	15,099
Administrative expenses	3,599	3,896
	32,947	19,512

Impairment testing

The Group tested at the end of 2015 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 Q3 2016, there is no reason to deviate from the conclusions taken at year-end.

13. 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 2016	(5,914)
Exchange differences and changes within the Group	(53)
Consolidated Statement of Comprehensive Income charge (excluding tax rate change)	2,327
Effect of change in tax rates.....	(7)
Business combination, see Note 22	(51,436)
Hedge reserve & translation reserve recognized in other Comprehensive Income	111
At 30 September 2016	<u>(54,972)</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 following amounts, determined after appropriate offsetting, are shown in the Consolidated Statement of Financial Position.

	30/09 2016	31/12 2015
Deferred income tax assets	8,942	10,029
Deferred income tax liabilities.....	<u>(63,914)</u>	<u>(15,943)</u>
	<u>(54,972)</u>	<u>(5,914)</u>

14. 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.

15. Assets and liabilities held for sale

In 2015, management committed to a plan to transfer production facilities from the Bornholm facility in Denmark to other Marel locations in Denmark and Slovakia, and sell the real estate in Bornholm. The business was serving multiple Marel segments. The real estate was presented as Assets held for sale for EUR 1.6 million as at 31 December 2015. The deal was finalized on 3 June 2015 and the assets have been transferred per 1 January 2016.

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Assets held for sale

Value 31 December 2015.....	1,576
Proceeds from sale of production facilities	<u>(1,576)</u>
Value 30 September 2016.....	<u>-</u>



In 2015, management committed to a plan to transfer production facilities from the Des Moines facility in the United States of America to the Gainesville (Georgia) production facility in the United States of America and sell the real estate in Des Moines. The production facility in Des Moines is serving the Meat segment. The real estate was presented as Assets held for sale for EUR 2.2 million as at 31 December 2015 and is valued at the lower of its carrying amount and its fair value less costs to sell. The deal was finalized and assets have been transferred prior to 31 March 2016.

Marel Meat Processing Inc.

Assets held for sale

Value 31 December 2015.....	2,223
Proceeds from sale of production facilities.....	(2,223)
Value 30 September 2016.....	<u>-</u>

16. Equity

Share Capital	Ordinary shares (thousands)	Treasury shares (thousands)	Outstanding number of shares (thousands)
At 1 January 2015	735,569	(6,958)	728,611
Treasury shares - purchased	-	(31,000)	(31,000)
Treasury shares - sold.....	-	6,239	6,239
At 30 September 2015	<u>735,569</u>	<u>(31,719)</u>	<u>703,850</u>
	100.00%	4.31%	95.69%
Treasury shares - purchased	-	-	-
Treasury shares - sold.....	-	816	816
At 1 January 2016	<u>735,569</u>	<u>(30,903)</u>	<u>704,666</u>
	100.00%	4.20%	95.80%
Treasury shares - sold.....	-	12,812	12,812
At 30 September 2016	<u>735,569</u>	<u>(18,091)</u>	<u>717,478</u>
	100.00%	2.46%	97.54%
		30/09	31/12
Class of share capital:		2016	2015
Nominal value		6,563	6,445
Share premium.....		295,301	277,055
Reserve for share based payments		811	864
Total share premium reserve		<u>296,112</u>	<u>277,919</u>

The total authorized number of ordinary shares is 735.6 million shares (31 December 2015: 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.

17. Borrowings

	30/09 2016	31/12 2015
Non-current:		
Bank borrowings	441,502	217,272
Finance lease liabilities.....	11	15
	<u>441,513</u>	<u>217,287</u>
Current:		
Bank borrowings excluding bank overdrafts	24,401	18,449
Total borrowings	<u>465,914</u>	<u>235,736</u>
Secured bank loans	465,903	235,721
Finance lease liabilities.....	11	15
Total borrowings	<u>465,914</u>	<u>235,736</u>

	Secured bank loans	Capitalized finance charges	Embedded Derivative	Finance lease liabilities	Total 30/09 2016	Total 31/12 2015
Liabilities in currency recorded in EUR						
Liabilities in EUR.....	390,000	(12,231)	(3,939)	-	373,830	131,794
Liabilities in USD.....	93,558	(2,486)	-	-	91,072	103,927
Liabilities in DKK.....	1,001	-	-	-	1,001	-
Liabilities in other currencies	-	-	-	11	11	15
	<u>484,559</u>	<u>(14,717)</u>	<u>(3,939)</u>	<u>11</u>	<u>465,914</u>	<u>235,736</u>
Current maturities	(30,000)	4,648	951	-	(24,401)	(18,449)
	<u>454,559</u>	<u>(10,069)</u>	<u>(2,988)</u>	<u>11</u>	<u>441,513</u>	<u>217,287</u>

30/09 2016	Secured bank loans	Capitalized finance charges	Embedded Derivative	Finance lease liabilities	Total 2016
Annual maturity of non-current liabilities:					
Year 2017	15,000	(1,165)	(529)	-	13,306
Year 2018	30,000	(4,658)	(1,055)	11	24,298
Year 2019	30,000	(4,246)	(786)	-	24,968
Year 2020	379,559	-	(618)	-	378,941
Year 2021	-	-	-	-	-
Later	-	-	-	-	-
	<u>454,559</u>	<u>(10,069)</u>	<u>(2,988)</u>	<u>11</u>	<u>441,513</u>

31/12 2015	Secured bank loans	Capitalized finance charges	Embedded Derivative	Finance lease liabilities	Total 2015
Annual maturity of non-current liabilities:					
Year 2017	20,000	(1,551)	-	-	18,449
Year 2018	150,243	(1,420)	-	15	148,838
Year 2019	50,000	-	-	-	50,000
Year 2020	-	-	-	-	-
Year 2021	-	-	-	-	-
Later	-	-	-	-	-
	<u>220,243</u>	<u>(2,971)</u>	<u>-</u>	<u>15</u>	<u>217,287</u>

As of 30 September 2016, interest bearing debt amounted to EUR 465,914 (31 December 2015: EUR 240,258), of which EUR 465,903 (31 December 2015: EUR 240,258) 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 various restrictive covenants, relating to interest cover and leverage. At 30 September 2016 and at year end 2015 the Group complies with all restrictive covenants.

The Group has the following headroom in committed ancillary facilities:

	30/09	31/12
	2016	2015
Floating rate:		
- Expiring within one year	-	-
- Expiring beyond one year	187,276	73,517
	<u>187,276</u>	<u>73,517</u>

18. Provisions

	Guarantee commitments	Pension commitments ¹⁾	Refocusing provisions	Other Provisions	Total
At 1 January 2015	5,381	5,102	5,911	306	16,700
Release	(1,143)	-	(799)	(113)	(2,055)
Additions.....	2,157	1,715	3,429	560	7,861
Used.....	130	(443)	(6,495)	204	(6,604)
At 31 December 2015	<u>6,525</u>	<u>6,374</u>	<u>2,046</u>	<u>957</u>	<u>15,902</u>
At 1 January 2016	6,525	6,374	2,046	957	15,902
Release	(741)	-	-	(2,228)	(2,969)
Business combinations, see Note 22.....	1,376	111	500	7,547	9,534
Additions.....	2,868	823	26	1,561	5,278
Used.....	(915)	(335)	(1,733)	(2,495)	(5,478)
At 30 September 2016	<u>9,113</u>	<u>6,973</u>	<u>839</u>	<u>5,342</u>	<u>22,267</u>

*) Including the provision for early retirement rights, which has increased to EUR 3,666 at 30 September 2016 (31 December 2015: EUR 3,541).

	30/09	31/12
	2016	2015
Analysis of total provisions		
Current	15,420	8,959
Non-current	6,847	6,943
	<u>22,267</u>	<u>15,902</u>

19. Derivative 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.

The notional principal amount of the outstanding active interest rate swap contracts at 30 September 2016 was EUR 262,282 (31 December 2015: EUR 139,061).

FX Forwards

With the acquisitions of MPS in January 2016, Marel acquired FX forward contracts with principal of approximately EUR 1.3 million and market to market value of EUR 0.05 million. The forward swaps were used for hedging purposes of projects in USD and CAD. These contracts will be held to maturity and Marel's currency risk policy will be applied for future transactions.

2016	Currency	Principal	Maturity	Interest %
Interest rate SWAP.....	USD	70,000	2016	1.8%
Interest rate SWAP.....	EUR	50,000	2016	3.1%
Forward starting interest rate SWAP	USD	55,000	2017	2.4%
Forward starting interest rate SWAP	EUR	6,000	2017	0.8%
Interest rate SWAP.....	EUR	25,000	2017	0.1%
Forward starting 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	1,001	2027	5.2%

FX Forwards	Currency	Principal	Maturity	Av. Rate
FX forwards Sell USD Buy EUR.....	USD	1,483	2016	1.260
FX forwards Sell CAD Buy EUR.....	CAD	196	2016	1.550

2015	Currency	Principal	Maturity	Interest %
Interest rate SWAP.....	USD	70,000	2016	1.8%
Interest rate SWAP.....	EUR	50,000	2016	3.1%
Forward starting interest rate SWAP	USD	55,000	2017	2.4%
Forward starting interest rate SWAP	EUR	6,000	2017	0.8%
Interest rate SWAP.....	EUR	25,000	2017	0.1%
Forward starting interest rate SWAP	EUR	55,000	2018	0.2%
Forward starting interest rate SWAP	USD	60,000	2018	2.2%

20. Contingencies

At 30 September 2016 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 31,171 (31 December 2015: EUR 27,822) to third parties.

As part of doing business Marel 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.

21. Related party transactions

At 30 September 2016 and at 31 December 2015 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 nine months period ended 30 September 2016 and the year 2015.

22. Business combinations

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.

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 is approximately EUR 368 million on a debt-free and cash-free basis. There are no contingent consideration arrangements.

MPS is a leading company in primary processing solutions for the pork and beef industry as well as in innovative solutions in waste water treatment and food logistics. The acquisition enhances Marel's position as a leading global provider of advanced equipment and solutions to the poultry, meat and fish industries and is fully in line with the company's previously announced growth strategy. This step will support Marel's full line offering in the meat processing industry.

The amounts recorded for the acquisition as disclosed below are provisional. Immediately after the acquisition date the purchase price allocation activities started. As a consequence all of the numbers recorded for the acquisition are provisional. Under IFRS 3, adjustments to provisional fair values and goodwill may be made in the period subsequent to the business combination. The period during which such an adjustment is permitted is limited to 12 months from the date of acquisition.



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.....	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 (provisional)	245,622

The resulting provisional goodwill from this acquisition is primarily related to the strategic (and cultural) fit with highly complementary product portfolios and geographic presence. The goodwill is not tax deductible.

MPS contributed EUR 119 million to revenues and affected result from operation positively.

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

	YTD
	2016
Cost of sales.....	11,197
Selling and marketing expenses	5,024
Research and development expenses.....	1,735
	<u>17,956</u>

EUR 11.2 million related to the fair value lift up on the order back log. EUR 6.8 million of amortization of identified intangible assets and a tax effect of EUR 4.5 million from the period from acquisition to 30 September 2016. The order backlog will be fully amortized in mid-2017, the brand names will amortized before the end of the year and the other identified intangible assets will be amortized in 20 years.

As part of the acquisition of MPS, Marel acquired the 76% shareholding in MPS France S.A.R.L., France. The share of the profit of this joint venture for the period 29 January 2016 to 30 September 2016 is EUR 27. Equity attributable to this joint venture is EUR 181 at 30 September 2016.

23. Events after balance sheet date

None.

24. Quarterly results

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Revenue	234,806	264,208	220,631	201,913	189,106
Cost of sales	(140,787)	(155,009)	(128,024)	(122,049)	(115,183)
Gross profit	94,019	109,199	92,607	79,864	73,923
Selling and marketing expenses	(28,138)	(33,893)	(30,452)	(28,449)	(24,368)
Research and development expenses	(16,358)	(17,857)	(15,307)	(15,019)	(13,182)
Administrative expenses	(16,121)	(17,700)	(15,806)	(17,984)	(12,184)
Other operating income / (expenses)	-	-	81	509	(23)
Adjusted result from operations ¹⁾	33,402	39,749	31,123	18,921	24,166
Refocusing costs	-	-	-	(4,295)	(1,960)
Amortization of acquisition-related intangible assets	(6,746)	(6,587)	(4,547)	-	-
Result from operations (EBIT)	26,656	33,162	26,576	14,626	22,206
Net finance costs	(5,769)	(6,784)	(8,948)	(3,544)	(4,877)
Result before income tax	20,887	26,378	17,628	11,082	17,329
Income tax	(3,559)	(4,250)	(3,876)	(1,220)	(2,631)
Profit (loss) for the period	17,328	22,128	13,752	9,862	14,698
Profit before depreciation & amortization (EBITDA)	41,527	48,379	38,185	23,599	29,686

¹⁾ Adjusted result from operations: for 2016 this means adjusted for amortization of acquisition-related intangible assets and for 2015 adjusted for refocusing costs.