ANNUAL REPORT 2019

person
second
Everything counts
drop
thought

Content

Chairman's statement

Feeding the world's growing population is one of the biggest challenges facing society today. We must find new ways to produce quality food sustainably and affordably, and do more with less. Otherwise, in the context of climate change, Earth's limited resources and the unfathomable waste in the food value chain, the estimated seventy percent increase in demand for food over the next thirty years simply does not add up.

Marel's vision is founded on a strong belief that we can have a positive impact on society and create economic value at the same time. In 2019, we continued to pursue our vision of transforming the way food is processed in partnership with our customers, making high-quality food sustainable and affordable.

We are driven by innovation and a passion for promoting sustainability and respect for nature's resources. Whether it's a millimeter from a fish fillet, a simple idea, or a drop of water. We realize that everything counts. That's how we transform food processing.

To that end, Marel invested 82 million euros in innovation in 2019, which corresponds to more than 6% of our revenues. Innovation is at the very heart of our strategy. It fuels organic growth and secures our competitive advantage as the leading global provider of high-tech food processing solutions, software and services for the poultry, meat and fish industries. In partnership with our customers, our dedicated experts brought more than 30 impactful innovations to market in 2019. These solutions enable our customers to increase the quality and safety of their products, run more efficient processes, reduce their environmental footprint, and increase profitability. Our break-through innovations, modernization of existing solutions, and software enabling smarter processing, are all designed to achieve the common purpose of transforming the way food is processed. Every improvement counts.

Efficient operations and healthy returns are the foundation of our significant investments in innovation and strengthening our platform. Geopolitical tensions and trade constraints continued to make their mark on the global economy in 2019. Under these challenging circumstances, Marel's revenues increased by a healthy 7%, although there was a slight setback in profitability. Net results were also affected by one-off finance costs and changes in tax rates in the Netherlands. In addition, earnings per share were impacted by the higher number of outstanding shares issued and sold in connection with the dual listing on Euronext Amsterdam, resulting in a 15% decrease in basic earnings per share from last year. Cash flow was solid and our financial position is strong, with leverage at 0.4x net debt / EBITDA at the end of the year. This is well below the targeted capital structure of 2-3x, illustrating our ability to finance future moves that support our growth strategy. Towards the end of 2019, Marel also received commitments from its banking partners for a new favorable and sustainability linked credit facility with a tenor of five-years and two one-year uncommitted extension options. The new facility was signed in February, replacing the previous one.

In addition to investing in innovation and our infrastructure to fuel internal growth, last year, Marel acquired highly complementary companies and invested in strategic partnerships, strengthening our full-line solution and service approach. In line with our capital allocation and dividend policy, the Board of Directors has proposed to the 2020 Annual General Meeting that dividends of 5.79 euro cents per outstanding share will be paid to shareholders, corresponding to approximately 40% of profits for 2019.

The age of digital transformation

Opportunities for automation and digital transformation in the food industry are immense and the speed of change is accelerating. In recent years, regulatory requirements for food processing around the world have become more complex. Food producers must keep pace with the increasingly strict industry and regulatory demands for safety, quality, traceability and animal wellbeing.

Marel capitalizes on its unique position to deliver transformative solutions that meet these demands. A data-driven approach has always been an integral part of our offering and since our foundation in 1983, we have bundled software and hardware together to increase precision. Digitalization has developed from the software originally embedded in our equipment, to fully connected solutions and processing lines, ensuring full traceability throughout the processing stages from entry to a labeled final product.

Last April, I had the opportunity to participate in the Marel Software KnowHow user conference at one of our demo centers, in Progress Point, Copenhagen. It was insightful to hear firsthand from our customers how our software serves as an important differentiator in their business and as a platform for operational improvements. For many of them, Marel software is key in standardizing the ways of working across multiple locations and crucial for efficient scalability.

Digital technology plays a central role in the development of our customer offerings, as well as in achieving excellence in our own operations by doing things better, faster, and more efficiently. For example, there are tremendous opportunities in digitizing our aftermarket business to improve customer service and operational efficiency, be it with preventative maintenance, real-time monitoring or remote service.

A global stage for a global leader

The successful listing of Marel shares on Euronext Amsterdam in June was a significant milestone for the company. It underpins our global aspirations as well as shareholders' returns. The new listing complements Marel's existing listing on Nasdaq Iceland, where our shares have traded since 1992, and was a natural next step in our growth strategy.

After thorough analysis of listing options, we announced at the Annual General Meeting in March 2019 our intention to dual list Marel shares on Euronext Amsterdam, in addition to Nasdaq Iceland. Simultaneously, the Board of Directors obtained authorization to increase the company's share capital by approximately 15%, to support a successful listing. Great emphasis was placed on ensuring a smooth shareholder journey throughout the process.

We met all of our key objectives for the listing. The offering was many times oversubscribed, with strong demand from both international institutional and retail investors. More than 4,700 investors participated in the offering, compared to the approximately 2,500 shareholders Marel had previously. The international investor base has expanded from approximately 3% at the time we announced our intention to explore listing alternatives in 2018, to approximately 30% at the end of 2019. Analyst coverage has significantly improved and Marel shares have received increased attention from the international investor community, with the shares trading well in the aftermarket.

Responsible business is good business

We are committed to corporate responsibility because we are convinced it is key to long-term value creation. Marel's growth prospects rely on our ability to operate sustainably and serve the broad interests of all of our stakeholders.

We are inspired by the UN's Sustainable Development Goals. Global challenges, ranging from climate change, water and food crises to poverty, conflict and inequality, are in great need of innovative solutions that require increased collaboration across sectors, both public and private.

Everyone can make a difference and we are proud of our contributions. By growing and sustaining an economically strong and responsible business over the long term, guided by a clear vision, we make a significant positive impact on our customers and our people, as well as the economy and society.

Corporate responsibility

Every contribution counts

> "Everyone can make a difference and we are proud of our contributions."

Asthildur Otharsdottir, Chairman of the Board

Marel is a United Nations Global Compact Participant and we take pride in reporting on our progress for the third year, according to the Nasdaq ESG guidelines initiative. We are particularly pleased with positive developments in reducing both our carbon emission and energy intensity in 2019.

In 2019, we took several actions to improve Marel's environmental, social and governance performance. This includes reviewing and improving our health, safety and environment processes, implementing a sustainability pillar in our procurement process, and strengthening our focus on sustainability in innovation. We also continue to foster and promote a culture of diversity and inclusion. At Marel, every person counts.

New opportunities on the horizon

Marel is in a unique position to realize its purpose and deliver fit-for-purpose solutions that meet the current and future demands of food processors and consumers. We remain committed to the ambitious 10-year growth targets we announced in 2017, of an average annual increase in revenue of 12% and earnings per share growing faster than revenues. Our growth will be balanced between organic and acquired, and achieved by capitalizing on investments in innovation and market reach, complemented by strategic acquisitions and partnerships. There are ample consolidation opportunities in our market and Marel has a strong financial position to facilitate future strategic moves.

While Marel entered 2020 on a strong note, the impact of the worldwide coronavirus pandemic on the global economy and the implications for businesses are uncertain and pose new challenges. However, we are convinced that in this challenge and others to come, new opportunities will arise from an increased focus on food safety, quality, hygiene and traceability. We knew we would encounter stormy seas along the way but we are on the right course. Every mile counts.

On behalf of the Board of Directors, I want to thank the entire Marel team, all around the world, for their passion and hard work in 2019, and thank our shareholders for their continued support.

Asthildur Otharsdottir,
Chairman of the Board

CEO's review

Weighing in rough seas

2019 was an eventful year for Marel. We established partnerships, completed strategic acquisitions and made investments that strengthened our foundations for continued growth. As we enter 2020, our competitive position is strong and our financials are robust, following the issue of new shares and the recently announced senior long-term financing.

We delivered EUR 1.3 billion in revenues, representing 7% year-on-year growth, of which 5% was organic. Our EBIT remained more or less flat, as our operational performance as a percentage of revenues was slightly down against 2019, with an EBIT margin of 13.5%.

Marel operates in a fast-growing and dynamic market. The quality of our earnings has improved step-by-step, in tandem with our expanded global reach serving the poultry, meat and fish industries across all processing steps, from live animal handling to the dispatch of consumer products to retail and online stores, and casual and high-end dining.

We are a true partner to our customers in the field of high-tech food processing. That is reflected in our balanced mix of income from the sale of standard equipment, full-line solutions and recurring aftercare revenues. In 2019, 37% of our total revenues were generated from spare part sales, services and software licenses, reflecting the importance of our role as a reliable maintenance partner to customers worldwide, who operate 24/7 and for whom dependability is paramount. Our position today as a global leader in our field represents a great evolution from a startup offering a single standard machine—electronic marine scales that systematically collected and distributed data for fish processors.

Transformation is a necessity, not an option

As the world population and consumer purchasing power grow hand in hand, we need to make every meal count. Feeding a growing world is an inevitable challenge and in meeting it, we must work together to preserve Earth's resources for future generations. The challenge is compounded by the fact that consumers want more than just food and are increasingly demanding about food safety, quality, affordability and traceability. To match global food production systems to market demands, the only way forward is innovation and the vertical integration of the value chain.

Amidst the rapidly evolving secular and market trends that are shaping the food industry, we also face intermittent turbulence from issues such as geopolitical tensions, trade constraints and African Swine Fever (ASF). These issues clearly highlight the need to develop new methods for the food processing industry in both the near and long term, by accelerating innovation and technological advancements.

In 2019, ASF resulted in the need to cull 25% of the global pig herd, with the most significant portion being in China, which accounts for 50% of global pork production and consumption. This significantly affected pork processors' decisions to invest in new equipment and systems.

However, the ASF outbreak also resulted in increased demand for alternative sources of protein such as poultry, with demand for new greenfield projects from poultry customers in China on the rise. Towards the end of the year, trade constraints were gradually lifted, leading to renewed investment appetite in the North and South American markets to serve exports to China.

Ever-evolving demands from consumers for greater product variety, traceability and case-ready products in supermarkets have also boosted demand for our solutions. Marel helps food processors to meet these demands with its full-line offering for the poultry, meat and fish industries. Our solutions can automate processing steps across primary, secondary and further processing, boosting yields and efficiency, as well as food safety and hygiene. Our unique software gives food processors full control and traceability, from live animal intake to finished product dispatch.

Innovation is the answer

Marel is a purpose-driven organization with a clear vision that unites all of its employees. In partnership with our customers, we are transforming the way food is processed. Our vision is of a world where quality food is produced affordably and sustainably.

Innovation is a cornerstone of our mission and an essential component in realizing our vision. Every year, we invest around 6% of our revenues in innovation, to bring new products to market. In 2019, that translated to an investment of EUR 82 million and a record 30 new solutions being launched for poultry, meat and fish processors. Over 20 of these were new solutions for the meat industry, which we launched at the IFFA 2019 international trade fair in Frankfurt, Germany.

We know that to transform food processing, every step counts. In fact, it is hard to accurately pinpoint the number of innovations Marel introduces to market each year. Our revolutionary primary poultry processing lines are great examples of this, with a series of innovations across the line resulting in line speeds increasing from the previous 13,500 birds per hour to 15,000 birds per hour. Realizing such speeds without compromising on quality requires the kind of process know-how that we have built up over decades.

Across the company, we leverage our cross-industry advantage, transferring process know-how and technological understanding from one industry to another. For example, our SensorX system to detect bones and other contaminants was originally invented for the fish industry but is a blockbuster in the poultry industry today. We have now established strategic partnerships to move this technology into the meat industry, to assist in perfect blending for ever-popular products such as premium burgers and meatballs.

Digital points the way

Data and digital technology, including the Internet of Things, virtual reality, big data and artificial intelligence, are disruptors in the food industry and already making an impact. Marel is well positioned to adopt and apply digitalization, both to its products and solutions and to its services and internal systems as well.

Our innovative, connected product offering builds on our data-driven approach, which has been the core of Marel from day one. Today, we are not just exploring innovations in service built on the Internet of Things, to offer predictive maintenance and remote service. We are also exploring more expansive digital opportunities that will transform into self-standing digital product offerings and create tangible value for our customers.

Dual listing fuels our growth

Since our listing on Nasdaq Iceland in 1992, Marel has grown from 45 employees and EUR 6 million in revenues to 6,300 employees and approximately EUR 1.3 billion in revenues in 2019, which represents 22% average annual revenue growth.

We have clear 2026 growth and value-creation targets, as well as mid-term targets. We are financially strong and are targeting 12% annual revenue growth, through a combination of organic growth and acquisitions, as well as EBIT margin expansion. The timing of such growth is important and we aim to find a balance between deploying capital and showing discipline and patience in doing so.

To support us in realizing our mission of transforming food processing and achieving our 2026 targets, Marel shares were dual listed on Euronext Amsterdam in June, in addition to our existing listing on Nasdaq Iceland. This was a critical milestone in our development and a great success.

To further increase our operational and strategic flexibility, and to support the company's long-term strategy, we secured a senior long-term syndicated credit facility at the beginning of 2020. The new financing has a sustainability-linked incentive structure, linking performance on sustainability key performance indicators to a margin reduction or margin increase. It replaces the previous facility and secures our long-term funding at more favorable terms.

We now have an international stage, as well as a diverse set of investors and long-term financial partners, to support our continued growth through senior long-term financing. The global listing will also provide us with a global currency, to help us undertake strategic acquisitions and establish strategic partnerships that fuel growth.

An evolving company in an evolving industry

Behind every great innovation, milestone and breakthrough, is a team. The Marel team is made up of passionate and courageous people, united by a common purpose and shared vision.

As the food industry evolves and matures, Marel evolves in parallel and our growth story unfolds. To keep ahead of industry trends, we need to continuously evaluate our organizational set-up and team composition, and ask ourselves what is fit for purpose at each time.

In recent years, we have made sizeable investments in our infrastructure, common IT platforms and processes. Equipped with the right tools and working methods, we can make further improvements to our set-up by bolstering synergies amongst our global sales and service backbone, while ramping up customer-facing resources in fast-growing markets such as Asia Pacific, including China.

Leading by example, in March 2020 we consolidated the Executive Team from twelve members to nine. The aim is to clarify accountability and shorten communication lines, in order to sharpen our global market approach, reduce time to market and reduce the company's running costs. We welcome Gudbjorg Heida Gudmundsdottir onboard as EVP of Marel Fish and Anna Kristin Palsdottir as EVP of Innovation. All in all, the Executive Team and the global Marel team are diverse by geography, age and gender, mirroring our customers and consumers around the globe.

Transforming food processing

Every step counts

> "Together, we can make every step in the value chain count towards more efficient and sustainable food processing."
>
> Arni Oddur Thordarson, CEO

Every partnership counts

Partnership with customers is a cornerstone of our philosophy. We have established long-lasting customer relationships worldwide and every one of them counts. We listen to our customers and strive to develop solutions and software for them that are fit for purpose and allow them to meet increasingly diverse and complex market and consumer demands for safe, quality, affordable food with full traceability. Our customer base covers food processors of all types, ranging from small family-owned companies to the largest global players in the food industry. Our customer base is also diverse, with the single largest customer accounting for less than 5% of our annual revenues.

The sale of new systems, whether a greenfield plant or a standard solution, is just one point in the customer journey, which extends both ways from that point into the aftercare business. We are here to serve our customers and their needs across the world, ensuring uptime and smooth operations.

In 2019, we took steps to strengthen and simplify the customer journey. We are working to enhance our local presence and ensure the first point of contact for customers is local, while simultaneously building on the advantages of being a global leader, with matching technical expertise and innovation capabilities. Region by region, we are setting up regional sales and services clusters, with customer-facing teams led by strong leadership. We successfully implemented such a regional set-up in Latin America and are now doing the same in Asia Pacific and other regions.

United, we navigate through

The global Covid-19 outbreak has demonstrated the importance of having readily available local teams in every region around the world, backed by a global organization that supports them and sets a clear direction. In line with our vision and approach to corporate responsibility, we are working hard to secure the safety and wellbeing of our people throughout this outbreak, in cooperation with the authorities. The local teams are working in harmony with global specialists, to support our customers worldwide.

Our vision is our guiding star, as we navigate together as a team and with our customers through challenging times. Together, we can make every step in the value chain count towards more efficient and sustainable food processing. That is how, as a team and in close partnership with our customers, we make everything count towards ensuring that safe, high-quality and affordable food is produced in a sustainable way. Together, we are transforming food processing.

Arni Oddur Thordarson,
Chief Executive Officer

Who we are

number
gram
Every one counts
person
percentage

We are a team of almost 6,300 people with different backgrounds, skills and roles. What we do have in ommon is the vision of feeding the world, and preserving the planet's resources. We celebrate the breakthroughs and persevere when we have to start again. Innovation is not a straight line but a creative, collaborative journey. And we've only just begun.

United under a clear vision

In partnership with our customers we are transforming the way food is processed. Our vision is of a world where quality food is produced sustainably and affordably.

We are in the business of transforming the future of food processing. We know it would not be possible without our customers, investors, suppliers, employees and partners around the globe.

There have been significant disruptions in the food processing industry since our humble beginnings. Throughout the many changes—and challenges—over the years, our vision remains a constant.

We will continue on our journey by leveraging data, invest in innovation and emerging technologies, while always considering the sustainable use of precious resources.

Global team defined by three core values

Unity

Every person counts

We are united in our success and recognize that retaining our position as a world leader in food processing requires a constant focus on collaboration, cooperation and communication. Every person counts in the united force that makes up Marel.

Excellence

Every day counts

Excellence is what sets us apart. We deliver pioneering solutions that drive value, increase efficiency, and enable our customers to succeed in an increasingly competitive marketplace. In our relentless effort to do better tomorrow then we did today, every day counts.

Innovation

Every idea counts

Innovation is in our DNA. Whether it's hardware, software, or services, we're dedicated to surpassing industry standards to provide solutions that deliver the highest quality, sustainable, and affordable food. Every idea counts and sometimes it takes a hundred ideas to get to the winning one.

Who we are

Global company

Marel is a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries with around 6,300 employees and a presence in over 30 countries. In 2019, Marel delivered EUR 1.3 billion and operated at a 13.5% EBIT margin.

Annually, Marel invests around 6% of revenues in innovation which translated to EUR 82 million in 2019. By continuously transforming food processing, we enable our customers to increase yield and throughput, ensure food safety and traceability, and improve sustainability in food production.

- Listed on Nasdaq Iceland since 1992
- Listed on Euronext Amsterdam since 2019

2019 in brief

Financials highlights

Order book
EUR 414 million

Revenues
EUR 1,284 million

Adjusted EBIT
EUR 173 million

Net results
EUR 110 million

One company serving three industries

Our teams build on the knowledge, expertise and decades of experience accumulated across the company to serve our three core industries, poultry, meat and fish.

Poultry

Marel Poultry offers the most complete product range and has the largest installed base worldwide. We provide in-line solutions for poultry covering all process steps and all processing capacities for broilers, turkeys and ducks.

Meat

Marel Meat supplies advanced equipment and systems to the red meat industry. We focus on slaughtering, deboning and trimming, case ready and food service solutions. Our aim is to be a full-line supplier from farm gate to finished pack.

Fish

Marel Fish is the leading global supplier of advanced equipment and systems to the fish industry. We provide innovative solutions for processing whitefish and salmon, both farmed and wild, onboard and ashore.

Innovation

- **Over 30 products** launched in 2019
- Investment in innovation in 2019 **EUR 82.1 Million**, 6.4% of revenues
- **Over 900** dedicated innovation experts

Sustainability highlights

- **57% of electricity** from renewables
- Sustainability fixed criteria in **all product development**
- Focused contributions to **UN Sustainable Development Goals**

2
Zero hunger

9
Industry, innovations and infrastructure

12
Responsible consumption and production

Global sales and service network

Business model

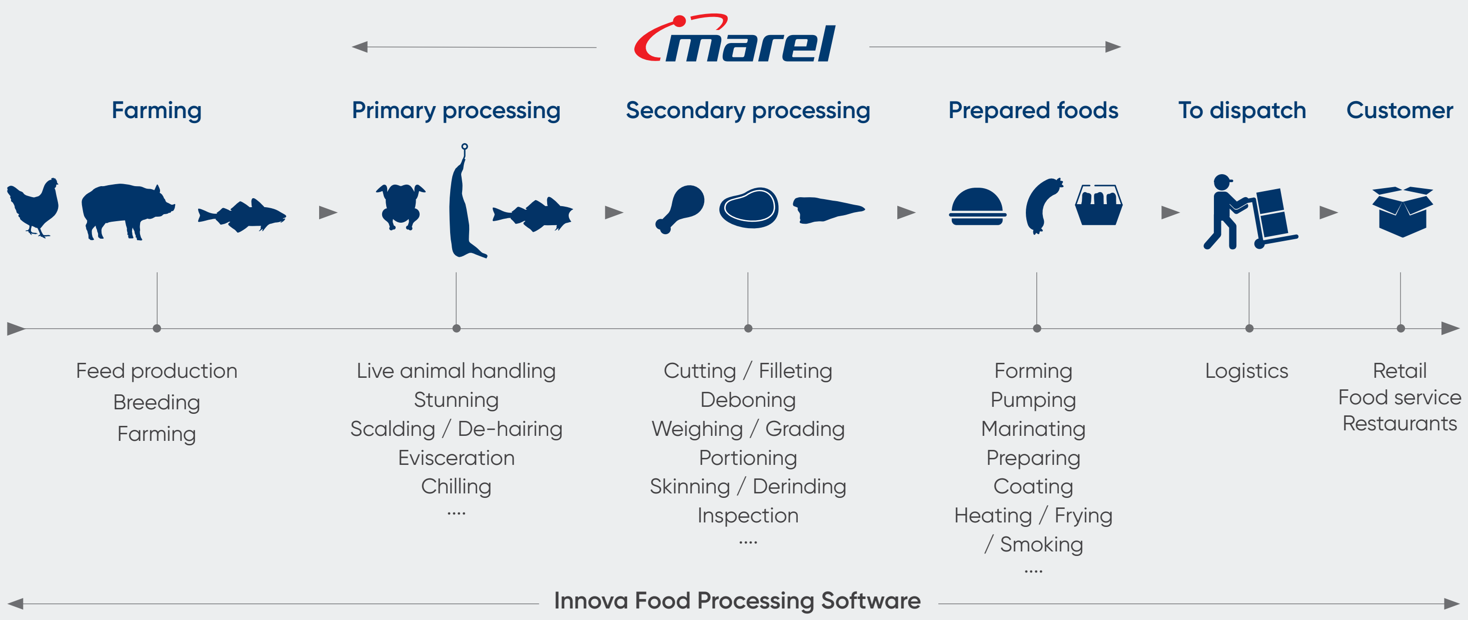
Leading pure-play supplier

Marel's innovative, technology-based approach has placed us at the forefront of the food processing industry. Our business model is well balanced among industry segments, business mix and geographical operations.

Marel is a pure play supplier of advanced and high-end processing equipment, full-line solutions and software and services to the poultry, meat and fish industries. We work in close partnership with producers that are looking to increase the overall level of automation.

Innova software platform

Our proprietary software platform, Innova, enables both comprehensive device control and efficient factory and process management. Innova has been installed in 2,300 locations worldwide. Originally designed to optimize production on our high-tech lines, Innova can also integrate with and optimize third-party equipment.



Technology leader

Marel is committed to innovation. Annually, we invest approximately 6% of revenue in research and development, creating value by diversifying and improving our products and services in partnership with our customers. With each stride we take, we create a more seamless operating flow, through integrations that boost production capacity and efficiency.

Global reach

We have a dedicated global team of about 6,300 employees in over 30 countries. Through the years, we have built a unique sales and service network of more than 650 sales employees and 1,350 service employees who support customers in over 140 countries. In countries where we have less presence, a network of agents supports our organization.

Blue-chip customer base worldwide

Marel's strong brand and unique products have underpinned customer loyalty to our solutions—that includes the world's leading poultry, meat, and fish processors. Our long-standing partnerships are solid, built on teamwork and common goals across industries and borders.

Standard and modular building blocks

Marel's integrated line approach is made up of standard and modular building blocks that increase operational efficiency and minimize the risk of errors.

Mergers and acquistions

Strategic investment in Worximity Technology Inc.

In June 2019, Marel acquired a minority stake in the Canadian software company Worximity Technology, a highly relevant partner for food processors looking to optimize their production through digital technologies.

"Worximity complements Marel's comprehensive software solution. The partnership is an excellent opportunity to drive growth as food producers continue to harness the power of data and analytics to improve their operations." - Arni Sigurdsson, Executive Vice President of Strategy and Development at Marel.

Worximity offers real-time cloud data collection and analytics solutions that are compatible with Marel´s proprietary software platform Innova. The company mainly operates in meat, dairy and baked goods processing industries that use Worximity's software solutions to reduce downtime, increase throughput, improve quality and achieve better raw material yield. A wide range of food processors can use the company´s scalable solutions.

Strong culture of innovation

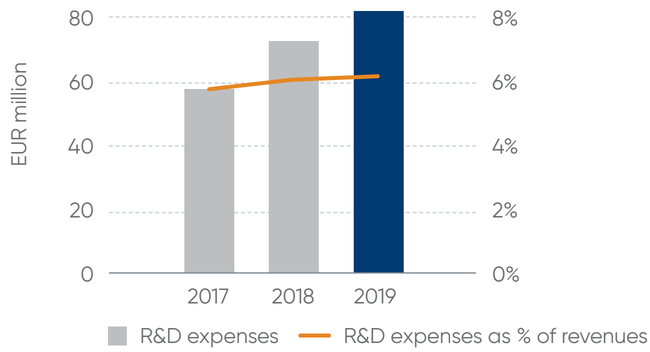
Marel began as an idea at the University of Iceland in 1977, and innovation has always been at its heart. The company has over 930 experts dedicated to transforming food processing by improving our solutions, both in terms of connectivity and in terms of sustainability.

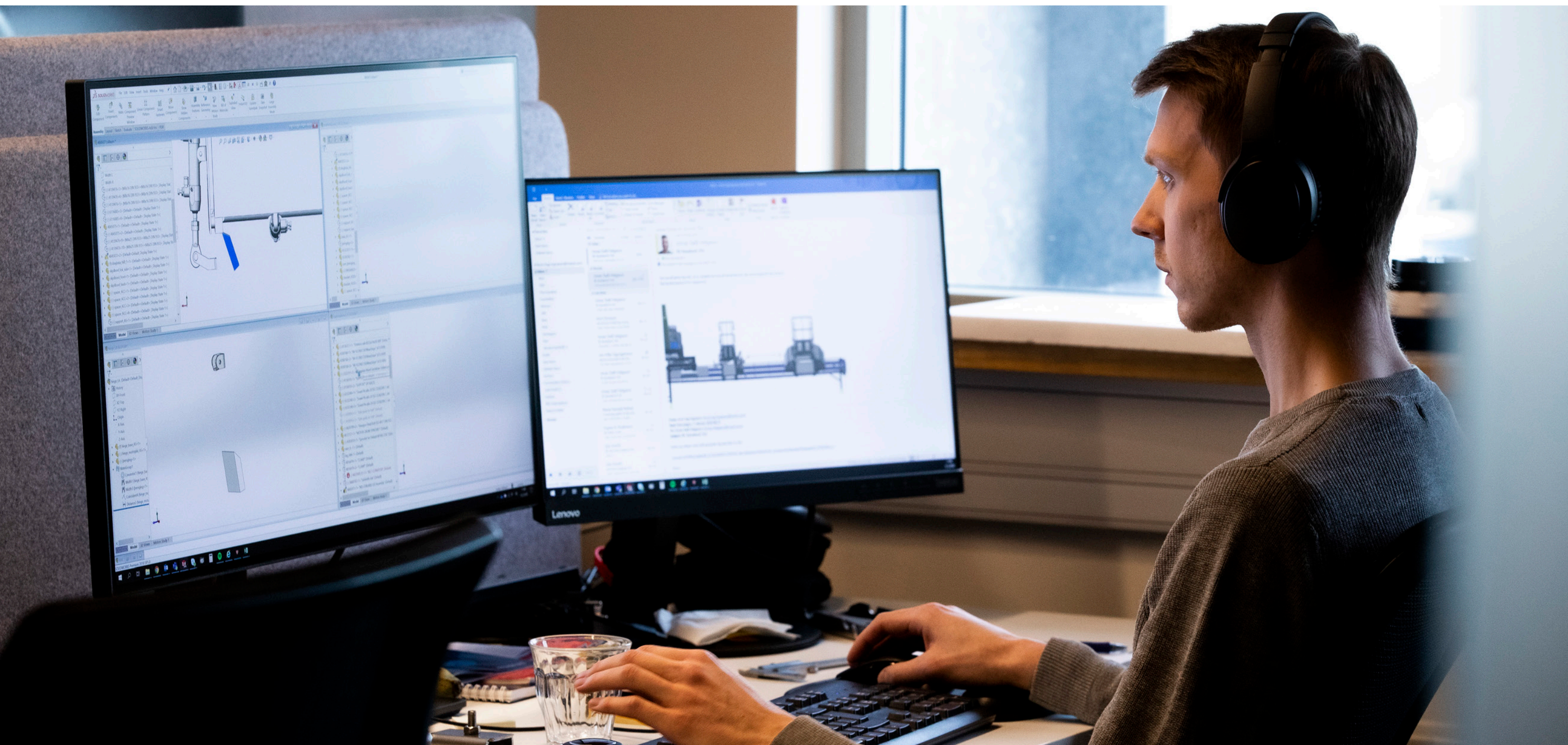
In 2019, our investment of around 6% of yearly revenues in innovation translated to EUR 82 million. Our investment in innovation is essential to the development of transformative solutions for the food processing industry, which in turn deliver organic growth of the company.

Since day one, we have bundled software and equipment together to increase precision. Although much of our focus is on mechanical engineering to optimize application and equipment performance, our mission also encompasses integrated technologies and connectivity. Data analytics and software control are top-of-mind for global producers and consumers, particularly in a changing market that's increasingly shaped by consumer demand for transparency. Today, Marel is the leader in data-driven approach to food processing, one of the most significant value chains in the world.

In 2019, our commitment to innovation across industries and product categories allowed us to strengthen our position as a technological leader in the food processing industry. Our investments secured our competitive advantage and supported organic growth. In 2019 alone, we brought 30 new solutions to the market. Innovation is in our DNA.

Research and development expenses





Three key industry segments

At Marel, we focus our efforts on three main industries: poultry, meat and fish. Our teams analyze trends and anticipate processing challenges, enabling us to stay on top of market developments.

Marel is constantly working on new ways to streamline existing processes and increase automation across industries.

Marel Poultry

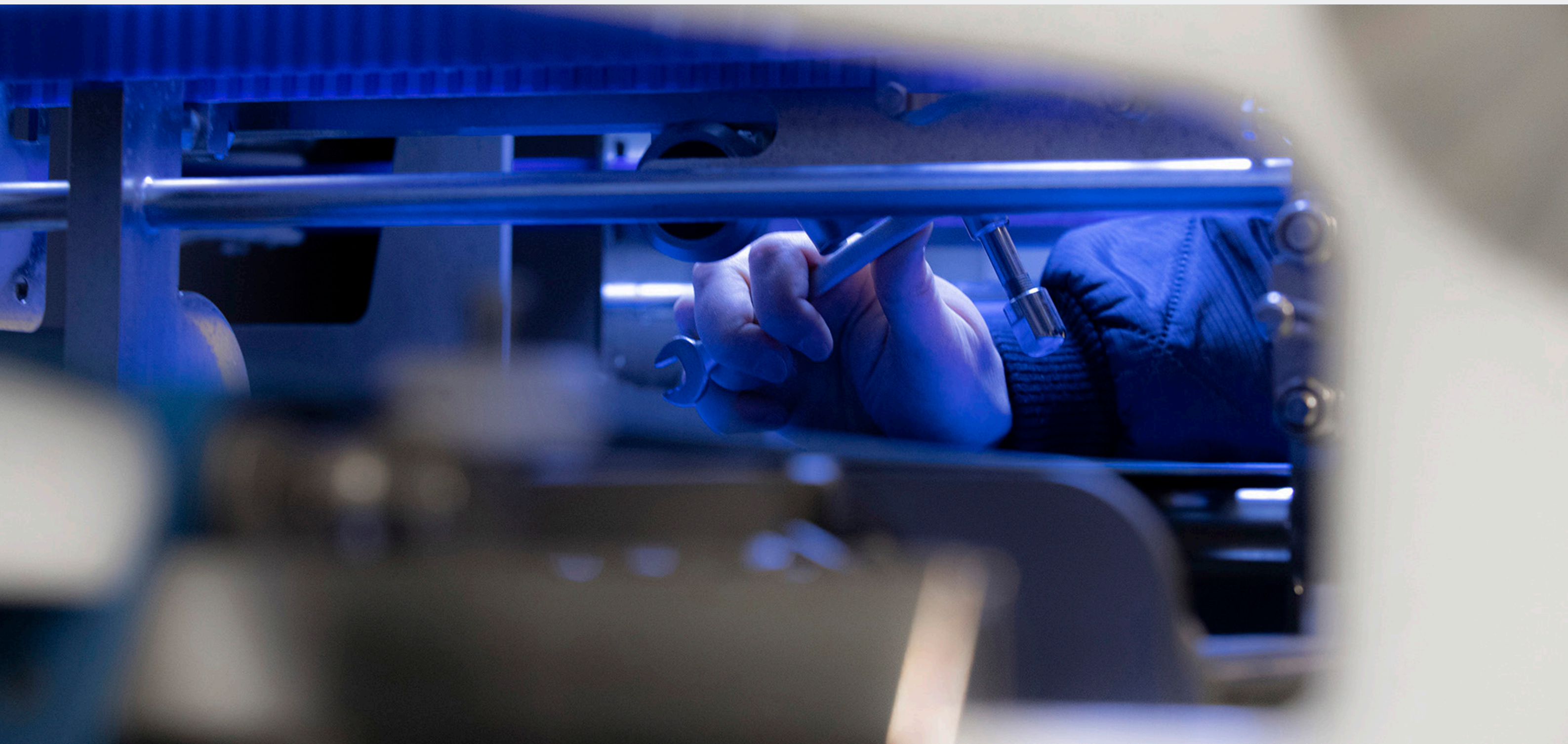
Marel offers the most comprehensive product range of poultry processing solutions in the industry and has the largest installed base worldwide. The company provides in-line poultry processing solutions for all process steps and processing capacities for broilers, turkeys and ducks.

Marel Meat

Marel supplies advanced equipment and systems to the red meat industry, with a focus on slaughtering, deboning and trimming case-ready and food-service solutions. Following the acquisitions of MPS, Sulmaq and MAJA, Marel is now a full-line supplier from farm gate to finished pack.

Marel Fish

Marel is the leading global supplier of advanced stand-alone equipment and integrated systems to the fish industry. We provide innovative equipment, systems and software for processing whitefish and salmon, both farmed and wild, onboard and ashore. With the acquisition of Curio in 2019, Marel is one step closer to becoming a full-line supplier to the fish industry.



Customer focus

Our strong and long-standing relationships with our customers form the bedrock of our business model. We're a team. Together, we innovate and create products that set new industry benchmarks in the industry. On top of that, through our partnerships with our customers, we´re able to make continuous improvements to meet their needs.

We expect automation in food processing to increase steadily, especially in emerging markets. This uptick means that we can expect higher growth in advanced and high-end segments of the food processing equipment industry. Our expertise in this segment is centered around helping customers produce affordable, safe, quality food in an efficient and sustainable way using the latest technologies. This approach leads to higher margins and better value for our customers—and us.

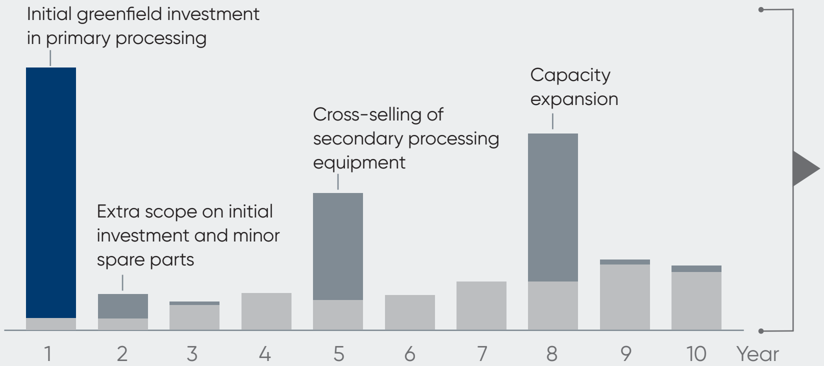
Customer collaboration

As a high-tech solutions provider, Marel is transforming the way food is processed by innovating in close partnership with its customers. New projects, as well as improvements to existing processes, support our ability to transform the industry through increased customer value in advanced and high-end segments.

Marel strives to maintain long-term relationships with its customers, with the goal of becoming a trusted maintenance partner. The below illustration of a typical ten-year relationship with a customer is a prime example of how we do business. It's also a good reflection of our revenue mix: greenfield projects, modernization and standard equipment and service and spare parts each account for around one-third of our revenue.

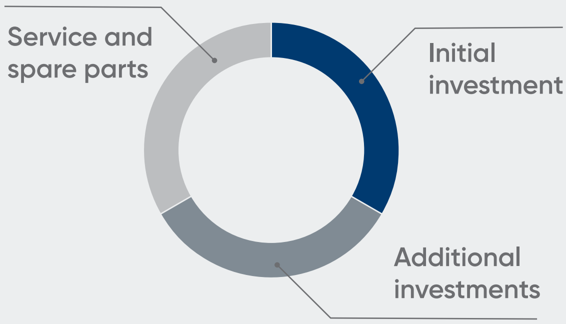
- Customer begins operation in primary processing.
- Additional investments, which usually include capacity extensions or added processing capabilities, take place throughout the relationship.
- After-sales revenue from spare parts and service begins around year three.

An illustration of a long-term customer relationship



Balanced business mix

10 year revenue profile from a customer

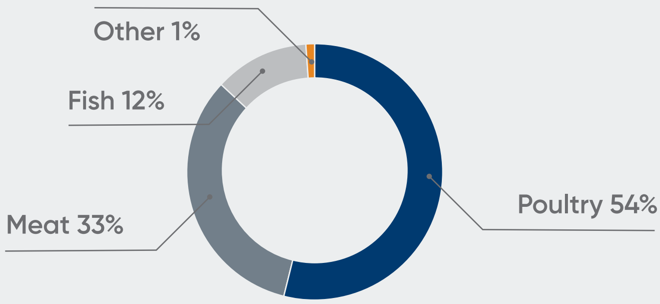


Balanced revenue stream across business mix and geographies

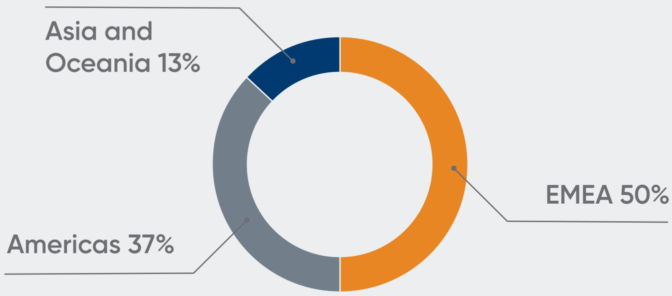
Marel's presence across geographies and in multiple protein segments is a dampens cyclicality and mitigates economic fluctuations. It optimally positions us to transfer technical know-how, solutions and expertise across industries—and geographies. We build upon technological advances we've made in one sector by implementing them in another.

Our sources of revenue include turnkey projects, such as brownfield and greenfield projects, modernization and standard equipment as well as service and spare parts. Our standard equipment and modular portfolios are the building blocks of our turnkey projects, and often act as an entry point for new customers. Our service and spare parts segment grows along with our installed base.

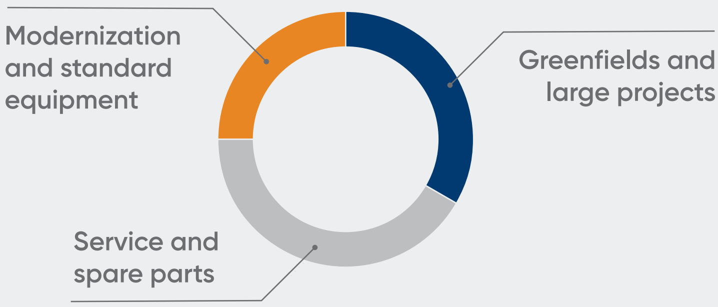
Revenues by business segment



Revenues by geographical location



Revenues by stream

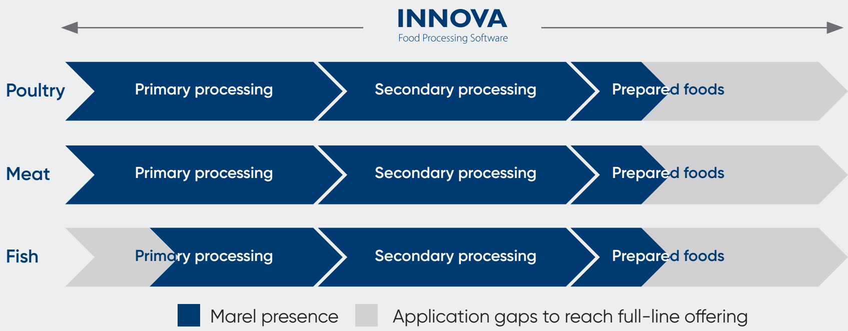


Strategy

part
role
Every step counts
idea
number

Every great journey starts with a single step. Forty years ago, we set off with an idea, inspired by our vision to preserve nature's food resources. Today, with ambition, innovation, and strategic thinking, we are a global leader in our field. Every day we break new ground and continue to transform food processing – one significant step at a time.

Marel's strategy is to be a leading global provider of full-line solutions for the poultry, meat and fish industries. Through continuous research and development, as well as strategic acquisitions, Marel aims to offer its customers modular building blocks for high-tech food processing, with our overarching Innova food processing software tying the entire value chain together.



Leading global provider of systems, software and services

As a pure play provider of full-line solutions, software and services to the poultry, meat and fish processing industries, Marel focuses on putting its advanced, automated systems and solutions to work. That applies to every step of production at processing plants across the globe. Our strong organic growth and strategic acquisitions fortify our position as a leader in our field.

Our product line includes standalone equipment, individual systems and full production lines, all controlled and integrated with Innova, our overarching software solution.

Innova provides our customers with process control, real-time traceability and unmatched throughput and yield monitoring. Our software offers processors seamless flow and integration between different applications, leading to improved overall efficiency and higher yields. Our comprehensive equipment, systems, software and service solutions have made Marel a one-stop shop for our customers.

Over the past few years, strong cash flow has made it possible to support organic growth through increased investments in innovation. We have also dedicated resources to strengthening our global sales and service network, advancing our manufacturing facilities and updating our IT platform across geographies. It has also allowed Marel to undertake strategic acquisitions without issuing new shares or borrowing additional funds. Marel remains committed to gradually expanding its product offering through innovation, strategic partnerships and acquisitions.

Mergers and acquisitions

Marel acquires a 50% stake in Curio

In 2019, Marel acquired a 50% stake in Curio, an innovative primary processing equipment provider for whitefish processing, with an option to acquire the remaining 50% of shares in four years.

"In recent years, Marel and Curio have achieved great results collaborating on many full-line projects with some of the most forward-thinking fish processors in the industry," says Arni Oddur Thordarson, CEO of Marel.

The transaction is in line with Marel's strategic objective to be a full-line supplier of advanced food processing solutions across the fish, meat and poultry industries. Curio's complementary product portfolio of heading, filleting and skinning solutions takes Marel closer to becoming a full-line provider to the global fish industry.

"The acquisition is excellent news for our customers across the world as the synergies resulting from joining forces will fuel innovation and grow our solution offering," says Ellidi Hreinsson, CEO of Curio.

Investing in growth

For the 2017-2026 period, Marel has set a target of 12% average annual increase in revenue, which we will reach through a balanced mix of organic and acquired growth. To that end, our sizeable innovation investments propel expansion and market penetration. Our focus on strategic partnerships and acquisitions that fill gaps in the value chain and augment our full-line product offering is an essential complement to investments to expand our offerings through innovation.

Organic growth

The market for food processing solutions is expected to grow by an average of 4%-6% annually until 2026. Propelled by significant investment in innovation, greater market penetration, and an extensive product portfolio, we aim at organic growth outperforming that of the market. Ongoing investment in improving IT infrastructure and the scalability of our platform, as well as our global reach, supports continued organic growth.

Acquired growth

Through acquisitions, we supplement our full-line offering and accelerate market penetration. We believe our solid operational performance and strong cash flow can support average annual revenue growth of 5-7% through acquisitions. This growth is not expected to be linear, but rather based on opportunities and economic fluctuations. To capture the full value of acquired companies, we have continued to professionalize our integration capabilities and expertise to tap into the strength of the combined entity.

Mergers and acquisitions

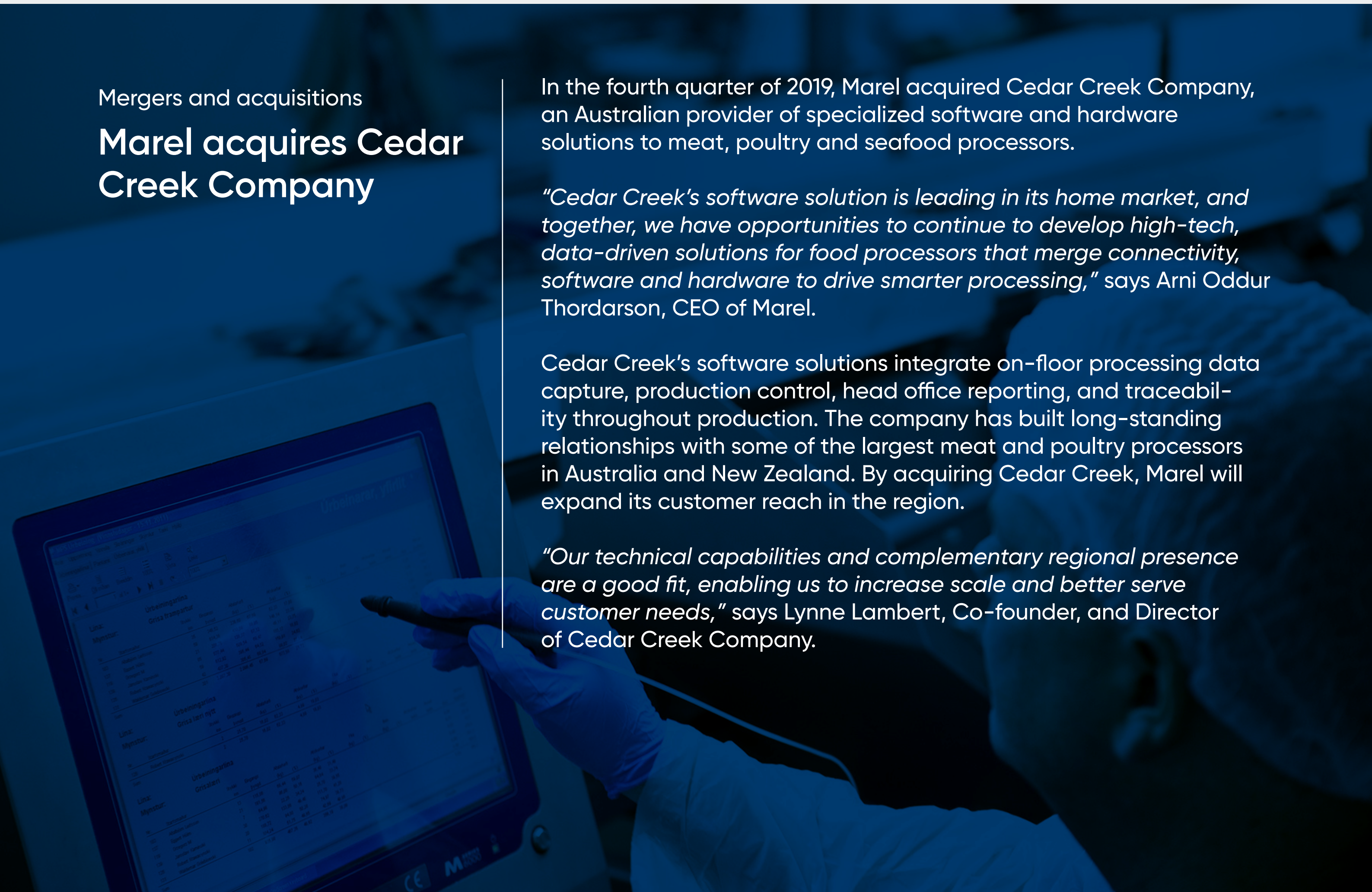
Marel acquires Cedar Creek Company

In the fourth quarter of 2019, Marel acquired Cedar Creek Company, an Australian provider of specialized software and hardware solutions to meat, poultry and seafood processors.

"Cedar Creek's software solution is leading in its home market, and together, we have opportunities to continue to develop high-tech, data-driven solutions for food processors that merge connectivity, software and hardware to drive smarter processing," says Arni Oddur Thordarson, CEO of Marel.

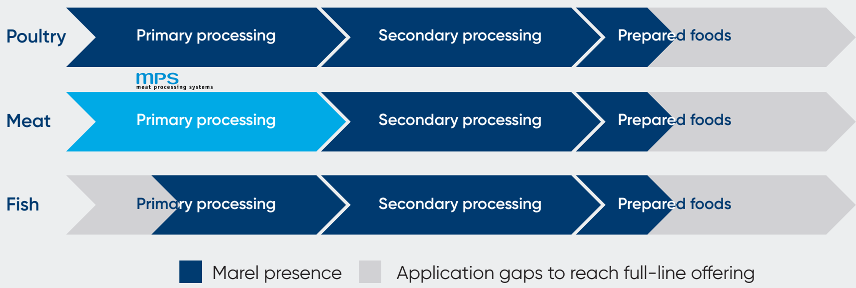
Cedar Creek's software solutions integrate on-floor processing data capture, production control, head office reporting, and traceability throughout production. The company has built long-standing relationships with some of the largest meat and poultry processors in Australia and New Zealand. By acquiring Cedar Creek, Marel will expand its customer reach in the region.

"Our technical capabilities and complementary regional presence are a good fit, enabling us to increase scale and better serve customer needs," says Lynne Lambert, Co-founder, and Director of Cedar Creek Company.



A prime example: How Marel fills value gaps

Our acquisition of MPS paved the way for entry into primary meat processing. As a result, Marel became a full-line provider to the meat industry, expanded its geographical presence and product portfolio and integrated MPS's meat solutions under the umbrella of Marel Meat.



Another prime example: How Marel expands its geographical presence

The acquisition of Sulmaq strengthened Marel's market presence in Latin America through; improved foothold in the rapidly growing meat market in South and Central America, strong customer relationships that increase sales of complementary equipment and committed workforce with strong engineering know-how.

Sulmaq has become an integral part of Marel's global supply chain by scaling up our operations in the region.

Contact us

Every acquisition counts

Our priority is to use our strong financial position and to execute our strategy by reinvesting in our company. Additionally, we want to expand our business through strategic acquisitions. In acquisitions, our focus is on investing in new businesses that align with our values and complement our work. We are open to partnerships with companies that offer solutions, software or services within the value chain from post farm gate to dispatch in poultry, meat and fish processing. Future partners need to share our vision of transforming food processing, be a good cultural fit with Marel and generate healthy returns.

Our team is experienced and flexible. We respect the heritage of the companies that we acquire and strive to build a shared future on a flexible and fair ground.

Please reach out to us through **acquisitions@marel.com** if you are interested in discussing an investment opportunity with us.

Poultry

part
gram
Every second counts
number
thought

Meeting the ever-growing global demand for poultry on an ongoing basis requires some seriously fast thinking. Our solution? Revolutionary processing lines that operate at an ever-higher speed and level of efficiency, currently processing four birds per second without compromising on quality.

Poultry 54% of total revenues

Poultry is one of Marel's three key protein industries. We are the worldwide market leader for poultry processing systems, with broiler, turkey and duck processors around the world using our systems and services. Marel Poultry contributed EUR 690 million in revenue in 2019, or 54% of total revenues, translating to an EBIT margin of 17.5%.

The consumer value of the global poultry, meat and fish market is currently estimated to be around EUR 1,200 billion, with the poultry market accounting for EUR 400 billion. More specifically for Marel, the market for the sale and maintenance of food processing equipment for poultry, meat and fish is estimated to be around EUR 12 billion. Of this, poultry processing equipment sales are estimated at around EUR 3.6 billion, a figure which is expected to grow annually by 4-6%.

Overview

Marel's innovative poultry processing solutions appeal to global food processors' appetite for high-tech, high-performance applications that improve their operations.

In 2019, global political and economic challenges changed the landscape of the poultry sector. The trade crisis between the US and China, export restrictions in Brazil and political unrest in the Middle East resulted in a slowdown across the industry. Amid uncertain market conditions, several processors delayed investing in new facilities. However, significant developments in international trade relations countered market weakness, with China opening its borders to protein imports from the US and Brazil.

Orders in standard equipment and projects started to grow in the second half of the year. Towards the end of 2019, we converted our project pipeline into orders. One notable project is with Bell & Evans in the US. They are a genuinely inspiring partner with whom we will be closely working with on a transformational state-of-the-art greenfield poultry processing plant.

Ultimately, Marel reinforced its leading global market position in 2019 by securing new customers.

Appetite for a data-driven approach

Processors have maintained their appetite for data-driven approaches to production. The extent of high technology adoption to satisfy that hunger, however, varies greatly by geographic region. While some companies have shifted from basic data gathering, such as flock weight information and manual paperwork, to Innova's paperless environment, others have adopted technologies that enable the smart adjustment of machine settings, based on real-time automated reporting. Through attentive partnerships, Marel enables poultry processors to raise efficiency and yield through its hardware and software solutions.

Automated replacement for nearly every process

Limited access to skilled workers remains a global challenge for food processors, but automation has helped fill this gap. Marel can supply an automated replacement for nearly every manual operation in a processing plant, leading to improved return on investment (RoI), as well as increased consistency and yield.

Marel's innovative technologies—such as the ATLAS live bird handling system, which processes up to 15,000 birds per hour, and the Thigh Fillet System—have seen significant adoption. They are well on their way to worldwide implementation.

Products

Our full-line approach to poultry processing solutions, as well as our extensive product portfolio in the sector, underpins our partnerships with customers. In 2019, we continued to develop new solutions that enable our customers to meet evolving market demands.

Turning data into insights with IMPAQT

Overall equipment efficiency (OEE) systems are used in the manufacturing sector to measure efficiency by identifying the percentage of productive versus unproductive manufacturing time, performance and first-time-right quality.

Our IMPAQT system, a module of our Innova software, applies the OEE concept to improving the primary processing of poultry. IMPAQT collects data from switches, circuits, sensors, and cameras and interprets it according to three categories—availability, performance and quality—that reflect the conditions of each poultry processing operation. Unlike standard OEE systems, IMPAQT shows actual downtime when the line was unable to run and identifies the cause of the line stop, leading to quick resolution.

IMPAQT performs a consulting role in production. The software solution allows processors to improve their day-to-day operations by tapping into the real-time data IMPAQT collects and analyzes. Through such fact-based advice, processors can conduct remote monitoring and predictive maintenance, to run an efficient operation.

The IMPAQT module gives our customers actionable insights into their operations, enabling plants to run at full potential through data-driven decisionmaking. IMPAQT takes a twofold approach to increasing an operation's precision: maximizing the effectiveness of all installed equipment and optimizing the efficiency of each customer's end-to-end process.

Coating Line and RevoBreader

In 2019, Marel introduced a new coating line, which has proved particularly popular. RevoBreader is a flexible machine that offers flatbed and drum modes in one enclosure. Its dual-mode configurability makes it highly customizable, providing high-quality coating to both homestyle and flatbed coated products. Switching between settings takes less than two minutes.

The drum breading procedure guarantees a high level of crumb coverage all over the product, as well as high crumb-to-product retention during the frying process. RevoBreader's outfeed system in drum mode ensures optimum product distribution across the width of the belt, improving the products' infeed to downstream in-line processes.

In flatbed position, RevoBreader simultaneously coats the product with both top and bottom crumb for maximum coverage, resulting in high-quality, uniformly coated products. Once products have been coated, excess crumb is removed in two steps; firstly by a vibrating mechanism and secondly by air knives. Excess crumb is carefully transported back into the machine for reuse. RevoBreader is equipped with a water wheel that gently handles the crumb, guaranteeing minimum crumb breakdown.

Innovation

Making the most of every cut

Marel has long anticipated market trends, and 2019 was no exception in the poultry segment.

Processors who want to portion fixed-weight boneless poultry meat can now easily seperate offcuts to an inline process, using the TrimSort addition to our popular I-Cut 122. The TrimSort helps processors eliminate manual sorting after portion cutting and is a great example of how we continosly develop our existing equipment, to bring new benefits to customers.

The TrimSort also reduces labor and saves space inside the plant.

Early grading

Poultry processors face constantly fluctuating demand from supermarkets, restaurants, and caterers, which makes planning more difficult and stressful. By assessing quality early in the process, Marel offers processors the perfect tool for adapting supply to demand at the very highest processing speeds.

IRIS, our computer-controlled vision system for assessing product quality, is typically utilized in the distribution line immediately after chilling. However, IRIS and SmartWeigher can also be installed a step earlier in the evisceration line, providing vital data about weight and quality before the in-line chilling process. This gives poultry processors considerably more time to match tens of thousands of graded products to customers' purchase orders.

By optimizing production planning this way, processors generate the highest yield possible while fully meeting customer requirements.

Projects

A new appreciation for breast fillets in China

The global food industry is going through turbulent times; Marel knows how to discern real trends from temporary hype.

2019 saw a breakthrough in automated breast filleting in China. Several important conglomerates installed multiple AMF-i breast cap filleting systems, marking a considerable change in Chinese consumers' appreciation of breast meat. Until now, breast fillets were largely considered to be substandard products, relative to leg meat.

Chinese poultry processors have installed up to eight AMF-i systems at their plants, moving from manual to automated processing to reduce reliance on human labor, maximize capacity and throughput, and optimize filleting as well as chicken leg and wing production.

Poultry ShowHow

The future of digitally controlled poultry processing is data-driven, and this central idea was at the core of the 2019 Poultry ShowHow. Through lectures, demonstrations, keynote speeches and break-out sessions, guests explored the role of software in optimizing each processing step—be it primary processing, quality control, wing part processing, grading or filleting.

15,000 birds per hour processing

In 2018, we inaugurated a new age of processing speed, by introducing technologies that enabled processing of 15,000 birds per hour (bph) while maximizing efficiency and quality.

This technology has a strong foothold in the industry. After the first two 15,000 bph installations in Germany, other companies followed suit, including Esbro in the Netherlands, Cranswick in the UK, AIA in Italy and Master Good in Hungary.

Customer story

ESBRO moves to 15,000 bph

In 2019, premium Dutch processor Esbro increased its line speed from 13,500 bph to 15,000 bph, with noticeable effects on cost efficiency.

"With Marel IMPAQT software, we no longer depend on gut feelings in primary processing. The control and the insight we have into our primary process is simply amazing," says Jan Legters, Esbro Plant Manager.

"We only used to debone breasts but now we see the demand for product from leg and thigh meat skyrocketing. We are looking at all areas. We want to keep up with and even stay ahead of today's developments. Maybe we will change the way we process wings in the near future."

Sustainability

Marel is committed to sustainability. Food safety, carbon footprint, water waste and animal well-being are central to our philosophy of conscientious protein processing. To that end, we continually strive to cultivate smarter processes.

Food safety

The mission of our microbiological research in Boxmeer, Netherlands, is to reduce contamination by microorganisms in primary and secondary processes. Ultimately, our objective is to provide solutions that increase shelf life and improve food safety.

Our researchers examine the microbiological risks of machine materials. Every time a food product touches a surface, the risk of cell attachment and biofilm formation increases. Choosing the right materials for our technologies is paramount in reducing microbiological risk. Our engineers and researchers therefore collaborate to design sanitary and efficient solutions.

Low environmental impact

In the food industry, water use is under close scrutiny. In response to water conservation regulations, Marel supplies solutions that treat wastewater from the production process, making it suitable for reuse. Our customers have made substantial progress in combatting water waste. In greenfield poultry plant installations, wastewater treatment solutions are integrated with the processing solutions.

For example, poultry-producer Mazzraty's processing plant in Qatar is equipped with one of today's most-modern water treatment installations. Located in a naturally water-scarce environment, Mazzraty is highly aware of the importance of clean water; the facility has been designed to not waste water or leave residual material. The reuse of cleaned wastewater from the factory as irrigation water is a crucial part of Mazzraty's larger environmental plan, which also involves a reduction in CO2 emissions.

Animal well-being

All of our systems, beginning with the live bird handling phase, pay the highest attention to animal well-being. We conceived the ATLAS system, combined with CAS SmoothFlow anesthetization, with sustainability and animal well-being in mind.

A stressfree journey from farm to the plant starts after loading the birds. The large openings of ATLAS's SmartStack transport module allow birds to be loaded onto their feet. The module design also minimizes the risk of heads, wings, and legs becoming trapped during loading.

During transport on the truck, SmartStack allows for efficient ventilation. Height is particularly important: The birds have the most headroom in the industry and are able to sit comfortably with their heads up. Floor design is also crucial. It allows birds to grip, so they are not sitting in their own manure, and the birds beneath them are protected from waste. Distressed birds can be removed without additional stress through removable side panels – a unique feature in the industry.

The clever design of SmartStack allows more birds to be transported in one trip, lowering vehicle emissions. The modules are easy to clean and disinfect, reducing the risk of cross-contamination.

Throughout the entire process, including unloading, the birds have a stress-free journey, untouched by humans.

Growth drivers

Poultry consumption per capita is growing, even in saturated markets, such as the EU. In the US, Israel, and Australia, per capita consumption is above 40 kg (approx. 90 lbs) per year. Average consumption in the EU is, however, only 23 kg (approx. 50 lbs). Market growth is expected to average 1.3% year-over-year until 2022.

Data-driven processing

Turning poultry processing into a data-driven operation is an absolute necessity in today's market, but it is still a challenge. Marel provides a doorway into data-driven culture for customers across the globe, by providing them with a complete set of data-gathering tools and services. Sensors, product detectors, vision graders, weighers, X-rays, and laser scans collect an invaluable set of reliable data. This system of data collection is the ideal starting point for organizations seeking a data-driven environment.

Increased processing capacities and greater automation go hand-in-hand with a digital transformation. Processors are under constant pressure to make increasingly complex decisions very quickly, matching an enormous amount of incoming goods to order requirements. Moreover, product quality has to be optimal to avoid risk claims and product recalls. Quality control, food safety and traceability through highly accurate digital tools, such as Innova Food Processing Software, take the pressure off processors.

By implementing data-driven processes, long-term and short-term planning become more structured. All input and output data for production are visible. Innova converts precise data into precise operations.

Automation

The available workforce for the poultry industry is decreasing around the world. This growing labor shortage has led plants to seek to reduce their dependency on skilled manual labor. In contrast, the market has seen near-endless demand for a diversity of poultry end products, including a wide range of convenience foods containing deboned thigh products, diced meat, chicken popcorn, marinated tenderloins, chicken strips, wing sticks, and seasonal products. This demand, as well as general economic growth, puts even greater pressure on production. Plants faced with growing demand and a decreasing workforce have only one option: investing in automation.

Traceability

Consumers have a growing desire for information about their food. They want to know all the details of what they're eating: the origin, the nutritional value, and the safety. Providing detailed product information may seem impossible for individual products. However, with thorough data collection and software to analyze that data, processors have a strong backbone of food safety information to tackle this challenge.

Traceability, continuous improvement, yield and OEE optimization can best be handled as part of an operation-wide solution. Innova's capabilities have advanced significantly, and capturing the big data of a processing plant is now a reality.

For example, Innova Manufacturing Execution System (MES) links together processes for internal logistics (packing and warehousing), planning and optimization, performance management and quality management. MES provides tracking and monitoring of every aspect of the process—from ingredient measurement to production reports. By tying it all together in detailed analysis, MES ensures product flow tracking and full traceability during the production process.

Internet of Things

The Internet of Things (IoT) opens new avenues for poultry processors to add even more value. IoT enables automated monitoring and diagnostic processes, giving panoramic visibility of machine efficiency and how to improve it. Remote diagnosis using IoT makes maintenance work more efficient and sustainable, while saving labor so that processors can implement smarter processing and undertake predictive maintenance.

IMPAQT is an example of a solution we developed using IoT technology to collect and analyze data, with the goal of giving fact-based advice to our customers so they can increase efficiency.

Global production and trade trends

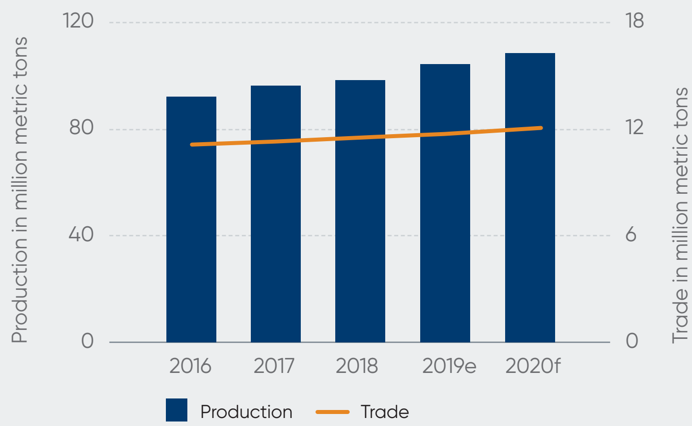
In 2020, global production of chicken meat is forecast to rise by 4.0% and surpass 100 million tons for the first time. Global trade in chicken meat is expected to grow by 3.9% to 12.2 million tons.

The US continues to lead the market, with an expected 20% of global production in 2020, followed by China with 14%. In 2019, China overtook the European Union to become the third-largest producer and in 2020 it is expected to overtake Brazil and become the second-largest producer.

Brazil, however, continues to be the world's leading exporter of chicken meat, accounting for 31% of global trade, while Japan continues to be the largest importer.

Global chicken production and trade

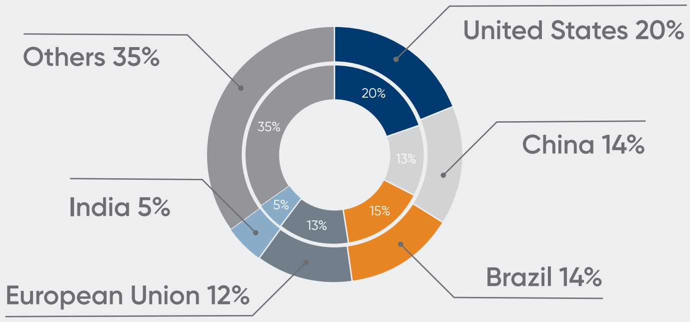
CAGR of 2.7% in production and 3.9% in trade in the last 5 years



Source: USDA Foreign Agricultural Service (2020, January 10). Chicken Meat Production and Trade. Retrieved from: https://apps.fas.usda.gov/. Note: Figures for 2019 are estimated (e) while figures for 2020 are forecast (f).

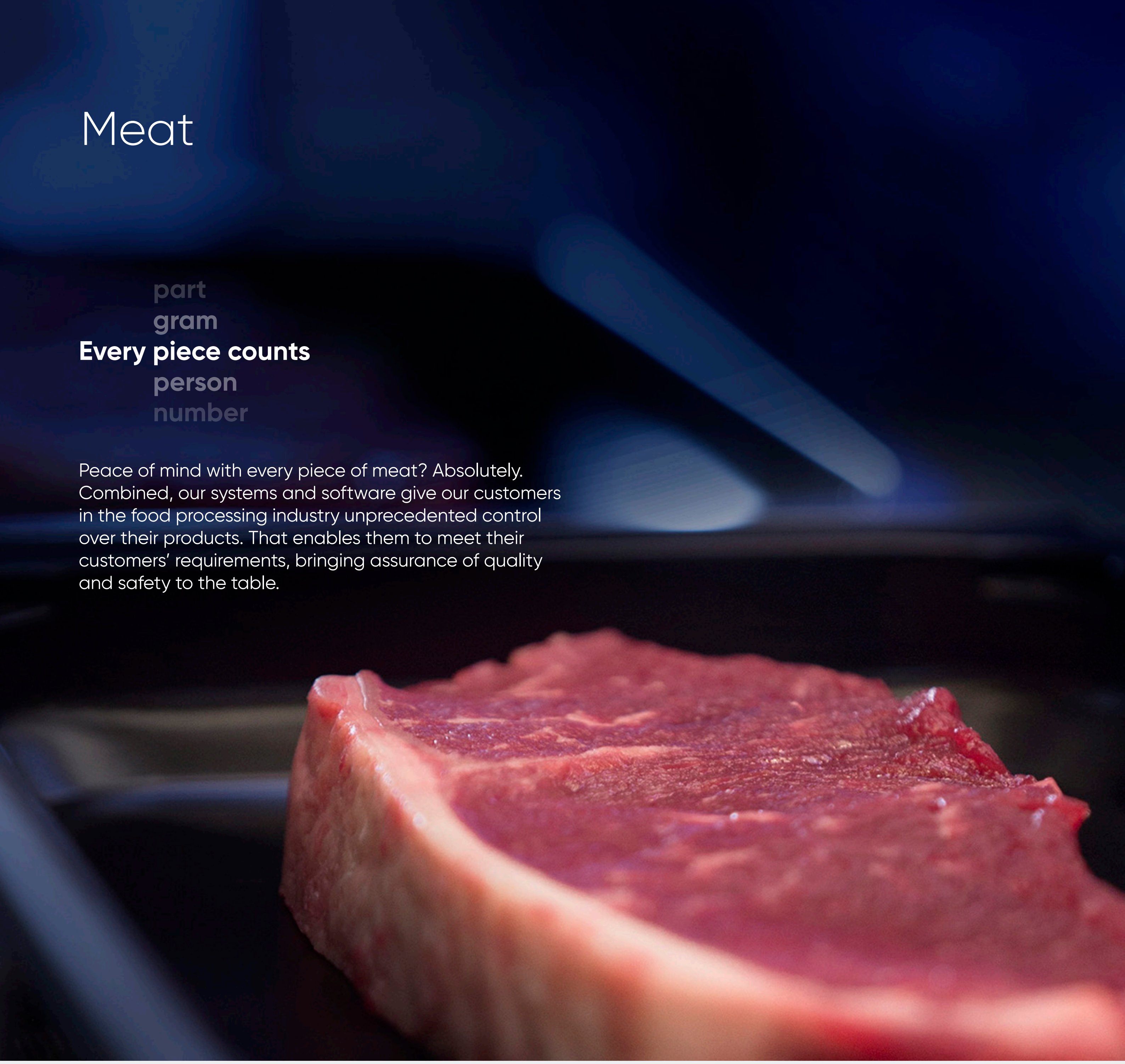
Largest chicken producers

2020 forecast (outer) compared to 5 years ago (inner)



Source: USDA Foreign Agricultural Service (2020, January 10). Chicken Meat Production. Retrieved from: https://apps.fas.usda.gov/

Meat



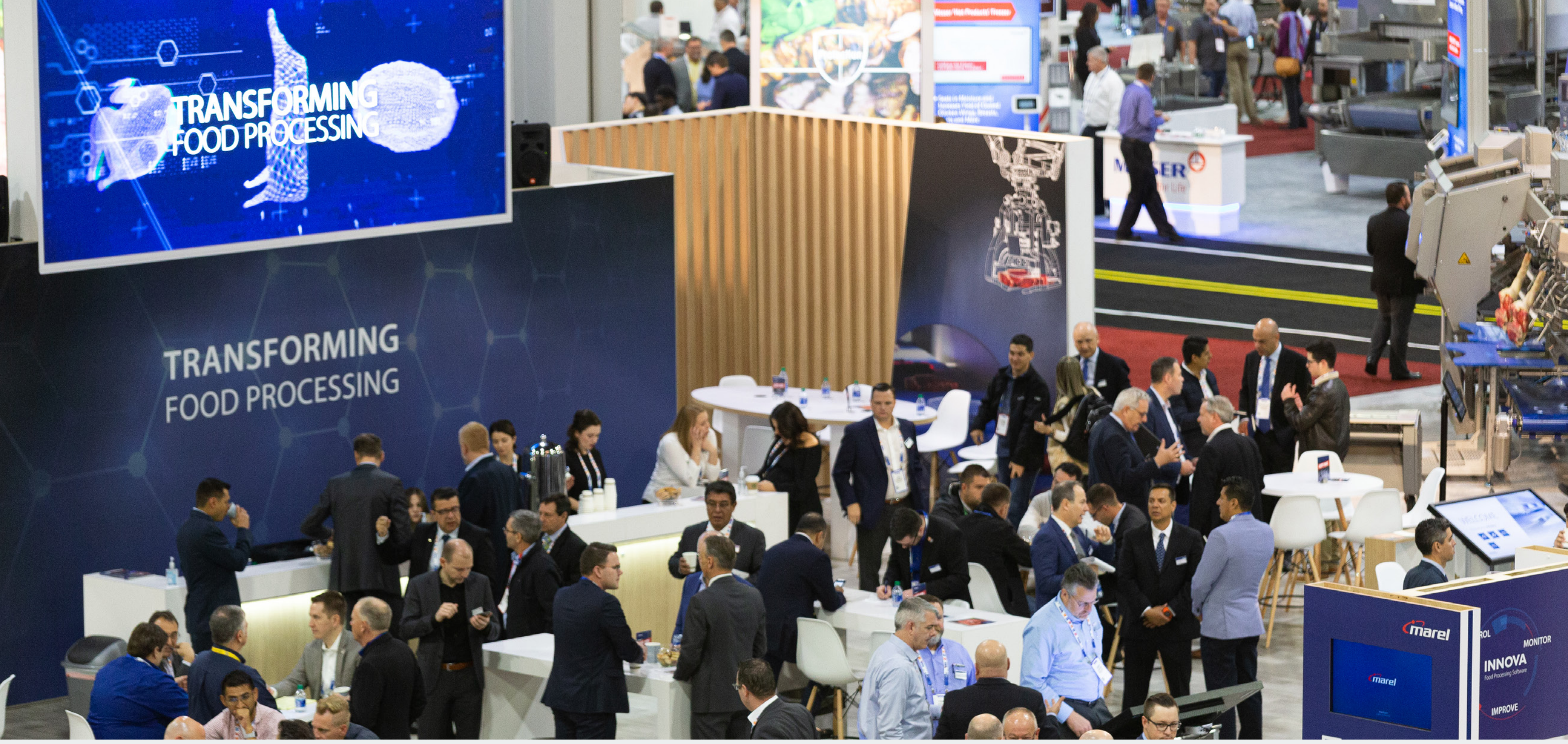
part
gram
Every piece counts
person
number

Peace of mind with every piece of meat? Absolutely. Combined, our systems and software give our customers in the food processing industry unprecedented control over their products. That enables them to meet their customers' requirements, bringing assurance of quality and safety to the table.

Meat 33% of total revenues

The meat industry is one of Marel's three key protein industries. We are a leading global supplier of integrated systems and advanced standalone processing equipment for the red meat industry. As a full-line supplier, our state-of-the-art meat processing equipment, systems and software span the entire production value chain, from the reception of live animals to the dispatch of finished products. Marel Meat contributed EUR 423 million in revenue in 2019, or 33% of total revenue, at an EBIT margin of 10.5%.

The consumer value of the global poultry, meat and fish market is estimated to be around EUR 1,200 billion. Meat is the largest market segment, with an estimated value of EUR 600 billion. More specifically for Marel, the market for the sale and maintenance of food processing equipment for poultry, meat and fish is estimated to be around EUR 12 billion. Of this, meat processing equipment is estimated to be around EUR 6.6 billion, a figure which is expected to grow annually by 4-6%.



Overview

Marel is a key equipment and software supplier across the entire value chain, including primary, secondary and further processing. All Marel systems are fully controlled by our integrated food processing software, Innova. With Innova, food processors can manage a broad cross-section of their production processes, while obtaining valuable real-time information and comprehensive reports.

IFFA exhibition platform

The triennial IFFA exhibition in Frankfurt, Germany, is the largest international red meat processing exhibition, making it an important platform for introducing new equipment and systems. During IFFA 2019, Marel launched 20 new solutions, with a focus on a smarter approach to modern food production.

IFFA 2019 was also an excellent opportunity for us to promote the addition of MAJA and Sulmaq to Marel. MAJA offers meat processing equipment and Sulmaq focuses on pork and beef solutions in Central and South America. They expand Marel's product portfolio in a highly complementary way, extending our global sales and service network to new markets. A number of meat processors at IFFA expressed their interest in partnering with Marel to modernize, digitize, and upgrade their production.

Uncertainty in the market

Global issues such as animal diseases, political transitions, and trade uncertainties put pressure on red meat markets around the world in 2019. While trade barriers were lifted in some regions, new ones were instituted in others. In particular, tariffs created unstable trade situations in many markets, including Brazil, Argentina, Canada, China and the US.

Marel continues to thrive despite these global struggles. We have responded confidently to market changes and prepared for future uncertainties of similar complexity. Ongoing product development and fit-for-purpose solutions enable us to adapt to changing market conditions and consumer demands.

The outlook for Marel is generally positive because of the depth and breadth of our global sales and service network, and our extensive product portfolio. In 2019 alone, we completed several greenfield projects, while installing standard solutions for processors worldwide.

African Swine Fever drives need for food safety solutions

In 2019, China and other Asian markets felt the brunt of the rapid spread of African Swine Fever. Marel has been carefully monitoring the spread of the virus, working closely with processors in affected areas to combat the intake and processing of potentially contaminated products. We have also continued to work with companies exporting pork to China, to increase their processing capacities and efficiency so they can meet growing demand resulting from the shortage created by the virus.

Products

Marel's product offerings for the red meat segment link up the entire value chain, and the launch of numerous new products during IFFA 2019 underscored our position as a full-line supplier. These products represent our transition to Industry 4.0 technologies and will be key in helping red meat processors transform their production.

New extension for the DeboFlex system

In 2019, we made a number of enhancements to our groundbreaking DeboFlex solution for pork deboning. The new extended cutting and deboning system significantly improves pig carcass deboning operations, for both fore- and hind legs.

DeboFlex's new logistical and control features also optimize process flow through its product takeaway system, which automatically and efficiently transports crates to specified destinations.

New Case-Ready Vision line enhances product use

Our new Case-Ready Vision line optimizes the use of each piece of meat, contributing to more efficient and sustainable meat production. It features inline portioning, vision sorting, robot batching, and packing, and is designed to meet variable processing specifications, as well as attributes like packing styles and size variation or re-work.

The updated I-Cut 130 PortionCutter, which we introduced at IFFA 2019, includes a new highly accurate portioning and separation feature (singulation). The subsequent scanning unit inspects every portion for weight and quality. Based on those attributes, our Innova food processing software instantaneously assigns each portion to a specific and optimum process downstream, such as robotic batching and packing. Now that's precision.

New trim handling systems

Food safety, product quality, and uniformity are essential in today's factories. At IFFA 2019, we presented two new trim handling systems that ensure these attributes meet the highest standards.

The new SensorX Accuro is extremely accurate in measuring the fat-to-lean, or CL, ratio in trim meat and detecting bone fragments and other contaminants in the product. It batches portions of trim meat according to a specific weight and target CL ratio.

The new SensorX Magna is a compact solution that is excellent in combination with lines producing mince and convenience products. It determines the CL ratio of incoming meat against specifications with exceptionally high accuracy, while also detecting any bones or other hard materials. This gives processors an edge in the market.

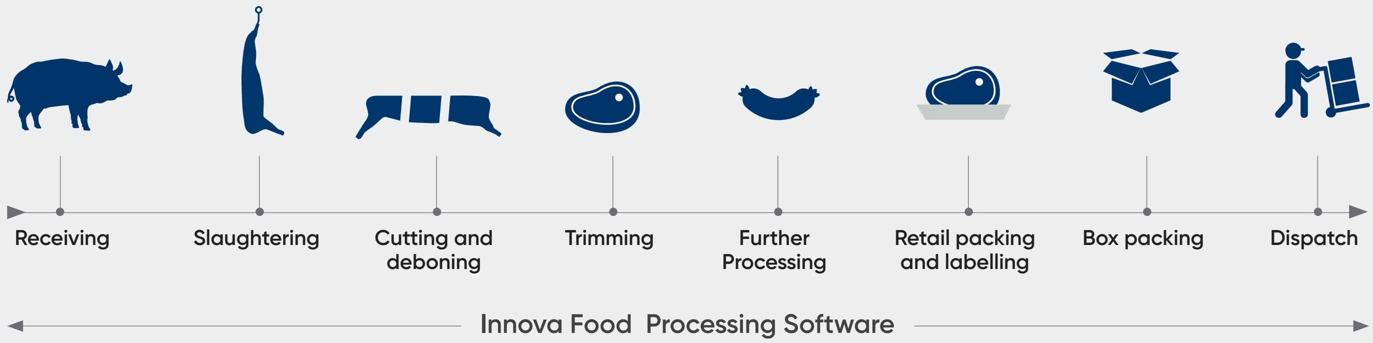
Production control throughout the entire lifecycle

Marel's Innova food processing software is a powerful tool for full production control, whether of a single machine or a complete processing line. The software provides full traceability throughout the production process, ensures reliable data collection, and includes real-time monitoring of key performance indicators such as yield, throughput, quality, capacity, and labor efficiency. These measurements allow processors to identify improvement opportunities, while ensuring that production conforms to superior quality and food safety standards.

The logistics of food

To ensure timely delivery of fresh products, processors must manage their distribution efficiently. In particular, as meat processing is increasingly automated and diversified, there is a growing need for cost-effective intralogistics systems. Our intralogistics systems are modular, which allows processors to fit them into existing plants, giving them room to grow. The systems interface seamlessly with our Innova food processing software, giving users full control over processing, storage, and distribution processes.

From live animal receipt to finished product dispatch



Innovation

Throughout our history, investing in innovation has been Marel's top priority. We find opportunities in areas where others are limited by obstacles, as we thrive on challenges and turn ideas into comprehensive solutions. Intelligent software applications are an essential facet of the meat production solutions we offer our clients. We've synergized our software and hardware, to create viable solutions that solve real-world problems across the protein industry.

Prioritizing M-Line robotization

In 2019, we installed our M-Lines—automated, robotic slaughtering solutions—in many of our customers' facilities around the world. At IFFA 2019, we introduced our latest robots in the M-Line series, the Leaf Lard Remover and Bung Remover. These two solutions extend our existing series of efficient, labor-saving, and hygienic slaughter-stage robots. By implementing the latest techniques in 3D scanning and articulating robot arms, our solutions allow processors to achieve the highest possible processing accuracy.

Automatic leaf lard removal

The removal of leaf lard, which is the soft fat around the pig's kidneys and loin, is one of the toughest steps in the primary processing of pigs. If done manually, the work is complicated and physically demanding. Marel has now introduced a hanging type of robot in the M-Line series, the M-Line Leaf Lard Remover. This robot removes leaf lard automatically and precisely, without any damage to the carcass surface, utilizing 3D scans of the inner belly of each half carcass. The hanging installation ensures compliance with hygiene standards and increases floor space for logistics conveyors.

Vision scanning

Our vision scanning unit forms the central hub of the Case-Ready Vision line. We have developed a quality control scanner, which helps processors to meet consumers' quality demands for an increasing variety of products. It scans individual product slices and grades them visually for quality, based on parameters such as fat content, the location of the fat, and color variations in the meat.

Information generated by the scanning, combined with the product weight, is collected on the fly by our Innova software. That information is assigned to individual products for processes downstream, such as loading and tray packing.

Projects

Through strategic acquisitions and continuous innovation, we have built an extensive global network of sales and service experts and bolstered our product portfolio.

In 2019, our efforts resulted in a number of successful projects, including large and small standard equipment installations, and greenfield projects. Software and service played an instrumental role in partnerships with existing customers, and supported new partnerships with customers in China, Japan, Latin America, Canada, the US, and Europe, including the Netherlands, Germany and Austria, among other countries.

Building on strong foundations in Asia

We continued working with Masan Meat Life in Vietnam in 2019. In the previous year, the processor inaugurated its new greenfield pork processing complex, which was fully supplied with Marel equipment and software for slaughtering, cutting, deboning, and logistics. In 2019, Masan completed a second project with Marel equipment at its plant in Long An, Vietnam, including some of our upgraded offerings.

In Shibushi, Japan, we delivered a complete pig slaughter line for Sankyo Meat Co., Ltd. The processor already operates a red meat processing line at the same site.

Customer case

Brazil's largest pork processing plant

In October 2019, Aurora Alimentos celebrated its 50-year anniversary by opening Brazil's largest pork processing plant, in Capeco. Through a partnership with Marel and Sulmaq, Aurora designed its new plant to meet ambitious growth goals of supplying products to both foreign and domestic markets, and operating state-of-the-art facilities.

The plant is equipped with high-tech slaughtering, cutting, and deboning lines, and wastewater treatment systems. The connections between these systems ensure optimal yield and efficiency, which in turn guarantees product quality, food safety, and full traceability. Using Marel technology, Aurora has doubled its capacity from 5,000 to 10,000 pigs processed per day.

"Few companies supply this type of technology, which guarantees the slaughter of 540 pigs per hour. That's why we consider Marel and Sulmaq as strategic partners for our business," says Christian Klauck, Engineering Manager at Aurora Alimentos.

Sustainability

Animal wellbeing is of utmost importance in the protein sector. Consumer demand for products that are produced sustainably and ethically is on the rise. Marel worked closely with its customers in 2019 to address these issues head-on.

We delivered systems and equipment that enhance sustainability in terms of raw material, energy and water usage. When working with processors, we emphasize the importance of processing flexibility and diverse end-product offerings, as well as adherence to animal wellbeing standards. Sustainability is an ongoing practice that our equipment aim to strengthen—for all processors, everywhere in the world.

Marel water treatment

Wastewater treatment is one area where we directly contribute to our customers' sustainability efforts. Our longstanding, internationally recognized water treatment division offers primary, secondary, and tertiary treatments for all types of food processing wastewater. The division's expertise is based on more than five decades of partnerships, innovation, and experience.

Marel's water treatment systems are efficient, easy-to-use, and require minimal maintenance. We offer standard and customized systems to treat wastewater so thoroughly that it can be reused in food processing operations.

Growth drivers

As an established full-line provider, we collaborate with our customers to identify their specific needs, within the larger context of the global marketplace. We are always mindful of market trends and currently see opportunities for expansion in emerging markets—and even in saturated ones—as protein demand continues to grow. Regardless of location, processors are hungry to boost yield, quality, and output, to distinguish themselves in a highly competitive sector.

Processors in emerging markets are seeking to upgrade their equipment, and many of them are pursuing automation for the first time. In markets where automation and production already have a secure foothold, our customers invest in equipment to sustain their margins. We work collaboratively with these customers to identify their needs and introduce innovative technologies and solutions that will help them to meet their targets. The market trend is clear: Processors are demanding more automation in all areas of their processing operations, largely because it minimizes costs and leads to higher quality and safer products.

Consumer demand for prepared products is also fundamentally changing how meat processors approach their business. Adaptability is top of mind and Marel is a facilitator in this arena. Onboarding new, more flexible solutions that have a wide range of applications helps processors to remain flexible, enabling them to thrive in today's highly competitive marketplace.

Global productions and trade trends

Beef and veal

Globally, the demand for beef and veal continues to grow with a downturn in pork production. The US continues to lead in the production of beef and veal, while Brazil is the major exporter, and China, the largest importer. In contrast, China is the chief producer of pork, while the EU leads global exports of pork.

In 2020, the global production of beef and veal is forecast to stay 61.9 million tons. Global trade in beef and veal however is expected to grow by 2.5% and reach 11.6 million tons.

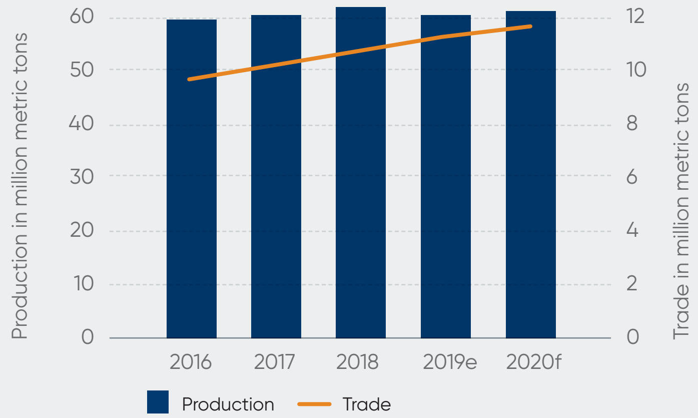
Revised production figures for 2019 are lower than previously forecast. Global production of beef and veal in 2019 is now estimated to have shrunk by 1% from the year before.

The US continues to lead production, accounting for an expected 20% of total production in 2020, followed by Brazil with 17%.

Brazil continues to be the leading exporter. Its exports are expected to grow by 9.5% to reach 2.6 million tons in 2020. At the same time, China remains the leading importer. Its import of beef and veal has tripled in three years and is expected to reach 2.9 million tons in 2020.

Global beef and veal production and trade

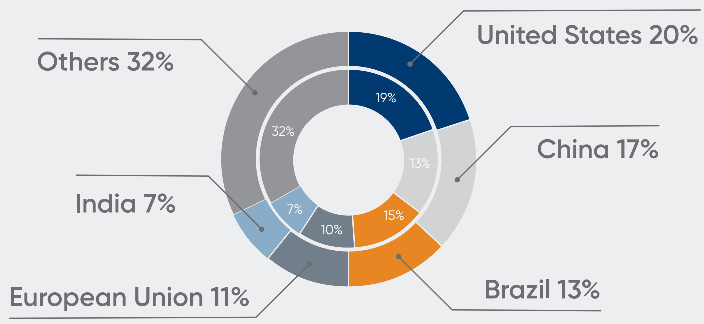
CAGR of 0.7% in production and 5.3% in trade in the last 5 years



Source: USDA Foreign Agricultural Service (2020, January 10). Beef and Veal Production and Trade. Retrieved from: https://apps.fas.usda.gov/. Note: Figures for 2019 are estimated (e) while figures for 2020 are forecast (f).

Largest beef and veal producers

2020 forecast (outer) compared to 5 years ago (inner)



Source: USDA Foreign Agricultural Service (2020, January 10). Beef and Veal Production. Retrieved from: https://apps.fas.usda.gov/

Pork

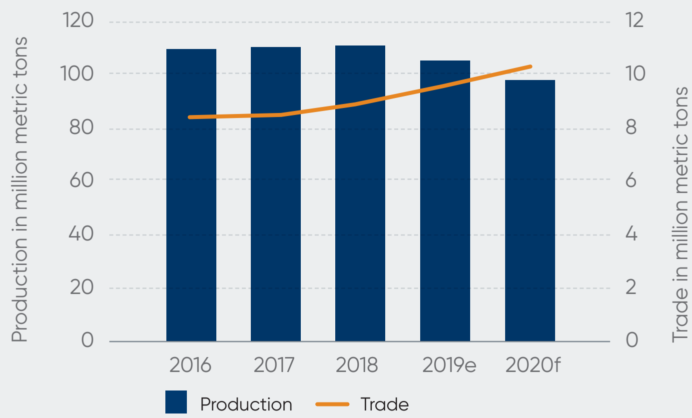
In 2020, global production of pork is forecast to shrink by 9.1% to 96.4 million tons. Global trade of pork, however, is expected to grow by 9.3% and reach 10.4 million tons.

Pork production in China, Vietnam, the Philippines and South-Korea is expected to shrink in 2020, and will only be partially offset by increased production in other countries. Chinese pork production will have decreased by a third by the end of the year, compared to two years ago.

The European Union continues to be the world's largest exporter of pork. Its exports are expected to grow by 6.8% in 2020 and reach 3.9 million tons. At the same time, China is expected to increase its imports by 42% in 2020, bringing them up to 3.7 million tons.

Global pork production and trade

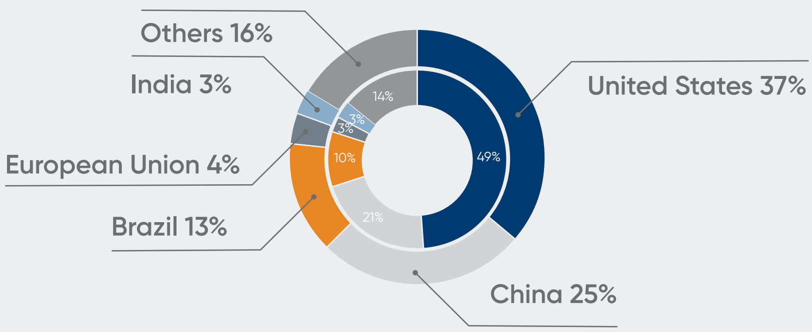
CAGR of -3.8% in production and 5.6% in trade in the last 5 years



Source: USDA Foreign Agricultural Service (2020, January 10). Pork Production and Trade. Retrieved from: https://apps.fas.usda.gov/. Note: Figures for 2019 are estimated (e) while figures for 2020 are forecast (f).

Largest pork producers

2020 forecast (outer) compared to 5 years ago (inner)



Source: USDA Foreign Agricultural Service (2020, January 10). Pork Production. Retrieved from: https://apps.fas.usda.gov/

Fish

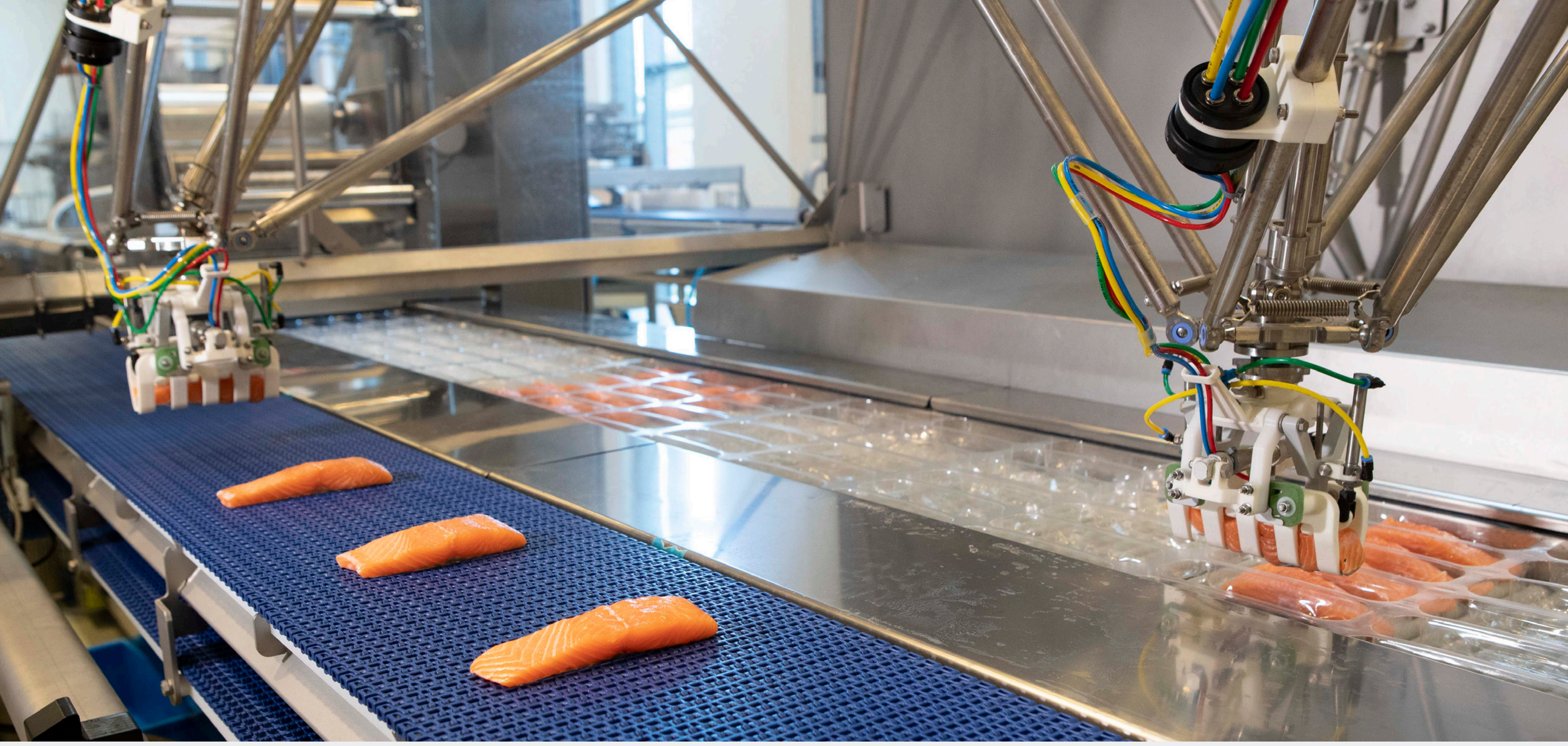
one
piece
Every gram counts
person
thought

It might not seem like much, but a gram can make a world of difference in an industry where thousands of tons of fish are processed every second. A few extra grams per portion quickly adds up to significant gains in yield. Our innovative FleXicut solution analyzes, debones, and portions fish fillets with groundbreaking accuracy. This helps the food processing industry meet the growing global demand for quality food, without wasting a single gram.

Fish 12% of total revenues

Marel is a leading global supplier in the fish sector, which is one of our three key protein industries. We provide both advanced standalone equipment and integrated systems for all stages of the fish processing value chain, ranging from single scales at sea to complete, integrated production lines onshore. With our investment in innovation, we continue to transform the way fish is processed all around the world. In 2019, Marel Fish contributed 12% of total revenues, amounting to EUR 149 million, and an EBIT margin of 4.3%.

The consumer value of the global fish, poultry and meat market is estimated to be around EUR 1,200 billion, with the fish market accounting for an estimated EUR 200 billion. More specifically for Marel, the market for the sale and maintenance of food processing equipment for fish, poultry and meat is estimated to be around EUR 12 billion. Of this, fish processing equipment sales are estimated at around EUR 1.8 billion, a figure which is expected to grow annually by 4-6%.



Overview

Generating higher value is at the core of Marel's mission. To that end, Marel creates its innovative equipment and systems with optimization in mind, whether it's saving a drop of water or a gram of fish fillet.

Technological developments increasingly influence the way Marel serves and supports fish processors and we believe that digital technology is only going to become more vital for the industry's future. So, in the past year, we've focused on bringing innovation to processors, helping them to achieve gains through digital advances.

For example, wild whitefish processors play a central role in Marel's fish portfolio because of the industry's long-standing use of the latest technology. Wild fish is a relatively fixed resource, with limited potential for volume growth because of fish stocks and quota limitations. However, thanks to their investment in high-tech solutions aboard their fishing fleets, whitefish processors can meet the rising demand for wild fish products by utilizing more of their catch—down to the gram—without sacrificing quality.

Growth in the farmed fish sector

Aquaculture, or aquafarming, has boomed in the past decade and Marel is a leading provider of processing solutions for farmed fish. Our emphasis on precision and quality has strengthened our position in this sector, especially in the salmon industry. We also work with many of the world's largest processors of tilapia, sea bream and sea bass.

Creating smarter factories

Marel has deepened its role as a fish industry consultant through Industry 4.0 technologies. By equipping processors with the systems and the best practices for data control, traceability, sustainability and responsiveness to consumer trends, we enable them to future-proof their businesses. To complement our data-driven technologies, we offer resources designed to guide fish processors who are building or optimizing smart factories, such as playbooks, e-guides and checklists. These resources help processors to assess their existing smart factory competences and identify areas to improve.

A step closer to full-line provider

In 2019, Marel acquired a stake in Curio, an innovative primary processing equipment provider for whitefish processing. Curio's product portfolio of heading, filleting and skinning solutions is highly complementary to Marel's existing product offering, and brings Marel a step closer to becoming a full-line provider of fish processing solutions.

The companies have a history of working together to deliver full-line projects around the world. Curio can now utilize Marel's sales and service network to extend its global reach with the objective of serving customers better.

Products

By improving processes, we improve end products. At Marel, we recognize that by optimizing processing at every step in the plant, processors improve yield, quality and safety. In 2019, we introduced a range of new solutions for fish processing, from robot packing and smart weighing to a simple, but extremely effective, rotating table.

Robot technology

De-palletizing robot

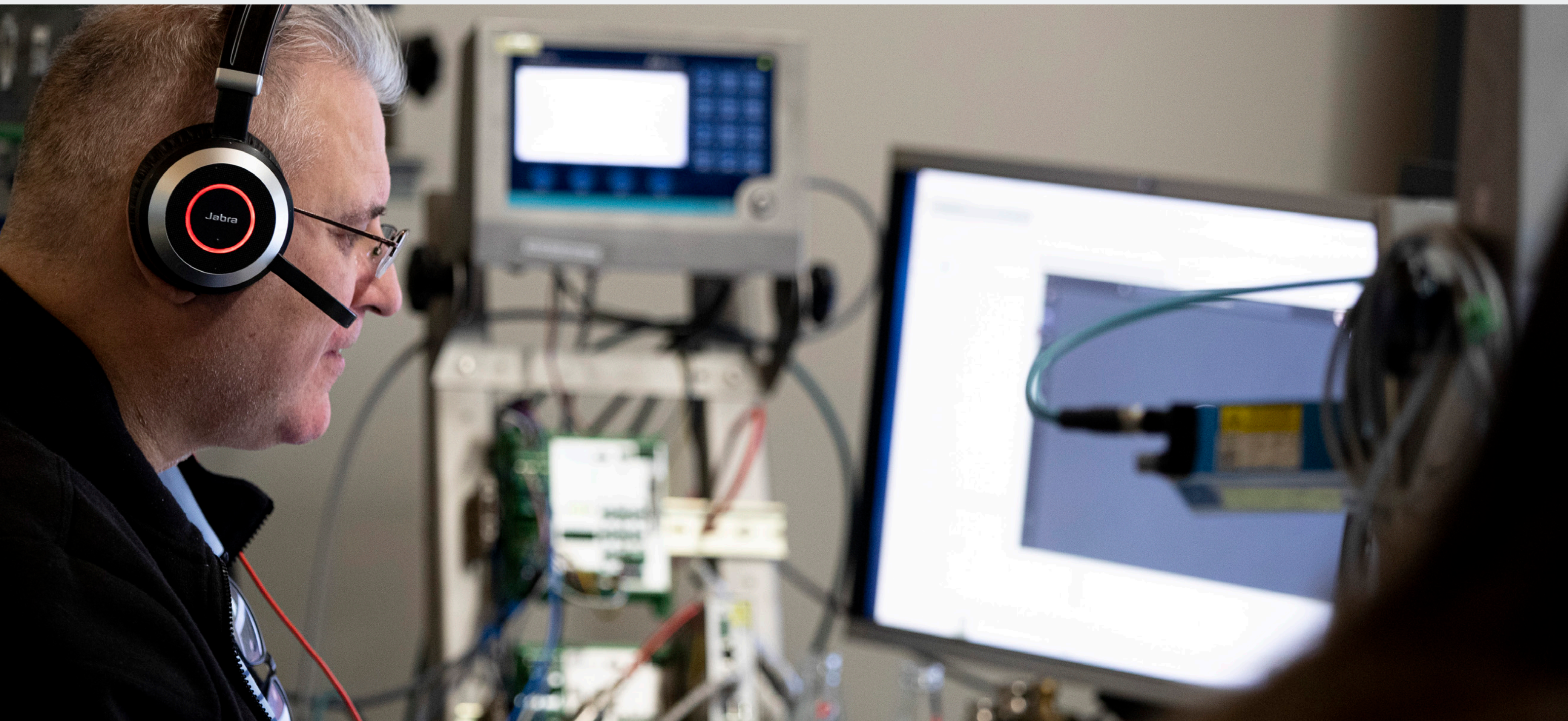
Marel's new-and-improved de-palletizing robot does the heavy lifting: It unloads boxes—one or two at a time—from pallets, to empty fish into the de-icing area. The robot, which we expect to release for sale in 2020, can feed two lines simultaneously. It increases the efficiency of box and pallet handling, enhances capacity, reduces manual work and ensures a steady flow of product. Batch control is programmable and delivers an exact amount of fish by weight or by box, giving users full control of raw materials.

FleXitrim

This trimming line improves the removal of natural and filleting defects, by providing operators with the advanced feedback they need to optimize quality.

New Compact Grader

The new-and-improved Compact Grader is a flexible solution. It offers up to eight gates, which can be combined with freestanding batching bins and a packing table.



M2400 scales

These new grading and packing scales offer advanced, high-precision weighing and monitoring with full digital control.

New manual deheading system

The rotating table we released for sale in 2019 has quickly become very popular throughout the industry. This simple solution streamlines the process of manual deheading. Combined with our PaceInfeeder, customers can automatically transfer salmon into the MS2730 Filleting Machine at a steady pace.

The rotating table features ergonomically designed, height adjustable platforms and cutting boards for safe, easy and effective operation. After manual deheading, operators slide the salmon onto the rotating conveyor directly below the table, which steadily feeds the fish to the PaceInfeeder. The infeed operates autonomously and maintains optimal pace and correct positioning of every single fish for the Filleting Machine.

Automated whitefish and salmon processing

2019 marked the fifth anniversary of FleXicut automatic bone removal and portioning. In the past five years, FleXicut has gone from strength to strength through updates, additional features, greater connectivity and a wider range of applications. The onboard version has an even smaller footprint, and Marel released FleXicut Salmon for sale early in 2019.

FleXicut systems now operate in more than 15 countries around the world. Significant sales during 2019 include to: Icewater Seafoods, as part of its US$10 million cod plant investment; Brim, whose investment in three FleXicut lines is part of a historic agreement with Marel to create the world's most-advanced whitefish processing facility; and Ísfélag, where Marel has designed a highly automated system that will optimize efficiency and product quality.

Innovation

Our position as a software supplier and innovator has energized us to transform the way processors work, by incorporating robotics, analytics software and other Industry 4.0 technologies. Real-time visualizations transform omnichannel data into actionable insights that improve traceability from source to shelf. We believe this level of data transparency goes beyond removing bottlenecks, increasing yields and improving equipment performance. Actionable data is crucial for consumer confidence and b2b trust, and is the foundation of futureproof factories.

Data

Data is crucial in the food processing industry. To optimize production and meet unprecedented global demand for seafood, processors need to make proactive decisions based on accurate and extensive data. As a company that's been data-driven from day one, Marel knows that data collection happens both inside and outside the factory.

Connectivity for real-time response

Within a fish processing operation, a high level of connectivity is paramount: integrating complex data from physical, operational and human assets supercharges production flow, maintenance and inventory tracking across the entire network. Marel's software solutions extend beyond the factory and into the wider world, enabling processors to respond in real time to events in other locations and other stages of the value chain.

Our goal is to enable a holistic view of supply chain processes, driving greater overall efficiency from catch to table. We integrate data from operations and business systems, as well as from suppliers and customers.

Forecasting to keep pace

Satellite forecasting, fishing catches and farm harvest volumes, combined with sales and consumption trends, enable the smart factory to meet immediate targets as well as to forecast factors like catch volumes and market movements, taking strides toward addressing tomorrow's challenges.

For example, fluctuations in catch or unforeseeable dips in the supply of farmed fish will cause the least disruption for the smartest factories, which can act swiftly to source alternative supplies, keep production lines fully running, fill customer orders and meet consumer demand.

Automated data collection to improve food safety

The fish industry is increasingly realizing that traceability is essential to ensuring food safety. Demonstrating reliable data collection and a valid traceability system from source to shelf is essential to gaining and maintaining a competitive edge and accessing new markets.

As the leading provider of automated data collection solutions for the food processing industry, Marel continues to take the lead in data-driven food safety. Our Innova Food Processing Software helps ensure that products meet the highest food safety standards, providing crucial data to both sides of the supply chain.

Robotics: A new industry fixture

Robotics became a defining feature of modern fish processing in 2019. The industry welcomed significant advances in robot technology and lauded its applications in food processing, combined with smaller footprints and proven return on investment (ROI).

Robobatcher Thermoformer

The fully automatic RoboBatcher Thermoformer, which packs whitefish or salmon portions into thermoformers at high speed, was released for sale during Seafood Processing Global 2019.

RoboBatcher was originally developed for the poultry processing industry, and the fish industry has now welcomed this packing technology. In particular, two big sales in Iceland in 2019, at Vísir and Brim, mean there will be 20 robots in operation in the Icelandic fish industry alone in the next couple of years.

Vísir installed FleXicut, our automatic pinboning and portioning system, in 2014, and now uses FleXisort, which automates product distribution, and FleXitrim for pre-trimming. With the addition of RoboBatcher, Vísir's FleXicut system further optimizes the batching of whitefish loins into boxes. Soon after installing its first RoboBatcher, Vísir decided to invest in additional robots.

FleXicut: highly intelligent portioning

The FleXicut pinboning and portioning system is a perfect example of how Marel uses its core technologies to augment processes across industries and segments. FleXicut is a direct result of the same X-ray technology research that led Marel to develop the SensorX, which has become the standard for quality assurance in the poultry industry. It's also the offspring of image processing and computer applications that Marel began using in its intelligent portioning machines in the 1990s.

This technological transfer continued with FleXicut in 2017. Initially developed for whitefish, the equipment underwent extensive testing in 2017 for salmon applications, and the successful results were demonstrated at the 2018 Salmon ShowHow. In 2019, Marel released FleXicut Salmon for sale.

Increasing pre-rigor salmon processing capacity benefits companies across the entire processing chain, with major advantages including better product quality and reduced storage and transport costs.

Projects

For Marel, 2019 was a productive year in the fish sector. We undertook both greenfield projects and standard equipment and system installations, and achieved steady sales of standard systems across all regions, to both current and new customers. The following examples denote the diversity of projects we undertook in 2019.

Culmárex

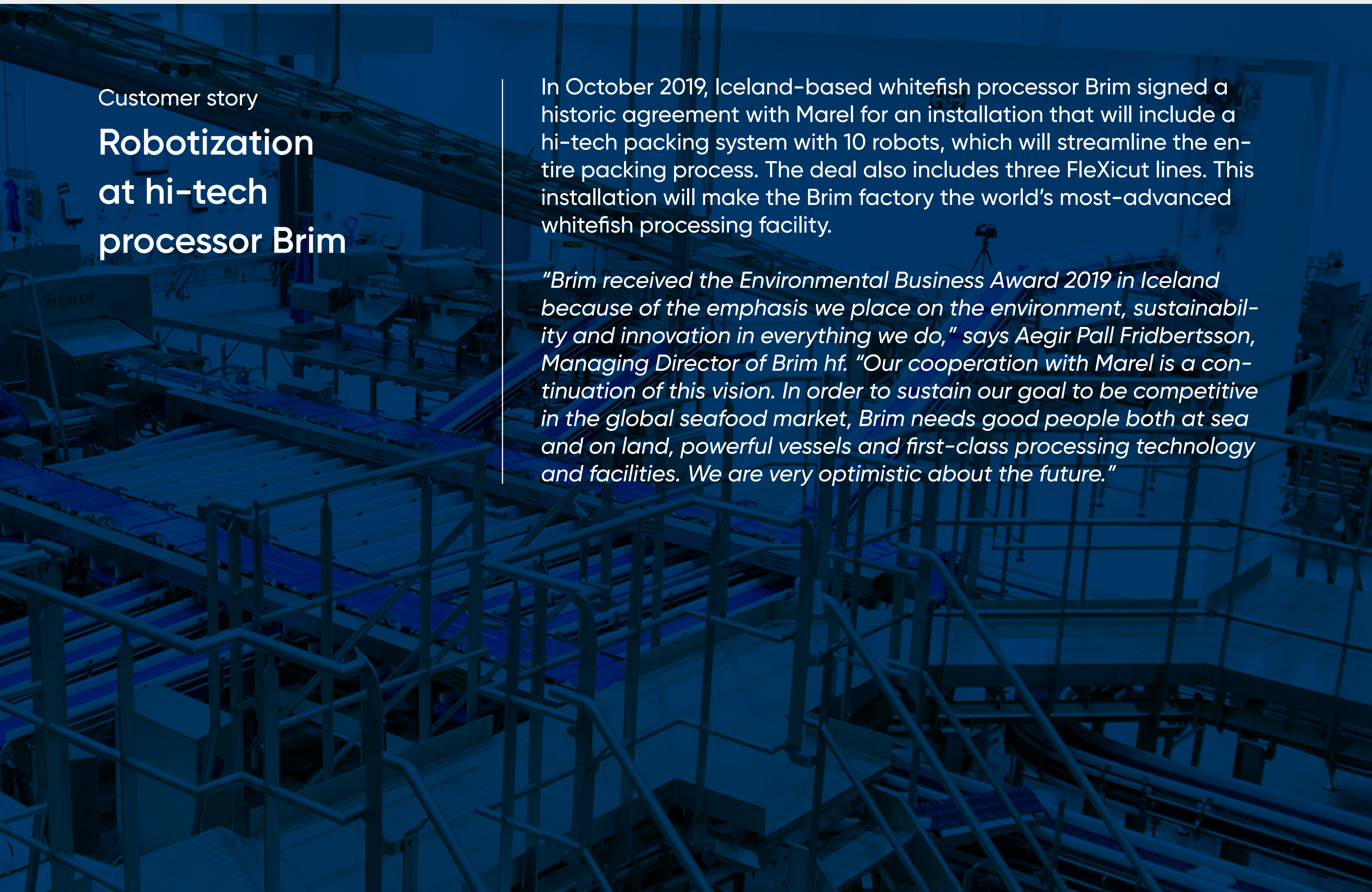
Spain-based Culmárex Group is a leading seabass and seabream farmer and processor that produces bulk fillets for the European market. When Culmárex installed a 12-station StreamLine intelligent trimming solution at its seabass and seabream processing facility, it immediately noticed improvements in productivity, yield and quality, with StreamLine contributing to better ergonomics, individual operator control and cost savings.

Bremnes

Bremnes Seashore was the first salmon producer in the world to trial automatic pinbone removal with FleXicut Salmon, having installed the solution at its processing facility in Norway in 2017. Since then, Bremnes has been involved in a development project with Marel to optimize FleXicut Salmon, delivering excellent results.

Sustainability

The sustainable use of resources is a top priority for the fish processing industry, both in terms of the raw materials, and as regards water and energy usage. In 2019, Marel continued to contribute both directly and indirectly to increased sustainability in these respects.



Customer story

Robotization at hi-tech processor Brim

In October 2019, Iceland-based whitefish processor Brim signed a historic agreement with Marel for an installation that will include a hi-tech packing system with 10 robots, which will streamline the entire packing process. The deal also includes three FleXicut lines. This installation will make the Brim factory the world's most-advanced whitefish processing facility.

"Brim received the Environmental Business Award 2019 in Iceland because of the emphasis we place on the environment, sustainability and innovation in everything we do," says Aegir Pall Fridbertsson, Managing Director of Brim hf. "Our cooperation with Marel is a continuation of this vision. In order to sustain our goal to be competitive in the global seafood market, Brim needs good people both at sea and on land, powerful vessels and first-class processing technology and facilities. We are very optimistic about the future."

Smart factories make smarter use of resources

We design our equipment to minimize waste and to use resources more efficiently through optimal energy and water usage, including during cleaning. This way, we help our customers improve raw material utilization to preserve natural resources, as well as strengthen their financials.

Sustainability is one of the pillars of a smart factory. In 2019, Marel continued implementing smart factory technology in the fish industry, enabling fish processors to use Industry 4.0 innovations to adopt more sustainable, efficient business models.

We continued developing our solutions including FleXicut, that cut more precisely to improve yield and therefore reduce waste. We also automated processes, such as the new manual deheading system, to reduce energy usage, make more efficient use of human resources, and speed up production. And with our Innova Food Processing Software, we have improved the integration of our customers' whole physical and data infrastructures, so that they can make informed decisions about running their business more sustainably, with information that gives them control of their raw materials, equipment and human operators.

Growth drivers

For Marel, the key factors for future market growth include the expansion of the farmed whitefish segment, and the overall rise in fish processing automation around the world. Highly automated factories are gradually becoming the norm in fish processing, and the industry is quickly realizing the enormous benefits of robotics and production control software.

Technology supplements reduced labor force

The reduction in work force is a key challenge that we aim to help solve. Companies are increasingly prepared to invest in technologies that reduce costs and/or compensate for a diminishing supply of labor.

Seafood in a balanced diet

Changes in diets have increased demand for both seafood and differentiated and value-added seafood products. This trend will continue to be a major source of growth for the industry. Innovative solutions in both salmon and whitefish will set new industry standards over the next few years, with major Norwegian and Icelandic processors leading the way. Watershed installations are already under way and will likely pave the way for others to follow.

Global production and trade trends

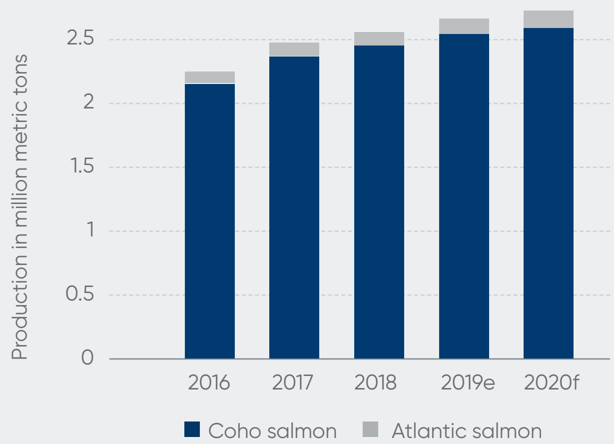
Both farm-raised and wild-caught fish are surging in growth. Salmon, tilapia, catfish and cod are the key species on the market while the leading producers by country maintain their dominant positions.

Salmon

In 2020, global salmon production is forecast to rise by 2.9% to 2.9 million tons. Atlantic salmon accounts for an estimated 93% of this production, with Norway dominating with an expected 47% of global production in 2020. All major producing countries are forecast to increase their production in 2020, with an increase in Atlantic salmon outweighing an expected decrease in Coho salmon production in Chile.

Global production of farmed salmon

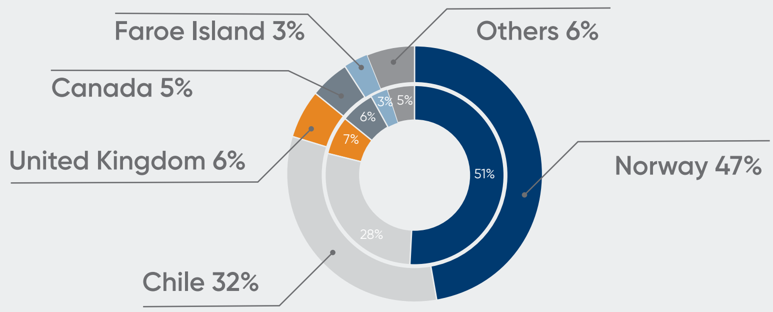
5.6% CAGR of Atlantic, 9.6% of Coho, in the last 5 years



Source: Groundfish Forum (2019, October). Berlin, Germany. Note: Figures for 2019 are estimated (e) while figures for 2020 are forecast (f).

Largest salmon producers

2020 forecast (outer) compared to 5 years ago (inner)



Source: Groundfish Forum (2019, October). Berlin, Germany.

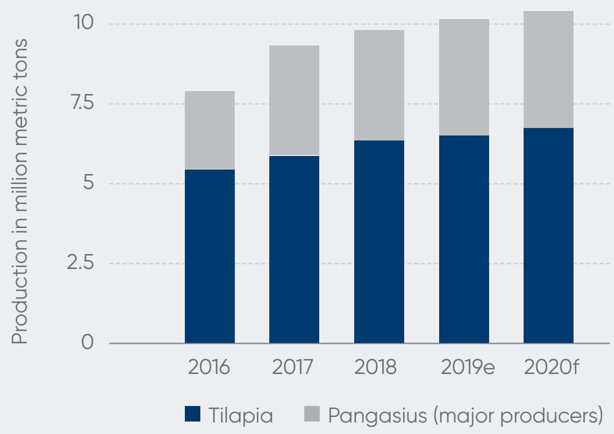
Tilapia and catfish

In 2020, production of tilapia and pangasius in major producing countries is expected to rise by 7.2% to surpass 10 million tons, of which pangasius production in major producing countries accounts for 3.9 million tons (reliable global production figures are not available).

China continues to lead the tilapia market with a 27% share, while Indonesia is believed to have surpassed Egypt as the second-largest producer, with an expected 17% share in 2020.

Global production of tilapia and pangasius

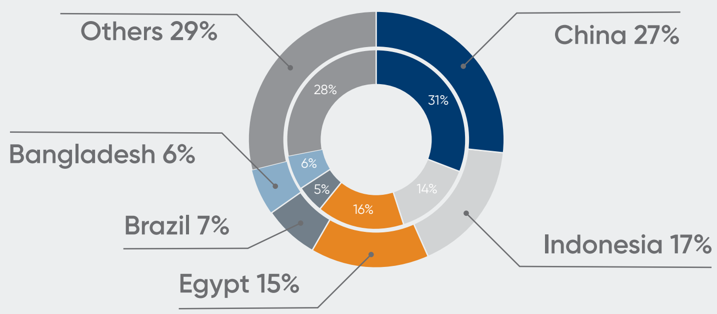
5.1% CAGR of Tilapia, 11.7% of Pangasius, in the last 5 years



Source: Tveterås, R., Nystoyl, R., and Dr. Jory, D. (2019, October). Finfish production outlook. Presented at GOAL 2019 in Chennai, India. Note: Figures for 2019 are estimated (e) while figures for 2020 are forecast (f).

Largest tilapia producers

2020 forecast (outer) compared to 5 years ago (inner)



Source: Tveterås, R., Nystoyl, R., and Dr. Jory, D. (2019, October). Finfish production outlook. Presented at GOAL 2019 in Chennai, India.

Cod

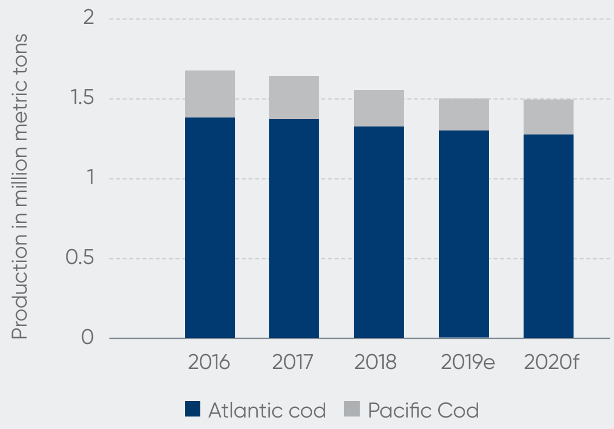
The three largest cod-producing countries are expected to increase their production in 2020. However, global production is expected to shrink by 1.4%, leaving it at 1.5 million tons.

Atlantic cod production is expected to hold its ground in 2020, accounting for 76% of forecast global cod production, while Pacific cod production is expected to continue to decline.

Russia accounts for 31% of global cod production, followed by Norway with 22% and Iceland with 19%.

Global production of cod

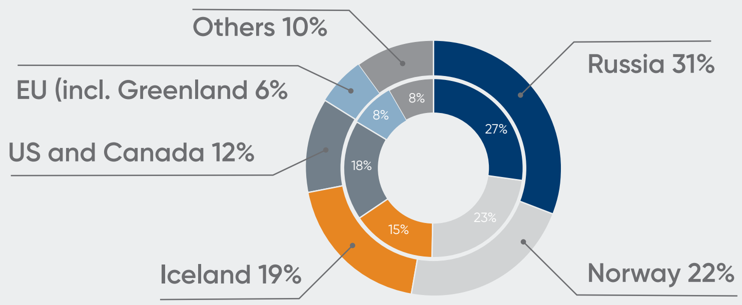
-3.9% CAGR of Atlantic, -4.9% of Pacific, in the last 5 years



Source: Groundfish Forum (2019, October). Berlin, Germany. Note: Figures for 2019 are estimated (e) while figures for 2020 are forecast (f).

Largest cod producers

2020 forecast (outer) compared to 5 years ago (inner)



Source: Groundfish Forum (2019, October). Berlin, Germany.

Innova software

part
role
Every thought counts
contribution
number

Food for thought, or thought for food? A little bit of both. Innova, our unique software, provides a complete overview of a product's processing journey, from reception to dispatch. When it comes to guaranteeing quality, efficiency, and maximizing of resources, it really is the thought that counts.

Innova food processing software

Innova is our food processing software that provides full production control and traceability for advanced business intelligence. The intuitive user interface provides a complete visual overview of a product's journey through processing—all the way from reception to dispatch.

2,300 installations worldwide

The age of digital transformation

We are in the midst of an era of digital transformation. With information becoming increasingly available and nearly instantaneous in its delivery, there is a growing expectation from consumers that data about their food be the same.

On top of those demands, in recent years, regulatory requirements for food processing have become more complex. Food producers need to be able to keep pace with the ever-increasing industry and regulatory demands for animal wellbeing, traceability, and quality. With Marel's Innova system providing full production control, processors are well-positioned to meet increased consumer and regulatory focus on sustainability, food safety, and traceability.

The future of intelligent production control

Utilizing the latest IoT technology and cloud analytics, Innova has established itself as the future of intelligent production control. It enables plant managers and operators to control, monitor, and improve their entire production process by spotting inefficiencies on the factory floor and highlighting the specific data needed to maximize throughput, quality, and yield.

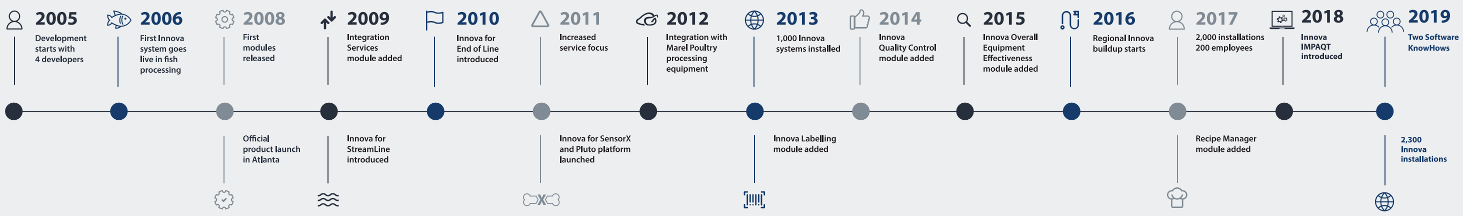
Innova provides an efficient, high-performing software solution that enables compliance with regulatory standards and underpins consumer confidence through data collection. Innova consistently finds new ways to put the data to good use.

Meaningful insights through data visualization

In the day-to-day operations of a plant, key performance indicators such as yield, throughput, quality, capacity, and labor efficiency are vital to processors. Most organizations across the food industry gather huge amounts of data on these key performance indicators. However, the challenge lies in understanding what particular data can help optimize performance.

Innova provides processors with user-friendly tools to turn data into meaningful insights through visualization, all the while ensuring that production conforms to the highest quality and food safety standards.

Innova's comprehensive, real-time reporting presents data on analytics dashboards, giving users a clear visual representation of relevant information. As a result, processors can make smarter decisions in real-time to optimize production results, tailor processes to achieve specific goals and respond immediately to irregularities.



Direct traceability

Traceability is the ability to find out where a product comes from and to follow its route throughout the entire supply chain. Innova controls and monitors animal reception and registration and the production flow, as well as the deboning, packing, and dispatching processes. Innova creates a direct line of traceability that leads straight to the end customer.

Traceability is a core requirement in today's food processing market, and it is essential for compliying with food safety standards and quality. Consumers want to know what they are consuming and it's source. Full traceability strengthens the trust between food processors and their customers. For example, an effective traceability system enables food processors to respond promptly to recalls because it narrows down the affected products and root causes. In essence, food processors' reputations and licenses to operate are in safe hands.

Streamlined order management and inventory control

Innova not only provides full production control and traceability, but also streamlines order fulfillment. It includes purchase, production, inventory and safety instructions while optimizing workflows, enabling cost-effective inventory control and efficient order management.

With Innova order management, processors can produce the right products, at the right time, for the right customer according to the correct specifications.

Innova connects to third-party equipment

Investing in new equipment is a big decision. That is why Innova is designed to be as accessible as possible. The software is ready to work with third-party equipment, systems, and solutions out-of-the-box. Our customers can install a single software system to oversee production and integrate with their existing equipment.

Service and support

As a data-driven organization, Marel's software team is continually rolling out improvements to augment current processes. Tools that address the entire production lifecycle are essential to customer success. To that end, we've developed Innova LifeCycle Support, a tool that supports the Innova platform. We are also working on enhanced maintenance capabilities with the latest IoT technologies that are already being tested with a few pilot customers. Customer feedback has been essential for the development of these products, and, in 2020, we'll keep rolling out new enhancements to support processors' real needs.

Global presence with local expertise

Solid cooperation between teams and partners is the foundation of our Innova software, and more broadly, our organization. With around 2,300 installations of Innova worldwide, our cutting-edge software is leading the industry. A dedicated Innova team of about 260 individuals with technological expertise and practical know-how assist processors in the implementation process. The Innova team has grown extensively in the past year; with several experienced software developers joining our Seattle, Washington team.

Innova is versatile. It can control each machine throughout the entire processing line. That level of precision distinguishes it from other software on the market.

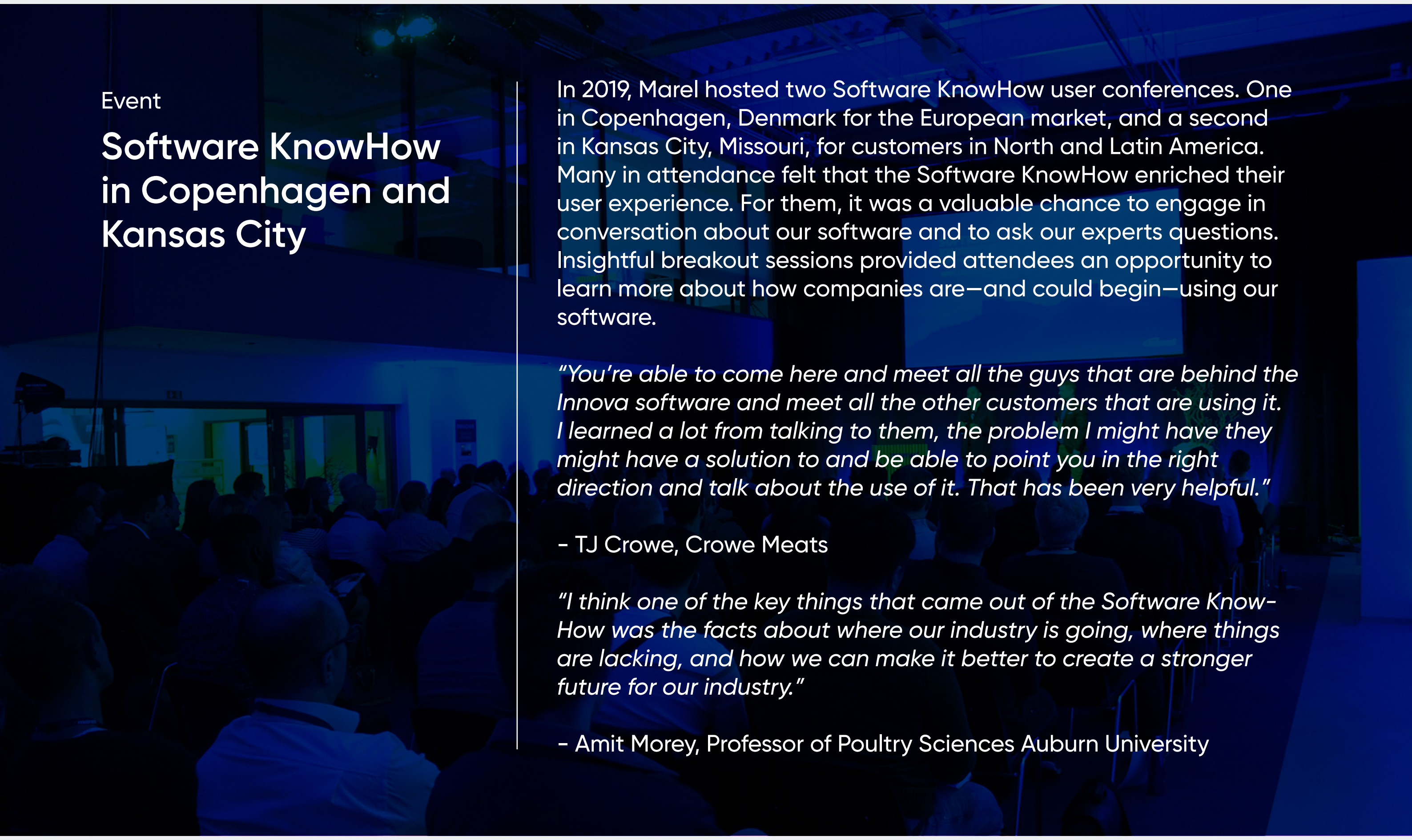
Marel's team is made up of experts in the realm of data collection. Innova's ability to sync with the machinery and collect comprehensive data on the products, processes, and machines throughout the production process is one of its greatest strengths. It transforms operational decisions.

Our software expertise, and strong partnerships with our customers, allow us to transform food processing with a focus on food safety and quality, traceability, efficiency, affordability, and sustainability. We make a point of meeting our customers in the field at dedicated software events to share the expansive possibilities of this software. Meeting our customers helps us to strengthen our service and support offerings to make sure that their investment in technology delivers the intended results.

Software KnowHow

Our Software KnowHow user conference, which has entered its second year, attracts hundreds of users. The goal of these user conferences is to encourage open dialogue.

On the one hand, we strengthen our partnerships with customers through active engagement. On the other, KnowHows provide a forum for our customers to learn from us—and from each other—so they can better use Marel's software. Through live demonstrations, presentations, and breakout sessions, customers connect with Innova experts and industry peers.



Event

Software KnowHow in Copenhagen and Kansas City

In 2019, Marel hosted two Software KnowHow user conferences. One in Copenhagen, Denmark for the European market, and a second in Kansas City, Missouri, for customers in North and Latin America. Many in attendance felt that the Software KnowHow enriched their user experience. For them, it was a valuable chance to engage in conversation about our software and to ask our experts questions. Insightful breakout sessions provided attendees an opportunity to learn more about how companies are—and could begin—using our software.

"You're able to come here and meet all the guys that are behind the Innova software and meet all the other customers that are using it. I learned a lot from talking to them, the problem I might have they might have a solution to and be able to point you in the right direction and talk about the use of it. That has been very helpful."

- TJ Crowe, Crowe Meats

"I think one of the key things that came out of the Software Know-How was the facts about where our industry is going, where things are lacking, and how we can make it better to create a stronger future for our industry."

- Amit Morey, Professor of Poultry Sciences Auburn University

Innova Lifecycle Support

The Innova LifeCycle Support (ILCS) program provides customers with support and protection. Software is a significant investment, and customers want assurances that their investment will work optimally. With ILCS, customers are automatically notified of Innova updates with support from Marel specialists.

We strive to bring additional value to our customers. By offering ILCS with Innova on a subscription-based model, we're facilitating a more direct partnership with customers, a better understanding of their demands, and giving them a chance to provide valuable input.

Innova lifecycle support customers receive free admission

4	35+	2,100+	27
Eye-opening days	Sessions	Minutes of content	Unique presenters

Product updates

We strive to ensure that processors can forge a seamless connection between solutions on the production floor and the software that collects valuable data for optimization throughout production. In 2019, we released a number of product updates that guarantee connectivity between Innova and the latest innovations in food processing equipment and technology.

The in-house consultant for poultry

Customers now have access to IMPAQT primary processing. Data collected from sensors during poultry processing help determine both real-time issues to address immediately and overall loss trends for the entire process. These insights help our customers to decide what measures need to be taken to boost their production performance.

Complete control over quality

Marel has developed a comprehensive quality control (QC) package for our customers. The package consists of a selection of our current QC products; it introduces a suite of quality control measures into the factory for new QC customers. We offer a wide range of QC products and have bundled them into an indispensable package. The purpose is two-fold. It takes the pressure off customers who are deciding what products to first invest in and gives them a cohesive overview of what QC can help them accomplish.

Built-in management and back-office support

Paper program into digital procedure format

Utilized across all Quality assurance team

Tailored to your process and industry needs

Bolt-on acquisitions and strategic investment

At Marel, we approach all challenges strategically. There is a strategy for everything we do, from bolt-on acquisitions, investments and partnerships as much as for our software, equipment and hardware.

Cedar Creek Company joins forces with Marel

On 23 October 2019, Marel announced that an agreement was signed to acquire Cedar Creek Company, an Australian provider of specialized software and hardware solutions for meat, poultry, and seafood processors.

Cedar Creek has built long-standing relationships with some of the largest meat and poultry processors in Australia and New Zealand. By acquiring Cedar Creek, Marel is expanding its customer reach in Oceania. Cedar Creek offers specialized software solutions that integrate on-floor data capture, production control, head office reporting, and traceability throughout production.

Cedar Creek's technical expertise and solutions complement Marel's commitment to innovation and our Innova software. Together, the companies will continue to develop groundbreaking software solutions that enable processors to collect and utilize data to improve yield, throughput, quality, food safety and efficiency.

Partnership with Worximity

In June 2019, Marel formed a partnership with Worximity Technology through its acquisition of a 14.3% interest in the Canadian software company. Marel will continue to invest in new share capital in the company, bringing Marel's total ownership to 25%.

Worximity offers real-time cloud data collection and analytics solutions and is compatible with Marel's proprietary software platform Innova. The company primarily operates in the meat, dairy, and baked goods processing sectors, which use Worximity software solutions to reduce downtime, increase throughput, improve quality, and improve raw material yield.

Innovation

part
piece
Every idea counts
person
number

A flash of inspiration can come at any time. Even in the shower. Our brave engineers constantly seek new ways to meet a growing demand for quality food. By investing greatly in R&D, we help them nurture their ideas, which sometimes turn into groundbreaking solutions. In 2019, we introduced 30 innovations, and we've only just begun.

Innovation

Innovation is at the very heart of Marel. It's inscribed in our company culture as one of our three core values. It is a critical element in maintaining and growing our market position and enables us to deliver fit-for-purpose solutions for our customers. We invest about 6% of our revenues in research and development annually, which translated into EUR 82 million in 2019. With over 30 new solutions brought to market in 2019, it is safe to say that innovation is in our DNA.

Our experts are devoted to empowering the industry through powerful technologies and data. In our quest to transform the way food is processed, every idea counts. We have over 900 dedicated technology professionals in nine countries who work in partnership with our customers. Our people are passionate, creative, and courageous in pursuing their work to design effective solutions, and they are our greatest advantage in driving innovation.

Through diligent work, our people transform food processing for the benefit of our customers and, in turn, strengthen consumers, communities, the environment and our shareholders.

Over 900 employees
in 9 countries

6% of revenues
invested in innovation

Over 30 product
launched in 2019

Every meal counts

Food concerns us all, no matter where we live. The challenge of feeding current and future generations is inevitable, and we've made it our mission to find sustainable and efficient ways to meet this challenge. For us, it's not a choice but a necessity. We must transform food processing to ensure that healthy and affordable food is available to all.

Global trends demand innovation in food processing

At Marel, we deliver solutions for processors across the world, enabling them to supply consumers with high-quality food that's produced sustainably and affordably for a healthy, balanced diet.

The world's population is increasing rapidly, with no signs of slowing. By 2050, the United Nations projects that it will grow to 9.7 billion, up by 2 billion from the current 7.7 billion in 2019. Average incomes are also increasing around the world, giving consumers higher purchasing power to shop in supermarkets and eat at restaurants. At the same time, consumers are changing the shape of demand through an increased focus on food safety, quality, nutrition and sustainability.

The growing world population, fast-changing consumer behavior, and an intensifying focus on sustainability and legislative compliance, means demands in our industry are continually evolving. Our challenge is to make even better use of the raw materials coming into the plant through cutting-edge solutions that allow processors to deliver high-quality, safe food at affordable prices. In line with market trends, we're also undergoing a digital revolution at Marel to develop software that provides customers accurate insights into their operations and output.

Sustainability

In engineering solutions that meet the growing demand for food, an inescapable part of the equation is the environment.

Since day one, Marel has focused on making the most of valuable resources. Our marine scales—one of our first innovations—were designed to maximize yield from every fish. That ground-breaking solution is a perfect example of the way commercial incentives go hand-in-hand with sustainability incentives. In 2018, we formally integrated sustainability into our requirements for all new product development, meaning that all of our solutions are designed to maximize yield and minimize the use of resources, such as energy and water.

Digitalization

Digitalization is driving an ongoing industrial revolution across industries. Interconnected technology ties together machines and software for optimal, efficient functioning and allows people to carry out truly value-adding tasks.

Demand-driven value chains, where data steers the order process, have turned previously supply-driven value chains upside down. By uncovering insights about demand using data, enterprises can deliver innovative and meaningful services and products to consumers while also reducing waste.

The same digital technologies are also opening up possibilities for customer-friendly and efficient remote servicing. These developments are transforming the service models businesses are working according to.

Every year, an estimated 1.6 billion tons of food are lost or wasted along the value chain, from harvest to consumer. New methods powered by digitalization stand to benefit us all. By applying relevant digital technologies across the multiple steps it takes to produce food—from the harvest of raw materials all the way to consumer-ready products—even the slightest improvements in efficiency, yield and sustainability can have tremendous benefits.

Food processors embrace change

Fortunately, it's not only mega-trends that are creating momentum for new ways of food processing. Food processors have also shown an appetite for new approaches. Automation, in particular, is a driving force because access to skilled labor becoming more limited along with other factors, including consumer concerns about food safety and sustainability. These trends culminate in a need for more flexibility to meet trends we've seen in consumer behavior at supermarkets, restaurants, hotels and other food retailers. Consumers are not only seeking greater product variety, including prepared foods, marinated meats and fish, but also more selection in quantity. Single and two-person households with flexible routines have less need for larger quantities.

Food processors have to remain adaptable to changing consumer behavior to keep up with market demands. They must adopt new technologies, new approaches and new processes to roll with the times.

Marel, at the forefront of transforma-tion

Marel is ahead of new trends. With our full-line offerings from farm to fork, from sea to shore, we are uniquely positioned to gather information on the global food processing industry and to translate that information into actionable intelligence. With each passing year, data analytics and process control, along with integrated technologies and enhanced connectivity, become increasingly important. As a market leader with extensive data on how our products are used, Marel anticipates customer needs and answers them with new products, capabilities and software.

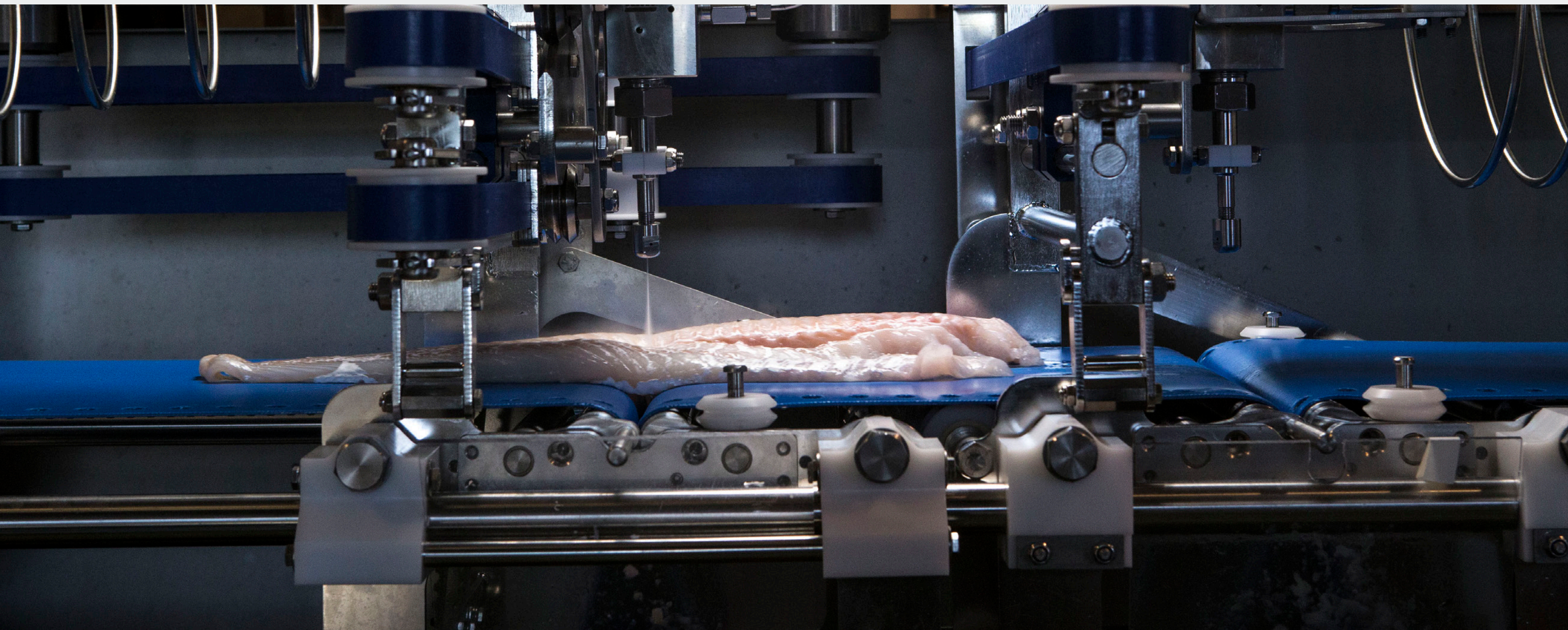
Marel has a long history of combining software and mechanics to tackle food processing challenges. But we don't just innovate; we share our knowledge with our customers. We're well-equipped to support our customers in the use of new technologies. We ensure they understand how to use data to help optimize their processes and output.

Powered by technology

The pace of technological advance shows no sign of slowing down. Industry 4.0 is a reality that's powered by digital technology such as big data, Internet of Things (IoT), and virtual reality.

For Marel, these technologies represent immense opportunities for product development. New scalable technologies and production channels, such as the Internet of Things (IoT), cloud services, advanced robotics and 3D printing, are essential to our products—now and into the future. Our business is rooted in a data-driven approach to improving yield and reducing waste. We have established distinct market leadership in the field of innovative food processing solutions powered by digital technology. Over the decades, we have remained true to this cornerstone of our philosophy, and more recently, we have significantly stepped up the proportion of innovation investment spent on digital technology for food processing solutions and services.

For example, in 2019, we began the development of an IoT solution that is moving beyond its trial phase and stands to revolutionize our service offerings. Virtual reality is spreading across our operations to benefit engineering in prototyping and development. Our sales department has started testing the use of virtual reality during presentations of our technologies to deepen our customers' understanding of our solutions. Now, with virtual reality, they can literally 'see' our solutions from the inside out.



Innovation through partnerships

Our broad knowledge of the industry propels new solutions. We are dedicated to delivering unique products and services that will shape our customers' future business landscape and help them create a scalable infrastructure. Some of our revolutionary technologies were conceived in partnership with our customers. By seeking feedback and by understanding their challenges and needs, we work together to solve problems. This level of insight is invaluable in creating solutions that are truly fit-for-purpose. From idea to prototype, we are proud to work with pioneering food processors who are willing to test out new equipment and new ideas inside their plants. The real-life feedback from these trials is a cornerstone of our collaborative approach.

TOMRA partnership for sensor-based technology

Vision-based sensing technology enables automation and minimizes food loss. To accelerate the pace of transformation, Marel has partnered with TOMRA Food, a leading provider of advanced sensor-based grading, sorting, peeling and analytics machines. We believe our combined knowledge base will provide valuable material for new technologies in the years to come.

Cross-industry advantage

Marel is known for applying its technology and innovations across industries. Our scale, scope and ambition create rare opportunities to deliver tested products to our customers. In particular, major opportunities lie in the secondary and further processing parts of the value chain, such as portioning, batching, weighing and marinating. These processing steps are becoming more alike across industries.

Compact Grader: From fish to poultry and meat

The Compact Grader is a flexible solution for accurate grading and batching. Although it was initially developed for the fish industry, our engineers saw opportunities to apply it to meat and poultry processing. In 2019, we introduced a renewed version of this solution that increases yield—in turn, making better use of raw materials—by applying best-fit batching logic. This simple solution supports more sustainable food processing.

The Compact Grader is often used in addition to existing product lines. Orders of our Compact Grader have a short delivery time, which is particularly beneficial because many processors use the product to respond to seasonal shifts or changes in market demand.

StreamLine: From poultry and meat to fish

Our StreamLine solution builds on our flowline technology. Through continuous development, we've refined flowline into StreamLine. The success of this solution for meat and poultry processing encouraged us to introduce an optimized version for the fish industry. Through a united effort and collaboration with our customers, we made StreamLine into a truly cross-industry solution.

Now, as poultry processors expand into farmed fish processing, they will be able to implement a familiar technology across their plants.

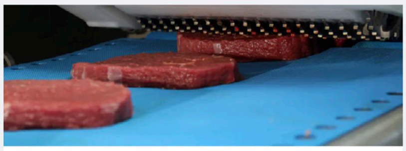
Product launches 2019

Showcasing innovation at tradeshows

In 2019, we introduced over 30 innovative products to the market—a record number for our company. Our product development teams remain dedicated to transforming the way poultry, meat and fish are processed.

We showcased our latest innovations at several tradeshows, but IFFA in Frankfurt was the highlight. There, we introduced 20 new solutions. The international trade fair gave food processors an opportunity to explore new solutions across the meat processing value chain. Highlights included new robots for the M-line automated slaughter, a new extension to the DeboFlex cutting and deboning system, an automated case-ready solution for quality grading and packing, the new PremiumFormer, and full production control with Innova Food Processing Software.

At IFFA and other tradeshows, we were able to demonstrate our commitment to smarter processing by communicating clearly that our new solutions are designed to help customers to improve their processes and processing lines, all while minimizing waste.



iCut 130 with Singulator

The ideal solution for larger processing companies cutting fresh, boneless meat into portions of fixed weight and/or fixed length.

Convenience Food Line

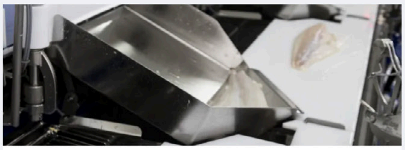
Designed to create attractive, high-value end products, while meeting today's strict food safety standards.

SensorX Magna

A high-capacity inline trim inspection system. Superior bone detection and corret fat-lean ratio for high quality final products.

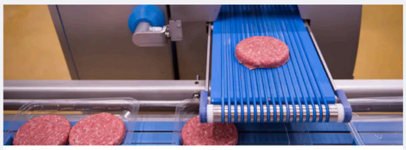
DeboFlex X

A groundbreaking shackle-based logistical solution makes deboning and cutting pork fore-ends easier and more efficient.



FleXitrim and Innova

Automates and streamlines the infeed of pretrimmed fillets to the FleXicut system. Paired with Innova, FleXitrim enables operators to improve their individual trimming performance.



PremiumFormer

A unique solution for forming fresh burgers, which ensures quality, flexibility and consistency.

QC scanner

Quick and easy quality monitoring for salmon fillets. Connects with Innova food processing software.

M-Line Robots

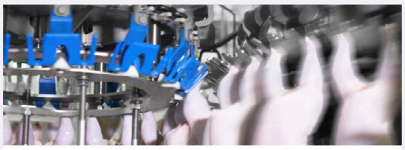
Fully automatic technology that combines the latest 3D scanning technology and robotic accuracy to give processors the ultimate tool in their processing kit.

Volumetric portioning portfolio

V-Cut 160 and 200 are highly flexible volumetric portion cutters designed to cut non-frozen boneless meat into fixed weight portions with uniform shape.

RoboBatcher Thermoformer

Fully automatic high-speed packing solution. Using intelligent recipe control software, it combines the individual weights of incoming products to a fixed batch weight, making it easy to fulfill orders in the most efficient way.



LineLink poultry

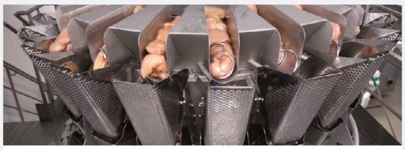
Automatic transfer of products from defeathering line to the evisceration line and then to the chilling line. LineLink DE and EC are key pillars in 15,000 birds per hour processing.

IMPAQT

Brings together data from sensors already present in systems, from live bird handling to end of line. Allows processors to see trends in the processes over time, leading to optimally improved production and increased output levels.

Compact Grader

A cross-industry standard solution for accurate grading and batching. Fulfills needs of smaller and larger operators when requiring excess capacity to handle temporary or seasonal overflows.



Multihead Weigher Large

A solution developed for high capacity jobs with large fresh products such as whole legs
.

Projects in 2019

In 2019, we worked diligently on core projects to build new digital infrastructure, advance automation and digitization in food processing and bolster our partnership with our customers.

Marel Core

Marel Core is an essential tool for a successful, connected business. Marel Core is our standardized control platform. The platform creates a solid foundation for adding new solutions and services that build on digital technology to our offerings, and in turn, offers opportunities for customer-driven, innovative approaches for service, spare parts, remote service and the company´s growth. Once implemented, Marel Core provides simple solutions and improved service by facilitating quick fault-finding and reducing the need for spare parts. It gives us a higher level of flexibility for extensions and upgrades and seamlessly integrates between equipment and software. In this way, Marel Core enables us to implement the standards for leading industry 4.0 across the company. Additionally, our software division, Innova has been scaled up to bring the benefits of digital technology to customers for smarter processing.

Digitization

In collaboration with our customers, we continue to follow the course laid out in our digitalization roadmap, moving from pilot schemes to proven solutions. By combining equipment, process knowledge, service and data analytics, we have created a system of smarter processing and proactive service. At the end of the day, this means fewer disturbances to our customers' production process and better support for the technicians on the factory floor.

Life-like insights through virtual reality

At Marel, our innovation teams use virtual reality to design and test new solutions, which increases the speed of development. We achieve rapid prototyping by running a new idea in a simulated virtual environment that paves the way for immediate feedback.

Virtual reality makes simulations more valuable: Product developers generate realistic interactions with their inventions without having to wait weeks—or even months—to try out the real thing. This approach saves both time and materials, and most importantly, allows our teams to make quicker strides towards the unique solutions for food processing challenges.

In 2019, we signed a historic agreement with Brim, an Icelandic whitefish processor, for the installation of high-tech equipment and software that will make its Reykjavik facility the most advanced whitefish processing facility in the world.

Given the complexity of the high-volume installation, Marel presented the solution to Brim executives in virtual reality. They could walk through a simulation of the complete facility to see how the integrated solutions will work and make use of the resulting insights for planning. Moreover, training will also take place in virtual reality ahead of installation. By the time the machines and software are up and running, Brim employees will already have a working knowledge of the factory set-up.

Marel is also testing the use of VR in its manufacturing and sales processes to accelerate the innovation cycle and reduce the cost of installations for customers.

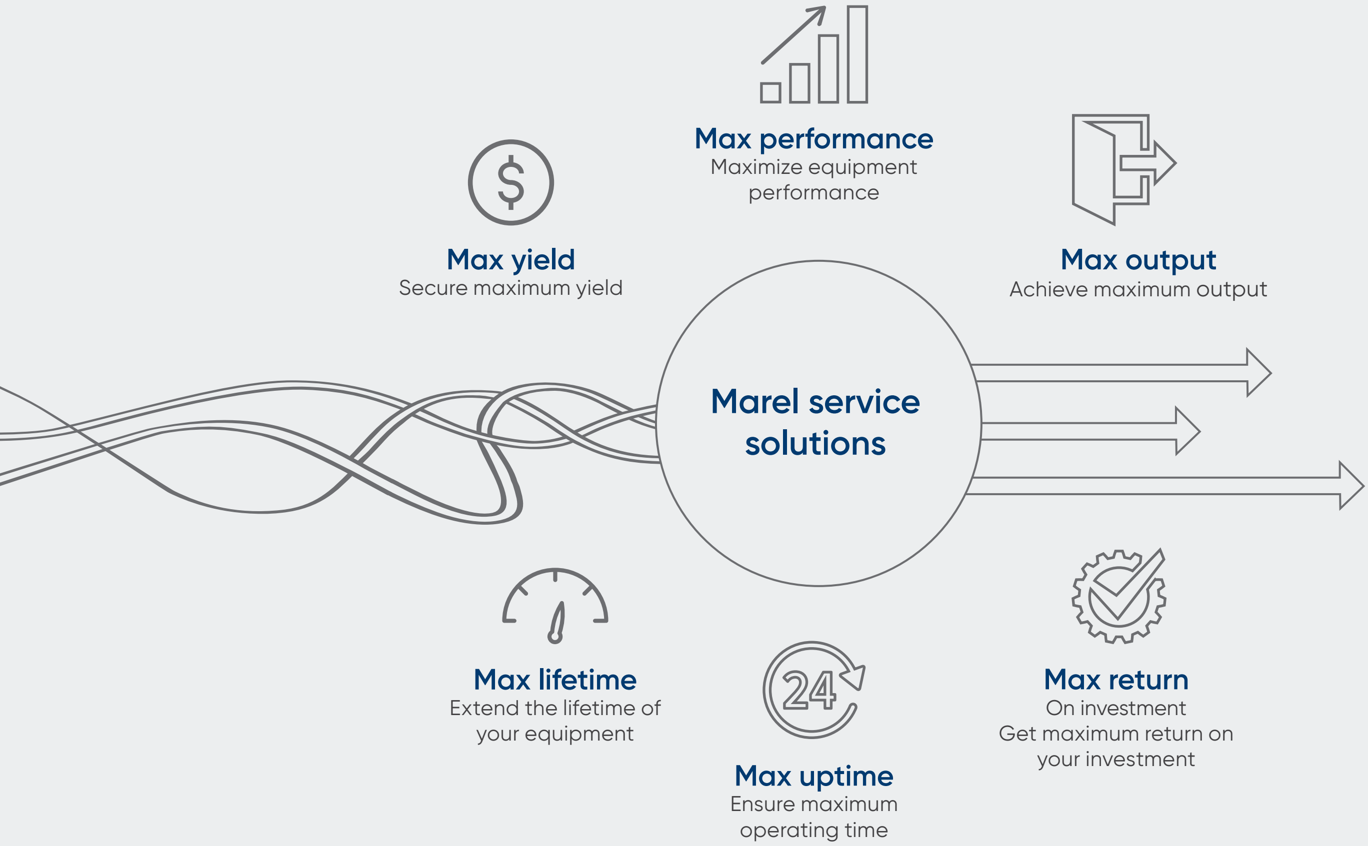
Global markets and service

part
person
Every role counts
one
thought

One of the keys to maximizing our customers' production efficiency and competitive edge is excellent service provided by a synchronized and skilled team of experts. Whether a spare part or an entire product range, our global sales and service team is ready and able to assist our customers and keep them on the right track, swiftly and surely.

Global markets and service

Marel has built its values and operations upon strong partnerships with our customers. We will only realize our vision of a world where food is produced sustainably and affordably through close collaboration with our customers. Through our strong global network, which stretches across 30 countries, our sales and service specialists work hand-in-hand with our customers every day.



Our customer's journey with us starts before the purchase of any equipment and extends well beyond installation. At every single step, we strive to work as a united Marel, for the benefit of our customers. We apply our process know-how when designing fit-for-purpose solutions for and with our customers. We build on our global network of sales experts and marketing efforts to meet and consult with customers in their search for the most optimal solutions for them. Ultimately, we bring our highly skilled service engineers to install equipment, full-lines and software that ensures optimal efficiency throughout the lifetime of our solutions.

In partnership with our customers, we are transforming the way food is processed.

Global markets

Marel's global network of dedicated sales representatives is one of the company's strongest and most visible assets. Our sales operations consist of local representatives in over 30 countries, with a network of more than 100 agents and distributors worldwide.

Our extensive global network allows us to serve large food processors and food retailers, as well as small and midsize enterprises, anywhere in the world. We train each of our sales specialists to work in one particular segment—fish, meat or poultry. With this expertise, our sales representatives are exceptionally well equipped in identifying the best possible solution(s) for each customer, based on their local needs. Our local sales representatives are always backed by our top-of-the-line global experts and support network. Through each step of this process, we're there to support our customers on-site, working in close collaboration.

Strengthening our global network

We listen to our customers. Based on their needs, we launched a program in 2019 designed to ensure a close relationship with customers and capture growth opportunities. We will strengthen our local presence while building on the advantages of being a global expert and innovative partner for our customers. The program ensures that the first point of contact for a customer is local, but that we can respond with highly skilled global technical expertise when needed. With this program, we are securing accountability and shortening communication lines internally both locally and globally—to benefit our customers. We have rolled this program out across Latin America and North America, with progress underway in Asia, Oceania, and China.

To that end, we appointed new regional general managers with a balanced mix of local knowledge and global business acumen. These general managers are leading the rollout of the program across both mature and growing markets to capture growth opportunities while building closer partnerships with customers.

New legal entity in Argentina

Previously, Marel operated through agents in the Argentinian market. As part of our effort to strengthen our local presence in Latin America, Marel has registered as a legal entity in Argentina as of October 2019. The move ensures that Marel will continue to operate in compliance with Argentinian legislation, while moving us closer to our customers.

In the region, we also engaged with a local logistics supplier to meet our customers' needs with greater speed and agility. As of January 2020, we were fully operational in Argentina, and we now hold a local inventory of maintenance parts for our fish, meat and poultry solutions.

Showcasing the latest innovations across the world

Marel takes a combined approach for sharing our innovations with the global food industry through exhibitions and events, as well as frictionless digital marketing. In 2019, we attended 43 events across the globe. These events presented us the opportunity to showcase convention centers full of eager representatives on how our software, hardware and service solutions will streamline their operations. Attendees observed up-close Marel's solutions for delivering consistently safe, high-quality and affordable food to consumers. Our bespoke ShowHow events only strengthened Marel's reputation as a transparent hub of innovation. ShowHows offer our customers an even more exclusive hands-on experience with our latest innovations.

In addition to introducing customers to innovations in Marel's top-of-the-line solutions at events, we also welcome a wide range of visitors to our locations worldwide. Marel frequently hosts investors, analysts, students, heads of governments, ambassadors, professional organizations and journalists who are eager to learn more about our transformational work.

In 2019, we also inaugurated a new structure for our marketing and communication arm, with the goal to unlock growth and refine our customer-centric approach.

Demo center and exhibitions

Every year, we meet with customers around the world at exhibitions. On these occasions, we showcase the latest innovations and technology for poultry, meat and fish processing. We demonstrate the power of our Innova software, which fully integrates with the entire production line, in tandem with presentations on our equipment.

43 exhibitions

held in 30 countries

Of the 43 exhibitions we attended across 30 countries, the International Production & Processing Exhibition (IPPE) in Atlanta, Georgia, US, IFFA in Frankfurt, Germany and Seafood Processing Europe in Brussels, Belgium were the year's highlights. At these well-attended trade shows, we proudly introduced our innovation teams' most high-tech solutions to date, including many significant product launches across the poultry, meat and fish processing sectors.

We emphasized our M-line robots, which automate primary processing steps, at IFFA, along with 20 other new solutions. The RoboBatcher Thermoformer, a fully automated solution for packing fish into thermoforms at high speed, was a big hit at Seafood Processing Europe in Brussels. IMPAQT—our software solution for poultry processors, provides real-time data-based insights into user operations—made an impact at poultry exhibitions. Last but not least, we introduced our new Compact Grader, an eight-gate cross-industry grading solution that was a popular at all events.

Bespoke events at our demo halls

At our dedicated demonstration facilities, we invited customers for bespoke experiences and unique events where we bring Marel's full-line solutions to life in a hands-on environment. Located in Copenhagen, Denmark, Boxmeer, the Netherlands, and Kansas City and Des Moines in the US, our demo facilities enable us to reach food processors directly. By creating an environment in which the public can experience our hardware and software solutions firsthand, we are able to deepen our relationships with the community while educating them about our products.

At the same time, our poultry, meat, whitefish and salmon Show-Hows—as well as our Software KnowHow events—are popular with customers and food processors interested in investing in technologies that improve yield, efficiency, safety and quality. Many customers return every year to speak with our experts, gain insights into the latest trends in food processing and, of course, to see Marel's newest technologies with their own eyes.

Making every sale simpler, smarter

Communication with customers is crucial. To that end, we are continuously working on improving and simplifying the customer experience including by using digital technology. In 2019, we started implementing a new tool that standardizes the format of sales quotes that establishes consistency in our interactions with customers. The tool makes it easier for our extensive global sales network to generate uniform quotes. This level of consistency, in turn, improves the customers' experience with the new quotes being easier to read and review. We've received positive feedback from our first users, which has encouraged us as we prepare for the global rollout to Marel's wider sales network.

The new tool links many internal processes for responding to and fulfilling customer orders. It helps streamline our operations. We are working with our customers to improve efficiency at every step of production. We do this by continually implementing new internal tools and better processes to streamline our operations. After all, our aim is to deliver the right product, of the highest quality, right on time to customers around the world.

Unifying the Marel brand

In 2019, Marel maximized brand awareness by emphasizing unity in our branding: We are one Marel. By focusing on messaging that presented our company as 'a single Marel,' we are bidding farewell to sub branding by industry. Marel Poultry, Marel Meat and Marel Fish are now, simply, Marel. In moving away from a siloed approach, we create clarity for our customers and lay a solid foundation for a dynamic and robust brand.

Awareness is vital to the success of that message. Regardless of the protein industry, our branding needs to educate our customers. Our branding will communicate that Marel offers all of its customers solutions that are high-tech, data-driven and designed with sustainability, food safety and traceability as cornerstones. Internally, we know that Marel strives to offer the same level of excellence and innovation across our product and service offerings. Now we will make a push to communicate this message better to the public. As food processors branch out into additional protein sectors, they'll be encouraged to take action to expand their partnerships with Marel, too.

A unified, strong Marel brand bears the hallmark of our vision of working in close partnership with our customers to transform the way that all food is processed. Together, we will build a more sustainable industry.

Global service

Time spent with customers
13% increase

Throughout our customers' journey with us, we strive to represent a united front - a one Marel. As a service-oriented operation, we emphasize assisting our customers in maintaining optimal production flow, uptime and output. In 2019, we performed over 2,000 installations worldwide. The installation of equipment represents a critical stage for us and for our customers on their journey with us. The true value of opting for Marel comes to life during installations. In essence, our customers see how our innovative equipment and our competent service delivery combines to add value to their operations. We work together across service and sales to ensure that our customers have a seamless experience. From the first meeting, on through installation and Marel solutions up and running at their plants—we are there for them.

Our maintenance operations are one of our primary sources of revenue, 37% in 2019, and growing due to our reputation of dependability, competence, and availability. Our customers operate all over the world, 24 hours a day—and so do we. Our attentiveness to our service and spare parts aspect of the business is tremendously valuable as a clear source of growth. More importantly, it creates value for customers and shareholders alike.

2,112 installations in 2019
in over 80 countries

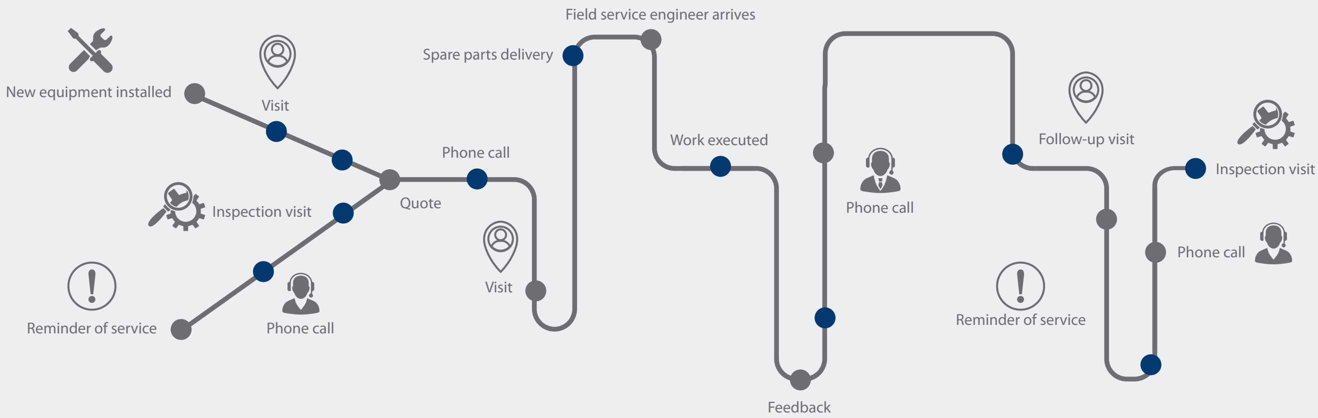
In 2019, we took measures to ensure that we have a diverse team of service engineers with the right skills close to our customers. We focus on optimizing our utilization, with the ultimate objective of securing customer uptime. Also, we took steps to improve our spare parts business, acknowledging that this is extremely important for a superior customer experience.

Our proactive approach to service, therefore, includes preventive maintenance, spare parts packages and long-term service contracts. Our experience shows that a growing number of customers prefer this way of working and welcome a close partnership with Marel. Ultimately, proactivity prevents downtime in their production facilities and supports consistent peak productivity.

Customer journey

From our data, we know that once we have installed the base, we enter into a relationship with a customer that lasts on average, ten years. Through these long-lasting partnerships, we offer our customers the best possible experience. We take a proactive approach to maintenance, but we also respond quickly to specific service requests. Through our well-established and insightful local presence, and the backing of our global competence center, we offer a personal experience that taps into an extensive knowledge base. Every touchpoint is significant. We make sure that it's easy for our customers to work with us.

Customer service journey



Case study

Marel delivers top-service with SLA at Vega Salmon

Vega Salmon, a salmon processor in Europe, has transformed in recent years because of booming consumer appetite for salmon. Marel's long supplied Vega with equipment they need to run an efficient factory; that commitment has always meant offering top-notch on-site service.

In 2016, Marel and Vega Salmon agreed upon the terms of an SLA, drying the ink on this new phase of our relationship. The SLA is a fluid agreement that's regularly updated to include new machinery and other needs.

Rasmus Graversen, Head of Operations at Vega Salmon, praised Marel for its unique role in their operations, saying *"Marel has a great deal of knowledge and special competences with the machines. The more in-house knowledge we gain, the better we handle the machines."*

"It's not just one fixed piece of paper," he concluded, it's alive."

Data-driven approach to our customers success

Just as we take a data-driven approach to the solutions we design, manufacture, sell and service, we similarly apply a data-driven approach to improving customer relationships and our service business.

As an important step towards improving our customers' journey with us, we collect insights regularly on how our customers perceive us and the services we deliver to them. To that end, we are using the Net Promoter Score (NPS) customer survey methodology. We have incorporated this as a critical element of our service strategy.

Since implementing NPS in 2018, we've analyzed a massive amount of feedback and taken actions based on these insights. For example, we have made strides in uniting teams across our service, sales and supply chain operations to explore how to improve our spare parts business with a seamless customer journey in mind.

We contact customers who report disappointment with our service delivery to learn more about their dissatisfaction to improve and act accordingly towards solving claims continuously. In this way, customer feedback triggers continuous actions by our service teams and offer valuable opportunities to learn and become better.

Apart from identifying areas for improvement, the survey results also highlight our strengths. Our customers rated the quality of our work and our service engineers' knowledge as the main reasons for high ratings. The know-how that we've built up over decades, along with continuous training and development for our experts, underpin our reliable field operations and increase customer satisfaction.

Main reason for high NPS score

Knowledgeable field service engineers

The right part at the right time and place

Whether a customer operates a full-line machine or a single one, our goal is to ensure that each product always works at full capacity. To remain a trusted partner for our customers, we must proactively work to facilitate constant uptime. Our spare parts operations are essential to this mission. Both customer survey responses and our own experience tell us that we best serve our customers through a fast and straightforward order and quote process with a dedicated supply chain for spare parts, and proactive communication for maintenance. We are therefore organizing our own spare parts operation by building a central spare parts management unit, with local inventory and dispatch.

Customer sites serviced in 2019 by country

Competent, no matter what

By merging the product data we collect through our software solutions together with our service engineers' expertise, we have the strongest insights into developing new solutions. We are making strides towards reimagining the setup of our service organization that includes an expert-driven competence center for service.

By bridging the divide between technical data and expert observations, we're able to more effectively coordinate customer support and ensure that expertise is offered to all customers globally. In practice, that involves making service experts with the right skills, experience, and language capabilities available to customers. These experts will proactively visit processing. Moreover, we're making improvements to our internal structure by further tapping into a wealth of product insights and expert skills and knowledge collected through our many touchpoints internally and with customers. This approach will allow us to put our assets to work in the best way possible and when and where it is relevant.

Innovation in service

We are true to our values across the company, and service is no exception. Technology is as much a focal point for our service offerings as it is in our hardware and software catalog. As a company, we're naturally curious, and it's evident in our tireless pursuit of developing the latest technologies.

In 2019, we achieved major milestones in the development of new digital service products. With the Internet of Things (IoT) and cloud technology with guaranteed SLAs, we're able to offer real-time monitoring and predictive maintenance solutions for maximum uptime. These solutions provide our customers with valuable insights into proper maintenance and optimal equipment operation.

The integration of new technology into our operations means that we can now detect and resolve problems faster and provide early warnings of changes in performance. We monitor critical components with predictive maintenance solutions. Often, our customers are open to innovating in partnership with us to try new ideas in real food processing environments. It is here that the strength of our predictive models in determining the optimal time to carry out specific maintenance operations is readily apparent to our partners. This approach to maintenance means that we can replace spare parts before issues arise, benefitting our customers and our shareholders. It even contributes to our value of sustainability by lengthening the lifetime of individual components. Drawing on pattern analysis and big-data processing, we can detect possible breakdowns before they happen with high accuracy.

In today's high-speed processing environments, compromise—whether it's a minute of downtime or a sudden drop in performance—is costly. Our service offerings, combined with our holistic solutions for the meat, fish and poultry processing sectors, industry-leading technologies and strong partnerships, gives food processors an advantage and propels Marel as a visionary in the future of food.

Global supply chain

one
gram
Every part counts
person
percentage

When it comes to groundbreaking innovations, is the whole greater than the sum of its parts? Absolutely. Our global supply chain is built on quality, responsiveness, and efficiency. Our solutions can work at full capacity at all times, minimizing downtime, maximizing yield and preserving nature's precious resources.

Global supply chain

Marel's global supply chain team consists of over 2,450 people who support innovation and manufacturing of equipment and spare parts. Our experts make sure that production runs on schedule. Whether it is the modernization of an existing plant, a large greenfield project or stand-alone equipment and spare parts, we deliver and service according to our customers' requirements. To achieve this synergy, we work closely with our partners, distribution network and key suppliers of raw materials and spare parts around the world.

Together with our four main distribution centers, we now run 14 manufacturing sites for equipment and spare parts that support our extensive service platform.

Streamlined manufacturing, coupled with the co-location strategy that we implemented in 2017, allows us to distribute the production load across locations. Distributed production enables greater flexibility for cost management, mitigates global trade risks and ensures optimal lead-times.

Quality, responsiveness and efficiency are the cornerstones of our supply chain. We base our approach on a simple objective: ensure that all our solutions and spare parts are produced at the right cost, the highest quality with on-time delivery to the right place.

Our global supply chain supports Marel's strategy and growth plans that we created with our customers in mind. That's how we plan the activities that make up our supply chain, including manufacturing, logistics, spare parts and distribution.

Manufacturing

Manufacturing at Marel is undergoing a transformational shift both how we produce equipment and where. Automation and robotization are becoming increasingly valuable. Our new facility in Dongen, the Netherlands, implements class-leading manufacturing technology while meeting the highest safety and environmental standards.

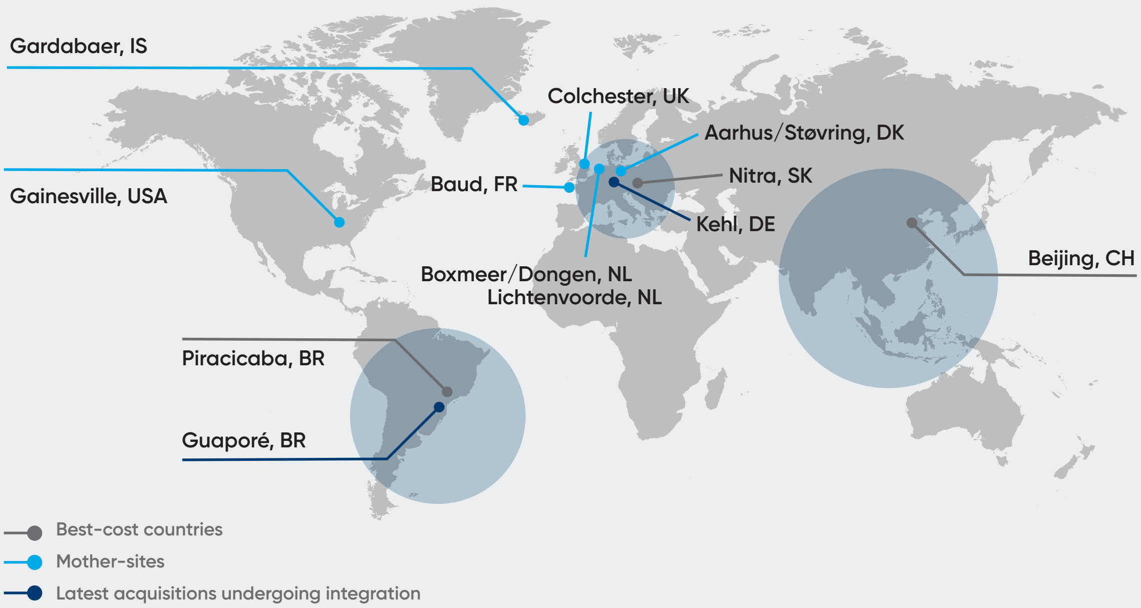
Committed to safety

We want to help our employees thrive. In 2019, we took steps to support them by investing in leadership training related to health, safety and the environment. Over 110 directors and their teams have successfully received the internationally recognized Institute of Occupational Safety and Health (IOSH) Managing Safely Qualification. Our managers, in turn, are tasked with leading safely by educating and training their teams. We want to ensure that qualifications are maintained and that every member has the right knowledge and skills to contribute to a workplace that not only supports the health and safety of all but also champions the environment.

Co-location to optimize costs

Co-location is an integral element of our supply chain strategy. Co-location involves conducting the production of mature products in optimal cost locations, rather than innovation centers, or so-called 'mother-locations.' Co-location has three main benefits: production is moved nearer to our customer base, reduced production costs and increased distribution capacity and flexibility. In recent years, this strategy has led to a significant growth in volume in Nitra, Slovakia. In 2019, we focused on co-locating a range of products and moving those production centers to Nitra from our mother-locations in Denmark, Iceland and the Netherlands.

Global manufacturing platform



In 2019, we focused on supply chain investment and automation in both robotic welding and our warehouse operations. Warehouse investments improve labor efficiency and allow us to better manage volume increases in service parts and new equipment components.

In November 2019, we officially opened our new greenfield facility in Dongen, Netherlands, which spans 2,000 square meters and is equipped with the latest manufacturing technology for the production of small precision parts. The new facility—and the processes within it—are designed to meet the highest health, safety and environmental standards.

Spare parts

Customer demand for spare parts predictability and availability has increased worldwide. We expect this trend to continue in 2020. As a result, we are investing in strengthening our end-to-end spare part processes, our infrastructure, capabilities, and competencies.

Case study

Marel's state-of-the-art facilities open doors

In 2019, Marel decided to modernize its production facility in Dongen, the Netherlands to make it safer, healthier, and more efficient.

Now, the center is state-of-the-art. All equipment, services and logistics at the new production center have been revamped to meet the highest standards of quality, safety, and even ergonomics. Since the center opened its doors, we've received positive reports from local staff.

"We want to offer our employees the best conditions to work in. During these last weeks of transition, we have already seen our people working here with even more motivation and enjoyment," Folkert Bölger, Executive Vice President of Global Supply Chain at Marel, said.

Taking joy in your work is sometimes a challenge, and Marel is on a mission to create safe work environments where our employees thrive. Whether it's the social atmosphere in the workplace, lifelong learning opportunities, or higher productivity because of better processes and equipment, we aim for excellence in the workplace. Our growth depends on our employees.

"When this new environment contributes to a higher job satisfaction, it will almost naturally lead to the best possible production," Bölger smiled.

Excellence throughout the entire supply chain

Building partnerships

Our end-to-end processes must be seamless to meet the needs of our customers. In 2019, we refined our methods by implementing our global operating platform, which includes IT systems and processes at our locations in Aarhus, Denmark and Gardabaer, Iceland.

Our suppliers are critical links in our supply chain. Their performance is essential for on-time delivery of high-quality products affordably.

In 2019, we committed to strengthening our focus on preferred suppliers that are eager to contribute to growth at Marel. We based our selection of preferred suppliers on a clear sourcing strategy for each category, including motors, bearings, belts, and sensors. This strategy is applied by a dedicated team that consists of leaders in global procurement and innovation. In 2019, we held supplier events at our sites in Gainesville, Georgia in the US, and in Boxmeer, the Netherlands, to notify our preferred suppliers about the future of Marel, including our strategy for our supply base.

Event

Building fellowship at Marel's inaugural global supplier gathering

In December 2019, 120 representatives of our supplier companies joined us for our inaugural Supplier Event in Boxmeer, the Netherlands. Innovation—in the way we work, in the technologies we invent—was the chief the order of business.

In bringing together a distinct cohort of Marel suppliers, we strengthened the ties of our community, cultivating a culture of excellence through collaboration and transparency.

The event was a hit with our attendees, and speakers' charisma and enthusiasm created a pathway to forging stronger bonds with our suppliers. Key leaders at Marel shared their knowledge of industry trends, imparting essential information about Marel's strategy to tap into them. With an eye to the future of food technology, our leaders delivered forward-thinking presentations that underscored the ways in which we can work together to build a unified Marel (and participants enjoyed a lovely dinner, too).

Standardizing components

Marel began to create catalogs of components in 2019. We aim to drive standardization by focusing on a set number of components that are used in a wide array of products. In other words, we have chosen components that can be used to build as many of our products as possible. By doing so, we are reducing the complexity of our supply chain. In 2020, we will create catalogs for all relevant categories.

In 2019, our partnerships with our contract manufacturers thrived. Our partners source and produce parts and assemble modules, or whole products, on our behalf. Many of them increased the volume, number of modules, or the number of products they manufacture for us over the year. The majority of these partners have a strong presence in best-cost countries.

New quality and concern management system launched

Over the year, we designed a new quality and concern management system, called TRACK, which serves as a global collaboration platform to enable and strengthen problem-solving across our organization.

Our initial focus was on manufacturing and we progressively rolled out the system across our production plants. TRACK challenged the status quo and the established problem-solving capabilities, while increasing the collaboration between individuals across sites and supporting functions.

The second phase of developing TRACK, and subsequent update to the tool, significantly improved the quality of our data and the transparency of our problem-resolution processes.

As a result, accountability and performance have surged. For example, we noted a 50% decrease in the average time needed to resolve both internal and external issues relative to 2018.

Shares

part
gram
Every journey counts
second
thought

Marel is a robust international community of shareholders, each of them on their journey with us. Some have been with us from the start, whereas others have only recently joined us. Their number of shares varies, but they are all on the same journey towards success. Every one of them counts.

Shareholder information

Marel has been listed on Nasdaq Iceland and its predecessor since 1992. As of 7 June 2019, the company's shares are listed both on Nasdaq Iceland and Euronext Amsterdam, under the ticker MAREL and ISIN IS0000000388. The authorized share capital is 771,007,916 each with a par value of ISK 1.00. Marel's home Member State is Iceland.

Listed on Nasdaq Iceland

since 1992

Listed on Euronext Amsterdam

since 2019

Shareholder structure

Eyrir Invest hf. is Marel's largest shareholder, holding 24.69% or 190,366,838 shares. Eyrir Invest has been a principal shareholder in Marel since 2005. In addition, the Icelandic Pension Fund of Commerce (Live), the Icelandic Pension Fund for State Employees (LSR) and Capital Group had announced holdings above 5% in Marel at year-end 2019.

As of 31 December 2019, Marel held 10,773,814 shares or 1.40% as treasury shares.

All Marel shares listed on Euronext Amsterdam, including shares transferred from Nasdaq Iceland to Euronext Amsterdam, are held in custody on behalf of Euroclear. No single shareholder holding shares only in EUR currently exceeds the threshold of 5% of total share capital. As of year-end 2019, 193.9 million shares or 25% of Marel's total issued shares were listed on Euronext Amsterdam.

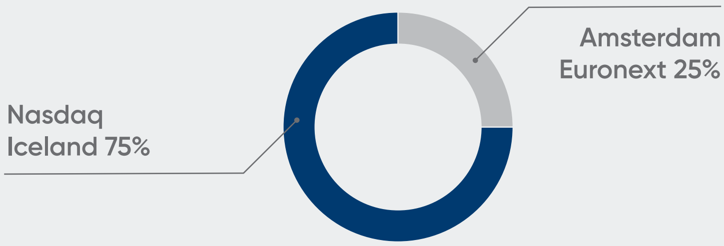
Shareholders who hold shares in Marel on Nasdaq Iceland and Euronext Amsterdam have identical voting rights and the same rights to dividends. The free float as of year-end 2019 was 75.31%.

Following the listing on Euronext Amsterdam, the proportion of international shareholders has grown from around 11% at year-end 2018 to more than 30% at year-end 2019.

More than 4,700 investors participated in the Euronext Amsterdam share offering. Including cornerstone investors, long-only institutional investors were allocated around 79% of shares, with hedge funds around 16% and 5% allocated to retail investors from Iceland and the Netherlands. Prior to the dual-listing, Marel had approximately 2,500 shareholders.

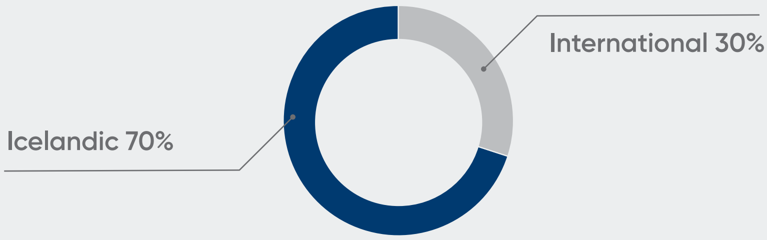
Marel shares listed

As of year-end 2019



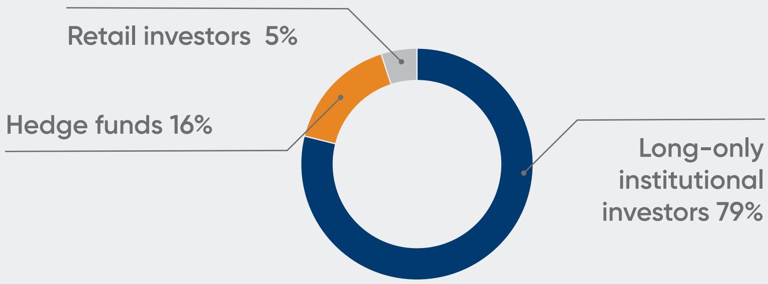
Shareholder composition

As of year-end 2019



Investor composition

Euronext Amsterdam listing June 2019



Trading data for 2019 and 2018

	2019	2018	Unit
Market capitalization:*			
Nasdaq OMX Iceland	473.4	252.6	ISK bn
Euronext Amsterdam	3.5	-	EUR bn
Share price at year end:			
Nasdaq OMX Iceland	614	370	ISK
Euronext Amsterdam	4.55	-	EUR
High / Low price per share:			
Nasdaq OMX Iceland	629 / 367	402 / 320	ISK
Euronext Amsterdam	4.70 / 3.83	-	EUR
Dividend per share	5.57	4.19	EUR cents
Earnings per share	15.33	17.95	EUR cents
Price-to-earnings ratio	29.68	15.47	P/E
Issued shares	771.01	682.59	Million
Outstanding shares	760.23	671.82	Million

* Issued shares multiplied by share price at last trading day of 2018 and 2019

Nasdaq Iceland

Marel is the largest company listed on Nasdaq Iceland by market capitalization. The market value of the company at year-end 2019 was ISK 473.4 billion (EUR 3.5 billion) compared to ISK 252.6 billion (EUR 1.9 billion) at year-end 2018, an increase of ISK 220.8 billion.

Marel's share price rose by 66% during 2019. At year-end 2019, Marel's share price was ISK 614.00, compared to ISK 370.00 at the end of 2018. Marel's average end-of-day spread for 2019 was 0.83%.

Marel's shares were the most actively traded on Nasdaq Iceland in 2019. Shares in Marel were traded 4,682 times in 2019 (2018: 3,680 times) for a total market value of ISK 117.5 billion (2018: ISK 96.8 billion), which corresponds to a velocity rate of 31%. As of year-end 2019, 577.1 million or 75% of Marel's shares were listed on Nasdaq Iceland.

Since 2 December 2019, Marel has been included in the VINX benchmark index by Nasdaq OMX Nordic. Based on free float, market capitalization and turnover among other factors, Marel is the only Icelandic company represented in this index.

FTSE Russell has reclassified Iceland to a Frontier market and Marel was added to the FTSE Frontier Index Series, effective 20 September 2019.

Marel has agreements with Kvika banki hf. and Íslandsbanki hf. for market making in its shares. The purpose of these agreements is to improve liquidity and enhance transparent price formation in the company's shares on Nasdaq Iceland.

All of Marel's regulatory announcements relating to Nasdaq Iceland can be found at **www.nasdaqomxnordic.com**.

Marel share price on Nasdaq OMX Iceland in 2019 compared to OMX Iceland 10

Euronext Amsterdam

Marel is a top-six company listed on Euronext Amsterdam, by free float market capitalization. The market value of the company at year-end 2019 was EUR 3.5 billion, compared to EUR 2.8 billion at the point of listing on 7 June 2019, an increase of EUR 0.7 billion.

Marel's share price rose by 17% since its dual-listing on 7 June 2019 on Euronext Amsterdam. At year-end 2019, Marel's share price was EUR 4.55, compared to EUR 3.90 at the end of its first trading day. Marel's average end-of-day spread for 2019 was 0.93%.

Shares in Marel were traded 30,000 times in 2019, for a total market value of EUR 75.1 million, which corresponds to a velocity rate of 2.54%. As of year-end 2019 193.9 million or 25% of Marel shares were listed on Euronext Amsterdam.

All of Marel's regulatory announcements relating to Euronext Amsterdam can be found at **www.euronext.com/en/markets/amsterdam**.

Marel share price on Euronext Amsterdam in 2019 compared to AEX

Story

Dual listing of shares

On 7 June 2019, Marel began trading on Euronext Amsterdam, marking the dual listing of Marel on both Nasdaq Iceland and Euronext Amsterdam. The dual listing on Euronext Amsterdam complements our existing listing on Nasdaq Iceland and is a natural next step in Marel's growth strategy.

By listing on an international stock exchange in addition to Nasdaq Iceland, Marel increases the visibility of its brand and access to a broader international investor base. In addition, the dual listing strengthens Marel's capital structure and provides us with a global currency for acquisitions, to support our ambitious growth strategy.

Share capital

As of 31 December 2019, the authorized share capital of the company was ISK 771,007,916 represented by 771,007,916 shares issued, each with a par value of ISK 1.00, and 760,234,102 shares outstanding with 10,773,814 shares held by the company.

Stock options are granted to management and selected key employees. Granted and unexercised stock options totaled 19.2 million shares at the end of the year (2018: 11.9 million shares), of which 2.9 million (2018: 1.7 million) were exercisable at the end of 2019. The remainder will become vested in the years 2020 to 2022.

At the company's 2014 Annual General Meeting (AGM), shareholders authorized the Board of Directors to increase the company's share capital by 35 million shares to fulfill stock option agreements. This authorization was valid for five years following its adoption. This authorization was renewed at the company's 2019 Annual General Meeting and the renewed authorization applies for five years from its adoption. No new shares were issued in 2019 under this resolution.

Share buy-back program

During the extraordinary shareholders' meeting on 22 November 2018, it was resolved to authorize the Board of Directors of Marel to initiate a share buy-back program, valid for 18 months.

The main purpose of the program was to reduce the company's share capital, where the shares purchased may also be used to meet the company's obligations under share incentive programs with employees. As part of the share buy-back program, as approved in the extraordinary shareholders' meeting on 22 November 2018, Marel purchased 16.2 million shares (EUR 48.8 million) in the period 5 December 2018 to 5 March 2019, of which 12.1 million shares (EUR 37.6 million) were purchased in 2019. During 2019, Marel sold 0.5 million treasury shares for EUR 0.9 million.

At the company's Annual General Meeting on 6 March 2019, it was resolved to reduce the company's share capital by 11.6 million shares, from 682.6 million shares to 671.0 million shares. The reduction was executed by way of cancelling 11.6 million of the company's own shares of ISK 1 each. The company's share capital was reduced in connection with the preparation for the dual listing of the company, for the benefit of shareholders. At the same Annual General Meeting, it was resolved to authorize the Board of Directors to increase the company's share capital by as much as ISK 100 million nominal value, by issuing new shares. Shareholders waived their pre-emptive rights to subscribe for these new shares, which were used in an offering of shares in connection with the dual listing of the company's shares.

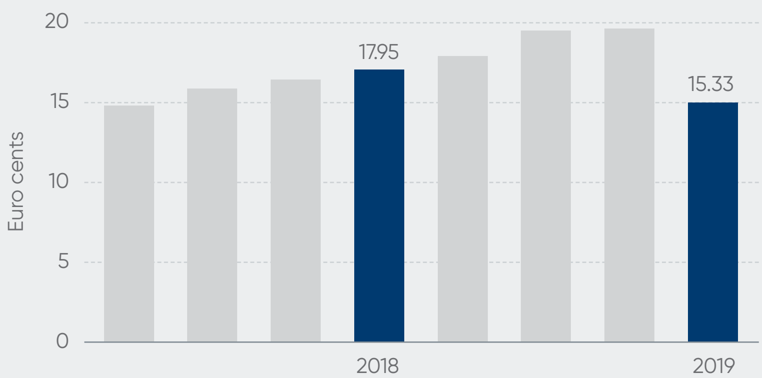
At 31 December 2019 Marel's issued shares totaled 771.0 million (31 December 2018: 682.6 million). At the same time Marel holds 10.8 million treasury shares (31 December 2018: 10.8 million).

Earnings per share

Earnings per share (EPS), measuring the amount of net income earned per share of stock outstanding, was 15.33 euro cents in 2019, decreasing by 14.6% over the previous year. Earnings per share partly affected by one-off finance cost related to refinancing and loss because of revised corporate tax rate in the Netherlands. In addition, earnings per share were impacted by the higher number of outstanding shares issued and sold in connection with the dual listing on Euronext Amsterdam. Earnings per share expected to grow faster than revenues.

Earnings per share

Trailing twelve months, by quarter



Dividends

The Board of Directors has proposed that a dividend of EUR 5.79 cents per share be paid for the operational year 2019, corresponding to approximately 40% of profits for the year.

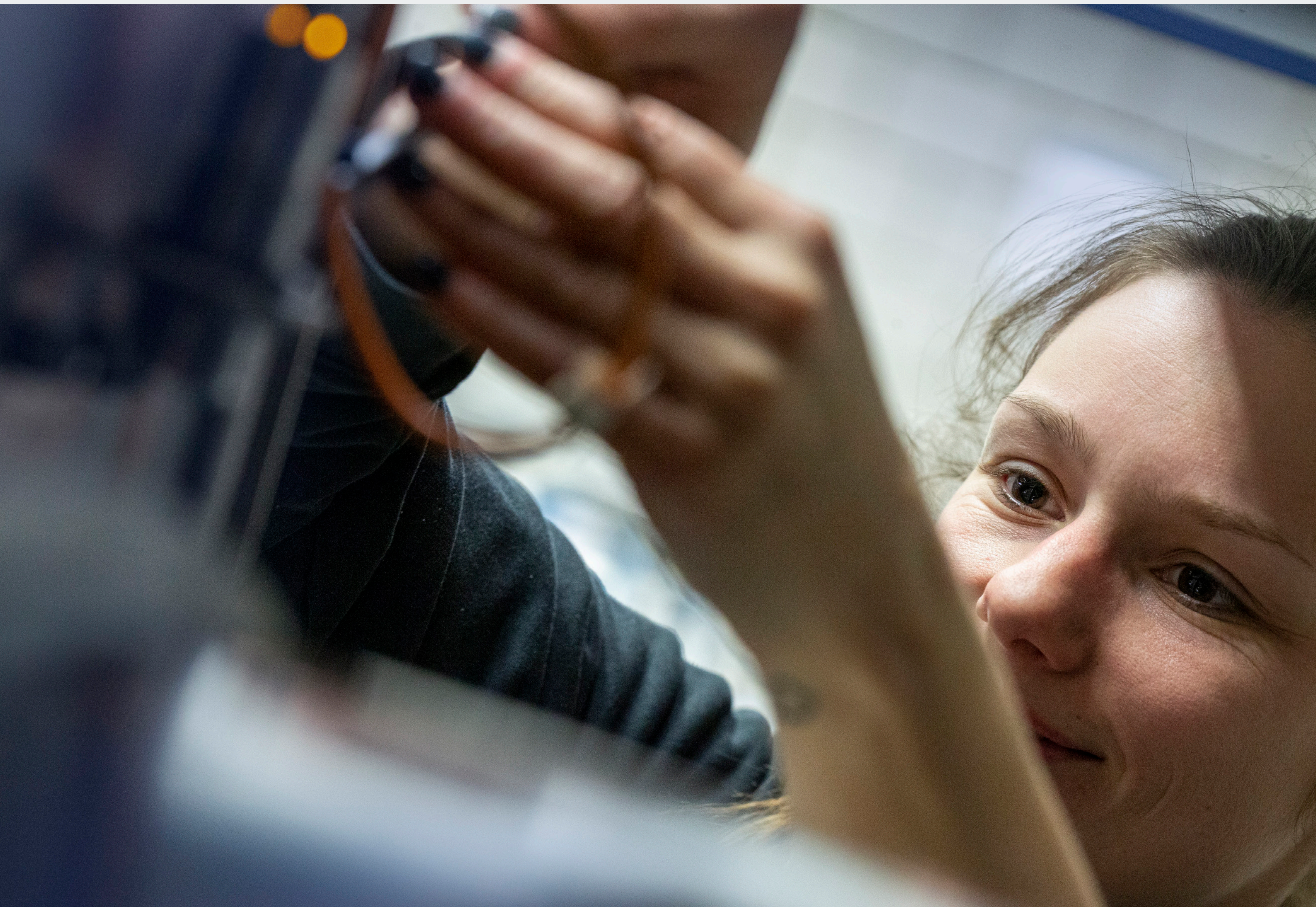
The proposed dividend is in line with Marel's targeted capital allocation and dividend policy, i.e. a dividend policy of 20-40% of net earnings and a targeted leverage ratio of 2-3x net debt/EBITDA.

Dividends for 2019
40% of net profit

Dividend history

Year of payment (for previous year of operations)	2019	2018	2017	2016	2015
Dividend per share EUR cents	5.57	4.19	2.14	1.58	0.48
Dividend yield, %*	2.00%	1.60%	1.00%	0.90%	0.50%
Payout ratio, %**	30%	30%	20%	20%	30%
Ex. Dividend date	Mar 7	Mar 7	Mar 3	Mar 3	Mar 5
Record date	Mar 8	Mar 8	Mar 6	Mar 4	Mar 6
Payment date	Mar 27	Mar 27	Mar 23	Mar 23	Mar 27

***Dividend yield, %:** Dividend per share / Price per share at previous year-end
****Payout Ratio:** Total dividend paid / Net income of previous year



Financials

part
role
Every number counts
person
thought

Four decades ago, we introduced our first product: an electronic scale. Ever since, we have enjoyed steady growth and an increasing market share in the global food processing industry. A secure financial standing allows us to invest significantly in innovation, carrying out our mission to provide safe and sustainable food for all.

Key figures

For the full year, revenues were EUR 1.3 billion, with a 13.5% adjusted EBIT margin.

- Strong position in a dynamic growth market
- Continued growth momentum in aftermarket revenues
- Solid cash flow and strong financial position
- Successful dual listing on Euronext Amsterdam

2019 in brief

Financials highlights

Revenues

EUR 1,284 million

Adjusted EBIT

EUR 173 million

Orders received

EUR 1,222 million

Order book

EUR 414 million

Arni Oddur Thordarson CEO

"In 2019 we delivered revenue growth of 7%, reaching close to EUR 1.3 billion while EBIT was slightly down between years. The recent 18 months have been challenging and geopolitical tensions and trade constraints have made their mark. Continued innovation and a global reach has enabled Marel in partnership with its customers to navigate well through this period.

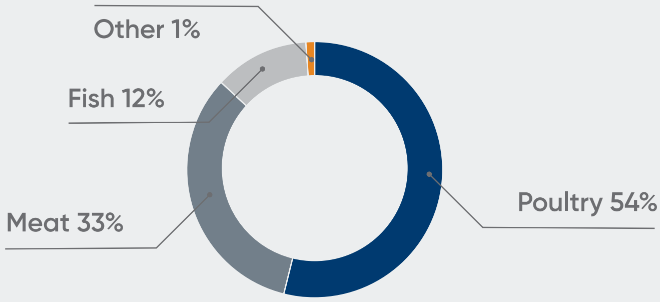
We're entering 2020 on a strong note, especially in the poultry segment where investment appetite is clearly stepping up. We had a great last week at IPPE, the annual Poultry and Meat trade show in Atlanta, US. There we demonstrated several new solutions that break new boundaries in automation and operational efficiency to deliver safe and affordable food produced in a sustainable way. It was one of our strongest shows with a pipeline of projects converted into orders. One of them with Bell & Evans, a truly inspiring partner with whom we will be working closely on a new transformational state-of-the-art greenfield poultry processing plant in the US.

Due to change in geographical and product mix last year, we took on higher costs which affected gross margins and operational costs leading to lower operational results in 4Q 2019. As we ramp up production, we expect that revenues and operational results will gradually improve over the course of the year. After investing in Marel´s global IT platform and infrastructure, we are well positioned to streamline the supply chain and support functions while continuing to invest in digitalization and customer facing sales and service platform.

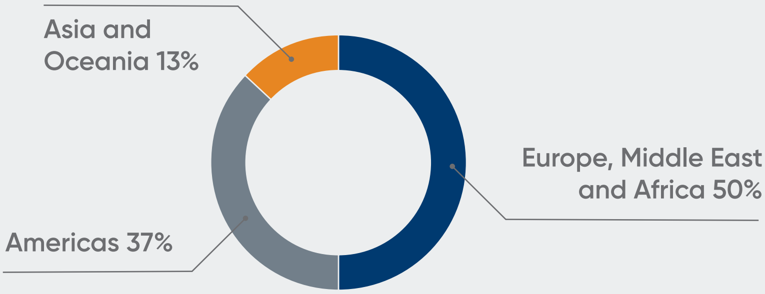
All in all, 2019 was an eventful year where we strengthened the foundation with strategic moves and investments. The successful listing of shares on Euronext Amsterdam in June, and the new EUR 700m long-term financing will play a pivotal role in our ambitious 2026 growth and value creation strategy."

Good quality of earnings

Revenues by business segment



Revenues by geographical location



2019 in review

For the period 2017-2026, Marel has set a target of a 12% average annual increase in revenue, through both organic growth and acquisitions.

Marel remains committed to its long-term strategy

Marel´s growth plan involves capitalizing on strong innovation investment, to drive expansion and market penetration. The focus is on strategic partnerships and acquisitions to fill gaps in the value chain, and to augment our full-line product offering.

Successful listing on Euronext Amsterdam

We met all of our key objectives with the dual listing in June, in particular to expand the international investor base, increase brand awareness and analyst coverage, realize a more liquid aftermarket and provide an acquisition currency to support our long-term growth ambition.

More than 4,700 investors participated in the offering, compared to approximately 2,500 shareholders Marel had prior to the dual listing.

Strategic partnerships

In June 2019, Marel acquired a 14.3% interest in the Canadian software company Worximity Technology. In the next six months, Marel will bring its total ownership to 25%. Worximity offers real-time cloud data collection and analytics solutions and is compatible with Marel´s proprietary software platform, Innova.

In September 2019, Marel and TOMRA Food formed a long-term strategic partnership, with the ambition of bringing new sensor-based sorting and processing technologies to optimize value, reduce waste and increase food safety in the global poultry, meat and fish industry. Together, we will collaborate on sales and R&D, leverage each other's distribution and sales networks, and supply chain commercial prospects.

Acquisitions

In October 2019, Marel acquired a 50% stake in Curio, an Icelandic equipment provider for the seafood industry. Curio's product portfolio of deheading, filleting and skinning solutions is highly complementary to Marel's existing portfolio of fish processing solutions and brings Marel closer to becoming a full-line provider to the global fish industry.

In October 2019, Marel also announced its acquisition of Cedar Creek Company, an Australian provider of specialized software and hardware solutions to meat, poultry and seafood processors. Cedar Creek's technical expertise and solutions complement Marel's commitment to innovation and its Innova software.

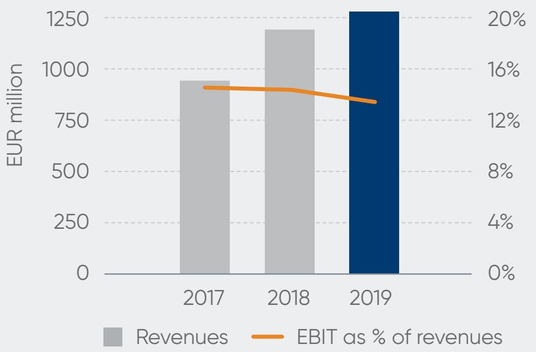
New favorable syndicated credit facility

In December 2019, Marel received commitments from current and new banking partners for a new EUR 700 million revolving credit facility, with a tenor of five years and two one-year uncommitted extension options. The new facility was signed in February 2020 and will replace the current senior syndicated facility. This gives us strategic and operational flexibility to support our 2026 strategic vision for further growth and value creation.

The new credit facility's interest terms are EURIBOR/LIBOR +80bps, which will vary in line with Marel's leverage ratio (Net debt/EBITDA) and facility utilization level. It also includes a sustainability linked incentive structure, whereby we undertake to meet a set of sustainability key performance indicators (KPIs). This supports our strong commitment to fulfilling our vision of a world where quality food is produced in a sustainable and affordable way.

Revenues and EBIT

As percentage of revenues

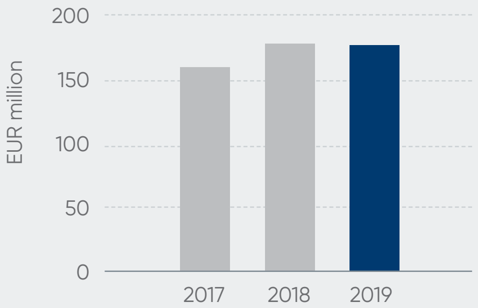


Note: Operating income adjusted for PPA related costs, including depreciation and amortization.

Orders received

And development of order book

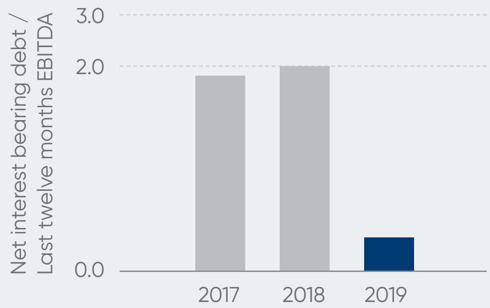
Adjusted EBIT



Note: Operating income adjusted for PPA related costs, including depreciation and amortization.

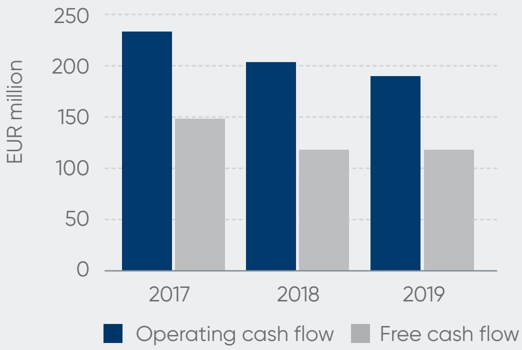
Leverage

Net interest bearing debt / LTM EBITDA

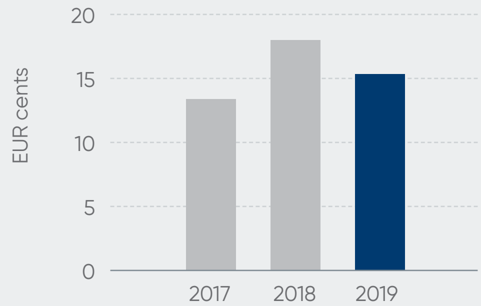


Note: Targeted capital structure of 2-3x net debt / EBITDA.

Cash flow



Earning per share



Financial performance

Solid revenues and orders received

With the installed base continuing to grow worldwide, a significant proportion of Marel's revenues derive from recurring service and spare parts revenues. This generated around 37% of revenues in 2019.

Revenues totaled EUR 1,284 million, up 7.2% compared to 2018. Adjusted EBIT was EUR 173 million, compared to EUR 175 million in 2018. The adjusted EBIT margin was 13.5%, against 14.6% in 2018.

Orders received were EUR 1,222 million in 2019, up 3.2% from EUR 1,184 million in 2018. The order book stood at EUR 414 million at year end, or 32% of trailing twelve-month revenues. The book-to-bill ratio was 0.95 at the year end, compared to 0.99 in 2018.

Greenfields and large projects with longer lead times constitute the vast majority of the order book, while services, spares and standard equipment have shorter lead times and run faster through the system.

Trade constraints and geopolitical uncertainties delayed our customers' investment decisions in the latter part of 2019. However, Marel's competitive position remains strong and we signed large orders at the beginning of 2020, reflecting the robust demand for innovative high tech equipment and software for smarter food processing.

Solid cash flow and strong financial position

Both operational cash flow and free cash flow were strong in 2019. Free cash flow amounted to EUR 115 million in 2019, compared to EUR 121 million in 2018. Marel continues to invest in its platform to improve efficiencies and create more agility in its supply chain and sales force.

Net debt/EBITDA including lease liabilities was x0.4 at year-end 2019, compared to x2.0 at the end of 2018. Our current leverage is well under our targeted capital structure of x2-3 net debt/EBITDA, giving us the financial capacity to support further growth and value creation.

Industry performance 2019

Marel is a leading global provider of advanced food processing equipment, systems, software and services with balanced exposure to all three animal protein industries and processing stages. Global reach and focus on full-line offering across the poultry, meat and fish industries counterbalance fluctuations in customer demand.

Marel Poultry

Marel Poultry's competitive position remains strong on the back of its established full-line product range, including standard equipment and modules, and service and spare parts revenue from its large installed base worldwide.

In 2019, revenues for Marel Poultry were EUR 690 million, up 8.2% from 2018. EBIT was up 2.8% to EUR 121 million and the EBIT margin was 17.5%.

In the second half of the year, trade constraints and escalating geopolitical uncertainties delayed investment decisions by customers. However, we saw an acceleration of orders from outside our traditional markets of Europe and North America, with the pipeline building up again in Europe and the US at the back end of Q4 2019.

Marel Meat

Marel Meat is a full-line supplier to the meat processing industry, following the acquisition of MPS, with further bolt-on capabilities added with the acquisitions of Sulmaq and MAJA.

In 2019, revenues for Marel Meat were EUR 423 million, up 9.4% over the year. The adjusted EBIT margin for the same period was 10.5%.

African Swine Fever impacted pork customer investment decisions throughout the year. Marel, in partnership with its customers, is well positioned to play a key role in the pork value chain, with a focus on more automation, safety and traceability.

Management is targeting medium and long-term EBIT margin expansion for Marel Meat, through increased efficiency with further standardization and modularization, as well as improved cross-selling and upselling.

Marel Fish

Marel Fish predominantly consists of sales of solutions into salmon, wild whitefish and farmed whitefish. With the acquisition of Curio in Q4, Marel is a step closer to becoming a full-line provider to the global fish industry.

In 2019, revenues for Marel Fish were EUR 149 million, down 6.7% year-on-year. For the full year EBIT was EUR 6.4 million, compared to EUR 12.6 million in 2018. The EBIT margin of 4.3% was impacted by volume.

Order intake was at record level towards the end of year, leading to a moderate increase in 2019 compared to 2018 and resulting in Marel Fish starting 2020 with a stronger order book. Large projects include Brim in Iceland for whitefish processing and Australis, a salmon processor in Chile.

Management is targeting medium and long-term EBIT margin expansion for Marel Fish.

Key figures

Figures in millions of EUR

	2019	2018	Change
Revenues	1,283.7	1,197.9	7.2%
Gross profit	491.1	467.5	5.0%
Gross profit as a % of revenues	38.3%	39.0%	
Adjusted result from operations (EBIT)*	173.4	175.2	-1.0%
Adjusted EBIT as a % of revenues*	13.5%	14.6%	
EBITDA	220.3	215.5	2.2%
EBITDA as a % of revenues	17.2%	18.0%	
PPA related costs	(10.8)	(14.3)	
Result from operations (EBIT)	162.6	160.9	1.1%
EBIT as a % of revenues	12.7%	13.4%	
Orders received	1,222.1	1,184.1	3.2%
Order book	414.4	476.0	-12.9%

*Operating income adjusted for PPA related costs, including depreciation and amortization.

2019 consolidated financial accounts

Results in millions of EUR

	2019	2018	2017
Revenues	1,283.7	1,197.9	1,038.2
Gross profit	491.1	467.5	406.7
Result before depreciation and amortization (EBITDA)	220.3	215.5	192.0
Result from operations (EBIT)	162.6	160.9	140.3
Net result for the period	110.1	122.5	96.9

Order book in millions of EUR

	2019	2018	2017
Orders received	1,222.1	1,184.1	1,143.7
Order book	414.4	476.0	472.1

Cash flow statement in millions of EUR

	2019	2018	2017
Cash generated from operating activities, before interest & tax	189.8	205.8	236.2
Net cash from (to) operating activities	142.5	166.8	195.6
Net cash from (used in) investing activities	(54.2)	(84.5)	(77.7)
Net cash from (used in) financing activities	156.8	(60.2)	(122.2)

Financial position in millions of EUR

	2019	2018	2017
Total assets	1,861.2	1,565.9	1,440.6
Working capital	246.3	(43.7)	(71.9)
Group equity	955.8	560.9	541.9
Net debt	97.6	431.6	365.1

Various figures in proportions to sales

	2019	2018	2017
Gross profit	38.3%	39.0%	39.2%
Selling and marketing expenses	11.9%	11.2%	11.6%
Research and development expenses	6.4%	6.2%	5.6%
General and administrative expenses	6.5%	7.0%	6.8%
Wages and benefits	35.0%	34.3%	35.0%
Result before depreciation (EBITDA)	17.2%	18.0%	18.5%
Depreciation/amortization	4.4%	4.6%	5.0%
Result from operations (EBIT)	12.7%	13.4%	13.5%
Net result for the period	8.6%	10.2%	9.3%

Other key ratios

	2019	2018	2017
Current ratio	1.5	0.9	0.8
Quick ratio	1.2	0.6	0.6
Equity ratio	51.4%	35.8%	37.6%
Return on total equity	14.5%	22.2%	18.2%
Return on total assets	6.4%	8.1%	6.8%

Glossary of Terms

Book-to-bill ratio
The ratio of orders received to revenues booked off, an indication of how quickly a business fulfills the demand for its product

CAPEX
Capital expenditure; money spent to buy, maintain, or improve fixed assets

Current ratio
Current assets / Current liabilities

EBIT
Earnings before interest and tax

EBITDA
Earnings before interest, tax, depreciation and amortization

EPS
Earnings per share

Equity ratio
Total equity / [Total equity + Total Liabilities]

Free cash flow
Cash generated from operating activities less tax and net investments

Leverage
Net interest bearing debt / EBITDA

Net debt
Interest bearing borrowings (current & non-current) - Cash & cash equivalents

Net cash
Cash and cash equivalents

Order book
Reflects Marel's estimates, as of the relevant order book date, of potential future revenues to be derived from contracts for equipment, software, service and spare parts which have been financially secured through down payments and/or letters of credit in line with the relevant contract terms. These estimates reflect the estimated total nominal values of amounts due under the relevant contracts less any amounts recognised as revenues in Marel's financial statements as of the relevant order book date.

Orders received
Represent the total nominal amount, during the relevant period, of customer orders for equipment, software, service and spare parts registered by Marel.

PPA
Purchase price allocation

Quick ratio
[Current assets - Inventories] / Current liabilities

Return on total equity
Result for the period / Average of total equity ([beginning balance + ending balance for the period] / 2)

Return on total assets
Result for the period / Average of total assets ([beginning balance + ending balance for the period] / 2)

Working capital
Current assets - current liabilities

Investor relations

Marel is committed to providing stakeholders with comprehensive information on the company and its operations. Equal access to timely and accurate information, within limits set by commercial sensitivity, is key to building a relationship of mutual trust with current shareholders and potential investors.

Sources of investor information

Marel aims to meet the highest standards in its investor relations by continuously improving the quality, transparency and consistency of its information disclosure. Investors and other stakeholders are invited to Marel's annual and quarterly results presentations, where the investor presentations are also live-streamed online. Archived financial reporting, webcasts and other relevant investor material are accessible at *marel.com/ir*.

IR website

The investor relations site at **marel.com/ir** provides extensive news and background information on Marel for both analysts and investors.

Archived financial information is available in Icelandic and English and includes regulatory announcements, analyst coverage, share price data, major shareholders, dividend policy, the financial calendar and corporate events.

Financial reports

Detailed quarterly and annual financial reporting and analysis, including comments on the progress of Marel's operations, are available on the IR website. Upon the close of each fiscal quarter, senior management presents Marel's results in English for analysts and investors. Following the live webcast, a recording is archived and available online.

Annual report

The annual report provides a comprehensive overview of Marel's operations, plus a detailed description of the company's performance each year. The report is available in English and easily accessible online through a computer, tablet or mobile phone at marel.com/annualreport.

Roadshows

In addition to traditional IR activities, Marel regularly engages with current shareholders and potential investors during IR roadshows. Regular face-to-face meetings are essential for maintaining and strengthening investor support. It also encourages current shareholders and prospective investors with a better understanding of the company's operations, strategy and intentions. Marel's Capital Markets Day, held every 18-24 months, is also an excellent opportunity for market participants to engage with us and deepen their knowledge of Marel.

Event

2019 Capitals Markets Day

On 2 May 2019, Marel welcomed over 100 investors, analysts and market participants to its 2019 Capital Markets Day held at its innovation and manufacturing facility in Boxmeer, the Netherlands. The following day, Marel invited investors to visit one of its longstanding customers in the poultry industry to experience a state-of-the-art food processing manufacturing facility in operation.

The ambitious Capital Markets Day agenda consisted of two sets of presentations and breakout sessions that included a factory tour, a live demonstration of further processing equipment, and a virtual reality experience of how Marel designs and tests new solutions before launch.

Analyst coverage

Marel is covered by nine analysts, three Icelandic and six internationally, who actively track and publish opinions on Marel and its stock.

Institution	Analyst	Country
ABN AMRO	Eric Wilmer	Netherlands
Berenberg	Fraser Donlon	United Kingdom
Capacent	Snorri Jakobsson	Iceland
Citigroup	Klas Bergelind	United Kingdom
IFS Research	Ari Freyr Hermannsson	Iceland
ING Bank	Tijs Hollestelle	Netherlands
J.P. Morgan	Akash Gupta	United Kingdom
Kepler Cheuvreux	Andre Mulder	Netherlands
Landsbankinn	Sveinn Þórarinsson	Iceland

Note: This list is provided for informational purposes only and is subject to change. Any opinions, estimates, or forecasts regarding Marel's performance and/or outlook made by these analysts and their respective brokerage firms are not opinions, forecasts or predictions of Marel, or its management. By providing the list above, Marel does not imply its endorsement of or concurrence with such information, conclusions or recommendations. Marel will not distribute analyst reports. Copies of reports should be obtained directly from the analysts or their brokerage firms.

Analyst coverage
of 9 institutions, 3 domestic and 6 international

Financial calendar for 2020

Marel will host its Annual General Meeting and publish its interim condensed and annual consolidated financial statements according to the below financial calendar.

Event	Date
Annual General Meeting	18 March, 2020
Q1 2020	20 April, 2020
Q2 2020	22 July, 2020
Q3 2020	20 October, 2020
Q4 2020	3 February, 2021

From left: Vicki Preibisch, Marino Thor Jakobsson, Tinna Molphy

Investor relations

Contact us

Tinna Molphy
Director of Investor Relations

Vicki Preibisch
Investor Relations Specialist

Marino Thor Jakobsson
Investor Relations Analyst

+354 563 8001
ir@marel.com

Corporate responsibility

part
thought
Every contribution counts
idea
drop

As a leading global company, our responsibility is not just to our shareholders and customers but to the world's population and the planet we share. We want our every undertaking to contribute to society in both small ways and large. Leading by example, we are able to successfully transform much more than food processing.

Corporate social responsibility

The food industry faces many global challenges including climate change, diet related diseases, water scarcity, lack of food traceability, and food safety risks, to name a few. Food processors need innovative solutions that meet the needs of present generations without compromising the future of coming generations and their needs. Marel is inspired by the UN Sustainable Development Goals and Global Compact's call to the private sector for corporate responsibility and transparency.

Marel's vision is built on the philosophy that we can create value for our customers and promote economic growth by developing processes and technologies that also protect the environment, nurture societies, and ensure food safety, security and sustainability. Marel's Board of Directors and Executive Team approved a corporate social responsibility guidance policy for the company in 2016, to serve as the company's compass for sustainable development. This year, we are reporting on the company's activities as measured against its corporate social responsibility guidelines for the fourth time.

Marel does not operate as a business in isolation; instead, we see ourselves as part of the larger society and the physical environment, in which we have responsibilities, duties and rights. We aim to go beyond merely complying with laws and regulations in managing our operations. We look at our contribution to society and the environment as a whole and how we can bring value to the regions where we operate. Turning our ambitions into action, we are a signatory of the United Nations Global Compact, and we have been a participant since 2017. In 2019, Marel was certified as a Nasdaq ESG Transparency Partner and awarded the Responsible Business Awards by CreditInfo. Marel has been part of the Nasdaq Sustainable Markets Initiative since 2017, complying with the Nasdaq ESG reporting guidelines.

In line with our corporate social responsibility guidelines, we continuously monitor how our operations and the systems and solutions we provide affect society, economies and the environment. Our relationship with the communities where we operate is symbiotic: their benefit is our benefit. We take responsibility for our actions and encourage our suppliers, agents, employees and customers to do the same.


marel

4 February 2020

"I am pleased to confirm that Marel reaffirms its support of the Ten Principles of the United Nations Global Compact and Sustainable Development Goals.

In this annual communication on progress, we describe the continuous actions taken to improve the integration of the principles of the Global Compact and the Sustainable Development Goals into our business strategy, culture and daily
operations. We commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,
Árni Oddur Þórðarsson
CEO

TRANSFORMING FOOD PROCESSING

UN GLOBAL COMPACT
COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Our contribution to the sustainable development goals of the United Nations

Marel focuses its efforts on benefitting people, the planet and our operations in terms of three of the United Nations Sustainable Development Goals:

Goal 2: End hunger, achieve food security, improve nutrition and promote sustainable agriculture

2
Zero hunger

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

9
Industry, innovations and infrastructure

Goal 12: Ensure sustainable consumption and production patterns

12
Responsible consumption and production

We view innovation that boosts productivity as the primary way to make meaningful contributions toward these goals. Innovation has always been a core driver of Marel's endeavors. Annually, we invest about 6% of our revenues into research and development. We also foster innovation by working in partnership with our customers, universities and other partners to develop breakthrough solutions that support sustainable development in food production (Goal 9).

To ensure sustainable consumption and production patterns (Goal 12), we work hard to create solutions that reduce food waste, increase efficient resource use, boost yields, add recycling options and optimize portion sizes. Marel takes part in building and supporting infrastructure by partnering with multiple stakeholders throughout our value chain to promote sustainable industrialization and foster innovation through modernizing food processing technology.

Traceability, increased quality and food safety are key to how Marel develops and produces solutions and software for food processing. Our Innova Food processing Software provides processors with full traceability of raw ingredients as they flow through production. Such solutions contribute directly to food security, increased efficiency and improved nutrition for consumers around the globe (Goal 2).

Marel CSR guidance policy

Social responsibility

Marel is guided by three pillars of responsibility: social, environmental and economic. Each is equally important and factors into our decision-making process at all levels.

Social responsibility is a priority in our corporate culture. We are committed to providing a safe and healthy working environment with equal opportunities for all our employees. When we engage with local communities, our focus is on innovation and education. Our employees have the right to freedom of association and we maintain a zero-tolerance policy toward human rights violations and illegal labor conditions.

Environmental responsibility

Through ongoing dialogue with our customers and suppliers, we strive to increase yields and minimize waste in food production while promoting food safety, traceability and quality, as well as animal welfare. Sustainability is the central goal in our innovation process. We focus on creating new methods and finding approaches that have the least impact on the environment, such as CO2 emissions, and maximize the efficient use of resources including raw materials, water and energy. Environmental responsibility is a core principle in all our facilities and projects; we are focused on minimizing waste from production. We work to reduce our direct and indirect carbon footprint.

Economic responsibility

Our mission is to generate value for our partners and shareholders through fair trade practices. We promote long-term profitability and good business practices along our entire value chain. We make continuous improvements to our practices in order to comply with international laws, anti-corruption rules and local regulations. We believe that all parties must contribute toward the societies in which they operate.

Nasdaq ESG reporting guidelines

Since 2017, Marel has participated in the *Nasdaq Sustainable Markets Initiative*; we follow the Nasdaq ESG reporting guidelines. In 2019, Marel was certified as a Nasdaq ESG Transparency Partner. We took several actions to improve the organization's ESG performance in 2019, including enhancing the organization's health, safety and environment processes, as well as building a sustainability pillar into our procurement practices. In 2019, we further strengthened Marel's corporate responsibility practices, work that we will continue in 2020.

Environmental reporting guidelines

	Metric	2019	2018	Units
E1	**Direct & indirect GhG emissions**	**19,600**	**20,659***	**Tonnes CO2e**
E1.1	Scope 1	3,860	4,143*	Tonnes CO2e
E1.2	Scope 2	3,427	3,633	Tonnes CO2e
E1.3	Scope 3	12,313	12,880	Tonnes CO2e
E2	**Emission intensity**	**15.3**	**17.2***	**kgCO$_2$e per 1000 €**
E3	**Energy usage**	**49.5**	**48.9***	**GWh**
E3.1	Directly consumed	17.1	16.9	GWh
E3.2	Indirectly consumed	32.4	32.0	GWh
E4	**Energy intensity**	**7.9**	**8.4***	**MWh per FTE**
E5	**Energy mix**	**57%**	**56%**	**Share of renewables**
E6	**Water usage**	**-**	**-**	
E7	**Environmental operations**			
E7.1	Formal environment policy	Yes	Yes	
E7.2	Specific waste, water, energy, and/or recycling polices	Yes	Yes	
E7.3	Recognized energy management system	No	No	
E8	**Climate oversight / board**	**No**	**No**	
E9	**Climate oversight / management**	**Yes**	**Yes**	
E10	**Climate oversight / management (continued)**	**-**	**-**	

* Restated due to improved data accuracy.

Social reporting guidelines

	Metric	2019	2018	Units
S1	**CEO pay ratio**			
S1.1	CEO pay ratio	12.8:1	12.5:1	CEO total compensation as ratio to median FTE total compensation
S1.2	Reported in regulatory filings	Yes	Yes	
S2	**Gender pay ratio**	**1.1:1**	**1.1:1**	**Median male compensation to median female compensation**
S3	**Employee turnover ratio**	**10.9%**	**11.9%**	**Year-over-year change for full-time employees**
S4	**Gender diversity**			
S4.1	Total enterprise headcount	16/84	15/85	Women/men ratio
S4.2	Entry- and mid-level positions	-	-	Women/men ratio
S4.3	Executive team	17/83	17/83	Women/men ratio
S5	**Temporary worker ratio**	**14%**	**16%**	**Contractors/Part-time worker ratio**
S6	**Non-discrimination policy**	**Yes**	**Yes**	**Policy in place**
S7	**Injury rate**	**3.8**	**3.2**	
S8	**Global health & safety**	**Yes**	**Yes**	**Policy in place**
S9	**Child & forced labor**			
S9.1	Child & forced labor policy	Yes	Yes	Policy in place
S9.2	Policy covers suppliers and vendors	Yes	Yes	Included
S10	**Human rights**			
S10.1	Human rights policy	Yes	Yes	Policy in place
S10.2	Policy covers suppliers and vendors	Yes	Yes	Included

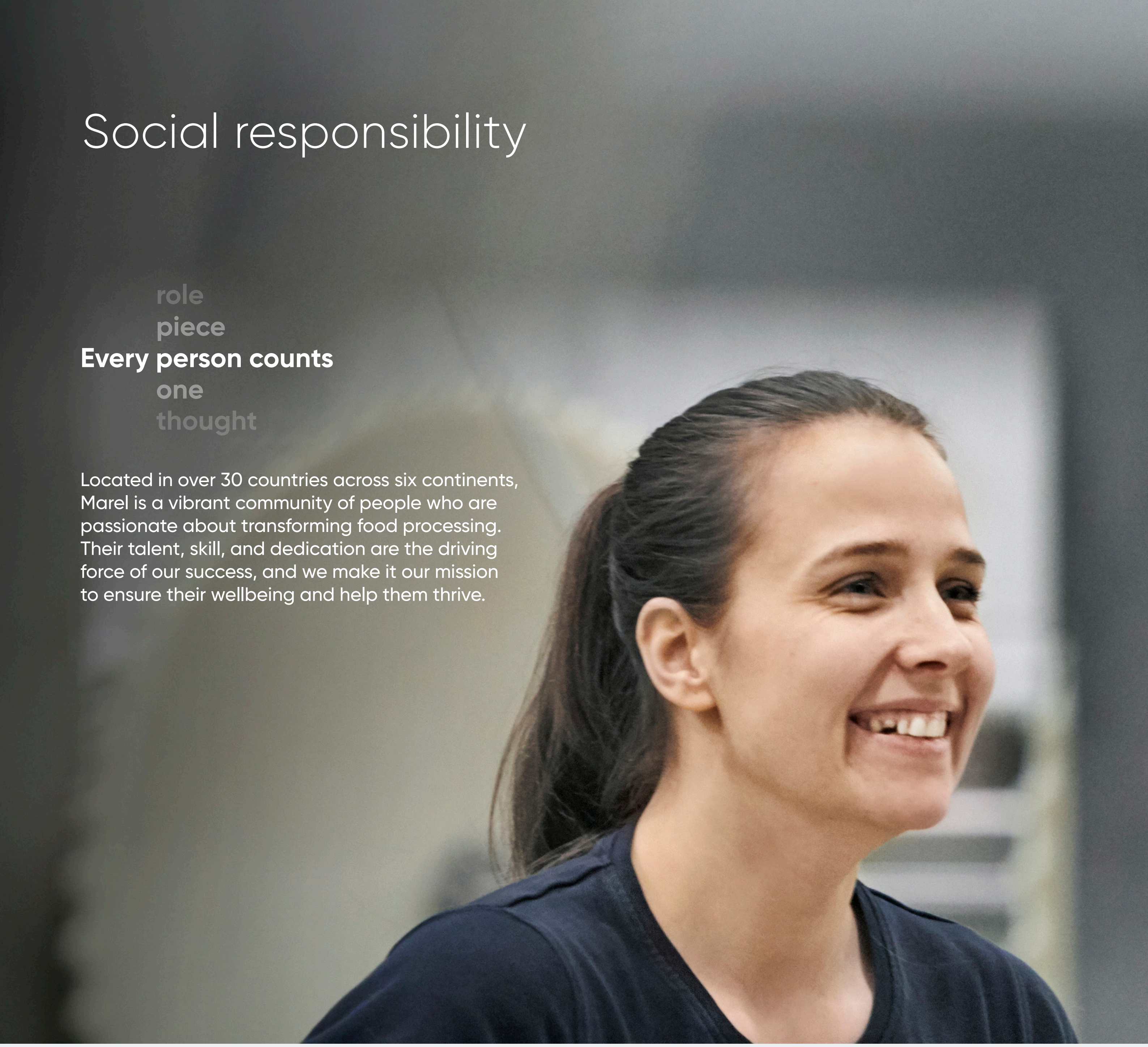
Corporate governance reporting guidelines

	Metric	2019	2018	Units
G1	**Board diversity**			
G1.1	Total board seats occupied by women (compared to men)	42/58	42/58	Women/men ratio
G1.2	Committee chairs occupied by women (compared to men)	33/67	33/67	Women/men ratio
G2	**Board independence**			
G2.1	CEO prohibited from serving as board chair	Yes	Yes	
G2.2	Total board seats occupied by independents	100%	100%	
G3	**Incentivized pay**	**No**	**No**	
G4	**Collective bargaining**	**-**	**-**	
G5	**Supplier code of conduct**			
G5.1	Vendors or suppliers required to follow code of conduct	Yes	Yes	
G5.2	Share of suppliers that have formally certified their compliance with code	-	-	
G6	**Ethics & anti-corruption**			
G6.1	Ethics and/or anti-corruption policy in place	Yes	Yes	
G6.2	Share of workforce that has formally certified their compliance with policy	-	-	
G7	**Data privacy**			
G7.1	Data privacy policy in place	Yes	Yes	
G7.2	Steps taken to comply with GDPR rules	Yes	Yes	
G8	**ESG reporting**			
G8.1	Sustainability report published	Yes	Yes	
G8.2	Sustainability data included in regulatory filings	Yes	Yes	
G9	**Disclosure practices**			
G9.1	Sustainability data provided to sustainability reporting frameworks	Yes	Yes	
G9.2	Focus on specific UN Sustainable Development Goals (SDGs)	Yes	Yes	
G9.3	Targets set and progress reported on the UN SDG's	Yes	Yes	
G10	**External assurance**	**Partially**	**Partially**	**Sustainability disclosures assured or validated by a third party**

Social responsibility

role
piece
Every person counts
one
thought

Located in over 30 countries across six continents, Marel is a vibrant community of people who are passionate about transforming food processing. Their talent, skill, and dedication are the driving force of our success, and we make it our mission to ensure their wellbeing and help them thrive.



Social responsibility

At Marel, our objective is to develop food processing solutions that feed a growing world more safely and efficiently, while minimizing any adverse environmental and social impact.

To meet these objectives, we act responsibly toward our people, our partners and our customers. Our dedication to social responsibility in our workplace culture underpins our efforts to provide a safe and healthy working environment that fosters diversity and inclusion. We feel it is essential to support individual and team development and to ensure the right of freedom of association.

We actively reach out to local communities where we operate to seek local participation and insights. We invest in these diverse communities for the long-term. Not only is this good for our business, but it also helps spur innovation and cultivate the skills of our current and future workforce. We do not tolerate human rights violations, including any forced labor, underage labor or illegal labor conditions, under any circumstances.

Human resources

Our human resources vision is simple: Our people drive the success of Marel. We enable a learning culture with engaged people and value-added ways of working. Marel provides a supportive and ambitious work environment that motivates and encourages people to make Marel's vision their own. To do this, we provide a wide variety of training and opportunities for further education and career development.

Employee engagement is key in measuring the overall health and well-being of the organization. A worldwide network of engagement champions has provided training to our managers. Between annual appraisals, all managers work actively on action plans with their teams.

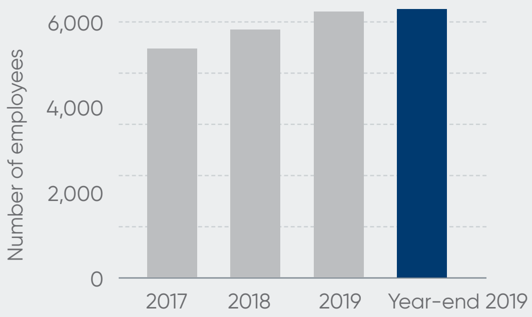
To address seasonal fluctuations in order processing, and other variations in project load, Marel employs a number of temporary workers. In 2019, full-time temporary workers made up 14% of the total workforce, compared to 16% in 2018.

Employees in 2019

	2019	2018
Europe, Middle East and Africa	4,093	3,684
Americas	1,423	1,330
Asia and Oceania	311	270
Employees	**5,827**	**5,284**
3rd party workers	476	510
Average FTEs in 2019	**6,303**	**5,794**

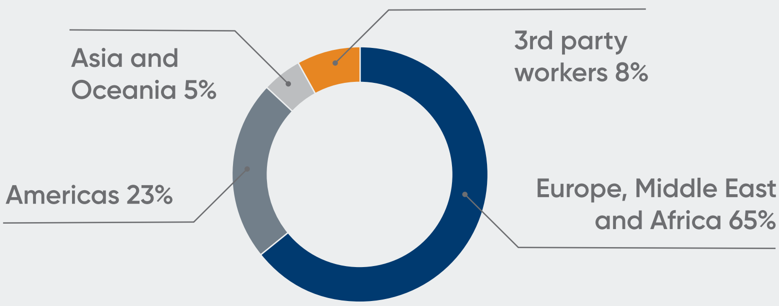
Marel employees

Average number by year



Number of employees by geography

Average full-time equivalents in 2019



Note: Percentages do not add up to 100% due to rounding.

Health, safety and environment

Our vision is to be known for the excellence of our health, safety and environmental (HSE) performance in all our business activities. We strive for excellence in HSE, which is synonymous with good business, because it makes us an attractive business partner and an employer of choice. It means we can grow with confidence, knowing that all risks are managed.

Reliability

High levels of trust streamline our work, allowing our employees to focus on the task at hand with less supervision or control. Business interruptions are rare and productivity is high. Ultimately, we aim to be known as a high reliability organization that delivers consistently strong performance across all aspects of health, safety and environmental management regardless of changes in the global market and regulatory landscape, and unforeseen events. Health, safety and environmental considerations are not the responsibility of one department; instead, they are ingrained in our company culture. As a high reliability organization, we are always mindful of the future and prepared for whatever may happen.

Leadership in health, safety and environment

A global health, safety and environment department provides support to and oversight of Marel's businesses, ensuring that our HSE policy requirements are met. The department is tasked with overseeing HSE governance, reviewing performance, investigating incidents, monitoring HSE improvement projects and guiding and supporting management in the promotion of a leadership culture in HSE. All executive meetings in 2019 emphasized the status of our HSE actions and action plans.

Leadership training for 110 managers

on health, safety and environment

Marel views HSE as a leadership priority. Our ongoing efforts focus on reaching the company's zero-harm objectives. The HSE department supports Marel with efforts to improve safety culture across the organization by:

- Undertaking an external review of the HSE organizational structure
- Conducting externally accredited training for executives and senior managers
- Strengthening HSE leadership and organization as part of a structured approach to HSE maturity
- Transitioning to a regional HSE model, designed to reinforce line accountability, enable agile support and provide improved feedback to business leaders
- Conducting detailed reviews of serious injury, high potential incidents and interventions by regulators
- Identifying key findings from events, sharing learning and taking action to prevent recurrences
- Encouraging proactive non-event reporting

Health, safety and environment statistics

Number of accidents with fatalities or severe injuries	**0**
Number of serious accidents resulting in absence from work	33
Number of accidents resulting in restricted work or medical treatment	39
Number of total recordable injuries (TRI)	**72**
Number of first accidents	156
Number of total accidents	**228**
Number of near accidents	71
Number of environmental accidents	1
Number of proactive hazard observations	2,217
Total recordable incidents rate (TRI based on headcount)	**1.24**

Transparency in reporting

In 2019, we strengthened our HSE reporting practices. The continued promotion of a safety-conscious culture, as well as increased maturity of our HSE reporting, has led to increases in reporting and affected our overall total recordable injuries rate (accidents resulting in medical treatment, restricted work or absence; TRI). As a result, our 2019 HSE figures are not entirely comparable to previous years due to changes in our reporting methodology.

The number of accidents resulting in fatalities or severe injuries in 2019 was 0. The 2019 rate of TRI was 72, an increase from the previous year. The number of accidents resulting in first aid treatment was 156, a drop from the previous year. The number of near miss events was 71; last year, these events were incorporated with hazard observations, so we cannot make an accurate comparison.

Committed to continuous improvements

The number of non-event hazards reported was 2,217, an increase from last year's combined figure, which speaks to a stronger culture of non-event reporting. Non-event reporting is a key leading indicator for Marel in preventing accidents and injuries because it draws attention to situations that could result in injury.

We continue to focus on improving HSE performance. HSE has remained a key item on the agenda at management meetings, and we will continue to assess varying levels of HSE maturity across Marel.

At HSE management meetings, we review key HSE activities, performance metrics and insights and learning, including injury and hazard observations across the group. We demonstrated a clear commitment to strengthening accountability in HSE-related business line management by providing professional HSE support at each of our locations. We also monitor policies, processes and controls.

Our global HSE policy aligns with recognized global HSE standards, such as ISO45001. For more information, please read our Health, Safety and Environment (HSE) Policy.

Case study

Sharing know-how in the Vietnamese fish industry

There are a lot of ups and downs in our business. While having modern equipment, software and reliable labor are factors for success, there is another crucial ingredient: know-how.

Marel recently collaborated with stakeholders in Iceland and Vietnam to help Vietnamese processors strengthen the competitiveness of their pangasius market. While many may be unfamiliar with the pangasius fish, it is a critical species in Southeast Asia both for domestic consumption and export. In recent years, the pangasius market has not been meeting Vietnamese market demands for quality. The combined lack of investment, the surging Vietnamese economy, and associated wage increases have made it difficult for processors to keep skilled labor.

With our partners, we participated in training Vietnamese experts to gain insights and strategies in Iceland to improve their processing and develop their fishery sustainably. They were able to return to Vietnam with this know-how and spread the word on improved handling and quality control to meet market demands.

Diversity

Marel's Global Diversity and Inclusion policy underscores our commitment to fostering, cultivating and preserving a culture of diversity and inclusion within the company and increasing job satisfaction and well-being in the workplace.

Our global diversity policy applies to all Marel employees and governance bodies, including the Board of Directors, its sub-committees and the Executive Team. This policy helps to attract and keep the most qualified employees. The diversity policy rests on four pillars, each equally important:

1. Ensuring equal opportunity
2. Promoting a company culture of tolerance, diversity and inclusion
3. Acting decisively against bullying, violence and harassment
4. Increasing Marel's visibility as an employer of choice

Marel's diversity and inclusion committee is appointed biannually, and its members represent the diversity of our employees and the communities in which we work.

New hires by gender

	2019	2018
Female	22%	19%
Male	78%	81%

Turnover rate

	2019	2018
Marel total	10.9%	11.9%

Composition of governance bodies and breakdown by gender

	2019			2018		
	Female	Male	Total	Female	Male	Total
Board of Directors	43%	57%	7	43%	57%	7
Executive Team	17%	83%	12	17%	83%	12
Employees	16.1%	83.9%	6,303	15.4%	84.6%	5,794

Employee engagement

To strengthen a sustainable culture of diversity and inclusion, we are creating an employee engagement journey. This journey is the bedrock of a high-performance workforce that transforms our goals into reality, driving change and company success.

Employee engagement is quickly becoming one of the most important indicators of work satisfaction. Employees who are truly engaged will be motivated to do their best work every day and stay with the company.

By investing in employee engagement, Marel increases productivity and work quality and retains top talent. In 2019, Marel managers initiated 400 action plans to improve employee engagement.

Forced labor and under-age workers

At Marel, we have a zero-tolerance policy for human rights violations, including child labor and illegal labor conditions. Our employees must have reached the legal working age in the country of employment. None of our facilities are or will be associated with illegal labor conditions or forced labor. Since 2017, all new suppliers have been required to comply with Marel's standards for human rights and labor, as described in our Code of Conduct.

In 2019, Marel implemented an updated Sanctions Policy that requires all employees to comply with applicable sanctions laws. This policy lays out requirements and procedures that promote compliance. Our legal team, in collaboration with human resources and general management, ensures that employees are trained in procedures applicable to them.

There were no reports of human rights violations in 2019 or the previous year.

Freedom of association

We are committed to respecting the right of all employees to freedom of association and collective bargaining without discrimination, as established in the Freedom of Association and Protection of the Right to Organize Convention (C. 87), and the Right to Organize and Collective Bargaining Convention (C. 98). We ensure that all our employees and those of our business partners can exercise these rights.

Local and global communities

We invest in the welfare of the communities in countries where we work. We focus on educational outreach in collaboration with local educational institutions, and we offer our employees opportunities for continuing education. Many of our production facilities offer internships and trainee programs to assist talented young professionals in developing their skills in a professional and safe environment.

Social development through improved food processing

We are also committed to social advancement in developing economies. By introducing new food processing technologies to these locals, we have an immediate and radical effect on production capabilities, worker safety and food traceability. We foster shared values through partnerships in new markets. Our market-altering solutions can increase both general well-being and economic progress in all the markets in which we operate.

Aligning philanthropy with our vision

In 2019, we implemented Global Philanthropy and Social Participation Guidelines and a Global Charitable Giving and Social Participation Policy to further align the organization's strategy with its vision and purpose.

Well-considered charitable activities and social participation programs contribute to a better standard of living and increase social stability. Marel's charitable activities and social participation guidelines align with our pledge of corporate social responsibility. We designed our guidelines to direct the company's efforts to become the partner, neighbor, employer, customer and primary supplier of choice around the world. Through partnerships, we aim to empower external organizations, customers and employees to support their communities.

Focus on water, sanitation and hygiene to eliminate cholera

In 2019, we signed a number of social participation agreements, including a deal with the Icelandic and the Malawi Red Cross to support the global WASH initiative in Malawi. WASH is a multi-year initiative to strengthen Red Cross programs that contribute to reducing cholera mortality and incidence. These programs have resolved to deliver integrated WASH/public health projects in 'high risk' countries, particularly in cholera hotspots, until 2030. One notable WASH focus is on water, sanitation and hygiene promotion for cholera elimination.

Environmental responsibility

part
idea
Every drop counts
step
number

As a global leader, we are fully aware of our economic, environmental, and social responsibility. We lead by example, continually finding new ways to positively impact the world. This includes solutions for preserving precious water and energy.

Environmental responsibility

Throughout our value-chain, we promote the most efficient use of resources to minimize environmental impact and prioritize environmental protection in food processing. Innovation is at the core of this strategy. We focus on creating new methods for improving yields and minimizing waste in food production by reducing the use of scarce resources, such as energy and water, while promoting food safety, traceability and animal wellbeing.

Helping the environment, in partnership with our customers

Managing climate-related risks is critical for Marel, both internally and for our customers. We have implemented many initiatives to mitigate and manage climate risk at Marel. Helping our customers to use fewer natural resources and minimize their carbon footprint is pivotal to managing climate risk in the value chain. To that end, we've implemented several projects to support our approach to environmental challenges and to promote greater environmental responsibility.

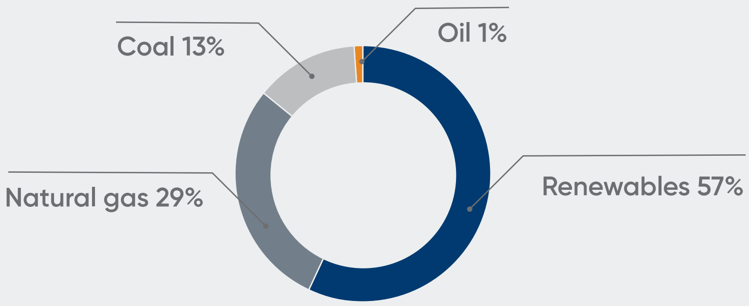
All innovations scored on sustainability

A sustainability scorecard, which facilitates sustainability throughout the product development process, has been a part of our product development process since 2017. The scorecard is intended to assist our innovation team, in particular. In 2019, 87% of all new innovation projects approved for further development were rated using the sustainability scorecard, beginning in the first stage (feasibility).

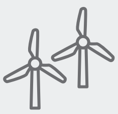
Energy

Projects that Marel has introduced for minimizing energy consumption include installing car-charging points for employees and visitors who own electric cars, replacing incandescent light bulbs with LED lighting where feasible, and installing energy management systems in our largest manufacturing facilities. We are continuously upgrading our manufacturing equipment to increase its energy efficiency. We assess the feasibility of solar panels and sustainable heating solutions in all new Marel buildings. For example, during 2019, our largest manufacturing facility in Boxmeer installed a 1750 m2 solar panel roof.

Marel's electricity consumption in 2019 by origin



Our primary electricity sources are renewable energy and natural gas, with around 57% of all electricity consumed by Marel produced by renewables and 29% made by burning natural gas.



57% from renewables

of all electricity consumed by Marel

Energy consumption and intensity

	2019	2018*
Total GWh	49.5	48.9
KWh per m^2	165	198
MWh per employee	7.9	8.4

* Restated due to improved data accuracy.

Total energy consumption by origin

Origin	Total energy consumed 2019	Total energy consumed 2018
Non-renewables	43%	44%
Renewables	57%	56%

Case study

SensorX: Sorting out the challenges and opportunities in plastics

Plastic is the ideal material for our modern world, and for many parts in Marel equipment. It is durable, flexible and cost-effective – but as we all know, there is an environmental catch.

For our Gardabaer plant, the challenge is disposing of the 12 tons of plastic scraps we produce annually. Unfortunately, there is no polyethylene recycling in Iceland, and until now, it was either landfilled or shipped to Sweden for incineration to generate energy. We knew we could do better!

It turns out that SensorX is ideal at identifying different plastics. We ran 12 tons of scraps through a SensorX to sort the plastics and remove any non-polyethylene pieces. Now, we could guarantee our German supplier that we were sending back 100% polyethylene for recycling.

We look forward to receiving and working with our first recycled sheets of polyethylene in the first half of 2020.

Waste management

At Marel, we are conscientious about the operational and environmental risks of waste management.

In 2019, a full-scale analysis of all our waste-streams was carried out. The analysis provided a comprehensive overview of our waste footprint. For example, it measured the portion of our waste that ends up in landfills, and how much of our waste is either reused or recycled.

Significant improvements were made to digitalize and advance the efficiency of Marel's waste management in 2019, and all major manufacturing locations are now reporting on those metrics. In 2019, we recycled or reused 74% of our total waste volume of 5,573 tons.

Carbon emissions

Although overall carbon emissions at Marel have risen in the past few years, we have worked to offset the impact of our burgeoning operations. In 2019, emissions were lower than in previous years, partly as a result of a decrease in employee travel and the number of vehicles directly operated by Marel, as well as cleaner energy in our buildings.

The two largest contributors to Marel's carbon footprint are energy consumption in facilities and employee air travel, two variables that we can control. To better understand our carbon footprint, all facilities now report on the source of the energy used to produce electricity and heating in our facilities. In consultation with Sustainalize, a corporate sustainability consultancy firm, we will continue to minimize our footprint. Our emissions include:

- **Scope 1** emissions are from mobile combustion emissions from the 840 vehicles operated by the company and natural gas burned to heat facilities.
- **Scope 2** emissions are mostly from the electricity used in offices and manufacturing facilities, as well as waste management from manufacturing.
- **Scope 3** emissions are mainly the result of employee air travel. Other upstream or downstream activities are currently not included; in 2019, we began to collect data on Marel's scope 3 emissions for publication in 2020.

Scope 1 – Mobile combustion and heating

Carbon emissions	Number of vehicles	tCO2e from vehicles	tCO2e from heating	Total tCO2e
2019	840	2,135	1,725	3,860
2018	1,020	2,507*	1,636*	4,143*

* Restated due to improved data accuracy.

Scope 2 – Waste and electricity

Carbon emissions	tCO2e from electricity	tCO2e from waste	Total tCO2e
2019	3,087	340	3,427
2018	3,167*	466	3,633

* Restated due to improved data accuracy.

Scope 3 – Employee air travel

Carbon emissions	tCO2e
2019	12,313
2018	12,880

To better understand and minimize our indirect carbon footprint, most of Marel's larger facilities have installed an energy monitoring system from eTactica. Locations undergoing renovations are also installing solar cells on their roofs to generate energy locally.

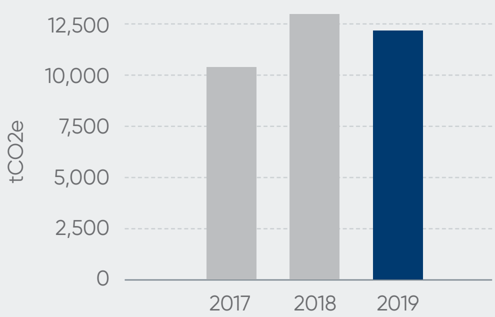
Because Marel's company network spans the globe, air travel by Marel employees has a substantial negative impact on the environment. Because carbon emissions from the aviation industry are a considerable contributor to climate change, we must minimize employee air travel.

Data-driven approach to travel emissions

In 2016, we established a new travel platform to monitor the environmental impact of employee travel. By collecting and visualizing this data, we're able to make informed decisions that are in line with our sustainability goals.

Our travel policy encourages employees to use alternative means of meeting and communicating with each other and our customers. Emissions from air traveled decreased by 4.4% in 2019, partly as a result of this strategy.

Employee air travel in 2019



Total carbon emissions

We will continue to work diligently to measure our environmental footprint and identify areas where we can improve. In turn, we better understand our company's impact and make efforts to respond appropriately.

Although Marel doesn't currently participate in external carbon offsetting programs or procure green energy certifications, we work diligently to measure and minimize our environmental footprint. We will continue to increase the use of renewable energy in our facilities and improve the efficiency of our production processes, fleet management and waste management, while cutting down on employee travel.

Carbon emission and intensity

	2019	2018*
Total tCO_2e	19,600	20,659
$kgCO_2e$ per FTE	3,110	3,565
$kgCO_2e$ per €1,000 of revenues	15.26	17.24

* Restated due to improved data accuracy.

Sustainable procurement

Like all manufacturing companies, all production at Marel is dependent on procuring components, raw materials and spare parts.

In 2019, we took meaningful steps to analyze and understand ways to improve sustainability in Marel's supply chain, especially procurement. We developed a sustainable procurement roadmap, and added a sustainability pillar to our procurement principles. Our sustainable procurement program will focus on improving sustainability in supplier compliance, ESG performance, carbon intensity and waste management.

Enabling sustainable food processing

We design our systems and solutions with the environment in mind.

In 2018, we took our first steps toward understanding the full carbon footprint of our machinery during its lifetime by performing a meticulous study of a broad cross-section of our products. The life-cycle analysis (LCA) was carried out in accordance with internationally recognized methodologies, using authoritative databases on components and parts.

In 2019, Marel continued to analyze the lifetime impact of our key products. We've now assessed three core product groups used in all three of our industry segments, and we will continue to investigate our key products.

The LCA points to three key actions that Marel can take to mitigate the environmental impact of our products: (1) minimize energy consumption during the use-phase; (2) ensure durability and longevity of our products; and (3) reduce food processing waste.

Proactive assessment is essential to anticipating the environmental impact of food production. We work in partnership with our customers to design and manufacture solutions that contribute to the sustainable production of food for a growing world population.

Creating sustainable value

For the past 40 years Marel has been monitoring processing line speed and yield increase in our industry. Because we've collected accurate data over such a long duration, we're able to understand exactly the impact we've had—and continue to have—on increasing efficiency and yield for our customers. This data, combined with ongoing green initiatives, enables us to make our customers more competitive—and more sustainable.

Animal wellbeing

Our commitment to social responsibility extends beyond our employees and customers. Because we're in the food processing business, we've made animal wellbeing a focal point in our research and development. In 2017, the introduction of a sustainability scorecard became a part of Marel's innovation process. Using the scorecard, we assess the feasibility of a project according to a matrix of sustainability indicators. By instituting strong animal wellbeing practices, we can increase the quality of products and production, while ensuring that we meet crucial standards for economic, social and environmental responsibility.

Over the years, we have introduced a number of innovative solutions that pay careful attention to animal wellbeing, including:

- Controlled Atmosphere Stunner for Poultry - CAS SmoothFlow
- Live Bird Handling - ATLAS system
- CO2 Stunning
- Live Pig Handling

In the food processing industry, it's paramount that companies follow guidelines for social responsibility and sustainability. We must consider the effects that our operations have on people, the planet and profits. We are determined to lead the way by developing solutions that promote the highest standards of animal wellbeing.

Economic responsibility

Throughout our company, we promote ethical business practices along our value chain through transparency, innovation and collaboration with our partners. We strive to conduct our business in a way that ensures long-term profitability and fair trade. We make sure that we—and our partners, customers and suppliers—are compliant with international laws, anti-corruption rules and local regulations.

We believe that every contribution counts in the quest for a more equitable society that uses the planet's resources sustainbly.

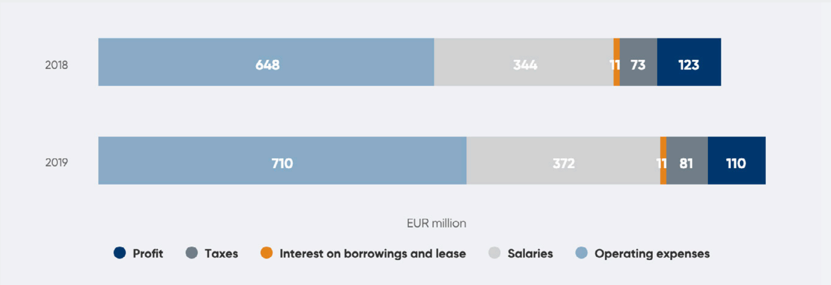
Economic value generation

We operate a global sales and service network and produce a range of products that are manufactured in the Netherlands, the United States of America, Brazil, China, Iceland, Denmark, Germany, England and Slovakia.

The economic value generated by our operations in 2019 amounted to EUR 1,284 million, consisting mostly of sales. Furthermore, we directly employed an average of 6,303 full-time employees in 2019. Salaries paid during the year, excluding related expenses, amounted to EUR 372 million (2018: EUR 344), or 29% of total economic value generated.

By economic value, we mean growth at a local level, including job creation, and support of local suppliers through the purchase of goods and services.

Economic value composition



Case study

Nordic CEOs stand for a sustainable future

In August 2019, Arni Oddur Thordarson, CEO of Marel, participated in a forum held in Iceland by the Nordic CEOs for a Sustainable Future. Marel is a member of the coalition, which was created in 2018 to inspire cooperative action towards the UN Sustainable Development Goals and the Paris Agreement in the Nordics.

"The Nordic region has a history of collaboration, equality and long-term thinking. By building bridges and forming strong bonds between businesses and the societies they operate in, the Nordics have shown that they can deliver a sustainable and positive impact." Arni Oddur Thordarson, CEO of Marel.

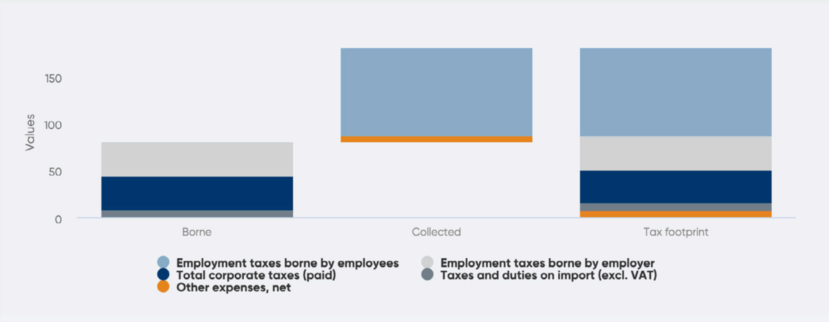
The Nordic Council of Ministers invited the CEOs to a roundtable sponsoring greater public-private sector collaboration and the transition to purpose-driven business practices. The meeting concluded with the Nordic Prime Ministers and CEOs signing a joint commitment on promoting workplace diversity and inclusion, and strategies to battle climate change.

Marel organized a visit for the CEO to its headquarters in Iceland, where Arni Oddur inspired guests by sharing insights into Marel's contributions toward sustainability in the food industry.

Tax footprint

Taxes paid by Marel in 2019 amounted to EUR 81.2 million (2018: EUR 72.9m) or 6.3% of economic value generated. Employment taxes represent 45.5% of total taxes during the period, of which Marel paid 43.3%. In addition to direct taxes, Marel collects various taxes and duties on behalf of governments. Total taxes and duties collected in 2019 amounted to EUR 100.2 million (2018: EUR 91.7 mil.). In 2019, the total tax footprint amounted to EUR 181.4 million (2018: EUR 164.6 mil.).

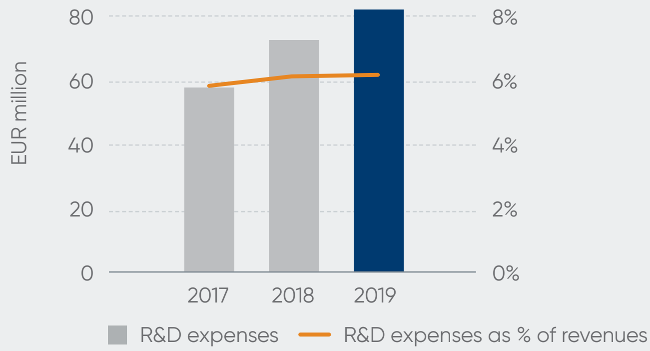
Tax footprint report



Innovation

Innovation, in our philosophy, means creating value in the marketplace. In our experience, innovation most often originates from partnerships between our customers and our employees, through the shared goal of improving food processing solutions.

Research and development expenses



Digital technology and full-line approach for great yields

We invested around EUR 82.1 million or 6.4% of revenue (2018: EUR 74 million or 6.2% of revenue) in innovation. For the past few years, Marel has stepped up its digital and full-line offerings to improve yield and efficiency, enabling processors to meet consumer demands for a balanced diet, traceability and food safety. We launched more than 30 new products in 2019; 20 of those solutions were launched for the meat industry at IFFA 2019, the international trade fair in Frankfurt.

These innovative efforts represent a full range of endeavors: from breakthrough improvements in our products, to design upgrades and additions to existing machines and systems. By working closely with our customers and employees, we are building durable equipment that remains competitive and meets a range of needs.

Through continuous research and development, Marel enables food processors to make the most of their raw materials. Stricter regulations and consumer demand for sustainability constantly challenge processors to produce more with less. Marel has taken steps to ensure that its solutions meet these challenges by making sustainability a fixed standard in the evaluation our products.

Systematic approach to sustainability

Our sustainability scorecard raises awareness and provides rich material for discussion among our innovation experts during product development. Since we implemented the scorecard in January 2018, we have systematically considered a range of social and environmental factors during the innovation process. In 2019 alone, we saw a radical trend: 87% of all products developed by Marel have increased sustainability in our customers' operations.

Anti-bribery and anti-corruption

Our company's reputation is crucial to our success. Therefore, we take compliance with global anti-bribery and anti-corruption laws and regulations very seriously. The anti-bribery and anti-corruption policy adopted by Marel in January 2017 reinforced our commitment.

The policy applies to all employees, officers and directors, as well as any contractors, consultants, agents and partners engaged in business on behalf of Marel.

We adhere to the anti-bribery and anti-corruption laws of the countries that we operate in, as well as international regulations.

Corporate governance statement

Icelandic law and the company's corporate governance framework determine the duties of the various bodies within the company. They define and dictate how the company is governed and controlled – including the interaction between the CEO, who is responsible for day-to-day management, the Board of Directors, shareholders, regulators, and other stakeholders. Marel hf. is committed to recognized general principles aimed at ensuring good corporate governance.

1. Corporate governance framework and compliance

Marel's corporate governance consists of a framework of principles and rules, including its Articles of Association and the Guidelines on Corporate Governance issued in June 2015 by the Iceland Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Employers, which are accessible on the website of the Iceland Chamber of Commerce.

In general, the company fully complies with the Guidelines on Corporate Governance, apart from the following exceptions:

Article 1.4

Article 1.4 of the Guidelines concerning Share Registry: Marel is listed in ISK on Nasdaq Iceland and in EUR on Euronext in Amsterdam. In the Netherlands, shares are registered in the account-based electronic securities system operated by Euroclear Nederland, a central securities depository and clearing organization authorized under the Securities Bank Giro Transactions Act. All securities in its depository are registered in the name of Euroclear Nederland. Under Dutch property law governing Euroclear Nederland, the legal title to the shares registered in the name of Euroclear Nederland are owned by all investors collectively, each in proportion to their percentage shareholding. Dutch law further regulates how Euroclear Nederland must afford the investors the rights to the securities in its custody, such as voting rights and rights to dividends. For this reason, Marel is unable to keep a shareholder registry for the EUR shares listed on Euronext in Amsterdam. Marel keeps a shareholder registry for the ISK shares listed on Nasdaq Iceland.

Article 1.5.1

Article 1.5.1 of the Guidelines concerning the appointment of a Nomination Committee: According to the Guidelines, the shareholders' meeting shall appoint members to the Nomination Committee or decide how they should be appointed. Marel deviates from this provision as the Nomination Committee is a sub-committee of the Board of Directors, and the Board appoints its members. This is in line with the Dutch corporate governance code.

Article 1.5.3

Article 1.5.3 of the Guidelines concerning the appointment of Board members in the Nomination Committee: as the Nomination Committee is a sub-committee of the Board of Directors, the members of the Nomination Committee are all also members of the Board of Directors. This is in line with the Dutch corporate governance code.

Article 1.5.6

Article 1.5.6 of the Guidelines concerning the announcement of names of those appointed to the Nomination Committee at least six months before the AGM: Marel's Nomination Committee was established in December 2019; therefore the names of the members could not be published six months before the company's AGM scheduled to take place in March 2020.

2. Main aspects of internal controls and the company's risk management in connection with preparation of financial statements

The CEO is responsible for ensuring adequate internal controls and risk management in connection with financial reporting. The Board of Directors maintains an ongoing dialogue with the CEO to identify, describe and manage the business risks that the company may be exposed to. Material risks are discussed in the 2019 Consolidated Financial Statements.

Internal audit and control

The company's risk management and internal controls for financial processes are designed to minimize the risk of material misstatements in financial reporting effectively. The internal auditor reports to the Board's Audit Committee and plays a key role in internal control.

External audit

An independent auditing firm is elected at the Annual General Meeting (AGM) for a term of one year. The external auditors examine the company's annual accounts in accordance with generally accepted auditing standards and, for this purpose, inspect its accounting records and other material relating to the operation and financial position of the company. The external auditors report any significant findings regarding accounting matters and internal control deficiencies via the Audit Committee to the Board of Directors.

KPMG ehf. was elected as the company's auditor at the company's AGM held on 6 March 2019. Auditors on KPMG's behalf are Sæmundur Valdimarsson and Hrafnhildur Helgadottir, both Certified Public Accountants (CPAs). They have audited and endorsed without reservation Marel's Consolidated Financial Statements for the year 2019.

3. The company's values, Code of Conduct and social responsibility policy

Values

Marel's company values are its shared ideals and standards, providing direction in its everyday operations. The company's employees took part in defining these values, which are Unity, Excellence and Innovation. The values are continuously promoted in the company's daily operations.

Corporate social responsibility and diversity

Marel's CSR guidelines were approved by the Board of Directors and Marel's Executive Team in 2016.

Further information on CSR and diversity policies are provided in the section on CSR in Marel's Annual Report.

Code of Conduct

Marel's Board of Directors approved a Code of Conduct with global application in October 2012, which was revised in July 2016. It is closely linked to Marel's company values and rests on four pillars, i.e. the commitment of employees (including officers' and directors') to: (i) each other; (ii) customers and the marketplace; (iii) shareholders; and (iv) partners, communities and the environment.

4. Composition and activities of the Board of Directors, its sub-committees, the CEO and the Executive Team

Board of directors

The company has a two-tier management structure consisting of the Board of Directors and the Executive Team, led by the Chief Executive Officer. The two bodies are separate, and no person serves as a member of both.

The Board of Directors has supreme authority in company affairs between shareholders' meetings. It is elected by shareholders at the Annual General Meeting for a one-year term and operates in accordance with applicable Icelandic laws and regulations, the company's Articles of Association and the Board's Rules of Procedure. The Board currently comprises of seven directors who were elected at the company's AGM on 6 March 2019.

The Board of Directors is responsible for the company's organization, for setting the objectives for long-term performance and business development and ensuring proper conduct of its operations at all times. The Board decides all matters regarded as extraordinary or of major consequence in accordance with the statutory division of responsibilities between the Board, CEO and the Executive Team. The Board defines strategic objectives for the company and sets targets aimed at achieving these goals.

Regular board meetings are held with management over the course of the year, including quarterly meetings coinciding with the publication of financial results, two off-site strategy sessions and an operational planning meeting for the coming year. A number of on-site visits to company locations as well as to customers are conducted each year. In addition, the Board of Directors meets at least once a year without management to structure its agenda and conduct a self-assessment. Additional meetings are convened as needed. All matters dealt with at Board meetings are decided by a majority vote, provided that the meeting has been lawfully convened. In the event of a tie vote, the Chairman casts the deciding vote. However, important decisions are not made unless all directors have been given an opportunity to discuss the matter.

The Board of Directors convened 18 times in 2019, with an average attendance of 96%.

The Board of Directors has assessed which directors are independent according to the Guidelines on Corporate Governance. All seven directors, Ann Elizabeth Savage, Arnar Thor Masson, Asthildur Margret Otharsdottir, Ton van der Laan, Margret Jonsdottir, Astvaldur Johannsson and Olafur S. Gudmundsson, are considered independent of the company. Furthermore, five of the Board members, Ann Elizabeth Savage, Arnar Thor Masson, Asthildur Margret Otharsdottir, Ton van der Laan and Astvaldur Johannsson, are considered independent of the company's major shareholders.

Once a year, the Board of Directors evaluates the work, results, size and composition of the Board and the Board's sub-committees. Furthermore, the Board evaluates the work and results of the CEO according to previously established criteria, including whether the CEO has prepared and carried out a business strategy consistent with the company's established goals. The Board discusses the results of the evaluation and decides on any actions to be taken.

Sub-committees

A major share of the Board's work is carried out in its sub-committees, the Remuneration Committee, the Audit Committee and the newly established Nomination Committee. Sub-committee members are appointed by the Board of Directors for a term of one year, in accordance with the rules set for each sub-committee by the Board.

Remuneration commitee

The Remuneration Committee is composed of four Board members unless the Board decides otherwise. The majority of the Remuneration Committee shall be independent of the company and possess the knowledge and expertise needed to perform the Committee's tasks. The Remuneration Committee is intended to assist the Board in ensuring that compensation arrangements support the strategic aims of the company and enable the recruitment, motivation and retention of senior executives while also complying with legal and regulatory requirements. The Committee is responsible for ensuring that the performance of the Board and CEO is evaluated annually, and that succession planning is conducted.

4 **The Remuneration Committe**
convened 4 times in 2019

The current Board decided to appoint four members to the Remuneration Committee as of March 2019: Asthildur Margret Otharsdottir (Chair), Ann Elizabeth Savage, Arnar Thor Masson and Olafur S. Gudmundsson.

The Remuneration Committee convened four times in 2019. All meetings were fully attended.

Audit committee

The Audit Committee is composed of three or four Board directors unless the Board decides otherwise. The majority of the Audit Committee shall be independent of the company, and its external auditors and at least one member shall be independent of shareholders holding 10% or more of the company's total share capital. Members of the Audit Committee must possess the knowledge and expertise needed to perform their tasks. At least one member needs to have solid knowledge and experience of financial statements or auditing. Its work includes monitoring Marel's financial status and evaluating the company's internal monitoring and risk management systems, management reporting on finances, whether laws and regulations are followed, and the work of the company's internal and statutory auditors.

7 **The Audit Committee**
convened 7 times in 2019

Members of the Audit Committee since March 2019 are Arnar Thor Masson (Chairman), Astvaldur Johannsson, Margret Jonsdottir and Ton van der Laan. All members are independent of the company and its auditors, while Ton van der Laan, Arnar Thor Masson and Astvaldur Johannsson are independent of large shareholders.

The Audit Committee convened seven times in 2019, with an average attendance of 93%.

Nomination committee

The Nomination Committee is composed of three members elected by the Board. The Nomination Committee was established in 2019 as communicated at Marel's AGM 2019. The main objective of the Committee is to assist the Company's shareholders in a structured and transparent way with ensuring that the Board and its Committees consist of Directors with the appropriate balance of skills, experience, diversity, independence and knowledge, enabling effective execution of duties and responsibilities. The Nomination Committee identifies and nominates candidates for the Board, and members of the Board's committees, who can fulfill these requirements. The majority of the members of the Nomination Committee shall be independent of the Company and of shareholders that hold 10% or more of the total share capital of the Company.

The Board has taken a balanced view of Corporate Governance Principles in Iceland and the Netherlands when structuring the framework for the Nomination Committee. Members of the Nomination Committee since December 2019 are Arnar Thor Masson (Chairman), Asthildur Margret Otharsdottir and Olafur S. Gudmundsson.

The Nomination Committee did not convene in 2019.

Structure of Board´s subcommittiees	Board of directors	Remuneration committee	Audit committee	Nomination committee
Asthildur Otharsdottir	Chairman	Chair		Member
Arnar Thor Masson	Vice-Chairman	Member	Chair	Chair
Ann Elizabeth Savage	Director	Member		
Astvaldur Johannsson	Director		Member	
Margret Jonsdottir	Director		Member	
Olafur S. Gudmundsson	Director	Member		Member
Ton van der Laan	Director		Member	
Convened in 2019	18 Times	4 Times	7 Times	0

Chair
Member

Chief Executive Officer

Arni Oddur Thordarson assumed the position of CEO of Marel in November 2013. An Icelandic citizen, born in 1969, Mr. Thordarson has extensive international business experience within the industrial sector. He has an MBA degree from IMD Business School in Switzerland and a Cand. oecon. degree in Business Administration from the University of Iceland. Mr. Thordarson served on the Board of Directors of Marel from 2005-2013, for most of that time as Chairman.

Together with related parties, his direct holding is 131,869 shares in Marel. He is a major shareholder of Eyrir Invest, which on 5 February 2020, held 190,366,838 shares in Marel hf. (24.69% of total issued shares).

1. The CEO is responsible for daily operations and is obliged to follow the Board's policy and instructions in that regard. Daily operations do not include measures that are unusual or extraordinary. The CEO may only take such measures if specifically authorized by the Board or unless it was impossible to wait for the Board's decision without substantial disadvantage to the company's operations. In such an event, the CEO must inform the Board of his/her actions without delay.
2. The CEO is responsible for the work and results of the Executive Team.
3. The CEO shall act as Chairman of the Board in the company's significant subsidiaries and core activities of the company unless the Board decides otherwise.
4. The CEO shall ensure that the accounts of the company comply with the law and accepted financial reporting practices and that the treatment of company assets is secure. The CEO shall provide any information requested by the company's auditors.
5. At least once a year, the CEO shall evaluate the work and results of the Executive Team that he heads according to previously established criteria. The CEO shall discuss the results of his evaluation with each member of the Executive Team and decide on any actions to be taken.

At least once a year, the Chairman and the CEO will meet to discuss the results of the Board's evaluation of the CEO's work and performance and any proposed actions in response. The CEO reviews with the Chairman the results of his/her evaluation of the Executive Team and what actions may be needed, if any. The Chairman reports to the Board of Directors on discussions with the CEO as he/she deems necessary and appropriate.

Executive Team

On 9 March 2020, Marel announced changes in the Executive Team and organizational structure. The Executive Team was consolidated to nine members, from twelve members previously, and two new EVPs were appointed. Global Markets and Global Service were combined into one function, under the leadership of the Executive Vice President of Global Markets and Service.

Executive

Arni Oddur Thordarson, Chief Executive Officer
Linda Jonsdottir, Chief Financial Officer
Arni Sigurdsson, Chief Strategy Officer and EVP of Strategic Business Units

Operations

Einar Einarsson, EVP of Global Markets (until 8 March 2020)
Ulrika Lindberg, EVP of Global Markets and Service
Folkert Bölger, EVP of Global Supply Chain
Vidar Erlingsson, EVP of Innovation (until 8 March 2020)
Anna Kristin Palsdottir, EVP of Innovation (as of 9 March 2020)
David Freyr Oddsson, EVP of Human Resources (until 8 March 2020)

Business units

Roger Claessens, EVP of Marel Poultry
David Wilson, EVP of Marel Meat
Sigurdur Olason, EVP of Marel Fish (until 8 March 2020)
Gudbjorg Heida Gudmundsdottir, EVP of Marel Fish (as of 9 March 2020)
Jesper Hjortshøj, EVP of Further Processing (until 8 March 2020)

5. Communication between shareholders and the Board of Directors

Shareholders' meetings, within limits established by the company's Articles of Association and statutory law, are the supreme authority in Marel's affairs as well as the primary means of communication between shareholders and the Board of Directors. The AGM is held each year before the end of August, and other shareholders' meetings are convened when necessary. The AGM is advertised publicly with at least two weeks' notice in accordance with Icelandic law.

The Chairman is the Board's authorized spokesperson. The Board of Directors does not engage in communication regarding the details of the company's operational matters and financial results, which is the responsibility of authorized members of management.

The Chairman communicates with the company's largest shareholders on an annual basis to exchange views on matters related to corporate governance and to maintain trust and understanding. All communication with shareholders is governed by rules and regulations on price-sensitive and non-public information (insider information) and on other sensitive business information, which could compromise the company's competitive position.

Upper, left to right: Asthildur Otharsdottir, Arnar Thor Masson, Astvaldur Johannsson, Ann Elizabeth Savage
Lower, left to right: Olafur S. Gudmundsson, Margret Jonsdottir, Ton van der Laan

Board of directors

Chairman of the board

Asthildur Otharsdottir
Asthildur Otharsdottir is an independent advisor and board director. She is the Chairman of the Board of Frumtak Ventures investment fund and a director of Promote Iceland. Otharsdottir is on the Board of Governors of the University of Iceland, the board of the Nordic Arbitration Centre at the Icelandic Chamber of Commerce and the board of Women Corporate Directors. She is a former director and chairman of the audit committee of Icelandair Group and several other organizations. Otharsdottir served as the Global Director of Corporate Development at Össur hf., where she managed several international acquisitions, corporate funding, investor relations and the dual listing of the company's shares on Nasdaq Copenhagen. Prior to that, she served as a Senior Manager in Corporate Banking at Kaupthing Bank as well as a management consultant at Accenture in Copenhagen.

She has no interest links with Marel's main customers, competitors or major shareholders.

Education
MBA, Rotterdam School of Management, the Netherlands
Cand. Oecon., University of Iceland
Elected
2013 Chairman of the Board
2012 Vice Chairman
2011 Chairman of the Audit Committee
2010 Director
Sub-Committees
Remuneration Committee (chair)
Nomination Committee
Holdings in Marel
32,000 shares

Vice-chairman of the board

Arnar Thor Masson
Arnar Masson is currently Chief Human Resources and Strategy Officer at Isavia, a company that handles the operations and development of all airports in Iceland. Before that, Masson was an alternate director at the European Bank for Reconstruction and Development (EBRD) in London, an investment and development bank that works primarily with private sector clients in developing economies. Before joining EBRD, he was Director-General in the Prime Minister's Office in Iceland, overseeing organizational changes and coordinating the implementation of cross-cutting policy and strategic initiatives.

Prior to that, he worked in the Ministry of Finance and was responsible for public sector reforms, performance management, and state-owned enterprise governance. From 2000-2008 Masson held an adjunct lecturer position at the Department of Political Science of the University of Iceland. Masson has experience in corporate strategy, human resources, corporate social responsibility and finance and has worked with emerging markets. He has done executive courses for board directors both at Harvard Business School in the US and IMD in Switzerland.

He has no interest links with Marel's main customers' competitors or major shareholders.

Education
MSc, Comparative Politics, London School of Economics and Political Science
BA, Political Science, University of Iceland
Elected
2013 Vice-chairman
2001 Board Director
Sub-Committees
Remuneration Committee
Audit Committee (chair)
Nomination Committee (chair)
Holdings in Marel
0 shares

Board director

Dr Olafur S. Gudmundsson
Dr Olafur S. Gudmundsson is currently the Head of Discovery Pharmaceutics and Analytical Sciences at Bristol-Myers Squibb (BMS), a global biopharmaceutical company. For more than two decades, Dr Gudmundsson has held roles of increasing responsibility within research and development, covering multiple therapeutic areas and stages of drug discovery, both for Bristol-Myers Squibb and Genentech Inc.

During his tenure at BMS, Dr Gudmundsson has helped bring multiple drug candidates to clinical trials, several of which have become marketed products. In his time within the pharmaceutical industry, Dr Gudmundsson's responsibilities have included involvement with global portfolio strategy, evaluation of external acquisitions, strategic innovations, and integration of merged companies. Dr Gudmundsson has participated in governance teams providing input on global portfolio optimization and prioritization, lead process optimization teams and chairing integration teams.

Dr Gudmundsson is also associated with the graduate program of the Pharmaceutical Chemistry department at Purdue University. Currently, Dr Gudmundsson is a board member of Eyrir Invest, Marel's largest shareholder, as well as Glo and Noruz ehf.

He has no interest links with Marel's main customers.

Education
Ph.D., Pharmaceutical Chemistry, University of Kansas
Cand. pharm., Pharmacy, University of Iceland
Elected
2014
Sub-Committees
Remuneration Committee, Nomination Committee
Holdings in Marel
1,705,427 shares

Board director

Astvaldur Johannsson
Astvaldur Johannsson is Business Development Director at Controlant, a real-time monitoring Internet of Things (IoT) software solution company. His previous international business experience includes senior management positions within different markets at Össur hf., a global medical devices manufacturer and as an Executive Director leading the international division of Valitor hf., an eCommerca payment solutions and services provider Johannsson served as a member of the Executive Team of the IT company Nyherji hf., as Sales and Marketing Director at Penninn, and as a system analyst expert in the IT sector focusing on process design and development.

Johannsson is a proactive professional with extensive international experience of leadership within a multi-national culture and cross-functional environments, both on the executive and on a board level. He has a comprehensive background and knowledge in formulating and implementing policy and strategy, leading and integrating new businesses and initiatives to improve business performance.

Johannsson has a solid background in managing business-to-business and business-to-consumer sales and marketing, business development, supply chain, outsourcing, negotiating, contracts and product management along with operations knowledge and experience in varying industries with progressive and successful organizations.

He has no interest links with Marel's main customers, competitors or major shareholders.

Education
MBA, University of Iceland
BS, Management Information Systems, Heriot-Watt University
Elected
2014
Sub-Committees
Audit committee
Holdings in Marel
0 shares

Board director

Margret Jonsdottir
Since 2013 Jonsdottir has been Managing Director of Operations of Eyrir Invest hf. and before that, she was CFO of Eyrir Invest hf. from 2004. Previously she was CFO of the Icelandic Met Office, EVP Finance at Edda Publishing at that time the largest media and publishing company in Iceland, Director of Finance at Kreditkort/MasterCard and Manager of Finance at FBA Investment Bank and one of FBA's predecessors, The Industrial Loan Fund.

In all positions she has held, Jonsdottir was member of the Executive Team and as such has participated in strategic planning and strategy execution. She has been responsible for international and domestic funding, accounting, budgeting as well as integration and process building of merged companies. She served as the chair and committee member of credit committees, pricing committees and audit committees.

For over a decade, Jonsdottir worked as a Finance Manager and an Account Manager for one of Iceland's largest meat processing companies, Slaturfelag Sudurlands (SS) and held a seat on the Board of Directors of SS pension fund for five years.

She has no interest links with Marel's main customers or competitors.

Education
MS, Accounting and Auditing, University of Iceland
Cand. Oecon., Business Administration, University of Iceland
Elected
2006
Sub-Committees
Audit Committee
Holdings in Marel
195,113 shares

Board director

Ton van der Laan
Ton van der Laan is a Dutch national residing in the Netherlands. He has extensive experience from several executive roles in the food, feed and commodity industries. He is a non-executive board member of Vion Foods, Royal de Heus, Dümmen Orange and the Rainforest Alliance. Van der Laan is the former CEO of Nidera, a company globally active in financing and distribution of grains and oilseeds, EVP Animal Proteins and Animal Nutrition at Cargill in the USA, CEO of Provimi in the Netherlands, an acknolwedged leader in the animal nutrition industry.

Previously, Van der Laan held several executive roles at Unilever, the Anglo-Dutch consumer food company, for over 22 years. There he was located in the Netherlands, UK, Czech Republic and Slovakia. He has also served as the Managing Director of Philips Domestic Appliances and Personal Care. Van der Laan possesses extensive experience in multi-national businesses, strategic planning, portfolio management, acquisitions and company restructuring, large and small scale integrations and top team development.

He has no interest links with Marel's main customers, competitors or major shareholders.

Education
MS, Mechanical Engineering, Twente University,
New Board Program, Nyenrode Business University
Elected
2019
Sub-Committees
Audit Committee
Holdings in Marel
0 shares

Board director

Ann Elizabeth Savage
Ann Savage previously served as Group Technical Director of Bakkavor. Her primary responsibilities have included food safety, health and safety management, manufacturing excellence and corporate social responsibility management in the UK, US and Asia. Savage has held a variety of roles in technical, and research and development departments within the retail and food industry over her 35-year career. She worked for the Cooperative Wholesale Society (CWS), Northern Foods from 1990 until 1999 and at Geest/Bakkavor for over 19 years.

Savage's responsibilities have included representing businesses with UK regulators such as Food Standards Agency, Department for Environment Food and Rural Affairs, Health Protection England. She has chaired the Food Network for Ethical Trade, the IGD Technical Leadership Forum, and been a member of the advisory group for the Better Regulation Task Force and the British Retail Consortium Advisory Board. Savage has worked closely with UK retailers to deliver on their corporate social responsibility commitments and to develop reporting procedures.

She has experience in operational management, product development and incident management. She has worked with Farm Africa in both Tanzania and Kenya to support African endeavors in tilapia fish farming and beekeeping. She is currently a technical advisor to Gousto, a member of her parish council and a Governor of Boston College, one of the top five colleges in the UK.

She has no interest links with Marel's main customers, competitors or major shareholders.

Education
Mathematics, Technology and Systems Management,
Open University
Post Graduate Diploma in Management Studies,
Nottingham University
Elected
2013
Sub-Committees
Remuneration Committee
Holdings in Marel
0 shares

All holdings as of 31 December 2019

Executive Team

On 9 March 2020, Marel announced changes in the Executive Team and organizational structure. The Executive Team was consolidated to nine members, from twelve members previously, and two new EVPs were appointed. Global Markets and Global Service were combined into one function, under the leadership of the Executive Vice President of Global Markets and Service.

Chief Executive Officer

Arni Oddur Thordarson
Arni Oddur Thordarson took up his current position as Marel's CEO in November 2013 after having served as Chairman of Marel's Board of Directors from 2005. He co-founded Eyrir Invest in 2000 and was the company's CEO until 2013. Thordarson has extensive international global business experience and has served as a non-executive director of various companies, including Fokker Technologies and Stork Technical Services.

Education
MBA, IMD, Switzerland
Cand. Oecon., Business Administration, University of Iceland
Holdings in Marel
131,869 shares
Other holdings: 17.9% of total outstanding shares in Eyrir Invest, Marel's largest shareholder (Eyrir Invest holds 27.9% of total shares in Marel)

Chief Financial Officer

Linda Jonsdottir
Linda Jonsdottir has been Marel's CFO since 2014. Before that she was Marel's Corporate Director of Treasury and Investor Relations. Prior to joining Marel, Jonsdottir worked in treasury and financing for Eimskip, Burdaras and Straumur Investment Bank. She was a director of the Icelandic Enterprise Investment Fund from 2010 to 2015.

Education
MS, Finance, Reykjavik University
Cand. Oecon., Business Administration, University of Iceland
Holdings in Marel
182,500 shares

Chief Strategy Officer and Executive Vice President of Strategic Business Units

Arni Sigurdsson
Arni Sigurdsson is responsible for strategy, development and mergers and acquisitions as well as the Innova software and Cross-Industry. He serves on the board of Worximity Technology Inc. in Canada and Curio ehf. in Iceland. Before joining Marel in 2014, he worked at AGC Partners, an investment bank. Before that, Sigurdsson worked at Landsbanki Íslands, where he worked closely with Marel for many years and was instrumental in advising Marel on the acquisition of Stork Food Systems.

Education
MBA, Harvard Business School
BS, Industrial Engineering, University of Iceland
Holdings in Marel
100,000 shares

Executive Vice President of Marel Further Processing

Until 8 March 2020

Jesper Hjortshøj
Jesper Hjortshøj joined the Executive Team in February 2017 but has been with Marel since 2006, serving in several different positions within the company. His broad experience in the food industry prior to that include that of manager of marketing, product center and strategy and portfolio for global innovation.

Education
MBA, Aarhus University
MA, Communication and Media Studies, Aarhus University
Holdings in Marel
0 shares

Executive Vice President of Marel Fish

Until 8 March 2020

Sigurdur Olason
Sigurdur Olason assumed his current position in 2014. Olason has wide-ranging international experience in the seafood industry, having worked at Marel in product development from 2001 to 2006. Before rejoining Marel in 2014, Olason was Director of Business Development at Samherji, one of Iceland's leading seafood companies.

Education
MBA, Brisbane Graduate School of Business
BS, Computer Science, University of Iceland
BS, Mechanical & Industrial Engineering, University of Iceland
Holdings in Marel
0 shares

Executive Vice President of Marel Fish

As of 9 March 2020

Gudbjorg Heida Gudmundsdottir
Gudbjorg Heida Gudmundsdottir took up her current position in March 2020. She joined Marel in 2011 and served most recently as a Local Manager for Marel in Iceland. Prior to that, she was Innovation Cluster Manager for Iceland and the UK. Within Marel, Gudmundsdottir has led strategic projects within Innovation and Marel Fish.

Education
MSc, Industrial Engineering, University of Iceland
BSc, Mechanical Engineering, University of Iceland
Holdings in Marel
0 shares

Executive Vice President of Marel Poultry

Roger Claessens
Roger Claessens joined the Executive Team in September 2019. He has been with Marel and its predecessors since 2001, most recently as Director of Innovation Marel Poultry. Roger has a broad knowledge of poultry processing and innovation, having also served as Product Specialist and Manager Process Technology for Marel.

Education
MSc, Agricultural Engineering, Wageningen University
Holdings in Marel
0 shares

Executive Vice President of Marel Meat

David Wilson
Following decades of experience in the food industry, David Wilson began in his current position in 2012. He has been with Marel and its predecessors since 1998. Wilson was Senior Vice-President for the Marel Poultry Industry Center in Gainesville until 2012. Before that, he served as Vice-President of Sales and Marketing and as a Regional Sales Manager.

Education
MS, Animal Science, Aberdeen University
BS (Hons), Agricultural and Business Management, Aberdeen University
Holdings in Marel
195,857 shares

Executive Vice President of Global Supply Chain

Folkert Bölger
Folkert Bölger has extensive global managerial experience in supply, procurement and operational positions. Before joining Marel, he was Vice-President of Operations and Procurement at Bang & Olufsen in Denmark. Bölger held various management positions at Philips and Siemens-VDO in Asia, Central Europe and Western Europe.

Education
MSc, Mechanical Engineering, Delft University of Technology
CPIM, American Production and Inventory Control Society (APICS)
Holdings in Marel
17,862 shares

Executive Vice President of Global Markets

Until 8 March 2020

Einar Einarsson
Einar Einarsson has over 15 years of experience in managing Marel's sales and service operations in North America. Prior to his appointment as President of Marel Inc. in the US in 2003, he held several positions in Marel as a Sales Engineer, Area Sales Manager, and Product Manager. Einarsson was Managing Director of Alpan Ltd., Iceland, a manufacturer of high-quality cast aluminum cookware, from 1998-2002.

Education
BSc, Mechanical Engineering, University of Iceland
Diplom-Ingenieur, Mechanical Engineering, University of Karlsruhe
Holdings in Marel
553,212 shares

Executive Vice President of Innovation

Until 8 March 2020

Vidar Erlingsson
Vidar Erlingsson took up his current position in 2014. He has been with the Marel Innovation team since 2000 and held various positions within the company. In 2010, he became the leader of Product Center Inspection. Erlingsson has been instrumental in developing new technologies within Marel and transforming them into commercial successes.

Education
MSc, Engineering, DTU in Denmark
BSc, Electrical and Computer Engineering, University of Iceland
Holdings in Marel
89,000 shares

Executive Vice President of Innovation

As of 9 March 2020

Anna Kristin Palsdottir
Anna Kristin Palsdottir joined the Executive Team in March 2020. Since joining Marel in 2015, Palsdottir has held various managerial roles within Innovation. Most recently, she was Innovation Director for the Cross Industry. Her broad experience in Innovation prior to that include Innovation Manager for X-ray solutions and Infrastructure Manager.

Education
MSc, Production Engineering, Technical University of Berlin
BSc, Engineering Management, Reykjavik University
Holdings in Marel
0 shares

Executive Vice President of Global Markets and Service

Ulrika Lindberg
Ulrika Lindberg joined Marel in 2018. She has wide-ranging managerial experience in senior sales and service positions at large international organizations. Before joining Marel, she was Vice President of Global Service at Alfa Laval and held various management positions worldwide for Alfa Laval and Tetra Pak.

Education
BSc, Business and Administration, University of Lund
Holdings in Marel
0

Executive Vice President of Human Resources

Until 8 March 2020

David Freyr Oddsson
David Freyr Oddsson began in his current position in 2013. He joined Marel in 2011 as HR Director of the company's International Sales and Service Network. Before joining Marel, Oddsson was Global Head of Human Resources and Corporate Services at Straumur Investment Bank from 2006 until 2011. Prior to that, he spent seven years as an HR consultant at Capacent.

Education
MBA, Reykjavik University
Cand. Theologius, University of Iceland
Holdings in Marel
135,000 shares

All holdings as of 31 December 2019

Risk management

Effective risk management is the key to Marel's sustainability and underpins the company's long-term relationship with its customers and other stakeholders. The risk management process is supported and monitored by the Board of Directors.

As part of the steady expansion of its enterprise risk management process, Marel has launched a number of initiatives throughout the company. Each initiative will contribute to achieving the company's objectives with regard to efficacy and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Risk appetite

All business operations involve some form of risk. Marel has identified ten Risk Appetite Categories and defined how they relate to its strategic operations.

Risk Appetite Category	Business Objective
Profit and earnings volatility	Marel maintains a strong EBIT margin throughout economic cycles. High quality earnings, that are well diversified by geography, industry and business mix, together with investments in operational excellence improve profitability.
Capital ratios and credit ratings	Marel endeavors to be considered a good corporate borrower and build a relationship of trust with its creditors.
Innovation	Marel continues to be an innovative company, support new product development and ensure continued competitiveness of existing products, solutions and software.
Human resources	Marel continues to be an interesting and desirable place ot work, attracting and retaining highly talented employees.
Business diversification	Marel strives to have well diversified revenue streams across industries, business segments and geographies.
Consolidation	Marel pursues consolidation in the marketplace without negatively affecting the existing operations.
Customer choice	Marel aims to be the customer's first choice and follow up on orders received with expert installation and service.
Corporate social responsibility	Marel aims to develop food-processing solutions to help feed a growing planet while minimizing environmental impact. This is in line with Marel's vision of a world where quality food is produced sustainably and affordably. Marel also takes great pride setting excellent health and safety standards across its operations.
Reputation	Marel strives to preserve and enhance brand value, build resilience, and create emotionally connected customers, employees and stakeholders.
Compliance	Marel strives to comply with all industry, regulatory and other general standards of significance.

The Board of Directors reviews and approves the company's risk appetite on an annual basis, or more frequently in the event of unexpected changes to the risk environment, to ensure it remains consistent with Marel's strategy, business and regulatory environment and stakeholder requirements. Reports on the company's risk profile and risk appetite are presented regularly to the Board of Directors.

Taking risks is an integral part of daily business activities. By carefully balancing our objectives against the risks we are prepared to take, we strive to conduct business operations in a socially responsible and sustainable manner. This approach helps Marel attain its strategic objectives.

Risk management process

Marel has a vigorous risk management process which consists of 5 steps:

Risk appetite sets out the amount of risk the company is willing to accept in pursuit of value.

Risk assessment involves mechanisms for identification of risks, e.g. a brainstorming session to assess risk and controls. Risks are ranked by the likelihood of their occurrence and magnitude of their impact in a risk register.

Risk treatment is the process of selecting and implementing measures to minimize the probability of identified risks materializing and alleviate their potential effects.

Monitoring is done through dashboard reporting and updating of the self-assessment document.

Communication of priority risks to the Board is made via a designated dashboard. Predetermined parameters are measured against the risk appetite to give a clear visual overview.

Risk categories

Marel's activities expose the company to a variety of risks, which are categorized in four categories: strategic, operational, financial reporting and compliance.

Strategic	Operations	Financial reporting	Compliance
Strategic risk Business risk Reputational risk	Operational risk	Financial reporting risk Market risk Credit risk	Compliance risk

Each category has sub-categories that can be defined broadly as follows:

Strategic risk	Risks that affect Marel's strategic ambitions, including economic and political developments	**Financial reporting risk**	Risk related to treasury and accounting, including finance, market and credit risk
Business risk	Risk related to customers, competition, government policy etc.	**Market risk**	Risk related to financial markets, including FX and interest rate risks
reputaions risk	Risk of damage to Marel's brand and reputation, resulting from actions that could be perceived as inappropriate, unethical or inconsistent with Marel's values	**Credit risk**	Risks that relates to credit quality of our customers and other business partners
Operational risk	Risk related to inadequate internal processes, people and systems	**Compliance risk**	Risk arising from failure to comply with laws and regulations, including internal standards and policies

Marel's risk management has focused especially on financial risks (including market and credit risk), which are managed by the Treasury department.

Market risk

Market risk is the risk related to financial markets, including foreign exchange risk, cash flow and fair value interest rate risk.

Foreign exchange risk

As an international company, Marel is exposed to foreign exchange risk arising from various currency movements, primarily with respect to the EUR/USD exchange rate for revenues and EUR/ISK rate on the cost side. The general policy is to take advantage of natural currency hedges by matching revenues and operational costs as economically as possible.

The company's funding is denominated in its main operational currencies to create natural hedging in the balance sheet. Where necessary, financial exposure is hedged in accordance with Marel's general policy on permitted instruments and exposure limits.

Cash flow and fair-value interest rate risk

The company's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates of leases, where the company is lessor, are fixed at their inception. The company reports separately an embedded 0% floor in its long-term EUR borrowing. The valuation of this embedded derivative depends on market interest rates and is reported in the income statement. The company's cash-flow interest rate risk arises from long-term borrowings.

Borrowings at variable rates expose the company to cash-flow interest rate risk, while borrowings at fixed rates expose it to fair-value interest rate risk. Marel manages its cash-flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting floating-rate financing to fixed rates. The company obtains long-term financing at floating rates and swaps a portion of this to fixed rates. The risk involved, measured as the potential increase in interest paid during the coming year based on a defined movement in interest rates, is monitored and evaluated regularly.

Credit risk

Marel minimizes credit risk by closely monitoring credit granted to customers and by obtaining security to cover potential losses. The company has policies in place to ensure that sales of products and services are made to customers with an acceptable credit history and that products are not delivered until payments are secured. Marel does its banking with a diversified set of financial institutions around the world. Policies are in place to limit the amount of credit exposure to any one financial institution.

Liquidity risk

Due to the dynamic nature of its underlying businesses, the company has prudent liquidity risk management to ensure sufficient flexibility of funding under the revolving part of facilities agreements and by maintaining sufficient current financial assets.

Insurance policies

The company maintains both global and local insurance policies. Coverage includes property damage, business interruption, general and product liability, marine cargo/mounting, directors' and officers' liability, employers' practice liability, business travel, and accidents. The company believes its current insurance coverage to be adequate.

Consolidated financial statements 2019

Contents Consolidated Financial Statements

The Board of Directors' and CEO's Report

Marel is a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries with around 6,400 full-time equivalent employees ("FTEs") and a presence in over 30 countries and six continents and a global network of more than 100 agents and distributors.

The Consolidated Financial Statements for the year 2019 comprise the financial statements of Marel hf. ("the Company") and its subsidiaries (together "the Group" or "Marel"). The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and additional Icelandic disclosure requirements.

Operations in 2019

Consolidated Statement of Income

The consolidated revenues for Marel for the full year 2019 are EUR 1,283.7 million (2018: EUR 1,197.9 million). The adjusted result from operations for the same period is EUR 173.4 million or 13.5% of revenues (2018: EUR 175.2 million or 14.6% of revenues).

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

	2019	2018
Adjusted result from operations	173.4	175.2
PPA related costs	(10.8)	(14.3)
Result from operations	**162.6**	**160.9**

In December 2019 Marel received commitments from a mixture of current and new banking partners for a new EUR 700 million revolving credit facility which will replace the current syndicated loan facility. The new facility was signed at 5 February 2020 and will be closed soon after, subject to standard condition president provisions.

With these commitments in place, Marel revaluated the fair value of the current syndicated loan commitments, releasing the capitalized finance charges, IFRS 9 revaluation, embedded derivatives and interest rate swaps linked to the facility resulting in additional finance cost of EUR 8.9 million in the fourth quarter of 2019. Going forward and subject to utilization levels the interest and finance cost is expected to decrease as the new facility includes more favorable terms.

Further information is provided in note 9 and note 23 of the Consolidated Financial Statements.

In December 2019, a new corporate tax law was enacted in the Netherlands. Consequently, the reduction in corporate tax rate as approved by the Dutch Government in 2018 will be delayed by a year and the rate will only be reduced from 25.00% to 21.70% as of 2021. This change resulted in a loss of EUR 1.7 million related to the remeasurements of deferred tax assets and liabilities of the Group's Dutch subsidiaries being recognized during the year ended 31 December 2019 that anticipated already for the lower future rate of 20.50%.

In December 2018, a new corporate tax law was substantially enacted in the Netherlands. Consequently, as of 1 January 2020, the corporate tax rate in the Netherlands was planned to be reduced from 25.00% to 22.55% and was planned to be further reduced to 20.50% as of 1 January 2021. This change resulted in a gain of EUR 7.6 million related to the remeasurement of deferred tax assets and liabilities of the Group's Dutch subsidiaries being recognized during the year ended 31 December 2018.

Further information is provided in note 12 of the Consolidated Financial Statements.

Net result for 2019 is negatively impacted by the finance costs of EUR 6.7 million (after tax) and tax charge as a result of the change in the Dutch corporate tax rate of EUR 1.7 million. Net result for 2018 was positively impacted by the gain in taxes following the change in the Dutch corporate tax rate of EUR 7.6 million. Next to these items, earnings per share is negatively impacted by the higher number of outstanding shares in issue as a result of the secondary listing on Euronext Amsterdam.

Consolidated Statement of Financial Position

According to the Consolidated Statement of Financial Position, the Group's assets amounted to EUR 1,861.2 million at the end of 2019 (2018: EUR 1,565.9 million). Total equity amounted to EUR 955.8 million at the end of 2019 (at year-end

2018: EUR 560.9 million) or 51.4% of total assets (at year-end 2018: 35.8%). As a result of the dual listing shareholders' equity increased by EUR 370.0 million partly offset by transaction costs net of tax of EUR 14.2 million. Net interest bearing debt decreased from EUR 431.6 million at the end of 2018 to EUR 97.6 million at the end of 2019.

The goodwill of the Group was tested for impairment at year-end by calculating its recoverable amount. The results of these impairment tests were that there was no impairment as the recoverable amount of the goodwill was well above book value.

Consolidated Statement of Cash Flows

Cash generated from operating activities during the year is EUR 142.5 million (2018: EUR 166.8 million). The decrease in cash generated from operating activities is mainly due to an increase in inventories in fast moving and critical parts in spares and trade receivables, partly offset by timing of production and receipts of payments from large projects. The increase in net cash provided by financing activities is mainly due to the cash generated as a result of the equity raise, EUR 370.0 million, of which a part is used to repay borrowings.

Other

At 31 December 2019 the Company's order book amounted to EUR 414.4 million (at 31 December 2018: EUR 476.0 million).

The average number of full time employees was 6,303 in 2019 (2018: 5,794). Total salaries and wages were EUR 372.3 million (2018: EUR 343.6 million). The ratio female / male employees is 16 / 84 for 2019 (2018: 15 / 85).

Strategic minority investment in Worximity

On 19 June 2019, Marel acquired a 14.3% interest in the Canadian software company Worximity Technology ("Worximity").

Marel's initial investment of EUR 1.8 million (CAD 2.5 million) in new share capital in Worximity corresponds to 14.3% of the total share capital on a fully diluted basis. Marel will invest an additional CAD 2.5 million in new share capital in the company in the next six months, bringing Marel's total ownership to 25.0%. Further information is provided in note 18 of the Consolidated Financial Statements.

Investment in associate Curio

On 22 October 2019, Marel entered into an agreement to acquire a 50% stake in Curio ehf. ("Curio"), a highly innovative primary processing equipment provider for whitefish processing. Curio's complimentary product portfolio of deheading, filleting and skinning solutions brings Marel closer to becoming a full-line provider to the global fish industry. Curio is domiciled in Iceland and has annual revenues of around EUR 10 million.

The transaction was finalized on 8 November 2019. Closing was subject to customary closing conditions. Short term the acquisition is not expected to have material impact on Marel's earnings. Further information is provided in note 18 of the Consolidated Financial Statements.

Acquisition Cedar Creek Company

On 23 October 2019, Marel agreed to acquire Cedar Creek Company ("Cedar Creek"), an Australian provider of specialized software and hardware solutions for red meat and poultry processors. The transaction will strengthen Marel´s presence in Australia and New Zealand. Cedar Creek has annual revenues of around EUR 3 million.

The transaction was finalized on 15 November 2019. Closing was subject to customary closing conditions. The acquisition is not expected to have material impact on Marel's earnings. Further information is provided in note 4 of the Consolidated Financial Statements.

Acquisition of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG

On 14 August 2018, Marel concluded the acquisition of the limited partner interest in the company of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG to get transferred all business assets and liabilities. As part of this transaction Marel also acquired 100% of the shares of related companies in France and the United States ("MAJA"). Further information is provided in note 4 of the Consolidated Financial Statements.

Dual listing

On 7 June 2019, Marel began trading on Euronext Amsterdam, marking the dual listing of Marel on both Nasdaq Iceland and Euronext Amsterdam.

The share price was set at EUR 3.70, implying a market capitalization for Marel of EUR 2.85 billion. In total 100.0 million ordinary shares were offered which is equivalent to approximately 15% of Marel's total issued share capital before dual listing.

Capital reduction, share buy-back program, capital increase and articles of association

During the extraordinary shareholders' meeting on 22 November 2018 it was resolved to authorize the Board of Directors of Marel to initiate a share buy-back program. The main purpose of the program was to reduce the Company's share capital, where the shares purchased may also be used to meet the Company's obligations under share incentive programs with employees.

As part of the share buy-back program, as approved in the extraordinary shareholders' meeting on 22 November 2018, Marel purchased 16.2 million shares (EUR 48.8 million) in the period 5 December 2018 to 5 March 2019, of which 12.1 million shares (EUR 37.6 million) were purchased in 2019. During 2019 Marel sold 0.5 million treasury shares for EUR 0.9 million in order to fulfill obligations of stock option agreements.

At the Annual General Meeting of Shareholders on 6 March 2019 it was resolved to reduce the Company's share capital by 11.6 million shares, from 682.6 million shares to 671.0 million shares. The reduction was executed by way of cancelling 11.6 million of the Company's own shares of ISK 1 each. The Company's share capital was reduced in connection with the preparation of the dual listing of the Company, for the benefit of shareholders.

At the same shareholders' meeting it was resolved to authorize the Board of Directors to increase share capital by as much as ISK 100 million nominal value by issuing new shares. Shareholders waived their pre-emptive rights to subscribe for these new shares, which were used in an offering of shares in connection with the dual listing of the Company's shares.

At year-end 2019 Marel's issued shares totaled 771.0 million (31 December 2018: 682.6 million). At the same time Marel holds 10.8 million treasury shares (31 December 2018: 10.8 million).

In 2018, Marel purchased 24.1 million treasury shares for a total amount of EUR 71.7 million. Marel sold 2.1 million shares for EUR 2.2 million in order to fulfill obligations of stock option agreements. Following the approval in the extraordinary shareholders' meeting 53.0 million shares have been cancelled.

Stock options are granted to management and selected employees. Total granted and unexercised stock options at the end of the year 2019 were 19.2 million shares (2018: 11.9 million shares), of which 2.9 million are exercisable at the end of 2019 (2018: 1.7 million) and the remainder will vest in the years 2020 to 2022. Further information is disclosed in note 22 to the Consolidated Financial Statements.

Based on the decision taken at the Company's 2019 Annual General Meeting, a dividend was declared and paid to shareholders for the operational year 2018 amounting to EUR 36.7 million, EUR 5.57 cents per share. This corresponds to approximately 30% of net result for the operational year 2018 (2018: a dividend of EUR 28.7 million, EUR 4.19 cents per share, corresponding to approximately 30% of net result for the year 2017, was declared and paid out to shareholders for the operational year 2017).

The Board of Directors will propose to the 2020 Annual General Meeting that EUR cents 5.79 dividend per outstanding share will be paid for the operational year 2019, corresponding to approximately 40% of net results attributable to Shareholders of the Company of EUR 110.0 million for the year 2019, and refers to the Consolidated Financial Statements regarding appropriation of the profit for the year and changes in shareholders' equity. This is a 4% increase in dividend per share compared with previous year. At the same time the total number of outstanding shares increased from 671.8. million shares as per 31 December 2018 to 760.2 million shares as per 31 December 2019.

This is proposed in accordance to Marel's dividend policy, disclosed at Marel's Annual General Meeting in March 2011. The target is that the net debt/EBITDA ratio is 2 - 3 times EBITDA, excess capital to be used to stimulate growth and value creation as well as paying dividend and that dividend or share buy-back is targeted at 20-40% of the net result.

If approved by Marel's shareholders, the Company's shares traded on and after 20 March 2020 (Ex-date) will be ex-dividend and the right to a dividend will be constricted to shareholders identified in the Company´s shareholders registry at the end of 23 March 2020, which is the proposed record date. The

Board will propose that payment date of the dividend is 8 April 2020.

Ten largest shareholders in ISK shares at year end

Marel keeps a share registry for the ISK shares listed on Nasdaq Iceland. Shares listed in EUR on Euronext Amsterdam are registered in the ISK share registry in a custody account in the name of ABN AMRO on behalf of Euroclear Nederland and are beneficially owned by all EUR shareholders proportionally in accordance with Dutch law. Marel is therefore unable to keep a share registry for the EUR shares listed on Euronext in Amsterdam.

Following is a list of the ten largest shareholders according to the ISK share registry. As information on actual shareholders in EUR shares is not available, Marel is unable to disclose the names and holdings of the ten largest shareholders in the Company, i.e. in combined ISK and EUR shares.

No single shareholder holding shares only in EUR exceeded the threshold of 5% total share capital at year-end 2019.

		2019	
		Number of shares (million)	**%**
ABN Amro on behalf of Euroclear*	Custody account	193.9	25.1%
Eyrir Invest hf.	Investment company	190.4	24.7%
The Pension Fund of Commerce	Pension fund	62.4	8.1%
LSR A, B & S divisions	Pension fund	40.0	5.2%
Gildi	Pension fund	38.4	5.0%
Capital Group**	Asset management	34.5	4.5%
Birta lífeyrissjóður	Pension fund	21.7	2.8%
Frjálsi lífeyrissjóðurinn	Pension fund	11.9	1.5%
Festa - lífeyrissjóður	Pension fund	10.7	1.4%
Stapi lífeyrissjóður	Pension fund	10.3	1.3%
	Top 10 total	**614.2**	**79.6%**
	Others	146.1	19.0%
Marel hf.	Treasury shares	10.8	1.4%
	Total issued shares	**771.1**	**100.0%**

*) Custody account representing all EUR shareholders.
**) Capital Group sent a major shareholder notification on 29 March 2019, where the threshold crossed was above 5%.

Corporate Responsibility Statement

Corporate Governance

The framework for the Company's Corporate Governance practices consists of the provisions of the law and regulations, the Company's Articles of Association and the Icelandic Guidelines on Corporate Governance issued in June 2015 by the Iceland Chamber of Commerce, NASDAQ Iceland and SA - Confederation of Icelandic Employers.

The Board of Directors is currently comprised of 3 female Directors and 4 male Directors, which is in accordance with the statutory gender ratio of Boards of Directors of Public Limited Companies in Iceland, with more than 50 employees (ratio of each gender shall be no less than 40%).

The Company's Annual General Meeting annually elects five to seven people to the Board of Directors. The Nomination Committee identifies and nominates candidates for the Board, as well as members of the Board's committees. The Nomination Committee is a sub-committee of Marel's Board of Directors, and is composed of three Board members. The majority of the members of the Nomination Committee shall be independent of the Company and of shareholders that hold 10% or more of the total share capital of the Company. Candidates for the Board of Directors of the Company have to notify the Board of Directors thereof in writing at least five full days before the beginning of the shareholder meeting. The Company's Articles of Association can only be amended with the approval of 2/3 of casted votes at a shareholder meeting and approval of shareholders who control at least 2/3 of the shares represented in a legal shareholders' meeting, provided that the notification calling the meeting thoroughly informs on such amendment.

In compliance with the guidelines, the Board of Directors has prepared a Corporate Governance Statement and is explained and discussed in more detail in a separate document distributed with the Consolidated Financial Statements and is included in Marel's Annual Report 2019.

Non-financial information

The Corporate Social Responsibility Principles, addressing environmental, social and ethical matters, can be summarized as follows:

Social Responsibility

Marel provides a safe and healthy working environment and equal opportunities. It fosters individual and team development and ensures the right to freedom of association for all its employees. Human rights violations, illegal labor conditions and illegal and unethical business behavior are never tolerated. Marel engages with local communities, where innovation and education serve as the main areas of social participation.

Environmental Responsibility

Marel encourages efficient use of resources in its value chain and promotes positive environmental impact and environmental protection. Innovation focuses on continuously creating new methods for improving yields and minimizing waste in food production, reducing the use of scarce resources such as energy and water, and promoting food safety and animal well-being.

Economical Responsibility

Marel promotes long term value creation, fair trade and good business practices in its value chain through transparency, innovation and collaboration with all its partners.

Our guidance policy on corporate responsibility implements the ISO 26000 standards, and we are a United Nations Global Compact participant.

Marel has been a participant in the NASDAQ sustainable markets initiative since 2019, and reports in accordance with the NASDAQ ESG reporting guidelines.

The Corporate Responsibility Statement is explained and discussed in more detail in a separate document distributed with the Consolidated Financial Statements and is included in Marel's Annual Report 2019.

Statement by the Board of Directors and the CEO

According to the Board of Directors' and CEO's best knowledge these Consolidated Financial Statements comply with International Financial Reporting Standards as adopted by the European Union and additional Icelandic disclosure requirements for consolidated financial statements of listed companies.

Furthermore according to the Board of Directors' and CEO's best knowledge, the statements give a true and fair view of the Group's financial position as at 31 December 2019, operating performance and the cash flows for the year ended 31 December 2019 as well as describe the principal risk and uncertainty factors faced by the Group.

The report of the Board of Directors and CEO provides a clear overview of developments and achievements in the Group's operations and its situation.

The management and the Board of Directors of the Group believe that they are taking all the necessary measures to support the sustainability and growth of the Group's business in the current environment. Accordingly they continue to adopt the going concern basis in preparing the Annual Report and Consolidated Financial Statements.

Management of the Group believes it is well placed to manage its business risks successfully based on the present economic outlook. Further information is disclosed in note 26 to the Consolidated Financial Statements.

The Board of Directors and CEO of Marel hf. hereby ratify the Consolidated Financial Statements of Marel hf. for the year 2019 with their signatures.

Garðabær, 5 February 2020

Board of Directors

Ásthildur Margrét Otharsdóttir
Chairman of the Board

Arnar Þór Másson

Ann Elizabeth Savage

Ástvaldur Jóhannsson

Margrét Jónsdóttir

Ólafur S. Guðmundsson

Ton van der Laan

Chief Executive Officer

Árni Oddur Þórðarson

Independent Auditor's report

To the Board of Directors and Shareholders of Marel hf.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the Consolidated Financial Statements of Marel hf. (the 'Group'), which comprise the Consolidated Statement of Financial position as at 31 December 2019, the Consolidated Statements of Income, Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and Notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and additional disclosure requirements for listed companies in Iceland.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of consolidated financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Recoverability of Goodwill

Refer to note 2.10 and note 16.

Goodwill amounted to EUR 646 million and represents 35% of total assets as at 31 December 2019. The goodwill is allocated to three cash generating units (CGUs).

Management prepared value-in-use model to estimate the present value of forecast future cash flows for each CGU, which was compared with the carrying value of the net assets of each CGU.

Determining if an impairment charge is required for goodwill involves significant judgements about forecast future performance and cash flows of the CGUs, including growth in revenues and operating profit margins. It also involves determining an appropriate discount rate and long-term growth rate.</td><td>We have performed the following procedures to address this risk:
We evaluated the cash flow projections included in the goodwill impairment test. We considered the level of historical budgeting inaccuracies and how the assumptions compared with the actual performance achieved in prior years.
We assessed and tested the assumptions, methodologies, the weighted average cost of capital and other data used, for example by comparing them to external and historical data and by analyzing sensitivities in Marel's valuation model.
We included our valuation specialists in the team to assist us with these procedures.
We specifically focused on the sensitivity in the available headroom for the cash generating units, evaluating whether a reasonably possible change in assumptions could cause the carrying</td></tr>
</table>

Based on the significance of the goodwill amount and judgements in the goodwill calculations, recoverability of goodwill is a key audit matter.	amount to exceed its recoverable amount and assessed the historical accuracy of management's estimates. • We also assessed the adequacy of the disclosures in Note 16 to the Consolidated Financial Statements.
Revenue recognition Refer to note 2.5, note 3 (part :"Revenue recognition") and note 7. Recognition of the Group's revenue is complex due to several types of customer contracts utilized, including sale of standard and customized equipment, service contracts and sale of spare parts. Revenue recognition for production contracts is based on over time accounting or point in time accounting following the requirements of IFRS15. For over time accounting, the assessment of the stage of the contract is made by reference to the proportion of contract cost incurred for the work performed to the reporting date relative to the estimated total contract costs to completion. The recognition of revenue therefore relies on estimates in relation to the final outcome of expected costs on each contract, which can be judgmental and could be susceptible to a material misstatement. Revenue recognition is therefore a key audit matter.	We have performed the following procedures to address the risk: • We assessed the accuracy of the revenue streams by testing on a sample basis the revenue amounts recorded in the general ledger against the underlying contracts and orders, invoices, payments and if relevant proofs of delivery. • We tested a sample of credit notes issued after year-end to agree that revenue were not reversed after year-end. • We performed procedures to test the correctness of the transactions in the appropriate period. • We performed test of details on a sample of year-end open equipment projects. We selected projects based on size and risk assessment. We agreed the selected items to contracts, precalculations and invoices. • We considered the progress of per year-end open equipment projects, agreed the accrued cost on the selected projects and agreed that the over time revenues are valid. • We scrutinized specific revenue journal entries in the context of journal entries testing, e.g. regarding manual entries on revenues. • We assessed whether the accounting policies for revenue recognition and other financial statements disclosures related to revenue were in accordance with International Financial Reporting Standards as adopted by the EU.

Other information

The Board of Directors and CEO are responsible for the other information. The other information comprises the information included in the Annual Report of the Group, but does not include the Consolidated Financial Statements and our auditor's report thereon. Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The annual report is not available at our reporting date but is expected to be made available to us after that date.

Responsibilities of the Board of Directors and CEO for the Consolidated Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRSs as adopted by the EU, and for such internal control as they determine is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Board of Directors and CEO are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and CEO are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the Consolidated Financial Statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Consolidated Financial Statements.

The engagement partner on the audit resulting in this independent auditor's report is Hrafnhildur Helgadóttir.

Reykjavik, 5 February 2020

KPMG ehf.

Sæmundur Valdimarsson   Hrafnhildur Helgadóttir

Consolidated Statement of Income

In EUR million unless stated otherwise	Notes	2019	2018
Revenues	5 & 6 & 7	1,283.7	1,197.9
Cost of sales	5 & 8	(792.6)	(735.1)
Gross profit	5	**491.1**	**462.8**
Selling and marketing expenses	5 & 8	(159.2)	(140.0)
Research and development expenses	5 & 8	(85.9)	(76.7)
General and administrative expenses	5 & 8	(83.4)	(85.2)
Result from operations	5	**162.6**	**160.9**
Finance costs	9	(25.2)	(17.2)
Finance income	9	4.5	2.3
Net finance costs	9	(20.7)	(14.9)
Share of result of associates	18	(0.1)	-
Result before income tax		**141.8**	**146.0**
Income tax	12	(31.7)	(23.5)
Net result		**110.1**	**122.5**
Of which:			
- Net result attributable to Shareholders of the Company	13	110.0	122.4
- Net result attributable to non-controlling interests	22	0.1	0.1
Earnings per share for result attributable to Shareholders of the Company during the period (expressed in EUR cent per share):			
- basic	13	15.33	17.95
- diluted	13	15.20	17.86

The notes on pages 15-75 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

In EUR million	Notes	2019	2018
Net result		110.1	122.5
Items that are or may be reclassified to profit or loss:			
Currency translation differences	22	1.9	(3.3)
Cash flow hedges	22	(3.1)	1.6
Income tax relating to cash flow hedges	20 & 22	0.6	(0.4)
Other comprehensive income / (loss) for the period, net of tax		(0.6)	(2.1)
Total comprehensive income for the period		**109.5**	**120.4**
Of which:			
- Total comprehensive income attributable to Shareholders of the Company		109.4	120.3
- Total comprehensive income attributable to non-controlling interests	22	0.1	0.1

The notes on pages 15-75 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Financial Position

In EUR million	Notes	2019	2018
ASSETS			
Property, plant and equipment	14	181.4	175.6
Right of use assets	15	36.4	33.3
Goodwill	16	645.8	641.3
Intangible assets	17	252.4	267.0
Investments in associates	18	15.6	-
Trade and other receivables	19	2.1	3.2
Derivative financial instruments	26	-	1.3
Deferred income tax assets	20	11.9	10.2
Non-current assets		**1,145.6**	**1,131.9**
Inventories	21	166.8	149.9
Contract assets	7	38.3	44.0
Trade receivables	7 & 19	160.0	138.8
Other receivables and prepayments	19	46.8	45.0
Cash and cash equivalents		303.7	56.3
Current assets		**715.6**	**434.0**
TOTAL ASSETS		**1,861.2**	**1,565.9**
EQUITY AND LIABILITIES			
Share capital	22	6.8	6.1
Share premium reserve	22	483.1	161.7
Other reserves	22	(10.9)	(10.3)
Retained earnings	22	476.5	403.2
Shareholders' equity		**955.5**	**560.7**
Non-controlling interests	22	0.3	0.2
Total equity		**955.8**	**560.9**
LIABILITIES			
Borrowings	23	333.5	429.3
Lease liabilities	15 & 23	28.4	27.1
Deferred income tax liabilities	20	55.5	57.3
Provisions	24	10.6	9.2
Other payables	27	5.1	3.0
Derivative financial instruments	26	3.0	1.4
Non-current liabilities		**436.1**	**527.3**
Contract liabilities	7	217.5	212.1
Trade and other payables	27	200.5	217.0
Current income tax liabilities		3.7	9.3
Borrowings	23	30.6	24.8
Lease liabilities	15 & 23	8.8	6.7
Provisions	24	8.2	7.8
Current liabilities		**469.3**	**477.7**
Total liabilities		**905.4**	**1,005.0**
TOTAL EQUITY AND LIABILITIES		**1,861.2**	**1,565.9**

The notes on pages 15-75 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Changes in Equity

In EUR million	Share capital	Share premium reserve [1)]	Other reserves [2)]	Retained earnings [3)]	Share-holders' equity	Non-controlling interests	Total equity
Balance at 1 January 2019	**6.1**	**161.7**	**(10.3)**	**403.2**	**560.7**	**0.2**	**560.9**
Net result for the period				110.0	110.0	0.1	110.1
Total other comprehensive income			(0.6)		(0.6)		(0.6)
Transactions with owners of the Company							
New shares issued	0.8	369.2			370.0		370.0
Transaction costs		(14.2)			(14.2)		(14.2)
Treasury shares purchased	(0.1)	(37.5)			(37.6)		(37.6)
Treasury shares sold	0.0	0.9			0.9		0.9
Options granted / excercised / cancelled		2.5			2.5		2.5
Other movements		0.5			0.5		0.5
Dividend				(36.7)	(36.7)	(0.0)	(36.7)
	0.7	**321.4**	**(0.6)**	**73.3**	**394.8**	0.1	**394.9**
Balance at 31 December 2019	**6.8**	**483.1**	**(10.9)**	**476.5**	**955.5**	**0.3**	**955.8**

In EUR million	Share capital	Share premium reserve [1)]	Other reserves [2)]	Retained earnings [3)]	Share-holders' equity	Non-controlling interests	Total equity
Balance at 31 December 2017	**6.3**	**229.6**	**(8.2)**	**313.9**	**541.6**	**0.3**	**541.9**
Impact IFRS 9 & 15				(4.8)	(4.8)		(4.8)
Balance at 1 January 2018	**6.3**	**229.6**	**(8.2)**	**309.1**	**536.8**	**0.3**	**537.1**
Net result for the period				122.4	122.4	0.1	122.5
Total other comprehensive income			(2.1)		(2.1)		(2.1)
Transactions with owners of the Company							
Treasury shares purchased	(0.2)	(71.5)			(71.7)		(71.7)
Treasury shares sold		2.2			2.2		2.2
Options granted / excercised / cancelled		1.1			1.1		1.1
Other movements		0.3		0.4	0.7		0.7
Dividend				(28.7)	(28.7)	(0.2)	(28.9)
	(0.2)	**(67.9)**	**(2.1)**	**94.1**	**23.9**	**(0.1)**	**23.8**
Balance at 31 December 2018	**6.1**	**161.7**	**(10.3)**	**403.2**	**560.7**	**0.2**	**560.9**

1) Includes reserve for share based payments as per 31 December 2019 of EUR 5.0 million (31 December 2018: EUR 2.6 million).
2) For details on other reserves refer to note 22.
3) Includes a legal reserve for capitalized intangible assets related to product developments projects as per 31 December 2019 of EUR 71.6 million (31 December 2018: EUR 74.4 million).

The notes on pages 15-75 are an integral part of the Consolidated Financial Statements

marel

Consolidated Statement of Cash Flows

In EUR million	Notes	2019	2018
Cash Flow from operating activities			
Result from operations		**162.6**	**160.9**
Adjustments to reconcile result from operations to net cash provided by / (used in) operating activities:			
Depreciation of property, plant and equipment and right of use assets	14 & 15	23.9	21.9
Amortization and impairment of intangible assets	17	33.8	32.7
Changes in non-current receivables and payables		1.0	0.3
Working capital provided by / (used in) operating activities		**221.3**	**215.8**
Changes in working capital:			
Inventories and contract assets and liabilities		(4.5)	(17.8)
Trade and other receivables		(21.4)	(4.0)
Trade and other payables		(6.8)	15.0
Provisions		1.2	(3.2)
Changes in operating assets and liabilities		**(31.5)**	**(10.0)**
Cash generated from operating activities		**189.8**	**205.8**
Taxes paid		(37.0)	(31.2)
Interest and finance income		3.0	2.2
Interest and finance costs		(13.3)	(10.0)
Net cash from operating activities		**142.5**	**166.8**
Cash Flow from investing activities			
Purchase of property, plant and equipment	14	(19.3)	(34.0)
Investments in intangibles	17	(18.6)	(23.0)
Proceeds from sale of property, plant and equipment		0.4	3.0
Investments in associates	18	(12.7)	-
Acquisition of subsdiary, net of cash acquired	4	(4.0)	(30.5)
Net cash provided by / (used in) investing activities		**(54.2)**	**(84.5)**
Cash Flow from financing activities			
New shares issued	22	370.0	-
Transaction costs	22	(17.8)	-
Purchase of treasury shares	22	(37.6)	(71.7)
Sale of treasury shares	22	0.9	2.2
Proceeds from borrowings	23	40.0	289.0
Repayments of borrowings	23	(145.3)	(241.6)
Payments of lease liabilities		(16.7)	(9.2)
Dividends paid	22	(36.7)	(28.9)
Net cash provided by / (used in) financing activities		**156.8**	**(60.2)**
Net increase (decrease) in net cash		**245.1**	**22.1**
Exchange gain / (loss) on net cash		2.3	2.3
Net cash at beginning of the period		56.3	31.9
Net cash at end of the period		**303.7**	**56.3**

The notes on pages 15-75 are an integral part of the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1 General information

1.1 Reporting entity

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

The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as "the Group" or "Marel”).

The Group is a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries and is involved in the manufacturing, development, distribution and sales of solutions for these industries.

These Consolidated Financial Statements have been approved for issue by the Board of Directors and CEO on 5 February 2020. These Consolidated Financial Statements as presented in this report are subject to the adoption by the Annual General Meeting of Shareholders, to be held on 18 March 2020.

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

1.2 Basis of Accounting

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and additional Icelandic disclosure requirements for consolidated financial information of listed companies in accordance with Icelandic Financial Statements Act No. 3/2006 and rules for issuers of financial instruments at the Nasdaq in Iceland. The accounting policies applied by Marel comply with IFRS as adopted by the EU and the pronouncements of the International Financial Reporting Interpretation Committee (“IFRIC”) effective at 31 December 2019.

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

Details of the Group’s significant accounting policies are included in note 2.

1.3 Functional and presentation currency and exchange rates

Items included in the Consolidated 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 Consolidated Financial Statements are presented in Euro (“EUR”), which is the Group's reporting currency and the functional currency of Marel hf. All financial information is presented in EUR million, unless otherwise indicated.

Exchange rates
The currency exchange rates that were used in preparing the Consolidated Financial Statements are listed below for the most relevant currencies.

	2019		2018	
1 euro =	Year-end rate	Average rate	Year-end rate	Average rate
USD	1.12	1.12	1.14	1.18
GBP	0.85	0.88	0.90	0.88
ISK	135.83	137.26	132.93	127.54

1.4 Use of estimates and judgments

The preparation of the Consolidated Financial Statements in accordance with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 3. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values.

Further information about the assumptions made in measuring fair values is included in notes 2.13 Financial instruments and 26 Financial instruments and risks.

2 Summary of significant accounting policies

2.1 General

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below.

Changes in accounting policies

The accounting policies set out in these Consolidated Financial Statements have been applied consistently for all periods presented.

Marel's existing accounting policy for uncertain tax treatments is consistent with the requirements in IFRIC 23 Uncertainty over Income Tax Treatments, which became effective on 1 January 2019.

In 2019, Marel adopted certain modifications to the presentation of its Consolidated Statement of Income to bring it in line with recommendations from the European Securities and Market Authority. This new presentation resulted in a reclassification of the Purchase Price Allocation ("PPA") related costs into expenses by function (selling and marketing expenses, research and development expenses and general and administrative expenses) (see note 5).

A number of other new standards are effective from 1 January 2019 but do not have a material effect on the Group's Consolidated Financial Statements.

Impact of the adoption of IFRS 9, IFRS 15 and IFRS 16

The Group has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018.

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

The impact of the adoption of IFRS 9 and IFRS 15, as per 1 January 2018, on the Group's equity as at 1 January 2018 is summarized in the following table:

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

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

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

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

Prior-year information

The presentation of prior-year disclosures is in line with the current year disclosures.

Specific choices with IFRS

Sometimes IFRS allows alternative accounting treatment for measurement and / or disclosure. The most important of these alternative treatments are mentioned below:

Tangible and intangible fixed assets

Under IFRS an entity shall disclose either the cost model or the revaluation model as its accounting for tangible and intangible fixed assets. In this respect, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if applicable. The useful lives and residual values are evaluated annually. The Company chose to apply the cost model meaning that costs relating to product development, the development and purchase of software for internal use and other intangible assets are capitalized and subsequently amortized over their estimated useful life.

Presentation of Consolidated Statement of Income

Marel presents expenses in the Consolidated Statement of Income in accordance with their function. This allows the presentation of gross profit on the face of the Consolidated Statement of Income, which is a widely used performance measure in the industry. The composition of the costs allocated to the individual functions is explained as follows:

- Cost of sales encompasses all manufacturing costs (including raw materials, employee benefits, and depreciation and amortization) related to goods and services captured in net sales. They are measured at their actual cost based on "first in, first out" or weighted average cost;
- Selling and marketing expenses relate to the selling and marketing of goods and services;
- Research and development expenses consist of:
  - research, which is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding; and,
  - development, which is defined as the application of research findings or other knowledge to a plan or (re-)design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use;
- General and administrative expenses relate to the strategic and governance role of the general management of the Company as well as the representation of Marel as a whole in the financial, political or business community. General and administrative expenses also relate to business support activities of staff departments that are not directly related to the other functional areas.

Presentation of Consolidated Statement of Cash Flows

Under IFRS, an entity shall report cash flows from operating activities using either the direct method (whereby major classes of gross cash receipts and gross cash payments are disclosed) or the indirect method (whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows). In this respect, the Company chose to prepare the Consolidated Statement of Cash Flows using the indirect method.

Relevance and importance of notes to the reader

In order to enhance the informational value of the Consolidated Financial Statements, the notes are prepared based on relevance and importance for the reader. This can result in information that has been evaluated as neither important nor relevant for the reader, not being presented in the notes.

2.2 Consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

Acquisitions by Marel as part of business combinations will result in recognition of goodwill and other intangible assets. The amounts assigned to the acquired assets and liabilities are based on assumptions and estimates about their fair values. In making these estimates, management consulted independent, qualified appraisers if appropriate. A change in assumptions and estimates could change the values allocated to certain assets and their estimated useful lives, which could affect the amount or timing of charges to the Consolidated Statement of Income, such as amortization of intangible assets.

Any goodwill that arises is tested annually for impairment. Any gain on a purchase is recognized in the Consolidated Statement of Income immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the Consolidated Statement of Income.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in the Consolidated Statement of Comprehensive Income.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's award), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combinations. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Details of the acquisition of Cedar Creek Company and of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG are disclosed in note 4.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

Non-controlling interests ("NCI") are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it de-recognizes the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognized in the Consolidated Statement of Income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investments in associates

Associates are all entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of investments in associates, until the date on which significant influence ceases.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the Consolidated Statement of Income as part of other results relating to investments in associates.

Details of the investments in Curio ehf. and Worximity Technology are disclosed in note 18.

Transactions eliminated on consolidation
Intercompany transactions, balances and unrealized gains on transactions between Group entities are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests
Transactions that result in changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders.

As a result, no gain or loss on such changes is recognized in the Consolidated Statement of Income but rather in equity. Furthermore, no change in the carrying amounts of assets (including goodwill) or liabilities is recognized as a result of such transactions. This approach is consistent with NCI being a component of equity.

2.3 Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Business activities reported in the core industries reflect the recurring operational activities of those segments. All operating segments' operating results are reviewed regularly by the Group's CEO and strategic decisions are based on these operating segments.

2.4 Foreign currency translation

Transactions and balances
Foreign currency transactions are translated into the respective functional currencies of Group entities, and from there into the Group's reporting currency using the exchange rates prevailing at the dates of the transactions or valuation where items are revaluated.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Income, except when deferred in equity as permanent loan, as qualifying cash flow hedges and as qualifying net investment hedges as explained in note 2.14. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents as well as all other foreign exchange gains and losses are recognized immediately in the Consolidated Statement of Income within finance income or finance costs.

Group entities
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities presented are translated at the closing rate at the date of that Consolidated Statement of Financial Position.
- income and expenses for each transaction in the Consolidated Statement of Income are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions.
- translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to financing of subsidiaries are recognized as a separate component of equity (translation reserve).

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognized in OCI and accumulated in translation reserve. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in OCI are recognized in the Consolidated Statement of Income for the period as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

In case of a non-wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to Consolidated Statement of Income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to OCI.

2.5 Revenue recognition

Marel recognizes revenue based on the considerations specified in contracts with customers based on the five-step process as described in IFRS 15.

Revenue is recognized, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness. Revenue is the transaction price Marel expects to be entitled to.

If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The following is a description of the nature and the timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Sales of goods

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

Standard equipment requires no or minor modifications as requested by customers. Sales of complete solutions or systems require significant modifications either requested by the customer or required to fulfill the customer's needs.

Revenues for standard equipment are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods. Invoices are issued at that point in time and are usually payable within 30 days from the date of invoice issued according to the contractual terms.

Revenues for complete solutions or systems will be recognized over time as all these complete solutions or systems are deemed to not have an alternative use and Marel has an enforceable right to payment. Revenue is recognized under the cost-to-cost (percentage-of-completion) method, based on the percentage of costs incurred to date compared to total estimated costs as based on Marel's assessment it best depicts the transfer of control to the customer. An expected loss on the contract is recognized as an expense immediately. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

Under IFRS 15, complete solutions or systems should have a similar margin for all components of the solution or system. As a result of the adoption of IFRS 15, Marel aligned the margins for all phases of the solution or systems.

For the sale of complete solutions or systems and for most of the standard equipment down payments are requested. For these down payments payment terms are usually 30 days from the date of invoice issued according to the contract terms.

Rendering of services

The Group is involved in manufacturing of equipment, as well as performing related maintenance services to the equipment.

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions. Revenue relating to maintenance services is recognized over time under the percentage-of-completion method as described above, although the customer pays up-front in full for these services. A contract liability is recognized for revenue relating to the maintenance services at the time of the initial sales transaction and is recognized as revenue over the service period. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

Commissions

The Group will apply the practical expedient in relation to the incremental costs of obtaining a contract. The Group will recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. Costs for obtaining a contract for which the contract exceeds one year will be capitalized and amortized over the contract period.

Interest income

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

Impairment of receivables

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.6 Contract assets and contract liabilities

The contract assets (cost exceed billing) primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities (billing exceed cost) primarily relate to the advance consideration received from customers for standard equipment for which revenue is recognized at a point in time and for the sale of complete solutions or systems for which revenue is recognized over time.

2.7 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (stock options) of the Group. The fair value of the employee services received in exchange for the grant of the stock options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the stock options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of stock options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At reporting date, the entity revises its estimates of the number of stock options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the Consolidated Statement of Income, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the stock options are exercised. The fair value of the employee stock options granted is measured using the Black-Scholes formula.

Measurement inputs include share price on measurement date, exercise price of the stock options, expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life of the instruments based on historical experience and general stock option holder behavior, expected dividends, and the risk-free interest rate based on government bonds. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Profit sharing and bonus plans

Under some circumstances, a liability for key employee benefits in the form of profit sharing and bonus plans is recognized in other payables when it is management intention to settle the liability and at least the condition is met that there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Pension plans

Marel has several pension plans in accordance with local rules and conditions. Based on IAS 19, Employee Benefits, only one arrangement with regards to early retirement rights can be classified as defined benefit pension plan until the moment of settlement expected in 2020 (VPL in the Netherlands). Two other defined benefit obligations refer to jubilee rights in the Netherlands and the postretirement medical benefit plan in the United States of America. Because of their non-material character, these arrangements are not disclosed separately.

For the majority of its employees, the Group has pension plans classified as defined contribution plans. Obligations relating to defined contribution pension plans are charged to the Consolidated Statement of Income as employee remuneration expenses when the contributions are payable. Contributions paid in advance are presented as assets to the extent that cash repayment or a reduction in future contributions is available.

2.8 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Consolidated Statement of Income except to the extent that it relates to business combinations, or items recognized directly in shareholders' equity or in OCI. In case of recording directly in shareholders' equity, the tax on this item is included in deferred taxes; the net amount is recognized in shareholders' equity.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

2.9 Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Consolidated Statement of Income in the period in which they are incurred.

Land is not depreciated. Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Buildings	30-50 years
Plant and machinery	4-15 years
Vehicles and equipment	3-7 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. Equipment included in rented buildings is depreciated over the remaining useful life of the related equipment or over the remaining rental period, whichever is shorter.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount (note 2.12).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognized within other operating income (expenses) in the Consolidated Statement of Income.

Borrowing cost is expensed as incurred except when directly attributable to acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use. Such borrowing cost is capitalized as part of the cost of the asset when it is probable that it will result in future economic benefits to the entity and the cost can be measured reliably.

2.10 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to Cash Generating Units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose.

Technology, research and development

Technology costs have a finite useful life and are capitalized and amortized using the straight line method over the period of 20 years.

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will generate future economic benefits, considering its commercial and technological feasibility, costs can be measured reliably and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized as an expense as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

Customer relationships, patents & trade names

Customer relationships have been acquired as part of recent acquisitions and are capitalized and amortized using the straight line method over their useful life of maximum 20 years.

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.

Other intangible assets

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use.
- management intends to complete the software product and use or sell it.
- there is an ability to use or sell the software product.
- it can be demonstrated how the software product will generate probable future economic benefits.
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- the expenditure attributable to the software product during its development can be measured reliably.

Directly attributable costs capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overhead.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as intangible assets are amortized over their estimated useful lives, which can vary from 3 to 5 years.

General

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the Consolidated Statement of Income as incurred.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets with an indefinite useful life or that are not amortized are tested annually for impairment.

2.11 Right of use assets

Marel recognizes a right of use asset and a lease liability at the lease commencement date. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the assets are determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease categories

Marel is mainly using the following leases:

- Office buildings: Marel is leasing office buildings for regional offices. The lease terms, and the remaining lease terms at the date of the initial application, vary between one month and 10 years. The lease payments are adjusted every year based on the change in the consumer price index in the preceding year.
- Lease cars: Marel is leasing cars for which the lease terms and remaining lease terms at the date of initial application vary between 1 month and 5 years.

Short-term leases and leases of low-value assets

Marel has elected not to recognize right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight line bases over the lease term.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date. Assets held for sale which are valued at fair value, are reviewed at each reporting date.

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from business combinations is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in the Consolidated Statement of Income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.13 Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when Marel becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, the Group classifies its financial assets as measured at either: amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- the Company's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Financial assets at amortized cost

Financial assets are measured at amortized cost if both:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, less any impairment losses.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments measured at fair value through other comprehensive income are recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to profit or loss when debt instrument is derecognized.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets are not met, a financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at fair value through profit or loss is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in the Consolidated Statement of Income for the reporting period in which it arises.

The Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Fair value measurement

The fair values of quoted assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

The fair value of investments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Further information is included in note 26.

Impairment – Financial assets and contract assets

Under IFRS 9, loss allowances are measured based on the Expected Credit Losses ("ECL") that result from all possible default events over the expected life of a financial instrument. Marel's financial assets are currently limited to trade receivables and contract assets without significant financing components and are as such always impaired based on lifetime ECLs. The Group expects impairments losses to remain at similar levels as they are currently going forward, although they become more volatile for assets in the scope of the IFRS 9 impairment model. The estimated ECLs were calculated based on actual credit loss experience over the past five years. The Group takes a holistic view of it financial assets and applies the same expected credit loss rate over all trade receivables.

Based on materiality considerations, Marel reports impairment losses on trade receivables and contract assets as other expenses within selling and marketing expenses, instead of presented separately in the Consolidated Statement of Comprehensive Income. Impairment losses on other financial assets are presented under finance costs.

Cash and cash equivalents

Cash and cash equivalents can include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the Consolidated Statement of Financial Position.

Impairment – Cash and cash equivalents

The majority of cash and cash equivalents are held with bank and financial institution counterparties, which have a rating of A+, based on Standard & Poor's ratings as at 31 December 2019. Marel holds majority of its cash and cash equivalents with financial institutions that are lending partners to the Group to minimize further credit risks.

The Group does not expect any impairment on cash and cash equivalents as the Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Financial liabilities

Financial liabilities are classified as measured at amortized costs or at fair value through profit or loss. A financial liability is classified at fair value through profit or loss if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Under IFRS 9, entities have to account for modifications and revisions on its financial liabilities and report any (expected) gain or loss as a result in the Consolidated Statement of Income at the day of modification or revision.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Derecognition financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Derecognition financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.14 Derivative financial instruments and hedging activities

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

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently revaluated at their fair value and changes therein are recognized in profit or loss. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risk of the host contract and the embedded derivative are not directly closely related.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge). Or
- Hedges of a net investment in a foreign operation (net investment hedge). Or
- Derivatives at fair value through profit or loss are accounted for at fair value through profit or loss.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedge reserve in equity are shown in the Consolidated Statement of Changes in Equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current asset or liabilities.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI and presented in the hedge reserve in equity. The profit or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Income within finance income or finance costs.

Amounts accumulated in equity are recycled in the Consolidated Statement of Income in the periods when the hedged item affects profit or loss.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or non-current assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in case of inventory or in depreciation in case of non-current assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the Consolidated Statement of Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Income within finance income or finance costs.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other income and presented in the hedge reserve in equity. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Income within finance income or finance costs.

Gains and losses accumulated in equity are included in the Consolidated Statement of Income when the foreign operation is partially disposed of or sold.

Derivatives at fair value through profit or loss are accounted for at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognized immediately in the Consolidated Statement of Income within finance income or finance costs.

2.15 Inventories

Inventories are measured at the lower of historical cost or net realizable value. Cost is determined using the weighted average method and an adjustment to net realizable value is considered for items, which have not moved during the last 12 months. The cost of finished goods and work in progress comprise raw materials, direct labor, other direct costs and related production overhead based on normal operating capacity but exclude borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and any applicable variable selling expenses.

2.16 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefits and investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for sale and subsequent gains or losses on re-measurement are recognized in the Consolidated Statement of Income.

Once classified as assets held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or stock options are shown in shareholders' equity as a deduction, net of tax, from the proceeds.

Transaction costs, net of tax, for transactions in shares are deducted from the share premium reserve.

When any Group entity purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Repurchased shares are classified as treasury shares and are presented in the share premium reserve. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included within share premium.

Private placements need to be approved by the shareholders at the Company's Annual General Meeting. Based on such resolution, where the shareholders waive their pre-emptive rights, the Board of Directors can approve for a private placement.

2.18 Provisions

Provisions for restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

The Group provides a guarantee on certain products and undertakes to repair or replace items that fail to perform satisfactorily. If the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

A provision for guarantee commitments is recognized when the underlying product and services are sold based on historical warranty data and a weighting of possible outcomes against their associated probabilities. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.19 New standards and standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted: however, the Group has not early adopted the new or amended standards in preparing these Consolidated Financial Statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's Consolidated Financial Statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

3 Critical accounting estimates and assumptions

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these Consolidated Financial Statements, the Group has made judgments and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. The Group further makes estimates and assumptions concerning the future. The actual results will, by definition, seldom be exactly equal to the related accounting estimates used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Purchase Price Allocations

Acquisitions by Marel as part of business combinations, which will be accounted for by the acquisition method, will result in recognition of goodwill and other intangible assets. The amounts assigned to the acquired assets and liabilities are based on assumptions and estimates about their fair values. In making these estimates, management consulted independent, qualified appraisers, if appropriate. A change in assumptions and estimates could change the values allocated to certain assets and their estimated useful lives, which could affect the amount or timing of charges to the Consolidated Statement of Income, such as amortization of intangible assets.

Estimated impairment

The Group annually tests whether the financial and non-financial assets, including goodwill, were impaired in accordance with the accounting policy stated in note 2.10 and 2.12. The recoverable amounts of CGUs have been determined based on value in use calculation. These calculations require the use of estimates (note 16).

Capitalized development cost

The recoverability of the capitalized development cost is tested regularly and is subject to the annual impairment tests, to verify if expected future economic benefits justify the values captured in the intangible fixed assets. The Group uses discounted cash flow analysis for this purpose.

Leases

The Group has applied its judgment in presenting related information on leases in a manner that it considers to be the most relevant to an understanding of its financial performance and financial position. Estimates have been made on the estimated (remaining) useful lives of right of use assets and the remaining lease terms.

Income taxes and deferred income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

As of each period-end, the Group evaluates the recoverability of deferred tax assets, based on projected future taxable profits. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, Marel believes it is probable the Group will realize the benefits of these deductible differences. As future developments are uncertain and partly beyond Marel's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact income tax in the period in which such determination is made.

Revenue recognition

The Group uses the percentage-of-completion method in accounting for its revenues for complete solutions or systems. The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These estimates include total estimated costs, total estimated revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue.

In addition, Marel needs to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis.

In the following table the book values of the assets and liabilities which include an element of estimation are disclosed.

		2019		2018	
	Notes	Assets	Liabilities	Assets	Liabilities
Goodwill	16	645.8	-	641.3	-
Intangible assets	17	252.4	-	267.0	-
Right of use assets / lease liabilities	15	36.4	37.2	33.3	33.8
Current and deferred income taxes	20	11.9	59.2	10.2	66.6
Contract assets / liabilities	7	38.3	217.5	44.0	212.1

4 Business combinations

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

Acquisition Cedar Creek Company

On 15 November 2019, Marel concluded the acquisition of a number of business assets and liabilities from Cedar Creek Company (Australia) Pty Ltd. and Cedar Creek Company (NZ) Ltd. ("Cedar Creek"). This transaction is in line with Marel's strategic objective to be a leading global supplier of advanced standard equipment, full solutions, software and services to the poultry, meat and fish industries.

Cedar Creek offers specialized software solutions that integrate on-floor processing data capture, production control, head office reporting and traceability throughout production. Cedar Creek has built long-standing relationships with some of the largest meat and poultry processors in Australia and New Zealand. The transaction will strengthen Marel´s presence in Australia and New Zealand. Cedar Creek Company has annual revenues of around EUR 3 million.

Closing of the transaction was subject to customary closing conditions. The transaction was funded from cash on hand and available facilities.

In accordance with IFRS 3 Business Combinations the purchase price of Cedar Creek is allocated to identifiable assets and liabilities acquired.

Immediately after the acquisition date the Purchase Price Allocation activities started. The process is still ongoing and is expected to be finished in the first half of 2020. As a consequence all of the numbers recorded for the acquisition are provisional. Provisional goodwill amounted to EUR 1.4 million, is allocated to the meat segment and is primarily related to the strategic (and cultural) fit of Cedar Creek and Marel with an experienced and capable workforce and highly complementary software and hardware solutions and geographic presence. The goodwill is under certain conditions, deductible for income tax purposes.

The impact of the valuation of property, plant and equipment, and as a consequence the impact on intangible assets and goodwill, is described in note 14, note 16 and note 17 and is included in the numbers as presented below.

The following table summarizes the consideration paid for Cedar Creek and the recognized provisional amounts of assets acquired and liabilities assumed at the acquisition date being 15 November 2019.

15 November 2019	
Property, plant and equipment	0.0
Intangible assets	1.8
Inventories	0.4
Trade receivables, current and non-current	0.4
Assets acquired	**2.6**
Trade and other payables	0.0
Liabilities assumed	**0.0**
Total net identified assets	**2.6**
Consideration transferred	4.0
Provisional goodwill on acquisition	**1.4**

Since the PPA process is not yet finalized, no PPA related costs are included in the Consolidated Statement of Income.

Cedar Creek contributed EUR 0.3 million to revenues for the year 2019 and affected result from operations positively.

Acquisition of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG

On 14 August 2018, Marel concluded the acquisition of the limited partner interest in the company of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG to get transferred all business assets and liabilities. As part of this transaction Marel also acquired 100% of the shares of related companies in France and the United States ("MAJA"). This transaction is in line with Marel's strategic objective to be a full-line supplier of advanced food processing solutions and accelerate market penetration through acquisitions.

This bolt-on acquisition supports Marel in achieving its goals for future growth and value creation. With MAJA's innovative product offering and complimentary geographical reach, Marel is strengthening its product offering and market presence.

In accordance with IFRS 3, Business Combinations, the purchase price of MAJA was allocated to identifiable assets and liabilities acquired. Goodwill amounted to EUR 3.3 million and is allocated to the meat segment. The resulting goodwill from this acquisition is primarily related to the strategic (and cultural) fit of MAJA and Marel with highly complementary product portfolios and geographic presence. The goodwill is under certain conditions, deductible for income tax purposes.

The Purchase Price Allocation of MAJA is finalized. The impact of the valuation of property, plant and equipment, and as a consequence the impact on intangible assets and goodwill, is described in note 14, note 16 and note 17 and is included in the numbers as presented below.

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

14 August 2018	
Property, plant and equipment	9.6
Right of use assets	0.6
Intangible assets	13.2
Deferred income tax	0.4
Inventories	11.5
Trade receivables, current and non-current	4.0
Other receivables and prepayments	2.1
Cash and cash equivalents	0.8
Assets acquired	**42.2**
Borrowings, current and non-current	6.5
Lease liabilities, current and non-current	0.6
Provisions, current and non-current	0.4
Trade and other payables	5.5
Liabilities assumed	**13.0**
Total net identified assets	**29.2**
Consideration transferred	32.5
Goodwill on acquisition	**3.3**

PPA related costs, including depreciation and amortization of acquisition-related (in)tangible assets for MAJA relate to the following lines in the Consolidated Statement of Income:

	2019	**2018**
Cost of sales	-	3.8
Selling and marketing expenses	0.4	0.1
Research and development expenses	1.0	0.1
General and administrative expenses	0.2	0.2
	1.6	**4.2**

MAJA contributed EUR 30.2 million to revenues for the year 2019 (2018: EUR 9.7 million) and affected result from operations positively.

5 Non-IFRS measurement

Reconciliation of non-IFRS information

In this note to the Consolidated Financial Statements Marel presents certain financial measures when discussing Marel's performance that are not measures of financial performance or liquidity under IFRS ("Non-IFRS"). Non-IFRS measures do not have standardized meanings under IFRS and not all companies calculate non-IFRS measures in the same manner or on a consistent basis. As a result, these measures may not be comparable to measures used by other companies that have the same or similar names.

Management has presented adjusted result from operations as a performance measure in the Consolidated Statement of Income because it monitors this performance measure at a consolidated level and believes that this measure is relevant to an understanding of the Group's financial performance. Adjusted result from operations is calculated by adjusting result from operations to exclude the impact of PPA related costs (consisting of depreciation and amortization of acquisition-related (in)tangible assets). No other adjustments are included in adjusted result from operations.

The reconciliation of adjusted result from operations to the most directly comparable IFRS measure, result from operations, is included in the following table.

In EUR million	2019 as reported 2019	PPA related charges 2019	2019 non-IFRS measures 2019	2018 as reported 2018	PPA related charges 2018	2018 non-IFRS measures 2018
Revenues	1,283.7	-	1,283.7	1,197.9	-	1,197.9
Cost of sales	(792.6)	-	(792.6)	(735.1)	4.7	(730.4)
Gross profit	**491.1**	**-**	**491.1**	**462.8**	**4.7**	**467.5**
Selling and marketing expenses	(159.2)	6.6	(152.6)	(140.0)	6.3	(133.7)
Research and development expenses	(85.9)	3.8	(82.1)	(76.7)	3.0	(73.7)
General and administrative expenses	(83.4)	0.4	(83.0)	(85.2)	0.3	(84.9)
Adjusted result from operations		**10.8**	**173.4**		**14.3**	**175.2**
PPA related costs		(10.8)	(10.8)		(14.3)	(14.3)
Result from operations	**162.6**	**-**	**162.6**	**160.9**	**-**	**160.9**

The reconciliation of earnings before interest (net finance costs), tax (income tax), depreciation and amortization ("EBITDA") to the most directly comparable IFRS measurement, result from operations, for the period indicated is included in the table below.

	2019	2018
Result from operations (EBIT)	162.6	160.9
Depreciation, amortization and impairments	57.7	54.6
Result before depreciation & amortization (EBITDA)	**220.3**	**215.5**

The table below shows other key financial ratio's (definitions of these ratios are included in note 33).

	2019	2018
Current ratio	1.5	0.9
Quick ratio	1.2	0.6
Return on equity	14.5%	22.2%
Leverage	0.4	2.0
Debt to adjusted capital ratio	0.1	0.8
Market capitalization in EUR billion	3.5	1.9

6 Segment information

Operating segments

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

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

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

Results are monitored and managed at the operating segment level, up to the adjusted result from operations. Adjusted result from operations is used to measure performance as management believes that this information is the most relevant in evaluating the results of the respective Marel segments relative to other entities that operate in the same industries.

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

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

	Poultry	Meat	Fish	Others	Total
31 December 2019					
Revenues	**690.4**	**423.2**	**148.5**	**21.6**	**1,283.7**
Adjusted result from operations	**120.5**	**44.6**	**6.4**	**1.9**	**173.4**
PPA related costs					(10.8)
Result from operations					**162.6**
Net finance costs					(20.7)
Share of result of associates					(0.1)
Result before income tax					**141.8**
Income tax					(31.7)
Net result for the period					**110.1**
Assets	**712.9**	**701.7**	**130.5**	**316.1**	**1,861.2**
Investments (including right of use assets)	27.2	16.6	5.9	0.7	50.4
Depreciation and amortization	(24.6)	(25.0)	(7.0)	(0.4)	(57.0)
Impairments	-	-	(0.7)	-	(0.7)

	Poultry	Meat	Fish	Others	Total
31 December 2018					
Revenues	**638.2**	**387.0**	**159.1**	**13.6**	**1,197.9**
Adjusted result from operations	**117.2**	**43.8**	**12.6**	**1.6**	**175.2**
PPA related costs					(14.3)
Result from operations					**160.9**
Net finance costs					(14.9)
Share of result of associates					-
Result before income tax					**146.0**
Income tax					(23.5)
Net result for the period					**122.5**
Assets	**673.6**	**689.0**	**140.4**	**62.9**	**1,565.9**
Investments (including right of use assets)	36.0	21.7	8.8	-	66.5
Depreciation and amortization	(22.8)	(23.1)	(6.5)	-	(52.4)
Impairments	-	(2.2)	-	-	(2.2)

Geographical information

The Group's three operating segments operate in three main geographical areas, although they are managed on a global basis. The home country of the Group is Iceland.

Total assets excluding cash and cash equivalents	2019	2018
Europe, Middle East and Africa	1,300.3	1,262.9
Americas	234.2	228.6
Asia and Oceania	23.0	18.1
	1,557.5	**1,509.6**

Iceland accounts for EUR 130.4 million (2018: EUR 101.2 million)

Total assets exclude the Group's cash pool which the Group manages at corporate level.

Capital expenditures include investments in property, plant and equipment, right of use assets and intangible assets. (including capitalized technology and development costs, refer to note 17).

Capital expenditure	2019	2018
Europe, Middle East and Africa	43.4	59.2
Americas	6.5	6.8
Asia and Oceania	0.5	0.5
	50.4	**66.5**

Iceland accounts for EUR 9.3 (2018: EUR 15.2)

7 Revenues

Revenues

The Group's revenue is derived from contracts with customers. Within the segments and within the operating companies, Marel is not relying on any individual major customers.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical markets (revenue is allocated based on the country were the customer is located):

	2019	2018
Europe, Middle East and Africa	643.4	609.7
Americas	473.0	459.5
Asia and Oceania	167.3	128.7
	1,283.7	**1,197.9**

Iceland accounts for EUR 8.6 (2018: EUR 10.5).

In the following table revenue is disaggregated by equipment revenue (comprising revenue from greenfield and large projects, standard equipment and modernization equipment) and aftermarket revenue (comprising maintenance, service and spare parts).

	2019	2018
Equipment revenue	812.8	781.7
Aftermarket revenue	470.9	416.2
Total revenue	**1,283.7**	**1,197.9**

Trade receivables and contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2019	2018
Trade receivables	160.0	138.8
Contract assets	38.3	44.0
Contract liabilities	(217.5)	(212.1)

No information is provided about remaining performance obligations at 31 December 2019 that have an original expected duration of one year or less, as allowed by IFRS 15.

Marel continuously reassesses the impaired trade receivables. A part of the impairment is related to product risk. This part is reported as write-down to net-realizable value of contract assets for an amount of EUR 0.3 million (2018: EUR 0.4 million).

8 Expenses by nature

The table below shows the expenses by nature:

	2019	2018
Cost of goods sold	455.2	426.4
Employee benefits	449.2	411.3
Depreciation, amortization and impairments	57.7	54.6
Maintenance and rent of buildings and equipment	15.3	15.0
Other	143.7	129.7
	1,121.1	**1,037.0**

9 Net finance costs

	2019	2018
Interest on borrowings	(9.9)	(10.1)
Interest on leases	(0.8)	(0.9)
Other finance expenses	(14.5)	(5.9)
Net foreign exchange transaction losses	-	(0.3)
Subtotal finance costs	**(25.2)**	**(17.2)**
Interest income	3.0	2.3
Net foreign exchange transaction gains	1.5	-
Subtotal finance income	**4.5**	**2.3**
Net finance costs	**(20.7)**	**(14.9)**

New syndicated loan facility

In December 2019 Marel received commitments from a mixture of current and new banking partners for a new EUR 700 million revolving credit facility which will replace the current syndicated loan facility. The new facility was signed at 5 February 2020 and will be closed soon after, subject to standard condition president provisions.

With these commitments in place, Marel revaluated the fair value of the current syndicated loan commitments, releasing the capitalized finance charges, IFRS 9 revaluation, embedded derivatives and interest rate swaps linked to the facility resulting in additional finance cost of EUR 8.9 million in the fourth quarter of 2019.

Going forward and subject to utilization levels the interest and finance cost is expected to decrease as the new facility includes more favorable terms. For further information on the new credit facility see note 23.

10 Staff costs

	2019	2018
Salaries and wages	372.3	343.6
Social security contributions	47.2	41.5
Expenses related to equity-settled share-based payments	2.1	1.2
Post retirement costs	27.6	25.0
	449.2	**411.3**

The employee benefit expenses relate to employees who are working on the payroll of Marel, both with permanent and temporary contracts.

Employee benefit expenses are presented in the Consolidated Statement of Income as follows:

	2019	2018
Cost of sales	198.3	181.8
Selling and marketing expenses	113.0	103.9
Research and development expenses	77.5	71.8
General and administrative expenses	60.4	53.8
	449.2	**411.3**

For further information on post-employment benefit costs, see note 25.

For details on the remuneration of the members of the Board of Directors and the CEO, see note 29.

The average number of employees in FTEs per cost category is summarized as follows:

Employees in FTEs	**2019**	**2018**
Cost of sales	3,107	2,839
Selling and marketing	1,275	1,176
Research and development	895	753
General and administrative	550	516
Employees	**5,827**	**5,284**
3rd party workers	476	510
	6,303	**5,794**

The average number of employees in FTEs per geography is summarized as follows:

Employees in FTEs	**2019**	**2018**
Europe, Middle East and Africa	4,093	3,684
Americas	1,423	1,330
Asia and Oceania	311	270
Employees	**5,827**	**5,284**
3rd party workers	476	510
	6,303	**5,794**

Iceland accounts for 695 FTE (2018: 669 FTE).

Employees consist of those persons working on the payroll of Marel and whose costs are reflected in the employee benefit expenses table above. 3rd party workers consist of personnel hired on a per-period basis, via external companies.

11 Fees to Auditors

The following table shows the fees to KPMG attributable to the fiscal years 2019 and 2018.

	2019	2018
Financial Statement audit fees	1.0	0.8
Other fees, including tax services	0.2	0.1
	1.2	**0.9**

12 Income tax

Income tax recognized in the Consolidated Statement of Income	**2019**	**2018**
Current tax	(30.7)	(32.9)
Deferred tax	(1.0)	9.4
	(31.7)	**(23.5)**

In December 2019, a new corporate tax law was enacted in the Netherlands. Consequently, the reduction in corporate tax rate as approved by the Dutch Government in 2018 will be delayed by a year and the rate will only be reduced from 25.00% to 21.70% as of 2021. This change resulted in a loss of EUR 1.7 million related to the remeasurements of deferred tax assets and liabilities of the Group's Dutch subsidiaries being recognized during the year ended 31 December 2019 that anticipated already for the lower future rate of 20.50%.

In December 2018, a new corporate tax law was substantially enacted in the Netherlands.

Consequently, as of 1 January 2020, the corporate tax rate in the Netherlands was planned to be reduced from 25.00% to 22.55% and was planned to be further reduced to 20.50% as of 1 January 2021. This change resulted in a gain of EUR 7.6 million related to the remeasurement of deferred tax assets and liabilities of the Group's Dutch subsidiaries being recognized during the year ended 31 December 2018.

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.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as shown in the table below.

	2019	%	2018	%
Result before income tax	141.8		146.0	
Income tax using Icelandic rate	(28.4)	20.0	(29.2)	20.0
Effect of tax rates in other jurisdictions	(6.0)	4.3	(6.3)	4.3
Weighted average applicable tax	(34.4)	24.3	(35.5)	24.3
Foreign exchange effect Iceland	(0.0)	0.0	(0.5)	0.3
Research and development tax incentives	5.3	(3.7)	5.7	(3.9)
Permanent differences	(0.6)	0.4	0.0	(0.0)
(Impairment)/reversal of tax losses	0.1	(0.1)	0.0	(0.0)
Effect of tax rate changes	(2.0)	1.4	7.0	(4.8)
Others	(0.1)	0.1	(0.2)	0.2
Tax charge included in the profit or loss for the period	**(31.7)**	**22.4**	**(23.5)**	**16.1**

13 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)	**2019**	**2018**
Net result attributable to Shareholders (EUR millions)	110.0	122.4
Weighted average number of outstanding shares in issue (millions)	717.5	682.1
Basic earnings per share (EUR cent per share)	**15.33**	**17.95**

Net results attributable to Shareholders of the Company is in 2019 adversely impacted by the revaluation of the syndicated loan of EUR 6.7 million, after tax (see note 9) and the impact of the remeasurement of deferred tax assets and liabilities of EUR 1.7 million (see note 12). Net results attributable to Shareholders of the Company is in 2018 positively impacted by the remeasurement of deferred tax assets and liabilities of EUR 7.6 million (see note 12). Furthermore, as a result of the dual listing on the Euronext Amsterdam the weighted average number of outstanding shares issued increased from 682.1 million shares for 2018 to 717.5 million shares for 2019.

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)	**2019**	**2018**
Net result attributable to Shareholders (EUR millions)	110.0	122.4
Weighted average number of outstanding shares in issue (millions)	717.5	682.1
Adjustments for stock options (millions)	6.3	3.3
Weighted average number of outstanding shares for diluted earnings per share (millions)	**723.8**	**685.4**
Diluted earnings per share (EUR cent per share)	**15.20**	**17.86**

14 Property, plant and equipment

	Land & buildings	**Plant & machinery**	**Under con-struction**	**Vehicles & equipment**	**Total**
1 January 2019					
Cost	182.6	95.1	12.0	44.7	334.4
Accumulated depreciation	(52.9)	(68.1)	-	(37.8)	(158.8)
Net book value	**129.7**	**27.0**	**12.0**	**6.9**	**175.6**
Year ended 31 December 2019					
Opening net book value	129.7	27.0	12.0	6.9	175.6
Divestments	-	-	-	(0.3)	(0.3)
Effect of movements in exchange rates	-	0.1	0.1	-	0.2
Additions	4.9	2.5	6.0	5.9	19.3
Business combinations, note 4	(0.9)	1.4	-	0.2	0.7
Reclassifications between categories	(1.8)	(2.1)	-	3.9	-
Transfer between categories	9.1	4.0	(13.9)	0.8	-
Depreciation charge	(4.9)	(5.7)	-	(3.5)	(14.1)
Closing net book value	**136.1**	**27.2**	**4.2**	**13.9**	**181.4**
At 31 December 2019					
Cost	190.9	83.3	4.2	62.3	340.7
Accumulated depreciation	(54.8)	(56.1)	-	(48.4)	(159.3)
Net book value	**136.1**	**27.2**	**4.2**	**13.9**	**181.4**

	Land & buildings	Plant & machinery	Under con-struction	Vehicles & equipment	Total
At 1 January 2018					
Cost	146.4	96.8	19.7	42.2	305.1
Accumulated depreciation	(50.6)	(73.2)	-	(36.6)	(160.4)
Net book value	**95.8**	**23.6**	**19.7**	**5.6**	**144.7**
Year ended 31 December 2018					
Opening net book value	95.8	23.6	19.7	5.6	144.7
Divestments	-	(2.2)	-	-	(2.2)
Effect of movements in exchange rates	(1.6)	0.1	0.1	-	(1.4)
Additions	4.7	6.5	20.3	2.5	34.0
Business combinations, note 4	12.5	(0.1)	-	0.9	13.3
Transfer between categories	22.9	5.0	(28.1)	0.2	-
Depreciation charge	(4.6)	(5.9)	-	(2.3)	(12.8)
Closing net book value	**129.7**	**27.0**	**12.0**	**6.9**	**175.6**
At 31 December 2018					
Cost	182.6	95.1	12.0	44.7	334.4
Accumulated depreciation	(52.9)	(68.1)	-	(37.8)	(158.8)
Net book value	**129.7**	**27.0**	**12.0**	**6.9**	**175.6**

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

	2019	2018
Cost of sales	6.5	6.2
Selling and marketing expenses	0.5	0.5
Research and development expenses	0.2	0.3
General and administrative expenses	6.5	5.6
	13.7	**12.6**
Depreciation of acquisition-related property, plant and equipment (see note 4)	0.4	0.2
	14.1	**12.8**

15 Right of use assets

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2019				
Cost	27.8	1.0	13.3	42.1
Accumulated depreciation	(4.1)	(0.2)	(4.5)	(8.8)
Net book value	**23.7**	**0.8**	**8.8**	**33.3**
Year ended 31 December 2019				
Opening net book value	23.7	0.8	8.8	33.3
Divestments	-	-	(0.6)	(0.6)
Effect of movements in exchange rates	0.4	-	-	0.4
Business combinations, note 4	0.2	-	0.4	0.6
Additions	5.0	0.2	7.3	12.5
Depreciation charge	(4.7)	(0.3)	(4.8)	(9.8)
Closing net book value	**24.6**	**0.7**	**11.1**	**36.4**
At 31 December 2019				
Cost	32.0	1.2	19.3	52.5
Accumulated depreciation	(7.4)	(0.5)	(8.2)	(16.1)
Net book value	**24.6**	**0.7**	**11.1**	**36.4**

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2018				
Cost	22.4	1.0	9.8	33.2
Net book value	22.4	1.0	9.8	33.2
Year ended 31 December 2018				
Opening net book value	22.4	1.0	9.8	33.2
Divestments	-	-	(0.4)	(0.4)
Effect of movements in exchange rates	(0.1)	-	0.2	0.1
Additions	5.5	-	4.0	9.5
Depreciation charge	(4.1)	(0.2)	(4.8)	(9.1)
Closing net book value	**23.7**	**0.8**	**8.8**	**33.3**
At 31 December 2018				
Cost	27.8	1.0	13.3	42.1
Accumulated depreciation	(4.1)	(0.2)	(4.5)	(8.8)
Net book value	**23.7**	**0.8**	**8.8**	**33.3**

For the annual maturity of the lease liabilities, refer to note 23.

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

	2019	2018
Cost of sales	2.5	2.2
Selling and marketing expenses	1.9	1.9
Research and development expenses	0.3	0.2
General and administrative expenses	5.1	4.8
	9.8	**9.1**

16 Goodwill

	2019	2018
At 1 January		
Cost	641.3	643.9
Net book value	**641.3**	**643.9**
Year ended 31 December		
Opening net book value	641.3	643.9
Business combinations, note 4	4.0	(1.6)
Exchange differences	0.5	(1.0)
Closing net book value	**645.8**	**641.3**
At 31 December		
Cost	645.8	641.3
Net book value	**645.8**	**641.3**

Business combinations for 2019 relate to the acquisition of Cedar Creek (increase in provisional goodwill of EUR 1.4 million) and MAJA (increase in goodwill of EUR 2.6 million due to the finalization of the PPA). For 2018 it relates to the acquisition of MAJA (increase in provisional goodwill of EUR 0.7 million) and Sulmaq (decrease in goodwill of EUR 2.3 million due to the finalization of the PPA). Further information on the acquisitions is disclosed in note 4 to the Consolidated Financial Statements.

Impairment testing

Annually goodwill is tested for impairment at the level of the CGUs. For Marel, the CGUs are based on the market oriented business model, poultry, meat and fish, in accordance with IFRS 8 Operating Segments. Poultry, meat and fish serve the customer needs in primary, secondary and further processing. Only at the level of the operating segments the connection can be made between the businesses for which the goodwill was originally paid and the results of the synergies after the acquisitions.

The annual impairment test includes property, plant and equipment, right of use assets, goodwill, other intangible assets and net working capital allocated to CGUs to determine the final recoverable amount.

The purpose of impairment testing is to determine whether the recoverable amount exceeds the carrying amount of the above mentioned assets. The recoverable amount of an operating segment is determined as the present value of the future cash flows expected to be derived from a CGU, based on amongst others:

- the estimated future cash flows that the Group expects the CGU to earn.
- possible variations in the amount or timing of those future cash flows.
- the time value of money, which is reflected by using a discount rate based on the current market risk-free rate of interest.
- the price for the uncertainty inherent in the CGU.

The sales growth rates and margins used to estimate future cash flows are based on management estimates that take into account past performance and experience, external market growth assumptions and industry long term averages. The weighted growth rate for the period 2021 to 2024 of forecast cash flows is between 5% and 7% for all CGUs, which is management's best estimate. These growth rates are in line with external market predictions of the worldwide industry for providing equipment and solutions for the protein industry as well. Revenues, operating results and cash flows beyond the 5 year forecast period are extrapolated using estimated growth rates of 1.9% (31 December 2018: 1.9%) as shown in the table on the next page. The time value of money and price of uncertainty, calculated as the Weighted Average Cost of Capital ("WACC"), are based on external market information about market risk, interest rates and some CGU specific elements like country risk. The post-tax discount rate is calculated at CGU level and is in the range of 6.6% - 7.0% (2018: 6.5% - 6.9%) for all CGUs (refer to the table below). The pre-tax discount rate for the three CGUs is calculated in the range of 7.9% - 8.5% (2018: 8.1% - 8.6%).

The goodwill impairment test performed in the fourth quarter, which is based on the numbers of 30 September 2019, is rolled forward to 31 December 2019, and exceeds the recoverable value of existing goodwill. Breakeven scenarios and the current scenario used show that there is sufficient headroom and that there are no triggers indicating that impairment is necessary. For all three operating segments the recoverable amount exceeds the carrying amount by a substantial amount. A stress test was performed on the impairment tests of the CGUs where the following items have been tested: the potential changes in increase in pre-tax discount rates, decrease in compound long-term growth rates or decrease in terminal value growth rates. This test showed that the conclusions of these tests would not have been different if significant adverse changes in key parameters had been assumed.

Key assumptions used in the impairment tests for the segments were sales growth rates, EBITDA and the rates used for discounting the projected cash flows. These cash flow projections were determined using managements' internal forecasts that cover an initial period from 2020. Projections were extrapolated with stable growth rates for a period of 4 years, after which a terminal value was calculated. For terminal value calculation, the terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

The sales growth rates and EBITDA used to estimate cash flows are based on past performance, external market growth assumptions and industry long-term growth averages. EBITDA in all segments mentioned in this note is expected to increase over the projected period as a result of volume growth and cost efficiencies.

The key assumptions used for the impairment tests are listed below.

2019	**Poultry**	**Meat**	**Fish**	**Total**
Goodwill	330.0	286.5	29.3	645.8
Infinite Intangible assets	-	-	-	-
Terminal growth rate	1.9%	1.9%	1.9%	1.9% [1]
Discount rate (post-tax)	6.7%	7.0%	6.6%	6.8% [2]

2018	**Poultry**	**Meat**	**Fish**	**Total**
Goodwill	328.0	284.5	28.8	641.3
Infinite Intangible assets	-	-	-	-
Terminal growth rate	1.9%	1.9%	1.9%	1.9% [1]
Discount rate (post-tax)	6.9%	6.7%	6.5%	6.8% [2]

[1] Weighted average growth rate used to extrapolate cash flows beyond strategic plan period.
[2] Discount rate applied to the cash flow projections.

17 Intangible assets

	Techno-logy & develop-ment costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2019				
Cost	255.3	178.6	79.2	513.1
Accumulated amortization	(134.0)	(57.7)	(54.4)	(246.1)
Net book value	**121.3**	**120.9**	**24.8**	**267.0**
Year ended 31 December 2019				
Opening net book value	121.3	120.9	24.8	267.0
Divestments	-	-	(0.2)	(0.2)
Business combinations, note 4	(1.5)	1.8	-	0.3
Exchange differences	0.3	0.2	0.0	0.5
Additions	13.4	-	5.2	18.6
Impairment charge	(0.7)	-	-	(0.7)
Amortization charge	(17.5)	(9.6)	(6.0)	(33.1)
Closing net book value	**115.3**	**113.3**	**23.8**	**252.4**
At 31 December 2019				
Cost	267.5	177.8	81.9	527.2
Accumulated amortization	(152.2)	(64.5)	(58.1)	(274.8)
Net book value	**115.3**	**113.3**	**23.8**	**252.4**

	Techno-logy & develop-ment costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2018				
Cost	232.4	171.6	73.3	477.3
Accumulated amortization	(117.7)	(46.2)	(50.7)	(214.6)
Net book value	**114.7**	**125.4**	**22.6**	**262.7**
Year ended 31 December 2018				
Opening net book value	114.7	125.4	22.6	262.7
Divestments	-	-	(0.5)	(0.5)
Business combinations, note 4	8.2	6.1	-	14.3
Exchange differences	0.1	(0.1)	0.2	0.2
Additions	16.3	-	6.7	23.0
Impairment charge	(2.2)	-	-	(2.2)
Amortization charge	(15.8)	(10.5)	(4.2)	(30.5)
Closing net book value	**121.3**	**120.9**	**24.8**	**267.0**
At 31 December 2018				
Cost	255.3	178.6	79.2	513.1
Accumulated amortization	(134.0)	(57.7)	(54.4)	(246.1)
Net book value	**121.3**	**120.9**	**24.8**	**267.0**

Business combinations for 2019 relate to the acquisition of Cedar Creek (increase in intangible assets of EUR 1.8 million) and MAJA (decrease in intangible assets of EUR 1.5 million due to the finalization of the PPA) and for 2018 to the acquisition of MAJA and to the finalization of the PPA of Sulmaq. Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

The additions for 2019 predominantly comprise internally generated assets of EUR 18.6 million (31 December 2018: EUR 23.0 million) for product development and for development of software products.

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

	2019	2018
Research and development expenses	0.7	2.2
	0.7	**2.2**

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

	2019	2018
Cost of sales	0.0	0.0
Selling and marketing expenses	1.1	1.3
Research and development expenses	14.1	13.6
General and administrative expenses	7.5	6.2
	22.7	**21.1**
Amortization of acquisition-related intangible assets (see note 4)	10.4	9.4
	33.1	**30.5**

18 Investments in associates

The investments in associates relate to a 14.3% interest in the Canadian software company Worximity Technology ("Worximity") and a 50% stake in the Iceland based company Curio ehf. ("Curio").

	2019	2018
Carrying amount of interest in associates	15.6	-
Share of:		
- Loss from continuing operations	(0.1)	-
- OCI	-	-
	(0.1)	**-**

Worximity Technology

On 19 June 2019, Marel acquired a 14.3% interest for an amount of EUR 1.8 million (CAD 2.5 million) as initial investment in new share capital in Worximity.

Although Marel holds less than 20% of the voting rights, Marel determined that it has significant influence because it has meaningful representation on the board of Worximity.

Marel will invest an additional CAD 2.5 million in new share capital in the company in the next six months, bringing Marel's total ownership to 25.0%.

Curio ehf.

On 22 October 2019, Marel has entered into an agreement to acquire a 50% stake in Curio ehf. On 8 November 2019, the first phase of the transaction was finalized as closing conditions were satisfied. Marel acquired 39.3% of the total share capital of Curio. On 1 January 2021 Marel will acquire an additional 10.7% of the share capital bringing Marel's total share in Curio as of 1 January 2021 on 50%. Marel has an option to acquire the remaining 50% of shares in four years.

19 Trade receivables, other receivables and prepayments

	2019	2018
Trade receivables	163.4	143.4
Less: write-down to net-realizable value	(1.3)	(1.4)
Trade receivables - net	**162.1**	**142.0**
Less non-current portion	(2.1)	(3.2)
Current portion of trade receivables	**160.0**	**138.8**
Prepayments	12.3	6.6
Other receivables	34.5	38.4
Other receivables and prepayments	**46.8**	**45.0**

Non-current receivables

Non-current receivables are mainly associated with an escrow account regarding the acquisition of Sulmaq for EUR 2.1 million (2018: EUR 3.2 million long term outstanding debtors). All non-current receivables are due within one and five years.

Current receivables

The carrying amounts of trade receivables and other receivables and prepayments approximate their fair value.

The aging of trade receivables is as follows:

	2019		2018	
	Gross amount	**Provision for impairment**	**Gross amount**	**Provision for impairment**
Not overdue	95.7	-	89.0	-
Up to 90 days overdue	52.3	-	41.4	-
Over 90 days overdue	15.4	(1.3)	13.0	(1.4)
	163.4	**(1.3)**	**143.4**	**(1.4)**

Trade receivables that are less than 90 days past due are not considered impaired. As of 31 December 2019, trade receivables of EUR 52.3 million (2018: EUR 41.4 million) were past due but not impaired. In 2019 the write-down of trade receivables to net realizable value amounted to EUR 0.6 million (2018: EUR 0.4 million) and relate to a number of independent customers for whom there is no recent history of default. Due to the insignificant amount of write-downs, these are not shown separately in the Consolidated Statement of Income.

As of 31 December 2019, trade receivables of EUR 15.4 million (2018: EUR 13.0 million) were tested for impairment and written down when necessary. The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations.

There were no material reversal of write-downs of trade receivables.

The carrying amounts of the Group's trade receivables (current portion) are denominated in the following currencies:

	2019	2018
EUR	93.6	76.3
USD	46.1	44.3
GBP	6.5	5.3
Other currencies	15.1	14.3
	161.3	**140.2**
Write-down to net-realizable value	(1.3)	(1.4)
	160.0	**138.8**

Movements on the Group trade receivables impaired to net-realizable value are as follows:

	2019	2018
At 31 December	**1.4**	**2.3**
Impact IFRS 9 & 15	-	(0.4)
Balance at 1 January	**1.4**	**1.9**
Provision for receivables impairment	0.5	0.3
Receivables written off during the year as uncollectible	(0.6)	(0.4)
Reclassification to production contracts and unused amounts reversed	-	(0.4)
At 31 December	**1.3**	**1.4**

The impairment to net-realizable value and reversals has been included in selling and marketing expenses in the Consolidated Statement of Income.

Marel continuously reassesses the impaired trade receivables. A part of the impairment related to product risk. This part is reported as write-down to net-realizable value of contract assets for an amount of EUR 0.3 million (2018: EUR 0.4 million), see also note 7.

The other classes within other receivables and prepayments do not contain impaired assets. Information about the Group's exposure to credit and market risks is included in note 26.

20 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 31 December 2018	**(47.1)**
Exchange differences and changes within the Group	(0.1)
Consolidated Statement of Income charge (excluding tax rate change)	1.0
Effect of change in tax rates	(2.0)
Business combinations, note 4	0.4
Hedge reserve & translation reserve recognized in other comprehensive income	0.6
Listing Euronext Amsterdam	3.6
At 31 December 2019	**(43.6)**

At 31 December 2017	**(56.9)**
Impact IFRS 9 & 15	1.8
At 1 January 2018	**(55.1)**
Exchange differences and changes within the Group	0.1
Consolidated Statement of Income charge (excluding tax rate change)	2.4
Effect of change in tax rates	7.0
Business combinations, note 4	(1.1)
Hedge reserve & translation reserve recognized in other comprehensive income	(0.4)
At 31 December 2018	**(47.1)**

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 charged / (credited) in the Consolidated Statement of Comprehensive Income during the period is as follows:

Fair value reserves in Shareholders' equity	2019	2018
Employer's contribution social charges on stock option exercises	-	-
Hedge reserve	0.6	(0.4)
	0.6	**(0.4)**

Deferred income taxes recognized in the Consolidated Statement of Financial Position is as follows:

	2019	2018
Deferred income tax assets	11.9	10.2
Deferred income tax liabilities	(55.5)	(57.3)
	(43.6)	**(47.1)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. Based on future profits expected in the strategic plan, the recoverability has been tested; a reversal of EUR 0.1 million tax losses (2018: a reversal of EUR 0.2 million) has been applied. Sensitivity analysis on impairment of tax losses used the assumption of decreasing the forecast profit before tax by 5%. Based on the outcome of this calculation the impairment is not substantially affected.

The Group has no unrecognized deferred tax liabilities.

Taxable effects of losses will expire according to below schedule:

	2019		2018	
	Total tax losses	Of which not capitalized	Total tax losses	Of which not capitalized
Less than 6 years	18.8	0.9	16.2	1.3
Between 6 and 10 years	31.1	-	26.1	-
More than 10 years	1.5	1.5	1.7	1.7
Indefinite	25.0	19.1	20.5	18.8
	76.4	**21.5**	**64.5**	**21.8**

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Movement in deferred tax balances	**At 31 December 2018**	Impact IFRS 9 & 15	**At 1 January 2019**	Recognized in income statement	Other [1)]	**At 31 December 2019**	Assets	Liabilites
Property, plant and equipment	(9.0)		(9.0)	(0.9)	(0.0)	(9.9)	0.8	(10.7)
Intangible assets	(52.6)		(52.6)	0.4	(1.2)	(53.4)	1.3	(54.7)
Right of use assets	0.1		0.1	0.0	0.0	0.1	0.1	-
Other financial assets	(0.6)		(0.6)	0.1	0.8	0.3	0.3	(0.0)
Receivables	1.5		1.5	(1.7)	(0.2)	(0.4)	4.3	(4.7)
Inventories	1.7		1.7	0.8	0.0	2.5	2.9	(0.4)
Long term liabilities	(0.9)		(0.9)	0.5	(0.0)	(0.4)	0.3	(0.7)
Current liabilities	3.4		3.4	2.2	(0.3)	5.3	5.8	(0.5)
Provisions for pensions	0.4		0.4	(0.1)	(0.1)	0.2	0.2	0.0
Provisions for guarantees	0.2		0.2	0.3	(0.0)	0.5	0.8	(0.3)
Provisions others	0.0		0.0	0.2	(0.0)	0.2	0.4	(0.2)
Subtotal	**(55.8)**	**-**	**(55.8)**	**1.8**	**(1.0)**	**(55.0)**	**17.2**	**(72.2)**
Subtotal tax losses	8.7	-	8.7	(0.8)	3.5	11.4	15.1	(3.7)
Overall total	**(47.1)**	**-**	**(47.1)**	**1.0**	**2.5**	**(43.6)**	**32.3**	**(75.9)**

Movement in deferred tax balances	At 31 December 2017	Impact IFRS 9 & 15	At 1 January 2018	Recognized in income statement	Other [1]	At 31 December 2018	Assets	Liabilites
Property, plant and equipment	(7.9)		(7.9)	(0.4)	(0.7)	(9.0)	0.7	(9.7)
Intangible assets	(61.9)		(61.9)	2.3	7.0	(52.6)	2.5	(55.1)
Right of use assets	-		-	0.1	(0.0)	0.1	0.1	-
Other financial assets	(0.2)		(0.2)	(0.0)	(0.4)	(0.6)	0.0	(0.6)
Receivables	(2.3)	3.0	0.7	0.7	0.1	1.5	4.3	(2.8)
Inventories	2.0		2.0	(0.3)	0.0	1.7	2.7	(1.0)
Long term liabilities	(0.0)	(1.2)	(1.2)	0.2	0.1	(0.9)	0.0	(0.9)
Current liabilities	2.5		2.5	1.4	(0.5)	3.4	3.8	(0.4)
Provisions for pensions	0.4		0.4	0.0	(0.0)	0.4	0.4	(0.0)
Provisions for guarantees	0.2		0.2	0.0	0.0	0.2	0.5	(0.3)
Provisions others	0.3		0.3	(0.2)	(0.1)	0.0	0.1	(0.1)
Subtotal	**(66.9)**	**1.8**	**(65.1)**	**3.8**	**5.5**	**(55.8)**	**15.1**	**(70.9)**
Subtotal tax losses	10.0	-	10.0	(1.4)	0.1	8.7	12.7	(4.0)
Overall total	**(56.9)**	**1.8**	**(55.1)**	**2.4**	**5.6**	**(47.1)**	**27.8**	**(74.9)**

[1] Other includes the movements of assets and liabilities recognized in OCI, which includes foreign currency translation differences, acquisitions and divestments.

21 Inventories

	2019	2018
Raw materials	31.2	19.8
Semi-finished goods	112.0	116.7
Finished goods	47.8	35.5
	191.0	**172.0**
Allowance for obsolescence and/or lower market value	(24.2)	(22.1)
	166.8	**149.9**

The cost of inventories recognized as an expense and included in cost of sales amounted to EUR 626.6 million (2018: EUR 590.1 million).

In 2019 the write-down of inventories to net-realizable value amounted to EUR 5.2 million (2018: EUR 3.6 million).

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.

22 Equity

Share capital	Ordinary shares (thousands)	Treasury shares (thousands)	Outstanding number of shares (thousands)
At 1 January 2019	**682,586**	**(10,762)**	**671,824**
Treasury shares - purchased	-	(12,096)	(12,096)
Treasury shares - sold	-	506	506
Capital reduction	(11,578)	11,578	-
New shares issued	100,000	-	100,000
At 31 December 2019	**771,008**	**(10,774)**	**760,234**
	100.00%	1.40%	98.60%
At 1 January 2018	**735,569**	**(41,747)**	**693,822**
Treasury shares - purchased	-	(24,072)	(24,072)
Treasury shares - sold	-	2,074	2,074
Capital reduction	(52,983)	52,983	-
At 31 December 2018	**682,586**	**(10,762)**	**671,824**
	100.00%	1.58%	98.42%

Class of share capital	2019	2018
Nominal value	6.8	6.1
Share premium reserve	478.1	159.1
Reserve for share based payments	5.0	2.6
Total share premium reserve	**483.1**	**161.7**

Share capital

On 7 June 2019, Marel began trading on Euronext Amsterdam, marking the dual listing of Marel on both Nasdaq Iceland and Euronext Amsterdam. A total of 100.0 million ordinary shares of ISK 1 each were issued and sold, increasing the Company's share capital from 671.0 million shares to 771.0 million shares.

During the Annual General Meeting of Shareholders on 6 March 2019 the proposal to reduce the Company's share capital by 11.6 million shares, from 682.6 million shares to 671.0 million shares, was approved. The reduction was executed by way of cancelling 11.6 million of the Company's own shares of ISK 1 each, in accordance with the provisions of the Icelandic Act No. 2/1995 on Public Limited Companies. The Company's share capital was reduced in connection with the preparation of the dual listing of the Company, for the benefit of shareholders. Marel's Articles of Association were changed accordingly.

During the Extraordinary shareholders' meeting on 22 November 2018 the proposal to reduce the Company's share capital by 53.0 million shares, from 735.6 million shares to 682.6 million shares, was approved. The reduction was executed by way of cancelling 53.0 million of the Company's own shares of ISK 1 each, in accordance with the provisions of the Icelandic Act No. 2/1995 on Public Limited Companies. The Company's share capital was reduced in connection with the preparation of the dual listing of the Company, for the benefit of shareholders. Marel's Articles of Association were changed accordingly.

The total authorized number of ordinary shares on the Nasdaq OMX Nordic Iceland and Euronext Amsterdam exchange is 771.0 million (31 December 2018: 682.6 million) 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. Shareholders who hold shares in Marel on Nasdaq Iceland and Euronext Amsterdam have identical voting rights and the same rights to dividends. All rights attached to the Company's treasury shares are suspended until those shares are sold again.

Dividends

In 2019 a dividend of EUR 36.7 million (EUR 5.57 cents per share) was declared and paid for the operational year 2018 (in 2018, a dividend of EUR 28.7 million (EUR 4.19 cents per share) was declared and paid for the operational year 2017).

After the reporting date the Board of Directors will propose to the 2020 Annual General Meeting that EUR cents 5.79 dividend per outstanding share will be paid for the operational year 2019, corresponding to approximately 40% of net results.

Treasury shares

From time to time the Company purchases its own shares in the market. Primarily the shares are intended to be used for issuing shares under the Group's stock option plans. The timing of these purchases depends on the requirement to settle employee's stock option exercises. Buy and sell decisions are taken by the Board of Directors. Based on a motion approved in the Annual General Meeting of shareholders, the Board of Directors can acquire up to 10% of its own shares at a price which is not higher than 10% over and not lower than 10% under the average price of shares in the Company for the two weeks immediately preceding the acquisition. Secondarily, shares are intended to be used as payment for potential future acquisitions.

In 2019, Marel purchased 12.1 million treasury shares for a total amount of EUR 37.6 million. Marel sold 0.5 million treasury shares for EUR 0.9 million in order to fulfill obligations of stock option agreements. There was a capital reduction of 11.6 million shares according to the resolution of the Annual General meeting 6 March 2019. At the end of 2019 Marel had 10.8 million treasury shares.

In 2018 Marel purchased 24.1 million shares for EUR 71.7 million. Marel sold 2.1 million shares for EUR 2.2 million in order to fulfill obligations of stock option agreements. Following the approval in the extraordinary shareholders' meeting 53.0 million shares have been cancelled. At the end of 2018 Marel had 10.8 million treasury shares.

Stock options

Stock options are granted to Executive Management and to selected employees. The exercise prices of options granted, in December 2014, in August 2015 and in May 2016 are higher than the market price of the shares on the date of grant. For options granted in March 2017, February 2018 and February 2019 the exercise price is the same as the market price at the date of grant. For options granted in June 2019 the exercise price is the same as the final offer price in the listing on Euronext Amsterdam.

The option holders in the 2014, 2015, 2016, 2017, 2018 and February 2019 programs are required to hold shares corresponding to the net profit gained from the options (after tax) until the following holding requirements are reached. This is measured in total share value owned as a multiple of annual base salary: for the CEO three times; for other members of the Executive Team two times.

Options are conditional on the employee completing particular periods' / years' service (the vesting period).

The Group has no legal or constructive obligation to repurchase or settle the options in cash.
Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price per share	Stock options (thousands)
At 1 January 2019	**EUR 2.256**	**11,910**
Granted in 2019	EUR 3.457	7,814
Exercised 2019	EUR 1.461	(506)
At 31 December 2019	**EUR 2.736**	**19,218**
Exercisable stock options at 31 December 2019		**2,904**
At 1 January 2018	**EUR 1.780**	**9,884**
Granted in 2018	EUR 2.881	4,100
Exercised 2018	EUR 1.048	(2,074)
At 31 December 2018	**EUR 2.256**	**11,910**
Exercisable stock options at 31 December 2018		**1,650**

At present employees will hold 2.49% (2018: 1.74%) of the shares, assuming that all outstanding stock options are vested and / or are executed.

Stock options granted in the year	2014	2015	2016	2017	2018	2019	2019
Stock options expire in year	2021	2021	2022	2021	2022	2023	2023
The exercise prices* per share after:							
28 April 2020	EUR 0.861	-	-	-	-	-	-
28 April 2021	EUR 0.887	-	-	-	-	-	-
28 October 2020	-	EUR 1.423	-	-	-	-	-
28 October 2021	-	EUR 1.463	-	-	-	-	-
28 April 2020	-	-	EUR 1.819	-	-	-	-
28 April 2021	-	-	EUR 1.855	-	-	-	-
28 April 2022	-	-	EUR 1.891	-	-	-	-
28 April 2020	-	-	-	EUR 2.681	-	-	-
13 February 2021	-	-	-	-	EUR 2.825	-	-
13 February 2022	-	-	-	-	-	EUR 3.194	-
28 October 2022	-	-	-	-	-	-	EUR 3.700

*) Exercise prices after dividend payment in 2015; EUR 0.0048 per share, after dividend payment in 2016; EUR 0.0158, after dividend payment in 2017; EUR 0.0214, after dividend payment in 2018; EUR 0.0419 and after dividend payment in 2019; EUR 0.0557.

In 2019 the following shares were exercised: 90 thousand shares at exercise price EUR 0.848 per share, 200 thousand shares at exercise price EUR 1.382 per share, 108 thousand shares at exercise price EUR 1.783 and 108 thousand shares at exercise price 1.801. No options were cash settled.

In 2018 the following shares were exercised: 1,010 thousand shares at exercise price EUR 0.997 per share and 1,064 thousand shares at exercise price EUR 1.097 per share. No options were cash settled.

The fair value of the employee stock options granted is measured using the Black-Scholes model. Variables used in the Black Scholes calculation:

	Exercise price per share (EUR)	Expected term (years)	Annual dividend yield	Expected risk-free interest rate	Estimated volatility	Weighted average remaining contr. life in months *)
Option plan December 2014						
60% exercisable > 28 April 2018	0.949	3.0	0.00%	3%	22.04%	16
20% exercisable > 28 April 2019	0.975	4.0	0.00%	3%	22.04%	16
20% exercisable > 28 April 2020	1.001	5.0	0.00%	3%	22.04%	16
Option plan August 2015						
60% exercisable > 28 October 2018	1.477	3.0	0.00%	3%	22.04%	22
20% exercisable > 28 October 2019	1.517	4.0	0.00%	3%	22.04%	22
20% exercisable > 28 October 2020	1.558	5.0	0.00%	3%	22.04%	22
Option plan May 2016						
60% exercisable > 28 April 2019	1.902	3.0	0.00%	2%	21.52%	28
20% exercisable > 28 April 2020	1.938	4.0	0.00%	2%	21.52%	28
20% exercisable > 28 April 2021	1.974	5.0	0.00%	2%	21.52%	28
Option plan March 2017						
100% exercisable > 28 April 2020	2.779	3.0	0.00%	2%	23.72%	16
Option plan February 2018						
100% exercisable > 13 February 2021	2.923	3.0	0.00%	2%	21.16%	25
Option plan February 2019						
100% exercisable > 13 February 2022	3.250	3.0	0.00%	2%	20.00%	38
Option plan June 2019						
100% exercisable > 28 October 2022	3.700	3.0	0.00%	2%	20.00%	46

*) Based on last possible exercise dates in each stock option plan.

Share premium reserve

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

As a result of the dual listing shareholders' equity increased by EUR 370.0 million of which share premium increased by EUR 369.2 million. Total gross transaction costs amount to EUR 17.8 million. Transaction cost net of tax of EUR 14.2 million are deducted from the share premium reserve.

Other reserves

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

- Hedge reserve: comprises revaluations on derivatives, on which hedge accounting is applied. The value of 31 December 2019 and 31 December 2018 relates to derivatives for the Group, the interest rate swap contracts.
- Translation reserve: comprises the translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to financing of subsidiaries.

	Hedge reserve	Translation reserve	Total other reserves
Balance at 1 January 2019	**1.8**	**(12.1)**	**(10.3)**
Total other comprehensive income	(2.5)	1.9	(0.6)
Balance at 31 December 2019	**(0.7)**	**(10.2)**	**(10.9)**
Balance at 1 January 2018	**0.6**	**(8.8)**	**(8.2)**
Total other comprehensive income	1.2	(3.3)	(2.1)
Balance at 31 December 2018	**1.8**	**(12.1)**	**(10.3)**

Limitation in the distribution of shareholders' equity

As at 31 December 2019, 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 71.6 million as at 31 December 2019 (31 December 2018: EUR 74.7 million).

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

The amount of the legal reserve for the share of profit of affiliates is reduced by dividends received from those companies and those dividends from them which can be claimed. Therefore Marel could, based on its control as the parent company, decide to let its subsidiaries pay dividends. The dividends would lower the amount of legal reserves within equity and therefore leave more room for Marel to make dividend payments to its shareholders. The new provision of the act does not prevent Marel from making dividend payments to its shareholders in 2020 since the Company has sufficient retained earnings from previous years.

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

Non-controlling Interests

Non-controlling Interests relate to minority shares held by third parties in consolidated Group entities. The net income attributable to NCI amounted to EUR 0.1 million for the year 2019 (31 December 2018: EUR 0.1 million).

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

23 Borrowings and lease liabilities

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. At the end of 2019 Marel has two main funding facilities:

Schuldschein promissory notes

On 7 December 2018 Marel finalized an issue of Schuldschein promissory notes for EUR 140 million. The investors were a mixture of Central European and Asian commercial banks. The notes where split in 5 and 7 year terms and a mixture of fixed and floating rates:

- EUR 8.5 million at 1.83% fixed interest for 7 years.
- EUR 15.5 million at 1.366% fixed interest for 5 years.
- EUR 106 million with floating EURIBOR rate and 1.1% margin for 5 years.
- EUR 10 million with floating EURIBOR rate and 1.3% margin for 7 years.

The floating rate tranches include a 0% floor on the 6-month EURIBOR. At inception of the loan the 0% floor did not have an intrinsic value and is not separated from the original contract in the Consolidated Statement of Financial Position.

Syndicated loan

The Group has a 543 EUR million equivalents facilities agreement with seven international banks, led by ING bank, Rabobank and ABN AMRO. The terms and conditions are generally in line with Loan Market Association corporate standards. It is an all senior facility, which matures in 2022.

The key elements of the syndicated loan are:

- A five-year all senior loan and revolver, consisting of a EUR 153 million and a USD 75 million long term loan and EUR 323 million revolving credit facility, all with final maturity in May 2022.
- Initial interest terms are EURIBOR/LIBOR + 185 bps, which will vary in line with Marel's leverage ratio (Net debt/EBITDA) at the end of each quarter.

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

New syndicated credit facility

In December 2019 Marel received commitments from a mixture of current and new banking partners for a new EUR 700 million revolving credit facility which will replace the current syndicated loan facility. The new facility was signed at 5 February 2020 and will be closed soon after, subject to standard condition president provisions.

With these commitments in place, Marel revaluated the fair value of the current syndicated loan commitments, releasing the capitalized finance charges, IFRS 9 revaluation, embedded derivatives and interest rate swaps linked to the facility resulting in additional finance cost of EUR 8.9 million in the fourth quarter of 2019. Going forward and subject to utilization levels the interest and finance cost is expected to decrease as the new facility includes more favorable terms.

The new credit facility will allow Marel to better utilize its cash balances and retain the strategical flexibility to support future inorganic growth. The facility is based on investment grade Loan Market Association documentation. The new credit facility interest terms are EURIBOR / LIBOR +80.0 bps that will vary in line with Marel's leverage ratio and facility utilization level.

The new facility also includes a sustainability linked incentive structure where Marel undertakes to meet a set of sustainability key-performance-indicators ("KPI") targets and Marel will either receive a margin reduction up to 0.025% or increase of 0.025% depending on how many of the KPI's are met. This underpins and supports Marel's strong commitment to fulfill our vision of a world where quality food is produced in a sustainable way.

Borrowings and lease liabilities

The following tabled analyzes the borrowings and lease liabilities:

	2019	2018
Borrowings	333.5	429.3
Lease liabilities	28.4	27.1
Non-current	**361.9**	**456.4**
Borrowings	30.6	24.8
Lease liabilities	8.8	6.7
Current	**39.4**	**31.5**
Total borrowings and lease liabilities	**401.3**	**487.9**
Borrowings	364.1	454.1
Lease liabilities	37.2	33.8
Total borrowings and lease liabilities	**401.3**	**487.9**

As of 31 December 2019, interest bearing debt amounted to EUR 401.9 million including lease liabilities (31 December 2018: EUR 502.3 million), of which for 31 December 2019 and 31 December 2018 nothing is secured against shares that Marel hf. holds in certain subsidiaries. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The Group loan agreements contain restrictive covenants, relating to interest cover and leverage.

At 31 December 2019 and 2018 the Group complies with all restrictive covenants.

The Group has the following headroom in committed ancillary facilities:

Floating rate	2019	2018
Expiring within one year	-	-
Expiring beyond one year	277.4	213.5
	277.4	**213.5**

Liabilities in currency recorded in EUR in 2019	Borrowings	Capitalized finance charges	Embedded derivatives and revaluation	Lease liabilities	**Total**
Liabilities in EUR	297.0	(0.6)	-	16.0	312.4
Liabilities in USD	67.0	-	-	10.7	77.7
Liabilities in other currencies	0.7	-	-	10.5	11.2
	364.7	(0.6)	-	37.2	401.3
Current maturities	(30.7)	0.1	-	(8.8)	(39.4)
Non-current maturities	**334.0**	**(0.5)**	**-**	**28.4**	**361.9**

Liabilities in currency recorded in EUR in 2018	Borrowings	Capitalized finance charges	Embedded derivatives and revaluation	Lease liabilities	**Total**
Liabilities in EUR	402.3	(7.7)	(4.3)	11.4	401.7
Liabilities in USD	65.6	(1.3)	(1.2)	8.0	71.1
Liabilities in other currencies	0.7	-	-	14.4	15.1
	468.6	**(9.0)**	**(5.5)**	**33.8**	**487.9**
Current maturities	(30.8)	3.7	2.3	(6.7)	(31.5)
Non-current maturities	**437.8**	**(5.3)**	**(3.2)**	**27.1**	**456.4**

Annual maturity of non-current borrowings in 2019	Borrowings	Capitalized finance charges	Embedded derivatives and revaluation	Lease liabilities	**Total**
Between 1 and 2 years	30.7	(0.1)	-	9.9	40.5
Between 2 and 3 years	160.8	(0.2)	-	3.8	164.4
Between 3 and 4 years	122.3	(0.2)	-	3.9	126.0
Between 4 and 5 years	0.7	-	-	6.0	6.7
After 5 years	19.5	-	-	4.8	24.3
	334.0	**(0.5)**	**-**	**28.4**	**361.9**

Annual maturity of non-current borrowings in 2018	Borrowings	Capitalized finance charges	Embedded derivatives and revaluation	Lease liabilities	**Total**
Between 1 and 2 years	30.7	(3.7)	(2.1)	11.0	35.9
Between 2 and 3 years	30.7	(1.3)	(1.0)	3.3	31.7
Between 3 and 4 years	233.8	(0.2)	(0.1)	2.1	235.6
Between 4 and 5 years	122.2	(0.1)	-	2.6	124.7
After 5 years	20.4	0.0	-	8.1	28.5
	437.8	**(5.3)**	**(3.2)**	**27.1**	**456.4**

Reconciliation of movements of liabilities to cash flows arising from financing activities:

		Derivatives		Equity				
	Borrowings	Interest rate swap and forward exchange contracts used for hedging –assets	Interest rate swap and forward exchange contracts used for hedging –liabilities	Share capital and share premium reserve	Other reserves	Retained earnings	NCI	Total
At 31 December 2018	**487.9**	**1.3**	**1.4**	**167.8**	**(10.3)**	**403.2**	**0.2**	**1,051.5**
Changes from financing cash flows								
Proceed from issue of share capital				352.2				**352.2**
Proceeds from loans and borrowings	40.0							**40.0**
Purchase of treasury shares				(37.6)				**(37.6)**
Sale of treasury shares				0.9				**0.9**
Repayment of borrowings	(145.3)							**(145.3)**
Payment of lease liabilities	(14.3)							**(14.3)**
Dividend paid						(36.7)	(0.0)	**(36.7)**
Total changes from financing cash flows	**(119.6)**	**-**	**-**	**315.5**	**-**	**(36.7)**	**(0.0)**	**159.2**
Changes arising from obtaining or losing control of subsidiaries or other businesses	-							-
The effect of changes in foreign exchange rates	**2.7**							**2.7**
Other changes								
Liability related	5.9	(1.3)	1.6					**6.2**
New leases	12.5							**12.5**
Borrowing costs expensed	11.9							**11.9**
Total liability-related other changes	**30.3**	**(1.3)**	**1.6**	**-**	**-**	**-**	**-**	**30.6**
Total equity-related other changes				6.6	(0.6)	110.0	0.1	**116.1**
At 31 December 2019	**401.3**	**-**	**3.0**	**489.9**	**(10.9)**	**476.5**	**0.3**	**1,360.1**

		Derivatives		Equity				
	Borrowings	Interest rate swap and forward exchange contracts used for hedging –assets	Interest rate swap and forward exchange contracts used for hedging –liabilities	Share capital and share premium reserve	Other reserves	Retained earnings	NCI	Total
At 31 December 2017	**396.8**	**0.9**	**2.7**	**235.9**	**(8.2)**	**313.9**	**0.3**	**942.3**
Impact IFRS 9, 15 & 16	33.2					(4.8)		**28.4**
At 1 January 2018	**430.0**	**0.9**	**2.7**	**235.9**	**(8.2)**	**309.1**	**0.3**	**970.7**
Changes from financing cash flows								
Proceeds from loans and borrowings	289.0							**289.0**
Purchase of treasury shares				(71.7)				**(71.7)**
Sale of treasury shares				3.6				**3.6**
Proceeds from settlement of derivatives	1.0							**1.0**
Repayment of borrowings	(241.6)							**(241.6)**
Payment of lease liabilities	(9.2)							**(9.2)**
Dividend paid						(28.7)	(0.2)	**(28.9)**
Total changes from financing cash flows	**39.2**	**-**	**-**	**(68.1)**	**-**	**(28.7)**	**(0.2)**	**(57.8)**
Changes arising from obtaining or losing control of subsidiaries or other businesses	**7.3**							**7.3**
The effect of changes in foreign exchange rates	**2.6**							**2.6**
Other changes								
Liability related	(3.5)	0.4	(1.3)					**(4.4)**
New leases	9.5							**9.5**
Borrowing costs expensed	2.8							**2.8**
Total liability-related other changes	**8.8**	**0.4**	**(1.3)**	**-**	**-**	**-**	**-**	**7.9**
Total equity-related other changes					(2.1)	122.8	0.1	**120.8**
At 31 December 2018	**487.9**	**1.3**	**1.4**	**167.8**	**(10.3)**	**403.2**	**0.2**	**1,051.5**

24 Provisions

	Guarantee commit-ments	Pension commit-ments	Other provisions	Total
Balance at 1 January 2019	**7.0**	**9.4**	**0.6**	**17.0**
Additions	1.8	1.8	0.8	4.4
Used	(0.8)	(0.2)	(0.4)	(1.4)
Release	(0.8)	-	(0.4)	(1.2)
Balance at 31 December 2019	**7.2**	**11.0**	**0.6**	**18.8**

	Guarantee commit-ments	Pension commit-ments	Other provisions	Total
Balance at 1 January 2018	**7.9**	**8.3**	**1.5**	**17.7**
Additions	1.5	1.5	0.2	3.2
Business combinations, note 4	0.3	-	-	0.3
Used	(0.6)	(0.4)	(1.0)	(2.0)
Release	(2.1)	-	(0.1)	(2.2)
Balance at 31 December 2018	**7.0**	**9.4**	**0.6**	**17.0**

Analysis of total provisions	**2019**	**2018**
Non-current	10.6	9.2
Current	8.2	7.8
	18.8	**17.0**

Nature of obligation for 2019	**Country**	**Maturity**	**Likelihood**	**Amount**
Guarantee	Netherlands	Dynamic	Dynamic	3.0
Guarantee	US	Dynamic	Dynamic	1.2
Guarantee	Denmark	Dynamic	Dynamic	1.0

Nature of obligation for 2018	**Country**	**Maturity**	**Likelihood**	**Amount**
Guarantee	Netherlands	Dynamic	Dynamic	2.5
Guarantee	US	Dynamic	Dynamic	1.4
Guarantee	Denmark	Dynamic	Dynamic	0.8

Guarantee commitments

The provisions for guarantee commitments reflect the estimated costs of replacement and free-of-charge services that will be incurred by the Company with respect to products sold.

Pension commitments

The pension commitments includes the provision for early retirements rights, which has increased to EUR 7.5 million as per 31 December 2019 (31 December 2018: EUR 6.1 million). For further information on the pension commitments, refer to note 25.

25 Post-employment benefits

The Group maintains various pension plans covering the majority of its employees.

The Company's pension costs for all employees for 2019 were EUR 27.6 million (2018: EUR 25.0 million). This includes defined contribution plans for EUR 16.7 million (2018: EUR 15.1 million), as well as a pension plan based on multi-employer union plan for EUR 10.9 million (2018: EUR 9.8 million).

The Company's employees in the Netherlands, 1,651 FTEs (2018: 1,568), participate in a multi-employer union plan ("Bedrijfstakpensioenfonds Metalektro", "PME"). This plan is determined in accordance with the collective bargaining agreements effective for the industry in which Marel operates. This pension plan is treated as a defined contribution scheme based on the following grounds:

- It is an industry-wide pension fund, used by the Company in common with other legal entities.
- Under the regulations of the PME, the only obligation for the affiliated businesses towards the PME is to pay the annual premium liability.
- The affiliated businesses are under no obligation whatsoever to pay off any deficits the PME may incur, nor have they any claim to any potential surpluses.

The multi-employer plan covers approximately 1,380 companies and 160,000 contributing members. The plan monitors its risks on a global basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By law ("the Dutch Pension Act"), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan's assets to its obligations. This coverage ratio must exceed 104.3 percent for the total plan. Every company participating in a Dutch multi-employer union plan contributes a premium calculated as a percentage of its total pensionable wages and salaries, with each company subject to the same percentage contribution rate.

The Company's net periodic pension cost for this multi-employer plan for any period is the amount of the required contribution for that period.

The coverage ratio ("Beleidsdekkingsgraad") of the multi-employer plan decreased to 96.9 percent as per 31 December 2019 (31 December 2018: 101.3). The decrease is caused by developments in the financial markets and the average interest rate. The coverage ratio is below the legally required level of 104.3. The Recovery Plan PME 2019 ("Herstelplan PME 2019") indicates that the coverage ratio will increase within 10 years to the minimum required coverage ratio of 119.0%.

In 2020 the pension premium will be 22.7 % of the total pensionable salaries (2019: 22.7%), in accordance with the articles of association of the Pension Fund. The coverage ratio is calculated by dividing the fund's capital by the total sum of pension liabilities and is based on actual market interest.

26 Financial instruments and risks

Financial risk factors

This note presents information about the Group's exposure to each of the below mentioned risks, the Group's objectives, policies and processes for measuring and managing the risk. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

Risk management framework

The main financial risks faced by Marel relate to market risk and liquidity risk. Risk management is carried out by a central treasury department (Group Treasury) under policies and with instruments approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group´s financial performance. The Group uses derivative financial instruments to hedge certain risk exposures and does not enter into financial contracts for speculative purposes.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. Market risk comprises (a) foreign exchange risk, (b) interest rate risk and (c) credit risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(a) Foreign exchange risk

The Group operates internationally and is exposed to currency risk arising from mainly the USD and ISK, primarily with respect to the EUR, as the EUR is the Group's reporting currency. Generally Marel maintains a good natural hedge in its operations with a good match between revenue and cost in most currencies although only a fraction of a percentage of revenues is denominated in ISK, while around 7.32% (2018: 8.24%) of costs is in ISK. Financial exposure is hedged in accordance with the Group's general policy and within set limits. The Group monitors foreign exchange risk arising from commercial transactions, recognized assets and liabilities (transaction risk) that are determined in a currency other than the entity's functional currency. Derivative hedging is applied if the exposure is outside of the risk tolerance band on a consolidated basis. Currently all exposures are within risk tolerance and the Group has no FX derivatives in place.

Currency exposure arising from net assets of the Group's major foreign operations (translation risk) is managed primarily through borrowings denominated in the relevant foreign currencies as the policy is to apply natural exchange rate hedging where possible. Economic risk is defined as the extent to which currency fluctuations can alter a company's future operating cash flows, that is future revenues and costs. Economic risk is not hedged.

The year end and average rates used for the main currencies mentioned above are:

	2019		2018	
1 euro =	Year-end rate	Average rate	Year-end rate	Average rate
USD	1.12	1.12	1.14	1.18
GBP	0.85	0.88	0.90	0.88
ISK	135.83	137.26	132.93	127.54

The following table details the Group's sensitivity of transaction and translation risk to a 10% increase and decrease in the EUR against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a 10% change in foreign currency rates.

The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or loss or equity where the EUR strengthens 10% against the relevant currency. For a 10% weakening of the EUR against the relevant currency, there would be a comparable impact on the profit or loss or equity, and the balances below would be opposite.

	2019		2018	
	USD impact	ISK impact	USD impact	ISK impact
Profit or (loss)	(2.2)	1.1	(1.6)	0.6
Equity	0.0	0.0	0.0	0.0

(b) Interest rate risk

The Group is exposed to interest rate risk on borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risk is managed by maintaining a mix between fixed and floating interest rate on borrowings. Generally the Group raises long term borrowings and pays a floating interest rate. To hedge the resulting cash flow interest rate risk the Group uses interest rate swaps, where it pays a fixed interest rate and receives a floating interest rate. The floating rates are fixed on a quarterly or semi-annual basis. The Group adopts a policy of ensuring that between 50 – 70% of its exposure to changes in interest rates on core debt is hedged with an interest rate swap with a maximum maturity of 5 years. Currently around 15% (2018: 34%) of the core debt has floating interest rates and the rest is fixed. As at year-end 2019 a total of EUR 282.5 million (2018: EUR 281.2 million) of liabilities were swapped into fixed interest rates or in fixed rate debt instruments. The weighted average fixed rate of the interest swaps currently is 0.0% (2018: 0.0%). In 2008 the Group started applying cash flow hedge accounting to hedge the variability in the interest cash outflows of the 3 months EURIBOR/LIBOR Senior Secured Floating Rate Notes.

Throughout the year 2019 as well as per year-end the cash flow hedge accounting relationships were effective. As the syndicated loan facility is expected to be replaced, Marel ended the hedge relationship between the facility and the applicable interest rate swaps. The total mark-to-market valuation of those swaps were at year end EUR 2.0 million which were moved from hedge reserve in equity through the profit and loss statement in 2019.

The amounts deferred in equity at year-end are expected to affect interest costs within the coming 4 years.

At year-end 2019, if EURIBOR interest rates had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 0.1 million (2018: EUR 0.4 million) lower/higher.

Among the actions taken to monitor the interest rate risk are stress tests to establish sensitivity to possible movements in rates and how they might affect the Group's results.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. Each customer has a set credit limit and the utilization of the credit limit is regularly monitored.

The carrying amount of financial assets represents the maximum credit risk exposure:

	2019	2018
Trade receivables	162.1	142.0
Other receivables and prepayments	46.8	45.0
Cash and cash equivalents	303.7	56.3
	512.6	**243.3**

No significant credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties (refer to note 17).

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and products are not delivered until payments are secured. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables (refer to note 17).

The Group has banking relations with a diversified set of financial institutions around the world. The Group has policies that limit the amount of credit exposure to any one financial institution and has International Swaps and Derivatives Association agreements in place with counterparties in all derivative transactions.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and committed credit facilities to give reasonable operating headroom. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by maintaining availability under committed credit lines. The Group has EUR 323.0 million of committed ancillary facilities, which can be used both as a revolver and to issue guarantees for down payments.

At year-end 2019, the Group had nothing drawn on the revolving facility (2018: EUR 74.5 million), but issued guarantees for EUR 45.6 million (2018: EUR 35.0 million) therefore the total usage is EUR 45.6 million (2018: EUR 109.5 million), leaving a headroom of EUR 277.4 million (2018: EUR 213.5 million). All facilities are subject to operational and Consolidated Statement of Financial Position covenants (interest cover and leverage). At the end of 2019 there is sufficient headroom.

Cash flow forecasts are done at the local levels and monitored by Group Treasury. Group liquidity reports are viewed by management on a weekly basis. The Group has a cross border notional cash pool with the aim of making better use of the Group cash position and to further decrease the amount of idle cash.

The table below analyzes cash outflows per maturity group based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2019	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	30.6	314.0	19.5
Interest on borrowings	6.3	10.0	0.2
Lease liabilities	8.8	23.6	4.8
Trade and other payables	200.5	5.1	-
Interest rate swaps	1.2	3.0	-
	247.4	**355.7**	**24.5**

At 31 December 2018	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	30.7	386.7	20.4
Interest on borrowings	6.0	16.7	0.5
Lease liabilities	6.7	19.0	8.1
Trade and other payables	217.0	-	-
Interest rate swaps	1.2	2.3	-
	261.6	**424.7**	**29.0**

Capital management

The Board of Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board monitors on leverage, defined as net debt divided by EBITDA. The Board also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns on equity that might be possible with higher levels of borrowings and the advantages and security of a sound capital position. The Group uses the leverage ratio in their approach to capital management.

Insurance

The Group maintains global and local insurance programs. The coverage comprises property damage, business interruption, general and product liability, marine cargo/mounting, directors' and officers' liability, employers practice liability, business travel and accident. The Group believes that its current insurance coverage is adequate.

The Group has covered Business Interruption Risks with an insurance policy underwritten by an independent insurance company for a maximum period of 24 months for Marel Poultry B.V. and 18 months for all other Marel entities. The insurance benefits for Business Interruption amount to EUR 662 million for 2019 (2018: EUR 597 million) for the whole Group.

The Group insurance value of buildings amounts to EUR 174 million (2018: EUR 150 million), production machinery and equipment including software and office equipment amount to EUR 184 million (2018: EUR 160 million) and inventories to EUR 206 million (2018: EUR 179 million). Currently there are no major differences between appraisal value and insured value.

Fair value estimation

The Group accounts for fixed rate financial assets and liabilities at fair value through profit or loss, and the Group designates derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. These hedges previously were accounted for using the hedge accounting and recording changes in fair value over other comprehensive income. As of the fourth quarter of 2019 Marel temporary stopped applying hedge accounting for interest rate swaps linked to the syndicated loan facility as it is expected to be repaid early 2020. When sufficient drawdowns on the new facility will be established Marel intends to reestablish a hedge relationship between the outstanding swaps and the new revolving facility. Additionally a fair value instrument accounted for in the profit and loss statement being the 0% floor embedded in the EUR term loan and revolving facility. During 2019 the floor results in a profit of EUR 2.2 million in finance cost.

If 3 months EURIBOR restores to values above 0% the result would be a profit EUR 1.1 million from fair value derivatives.

Fair value versus carrying amount

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

Level 1:
The fair value of financial instruments traded in an active market is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2:
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These valuation techniques are based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Derivatives are valued by an independent third party based on market conditions, which takes into account credit value adjustment and debit value adjustment corrections.

Level 3:
Valuation techniques using significant unobservable inputs.

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant and is classified as Level 2 in the fair value hierarchy. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 1.59% (2018: 1.66%).

The weighted average interest rate on borrowings in 2019, including effect of floating to fixed interest rates swaps is 1.59% (2018: 1.66%).

The fair value of the lease liabilities equals its carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the average interest rate of the relevant currency and applicable average credit spreads of the company's external funding sources.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Statement of Financial Position, are as follows:

2019	Cash flow-hedging instruments	Cash & receivables	Other financial liabilities	Total carrying amount	Fair Value
Cash and cash equivalents	-	303.7	-	303.7	303.7
Receivables	-	208.9	-	208.9	208.9
	-	**512.6**	**-**	**512.6**	**512.6**
Interest rate swaps used for hedging	(3.0)	-	-	(3.0)	(3.0)
Bank loans	-	-	(364.1)	(364.1)	(364.1)
Lease liabilities	-	-	(37.2)	(37.2)	(37.2)
Trade and other payables	-	-	(205.6)	(205.6)	(205.6)
	(3.0)	**-**	**(606.9)**	**(609.9)**	**(609.9)**
2018					
Cash and cash equivalents	-	56.3	-	56.3	56.3
Receivables	-	187.0	-	187.0	187.0
	-	**243.3**	**-**	**243.3**	**243.3**
Interest rate swaps used for hedging	(0.1)	-	-	(0.1)	(0.1)
Bank loans	-	-	(454.1)	(454.1)	(454.1)
Lease liabilities	-	-	(33.8)	(33.8)	(33.8)
Trade and other payables		-	(220.0)	(220.0)	(220.0)
	(0.1)	**-**	**(707.9)**	**(708.0)**	**(708.0)**

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

Derivatives liabilities held for risk management	Level 1	Level 2	Level 3	Total
At 31 December 2019	-	3.0	-	3.0
At 31 December 2018	-	1.2	-	1.2

No financial instruments were transferred from Level 1 to Level 2 or from Level 2 to Level 3 of the fair value hierarchy.

Interest-rate swap

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

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

The notional principal amount of the outstanding active interest rate swap contracts at 31 December 2019 was EUR 282.5 million (31 December 2018: EUR 281.2 million).

31/12 2019	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	USD	10.0	2020	1.3
Interest rate SWAP	USD	60.0	2020	1.6
Forward starting interest rate SWAP	EUR	80.0	2022	0.4
Forward starting interest rate SWAP	EUR	40.0	2022	0.4
Forward starting interest rate SWAP	USD	50.0	2022	2.3
Embedded floor (0,00% cap on interest rates in financing agreements)	EUR	168.0	2022	0.0
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	0.8	2027	5.2

31/12 2018	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	USD	10.0	2020	1.3
Interest rate SWAP	USD	60.0	2020	1.6
Forward starting interest rate SWAP	EUR	80.0	2022	0.4
Forward starting interest rate SWAP	EUR	40.0	2022	0.4
Forward starting interest rate SWAP	USD	50.0	2022	2.3
Embedded floor (0,00% cap on interest rates in financing agreements)	EUR	257.5	2022	0.0
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	0.8	2027	5.2

27 Trade and other payables

	2019	2018
Trade payables	83.6	92.9
Accruals	11.0	10.4
Personnel payables	51.9	53.9
Other payables	59.1	62.8
Total trade and other payables	**205.6**	**220.0**
Less non-current portion	(5.1)	(3.0)
Current portion of trade and other payables	**200.5**	**217.0**

Information about the Group's exposure to currency and liquidity risks is included in note 26.

28 Contingencies

Contingent liabilities

At 31 December 2019 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 82.4 million (31 December 2018: EUR 49.0 million) to third parties.

Legal proceedings

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

At this point in time, 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.

Environmental remediation

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

29 Related party transactions and information on remuneration

At 31 December 2019 and 2018 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 year ended 31 December 2019 and 2018.

Board of Directors' fee for the year 2019 and shares at year-end (EUR 1,000)	Board fee	Pension contribu-tion[1]	Stock options[2]	Bought shares acc. to stock options[2]	Shares at year-end [2]
Ásthildur Margrét Otharsdóttir , Chairman	140.0	16.0	-	-	32
Arnar Þór Másson, Vice Chairman	97.0	11.0	-	-	-
Ann Elizabeth Savage, Board Member	54.0	6.0	-	-	-
Ástvaldur Jóhannsson, Board Member	54.0	6.0	-	-	-
Helgi Magnússon, Board Member, (until 06-03-2019)	9.0	1.0			
Margrét Jónsdóttir, Board Member	54.0	6.0	-	-	195 [3]
Ólafur S. Guðmundsson, Board Member	54.0	6.0	-	-	1,705
Ton van der Laan, Board Member, (from 06-03-2019)	45.0	5.0	-	-	-

Board of Directors' fee for the year 2018 and shares at year-end (EUR 1,000)	Board fee	Pension contribu-tion[1]	Stock options[2]	Bought shares acc. to stock options[2]	Shares at year-end [2]
Ásthildur Margrét Otharsdóttir , Chairman	134.0	14.0	-	-	32
Arnar Þór Másson, Vice Chairman	93.0	10.0	-	-	-
Ann Elizabeth Savage, Board Member	52.0	6.0	-	-	-
Ástvaldur Jóhannsson, Board Member	52.0	6.0	-	-	-
Helgi Magnússon, Board Member	52.0	6.0	-	-	3,039
Margrét Jónsdóttir, Board Member	52.0	6.0	-	-	195 [3]
Ólafur S. Guðmundsson, Board Member	52.0	6.0	-	-	1,705

Key management remuneration 2019 (EUR 1,000)	Salary and benefits	Share based benefits	Incentive payments	Pension contribu-tion[1]	Stock options [2]	Bought shares acc. to stock options[2]	Shares at year-end [2]
Árni Oddur Þórðarson, Chief Executive Officer	680	-	379	220	2,260	-	132 [3]
Executive Management	3,514	1,164	1,131	594	10,682	466	1,273 [4]

Key management remuneration 2018 (EUR 1,000)	Salary and benefits	Share based benefits	Incentive payments	Pension contribu-tion[1]	Stock options [2]	Bought shares acc. to stock options[2]	Shares at year-end [2]
Árni Oddur Þórðarson, Chief Executive Officer	634	-	278	111	1,610	-	132 [3]
Executive Management	3,082	869	1,008	373	8,795	690	1,256 [4]

1) Pension contributions for all board members and the management are part of a defined contribution plan.
2) Number of shares * 1,000.
3) Margrét Jónsdóttir is the Managing Director of Operation of Eyrir Invest hf. and Árni Oddur Þórðarson is a major shareholder of Eyrir Invest hf., which on 31 December 2019 held 190,366,838 (2018: 190,366,838) shares in Marel hf. (24.7% (2018: 27.9%) of total issued shares).
4) Marel has identified eleven executives who have material significance for Marel's operations. This group consists of Chief Financial Officer, executive vice president ("EVP") Poultry, EVP Meat, EVP Fish, EVP Further Processing, EVP Global Markets, EVP Global Service, EVP Supply Chain, EVP Human Resources, EVP Strategy and Corporate Development and EVP Innovation. One of them joined the Executive Team in the beginning of September 2019 and one left the Team at the same time.

Stock options	Options granted	2019 Number of shares *)	2019 Average exercise price EUR per share	2018 Number of shares *)	2018 Average exercise price EUR per share
Árni Oddur Þórðarson, Chief Executive Officer	2016	360	1.826	360	1.860
	2017	600	2.681	600	2.737
	2018	650	2.825	650	2.881
	2019	650	3.194		
Executive Management	2014	1,170	0.861	1,305	0.896
	2015	1,040	1.407	1,280	1.434
	2016	972	1.826	1,260	1.860
	2017	1,900	2.681	2,200	2.737
	2018	2,500	2.825	2,750	2.881
	2019	2,850	3.194		
	2019	250	3.700		

*) Number of shares * 1,000.

30 Subsequent events

On 5 February 2020 a new syndicated loan facility has been signed. For further details refer to note 23. No other significant events have taken place since the reporting date, 31 December 2019.

31 Subsidiaries

The following lists presents the material subsidiaries as per 31 December 2019 representing greater than 1% of either the consolidated Group revenues or total asset value.

All of the entities are fully consolidated in Group financial statements. Companies are listed in alphabetical order of the country of incorporation:

	Country of Incorporation	Ownership Interest
Marel Australia Pty. Ltd.	Australia	100%
Marel Brasil Commercial e Industrial Ltda	Brazil	100%
Sulmaq Industrial e Comercial S.A.	Brazil	100%
Marel A/S	Denmark	100%
Butina A/S	Denmark	100%
Marel Salmon A/S	Denmark	100%
Marel France S.A.R.L .	France	100%
MAJA-Maschinenfabrik Hermann Schill GmbH	Germany	100%
Marel Iceland ehf.	Iceland	100%
Marel Holding B.V.	Netherlands	100%
Marel Meat B.V.	Netherlands	100%
Marel Poultry B.V.	Netherlands	100%
Marel Further Processing B.V.	Netherlands	100%
Marel Water Treatment B.V.	Netherlands	100%
Marel Red Meat Slaughtering B.V.	Netherlands	100%
Marel Meat Service B.V.	Netherlands	100%
Marel Food Logistics Systems B.V.	Netherlands	100%
Marel Norge AS	Norway	100%
Marel Food Systems LLC	Russia	100%
Marel Slovakia s.r.o.	Slovakia	100%
Marel Ltd.	UK	100%
Marel GB Ltd.	UK	100%
Marel Inc.	USA	100%
Marel USA Holding, Inc.	USA	100%
Marel Seattle Inc.	USA	100%

32 Quarterly results (unaudited)

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Total
Revenue	324.6	326.5	312.5	320.1	1,283.7
Cost of sales	(199.2)	(196.3)	(193.0)	(204.1)	(792.6)
Gross profit	**125.4**	**130.2**	**119.5**	**116.0**	**491.1**
Selling and marketing expenses	(39.0)	(41.3)	(37.2)	(41.7)	(159.2)
Research and development expenses	(21.4)	(21.4)	(20.5)	(22.6)	(85.9)
General and administrative expenses	(20.1)	(20.6)	(20.2)	(22.5)	(83.4)
Result from operations (EBIT)	**44.9**	**46.9**	**41.6**	**29.2**	**162.6**
Net finance costs	(3.8)	(2.5)	(2.0)	(12.4)	(20.7)
Share of result of associates	-	0.0	(0.0)	(0.1)	(0.1)
Result before income tax	**41.1**	**44.4**	**39.6**	**16.7**	**141.8**
Income tax	(8.9)	(10.1)	(6.2)	(6.5)	(31.7)
Net result for the period	**32.2**	**34.3**	**33.4**	**10.2**	**110.1**
Result before depreciation & amortization (EBITDA)	**59.1**	**61.1**	**56.4**	**43.7**	**220.3**

	2018 Q1	2018 Q2	2018 Q3	2018 Q4	Total
Revenue	288.4	296.7	282.0	330.8	1,197.9
Cost of sales	(176.9)	(181.7)	(171.3)	(205.2)	(735.1)
Gross profit	**111.5**	**115.0**	**110.7**	**125.6**	**462.8**
Selling and marketing expenses	(34.2)	(35.0)	(33.6)	(37.2)	(140.0)
Research and development expenses	(18.1)	(17.4)	(19.1)	(22.1)	(76.7)
General and administrative expenses	(17.7)	(21.7)	(20.4)	(25.4)	(85.2)
Result from operations (EBIT)	**41.5**	**40.9**	**37.6**	**40.9**	**160.9**
Net finance costs	(6.0)	(3.1)	(2.9)	(2.9)	(14.9)
Result before income tax	**35.5**	**37.8**	**34.7**	**38.0**	**146.0**
Income tax	(7.2)	(8.3)	(8.0)	(0.0)	(23.5)
Net result for the period	**28.3**	**29.5**	**26.7**	**38.0**	**122.5**
Result before depreciation & amortization (EBITDA)	**55.3**	**53.9**	**50.0**	**56.3**	**215.5**

The below tables provides an overview of the quarterly adjusted result from operations, which management believes to be a relevant Non-IFRS measurement, as mentioned in note 6.

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Total
Revenue	324.6	326.5	312.5	320.1	1,283.7
Cost of sales	(199.2)	(196.3)	(193.0)	(204.1)	(792.6)
Gross profit	**125.4**	**130.2**	**119.5**	**116.0**	**491.1**
Selling and marketing expenses	(37.3)	(39.7)	(35.5)	(40.1)	(152.6)
Research and development expenses	(20.6)	(20.4)	(19.6)	(21.5)	(82.1)
General and administrative expenses	(20.0)	(20.5)	(20.1)	(22.4)	(83.0)
Adjusted result from operations*)	**47.5**	**49.6**	**44.3**	**32.0**	**173.4**
PPA related costs	(2.6)	(2.7)	(2.7)	(2.8)	(10.8)
Result from operations (EBIT)	**44.9**	**46.9**	**41.6**	**29.2**	**162.6**

	2018 Q1	2018 Q2	2018 Q3	2018 Q4	Total
Revenue	288.4	296.7	282.0	330.8	1,197.9
Cost of sales	(176.9)	(181.7)	(171.3)	(200.5)	730.4
Gross profit	**111.5**	**115.0**	**110.7**	**130.3**	**467.5**
Selling and marketing expenses	(32.6)	(33.5)	(32.0)	(35.6)	(133.7)
Research and development expenses	(17.4)	(16.7)	(18.4)	(21.2)	(73.7)
General and administrative expenses	(17.7)	(21.6)	(20.3)	(25.3)	(84.9)
Adjusted result from operations*)	**43.8**	**43.2**	**40.0**	**48.2**	**175.2**
PPA related costs	(2.3)	(2.3)	(2.4)	(7.3)	(14.3)
Result from operations (EBIT)	**41.5**	**40.9**	**37.6**	**40.9**	**160.9**

*) Operating income adjusted for PPA costs related to acquisitions, including depreciation and amortization.

33 Definitions and abbreviations

BBA
British Bankers Association

BPS
Basis points

CGU
Cash Generating Units

Current ratio
Current assets / current liabilities

Debt to adjusted capital ratio
Net interest bearing debt / adjusted capital (total equity – hedge reserve)

EBIT
Earnings before interest and tax

EBITDA
Earnings before interest, tax, depreciation and amortization

ECL
Expected credit loss

EPS
Earnings per share

EURIBOR
Euro interbank offered rates

FTE
Full-time equivalent

FVOCI
Fair value through other comprehensive income

FVTPL
Fair value through profit or loss

FX
Foreign exchange

GAAP
Generally accepted accounting principles

IAS
International Accounting Standard

IFRIC
International Financial Reporting Interpretation Committee

IFRS
International Financial Reporting Standards

KPI
Key performance indicator

LIBOR
London Interbank Offered Rate

Leverage adjusted result
Net interest bearing debt / EBITDA

NCI
Non-controlling interest

OCI
Other comprehensive income

POC
Percentage of completion

PPA
Purchase Price Allocation

Quick ratio
(Current assets – Inventories) / Current liabilities

Return on equity
Result for the period / average of total equity. Average of total equity: (beginning balance + ending balance for the period) / 2

SIC
Standard interpretation committee

VPL
Wet aanpassing fiscale behandeling VUT-prepensioen en introductie levensloopregeling (Law relating to adjustments of fiscal treatment of (pre)pension and the introduction of a life plan scheme)

WACC
Weighted average cost of capital