CONNECT INNOVATE TRANSFORM

ANNUAL REPORT 2022

Contents

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TO OUR STAKEHOLDERS

Chairman and CEO statement

The theme of Marel's Annual Report 2022 is Connect. Innovate. Transform. These three powerful words resonate across our company and reflect in everything we do. They mean more than meets the eye and speak to our core principles and values. We are united in our passion to connect, innovate and transform the global food industry. In partnership with our customers, we are committed to developing sustainable solutions to the collective challenges and opportunities we face, and bringing about meaningful change.

A year of transformation amid challenges

For Marel, 2022 was a time of transformation in a turbulent environment. The year was shaped by the ongoing pandemic, labor shortages, war in Ukraine, an energy shock and rising interest rates. In many parts of the world, inflation has also become more pervasive. Unfortunately, many of the problems sparked by the pandemic persisted in 2022, including logistical and supply chain disruptions and the aftermath of stringent lockdowns in China and their impact on its economy.

These external factors, coupled with transformative infrastructure investments and business-related costs, contributed to a drop in our profitability in the summer, which led to the difficult decision to reduce our workforce by 5%.

Our unwavering vision, drive for innovation and strong collaborative culture allowed us to navigate these obstacles and help our customers do the same. Our team's entrepreneurial mindset proved vital to our resilience throughout the year.

Passionate innovators from across the company continuously sought ways to turn obstacles into opportunities, demonstrating our ability to adapt to lockdowns, our agility in procurement and the scalability of our manufacturing.

2022 was a year of many new records, new connections, new innovations and significant investments to transform and future-proof our operations. We received record orders in the first half of the year, revenues reached an all-time high in the fourth quarter, and aftermarket revenues have continued to increase for 11 consecutive quarters to new record levels, or 40% of total revenues. We also brought new industry-leading solutions to market and connected with customers in person at key trade shows around the world.

Inflation is a significant hindrance for food processors, however, this brings real momentum and highlights Marel's strengths as a business. Our solutions enable customers to use raw materials, water and energy more efficiently, helping them improve their profitability and fulfill their sustainability commitments.

Marel's successes in 2022 are a testament to the unity and dedication of our team members and the strength of our business model. Our passion and dedication will drive continued improvement in our operational performance, helping us reach our 2023 financial targets and fueling our ambitious growth strategy to reach EUR 3 billion in revenues in 2026, with 50% deriving from services and software.

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The success of the food supply chain depends on its connections. The more connected we are, the more effectively we can support our customers in managing the complex demands of food processing. That's why we bring together people, technology, expertise, industries and data to drive synergies and achieve shared goals. Connectivity is also the foundation of our digital journey, as we work to seamlessly integrate equipment, software and services to enhance all processes.

In 2022, our commitment to building a stronger, more connected food supply chain was evident in our investments in enhancing our global reach and local presence.

Spanning globally, connecting locally

Our global reach is one of our strongest and most visible assets, and we have continuously invested in building up our unique sales and service network in more than 30 countries. Our local teams are close to customers and ready to respond to fast-changing market conditions. In 2022, we proactively moved forward and expanded our sales and service coverage around the world ahead of the growth curve.

We understand the importance of engaging with people face-to-face, which is why we also invested in visiting our customers and participating in trade shows as pandemic restrictions eased. We knew that this would increase operating costs in the short term but felt confident that revenues would gradually ramp up and provide better cost coverage. We believe this was the correct decision, evidenced by the record orders received in the first half of 2022, although it did put pressure on profitability in the short term.

A trusted maintenance partner

During lockdowns, we demonstrated our ability to commission whole processing plants using local Marel engineers backed up by remote Marel specialists joining online. Our local field service engineers also deserve special praise. They are closest to our customers, and together with the customer care managers and spare parts team, they have worked tirelessly to fulfill our role as a trusted maintenance partner. Indeed, we have seen spare part service sales at record levels for six consecutive quarters, underpinning the importance of our investments in the spare part journey and the growth potential for our service offerings.

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We are constantly seeking new and better ways to meet the demand for high-quality, affordable food. With a focus on continuous improvement, we innovate adaptable, efficient solutions that minimize waste and maximize resources. We co-create with customers and partners who bring fresh perspectives and best-in-class knowledge. By investing around 6% of revenues in research and development annually, we nurture the first seeds of inspiration, which sometimes grow into groundbreaking solutions.

Automation, digitalization and sustainability have been at the center of our development efforts in recent years, and our work guided by these priorities made 2022 a successful year.

Showcasing solutions at exhibitions

Marel brought 33 innovative solutions to market in 2022, and we demonstrated our extensive product portfolio at trade shows such as IFFA, Barcelona Seafood Exhibition and VIV exhibition. IFFA marked a significant milestone, as it was the first trade show to showcase Marel's full product portfolio, including solutions from our two bolt-on acquisitions of MAJA and TREIF. These exhibitions gave us the opportunity to engage in meaningful conversations with customers and hear their pain points firsthand. The enthusiasm and dedication of our employees were also on full display as they demonstrated the company's technological leadership.

Implementing our digital solutions

We made significant progress on our digital journey in 2022, moving from extensive planning activities to live implementation. We continue to develop a data-driven ecosystem to help processors make smarter business decisions with connectivity. Real-time data helps processors keep lines efficient and sustainable, improving product quality and employee wellbeing. Data also enables Marel's service team to monitor equipment remotely and resolve potential problems faster. Put simply, these subscription-based digital solutions will accelerate Marel's aftermarket journey by improving machinery uptime, optimizing food production and providing proactive maintenance and parts availability.

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Our goal is to transform food processing to help our customers succeed and ultimately contribute to a more sustainable industry. We transform hand in hand with customers to turn their challenges into solutions, data into production control, and raw materials into valuable products. At the same time, we must invest in innovation, infrastructure and acquisitions to evolve our company for the future and deliver strong returns and sustainable value to our stakeholders.

Throughout the year, taking a disciplined approach to capital investments was a key aspect of our transformation efforts to increase speed and scale across the organization. We are committed to a balanced approach to organic growth through continued investment in innovation, infrastructure and digitalization, coupled with strategic partnerships and acquisitions.

Leading and investing for the future

To further support organic growth and our 2026 target of generating 50% of revenues from services and software, we have increased our investments in our platform. We expect cash capital expenditures, excluding research and development investments, to increase on average to 4-5% of revenues over the next four years, before returning to a more normalized level of below 3% of revenues. Our disciplined investments prioritize automating and digitalizing the manufacturing platform, supply chain and aftermarket to shorten lead times.

Major infrastructure investments

Examples of transformative investments in our infrastructure include the expanded production facility adjacent to our current operations in Nitra, Slovakia. Nitra West is a strategically important investment that enables us to scale up production in a cost-effective location and is expected to be fully operational in the first half of 2023.

In the Netherlands, we have made good progress automating and digitalizing our largest manufacturing facility in Boxmeer to improve flow, flexibility, scale and operational efficiency. We also broke ground for our new and digitalized Global Distribution Center strategically located in Eindhoven. Expected to become operational in 2024, this is Marel's largest ever infrastructure investment and will significantly shorten lead times to customers around the world.

Acquired growth and strategic partnerships

Marel has deployed over EUR 1.2 billion in high-quality acquisitions since 2016 to supplement our full-line offering in key target markets. Considerable investments in global reach and digital solutions, complemented by a proven track record in acquisitions and integration, strengthen our position as an attractive partner in the ongoing consolidation wave within our industry.

Wenger: A new pillar in our business model

During the year, we welcomed around 550 new colleagues to the Marel family as part of the platform acquisition of Wenger and the smaller bolt-on acquisition of Sleegers Technique, a Dutch provider of interleaving, underleaving and loading solutions for processing prepared foods such as hamburgers, bacon and cheese.

The platform investment in Wenger will form Marel's fourth reported business segment, Plant, Pet and Feed, alongside Poultry, Meat and Fish. Wenger is the world leader in extrusion systems and is widely known for its pioneering contributions in pet food, aqua feed and the high-potential plant-based protein market. The acquisition was both margin and earnings enhancing for Marel.

Wenger's business model is time-tested, having produced positive results for nearly 90 years. The company has a leading global position within its focus market segments, where over 60% of revenues derive from pet food. Wenger has a strong foothold in the North American market and over 40% of revenues come from services. There are immediate opportunities for growth and value creation by leveraging Marel's global reach and digital platforms in Wenger's sizeable and high-growth markets.

Pioneers joining hands

Through strategic partnerships, we can increase our competitive advantage and accelerate new developments and speed to market. A great example of a successful partnership is our collaboration with TOMRA, where we were able to launch the Marel Spectra, a foreign material detection solution, in only two years.

In November 2022, Marel together with Tyson Ventures and other investors led a Series C investment round in Soft Robotics. Soft Robotics is a US-based company focused on automated robotic picking solutions in food processing, and we are confident this will lead to exciting new developments for our industry.

Focus First: A refined operating model

Marel is a growth company, and the organization must adapt and mature as we advance on our growth journey. In late 2022, we announced a refined operating model named Focus First and introduced a new Executive Board to position Marel for future growth and ensure long-term profitability.

The main objective of Focus First is to improve speed and scalability across the organization and make it easier to do business with us. The intended operating model, to be implemented in the first half of 2023, is expected to foster more customer centricity, enhance end-to-end accountability and enable cross-business collaboration.

Focus First describes seven revenue generating business divisions (four segments for external reporting) that are supported by functions that provide expertise and drive a harmonized way of working. Functions provide enabling capabilities and expertise to the business divisions. Customer interaction then takes place through our customer centers, which combine sales and service activities, creating a truly customer-centric experience.

A strong quarter close in a transformative year

The financial results for 2022 were somewhat mixed. While we set new records in orders received and the size of our order book in the first half of the year, revenue growth and operating margins were below expectations. Market conditions remained challenging due to continued supply chain disruption and high inflation, leading to missing parts and inefficiencies in manufacturing, as well as higher costs associated with timely delivery and slower ramp up of revenues.

In addition to these external factors, our gross margin was impacted by additional costs due to the strategic milestones to connect, innovate and transform toward our 2026 goals mentioned above.

Improving operational performance

In the second quarter of 2022, Marel revised its year-end 2023 financial target to a run-rate of 14-16% earnings before interest and taxes (EBIT), from the previously stated 16%, allowing for a 2% contingency buffer due to volatility in market conditions. Other year-end 2023 financial targets were unchanged. These include gross profit of around 38-40%; selling, general and administrative expenses (SG&A) of around 18%; and innovation at the 6% strategic level.

We took firm and immediate action to improve profitability and launched various organizational improvement projects to enhance operational performance. Many of these projects are not new, but by prioritizing and accelerating our focus, we can fast-track the ones that have the greatest impact. The levers are centered on three key actions: improving the price/cost discipline in the organization, increasing efficiency in operations, and ramping up revenues. For critical suppliers, we set up cross-functional teams and used our engineering power to innovate around switching parts and suppliers where needed. We also implemented a 5% global workforce reduction, which will result in estimated annualized cost savings of EUR 25 million.

In the second half of the year, operational performance improved from the low point of 6.3% in the second quarter to 10.3% in the third quarter before reaching 12.4% in the fourth quarter.

The all-time high orders in 2022 reflect our strong brand and market position, and our ability to ramp up volumes significantly in a relatively short timeframe in the second half of the year can be attributed to our united team, our power of innovation to design around components, and excellent collaboration with our suppliers. Our people were able to adapt production processes quickly and manage unpredictable supply chains. With the recently introduced Focus First operating model, we believe we can better navigate volatility and maintain the resilience, speed and scalability needed to create value.

Enabled by organizational readiness and great enthusiasm to strengthen process ownership and performance management across Marel, we are on track and excited about unlocking full profitability potential by year-end 2023 and beyond.

Cash flow, leverage and financing

A lower book-to-bill ratio temporarily impacted operating cash flow, as did unfavorable working capital movements, including the timing of invoicing and payments. We have used our strong balance sheet to build up safety stock where needed to mitigate supply chain challenges. Our cash flow model remains unchanged, aiming to reach historical cash conversion to EBIT of around 120% by year-end 2023.

In 2022, we announced a new three-year USD 300 million senior loan with a two-year uncommitted extension option. This is an acknowledgment of our financial strength and the confidence our long-term banking partners have in Marel and our new platform investment centered on pet food, plant-based proteins and aqua feed. Part of this new financing was used to repay the EUR 150 million multi-currency bridge facility drawn for operational headroom when acquiring Wenger.

Net leverage was 3.6x at year-end and is temporarily higher due to the acquisition of Wenger. Marel has shown in the past that it has deleveraged quickly after transformational acquisitions. Our objective is to enter 2024 within the targeted range of 2.0-3.0x.

Dividend proposal of 20% of net result

Earnings per share for the trailing 12 months were EUR 7.78 cents in 2022. The Board of Directors will propose to the 2023 Annual General Meeting that EUR 1.56 cents dividends per outstanding share be paid for the operational year 2022. This corresponds to approximately 20% of net results, and is in line with Marel's dividend policy of 20-40% payout ratio.

Net-zero commitment

Sustainability is at the center of our business strategy and our vision of a world where quality food is processed affordably and sustainably. We are passionate about creating circular designs—solutions built to be durable, evolvable and repairable, with the ability to improve yields and decrease waste in food production. We are committed to becoming carbon neutral by 2040, meaning that every Marel solution sold will have a net-zero climate impact. When setting targets, we are conscious that they have to be credible and followed through with commitment.

Impact through innovation

Building on our strong track record of setting and achieving targets, we will continue our journey to become part of the solution and set leading standards in the food processing industry. Our biggest sustainability impact is through innovation, where our solutions and software enable customers to deliver on their sustainability strategies and green reporting. All new innovation projects are rated using the updated Sustainability Scorecard 2.0 to align with our goals in this area. As the leading global supplier of high-tech food processing solutions, our advancements can scale up to tremendous gains in sustainability for food processors and their CO_2 footprint accountability.

Sustainability is our business

In 2022, we took significant steps in our climate-related disclosure journey, implemented a more robust governance structure around sustainability related issues, and had our near-term targets to reduce carbon emissions from our entire value chain validated by the Science Based Targets initiative (SBTi). We also announced our first medium-term sustainability program, which is fully in line with Marel's 2026 growth plan. Furthermore, we expanded environmental, social and governance (ESG) criteria into the short-term incentive plans for around a quarter of our employees.

More detail on how we use our impact through innovation to enable more sustainability in our industry can be found in this report and in our Sustainability: 2022 ESG Report. Our Remuneration Report 2022 also sets out how these goals are being incorporated into incentive programs for our leadership.

Fostering diversity and inclusion

We must ensure that Marel has a diverse and truly inclusive culture. With this in mind, we have set targets for achieving more balanced gender representation across all managerial levels to meet future challenges. These targets are included in our sustainability program, recognizing the value of reflecting the markets and communities we serve across all dimensions. We aim to lead by example and are proud that we have a well-balanced gender representation on our Board of Directors and Executive Board, both of which are within the optimal ratio of 40/60. Our goal is to advance diversity and inclusivity not only within Marel, but also within our industry.

Connecting our past to the present and future

We are connected to our rich history, the potential of today and our promising future. In March 2023, we celebrated a milestone—our 40th anniversary. With a history of consistent growth averaging 21% annually over the past four decades, we are proud of our achievements and excited for what is to come.

Marel began as a simple idea conceived by entrepreneurs at the University of Iceland, who were inspired to improve the efficiency, yield and throughput of Icelandic seafood processing.

Over the years, Marel has transitioned from a startup with 45 employees and EUR 6 million in revenues to a leading global provider of food processing solutions, software and services with around 8,000 employees and EUR 1.7 billion in revenues.

We are proud of our heritage, which includes the 12 companies we have acquired and welcomed into our team since 2016. United in our pursuit of excellence, we are inspired innovators with a desire to change the world. In the coming year, we look forward to sharing more of our journey and showcasing the driving force behind our success: our powerful team of people transforming food production.

Looking forward

Looking into 2023, we are confident that Marel can emerge from this challenging cycle stronger than before. Now more than ever, we appreciate that listening to, partnering with and engaging with our diverse stakeholders drives progress, trust and transparency. Our refined operating model, Focus First, will equip us with the speed and scale needed to thrive in today's market. We take pride in being a great place to work, where we play an innovative and sustainable role in the food value chain and nurture our customer relationships.

While we concentrate on the critical short-term actions required to reach our 2023 year-end financial targets, we must also maintain momentum on our long-term growth ambitions to reach EUR 3 billion in revenues by year-end 2026 and support our ambition to transform food processing sustainably.

Thank you for 2022!

On behalf of the Board of Directors and management, we extend our heartfelt gratitude to the entire Marel team for their unwavering commitment and exceptional work in 2022. We also express our deep appreciation to our valued customers, partners and shareholders for their continued support. Thank you for being a part of our journey.

Arnar Thor Masson
Chairman of the Board

"We are connected to our rich history, the potential of today and our promising future. In March 2023, we celebrated a milestone—our 40th anniversary. With a history of consistent growth averaging 21% annually over the past four decades, we are proud of our achievements and excited for what is to come."

Arni Oddur Thordarson
Chief Executive Officer

"Sustainability is at the center of our business strategy and our vision of a world where quality food is processed affordably and sustainably. We are passionate about creating circular designs—solutions built to be durable, evolvable and repairable, empowered with software to use raw materials, water and energy more efficiently to help our customers improve profitability and fulfill their sustainability commitments."

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MAREL IN BRIEF

We are Marel

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.

Marel is a leading global provider of advanced processing equipment, systems, software and services to the food processing industry. Established in 1983, we have around 8,000 employees and a presence in more than 30 countries across six continents. We are listed on Nasdaq Iceland and Euronext Amsterdam, and in 2022 we delivered EUR 1.7 billion in revenues, with 40% coming from aftermarket.

We collaborate with customers and partners to develop products that set new benchmarks in food processing. Utilizing cutting-edge technologies such as robotics, data-driven solutions, automation and advanced software, we empower food processors to increase yield and throughput, ensure food safety and traceability, improve sustainability and ultimately create value for their businesses.

Transforming the future of food processing would not be possible without our customers, investors, suppliers, employees and partners all around the world. Our extensive global reach and local presence in all regions help us build strong long-term partnerships as a provider of solutions, software and services. With expertise across multiple industries and our Service team always ready to help, our customers thrive.

In these ways and more, we support the production of safe, affordable food, establish confidence and trust with consumers and help build a sustainable future for our planet.

Our growing world needs sustainable food solutions, and we are united in our passion to connect, innovate and transform the global food industry.

Revenues
EUR 1.7bn
in 2022

40%
in aftermarket revenues

Global sales and service network
+30 countries across **6** continents

Employees
~8,000

A global team defined by three core values

Our core values summarize what we stand for. They represent our way of working and are important to each and every employee. We connect our values to everything we do.

Unity

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, co-operation and communication. We connect diverse people and skills to achieve shared goals and create a culture of teamwork.

Excellence

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. We transform the industry through superior performance and pushing the boundaries of what's possible.

Innovation

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. We innovate by fostering new and inspiring ideas to stay ahead of the curve.

Four key business segments

Poultry Meat Fish Plant, Pet and Feed

Our teams build on the knowledge, expertise and decades of experience accumulated across the company to serve our four key business segments: Poultry, Meat, Fish and the newly established segment Plant, Pet and Feed. Our worldwide reach, innovative product offerings and digital solutions are key differentiating factors in supporting our customers and being a trusted maintenance partner.

Our presence across geographies and multiple protein segments reduces cyclicality and exposure to market demand fluctuations. Marel has a diverse and loyal customer base, ranging from global blue-chip food processors and supermarket chains to smaller startups. We have low customer concentration with no customer accounting for more than 5% of total annual revenues.

Poultry

Marel offers the most comprehensive product range of poultry processing solutions in the industry and has the largest installed base worldwide. We provide in-line poultry processing solutions for all processing steps. The growing duck market has become a third pillar within poultry processing alongside broilers and turkey. This has enabled Marel to leverage its global sales and service network and to expand into new markets.

Meat

Marel supplies advanced equipment and systems to the red meat industry, with a focus on primary processing, cut-up and deboning solutions for processors supplying products to retail and foodservice. Following the acquisitions of MPS, Sulmaq, MAJA and TREIF, we are now a full-line supplier from farm gate to finished pack. The recently added portfolio of interleaving, stacking, loading and slicing solutions from Sleegers strengthens our portfolio in the case-ready and prepared food segments.

Fish

Marel is the leading global supplier of advanced standalone equipment and integrated systems to the fish industry. We provide innovative solutions and software for processing whitefish and salmon, both farmed and wild, onboard and ashore. With the ongoing integration of the 2021 Curio and Valka acquisitions, we have been focused on accelerating our innovation roadmap, setting strategic direction and strengthening the Fish segment to drive further growth.

Plant, Pet and Feed

In 2022, Marel acquired Wenger, a worldwide leader in processing solutions centered around pet food, plant-based proteins and aqua feed. The acquisition was a platform investment into complementary and attractive new growth markets for Marel, which today form our fourth business segment. Over 60% of Wenger's revenues derive from pet food, and the company has a global leading position within its focus market segments. Wenger has a strong foothold in the North American market, and over 40% of revenues come from services.

Impact through innovation

Marel is committed to developing industry-leading technology in partnership with our customers.

Annually, we invest approximately 6% of revenues in research and development, which translated to EUR 98 million in 2022. This enables us to create transformative solutions for the food processing industry, securing our competitive advantage and delivering organic growth to the company.

Our drive for innovation is evident in the 33 new solutions we brought to market in 2022 alone. With each stride we take, we create a more seamless operating flow with equipment and digital solutions that boost production capacity and efficiency.

6% of revenues invested in innovation in 2022

EUR 98 million

Transforming the food value chain, sustainably

We take great pride in embedding sustainability in everything we do. Since 2017, sustainability has been integrated into our requirements for all new product development, meaning that all our solutions are designed to maximize yield and minimize the use of resources such as energy and water. Our digital products, for instance, play a crucial role in enabling green reporting and reducing food waste.

These efforts not only create long-term value for our customers, but also help to align their operations with environmental principles. By emphasizing sustainable innovation in one of the world's most important value chains—the food value chain—we are an enabler for change in how our industry can have a positive impact on sustainability as a whole.

Being a responsible corporate citizen is fundamental to our business. In line with this, we are proud to share that we have:

- Set a defined path to becoming net-zero by 2040
- Had our emission targets validated by the Science-Based Targets initiative (SBTi) to meet the goals of the Paris Agreement
- Incorporated environmental, social and governance (ESG) criteria into the short-term incentive plans for management remuneration and around a quarter of our employees
- Taken significant steps on our climate-related disclosure (TCFD) journey
- Implemented a more robust governance structure around sustainability related issues

To support Marel's long-term commitment, we launched a five-year sustainability program in 2021 and began implementation in 2022. The program aims to steer both Marel and the industry onto a more sustainable path. The program is fully aligned with our 2026 growth plan and sets ambitious environmental, social and governance targets.

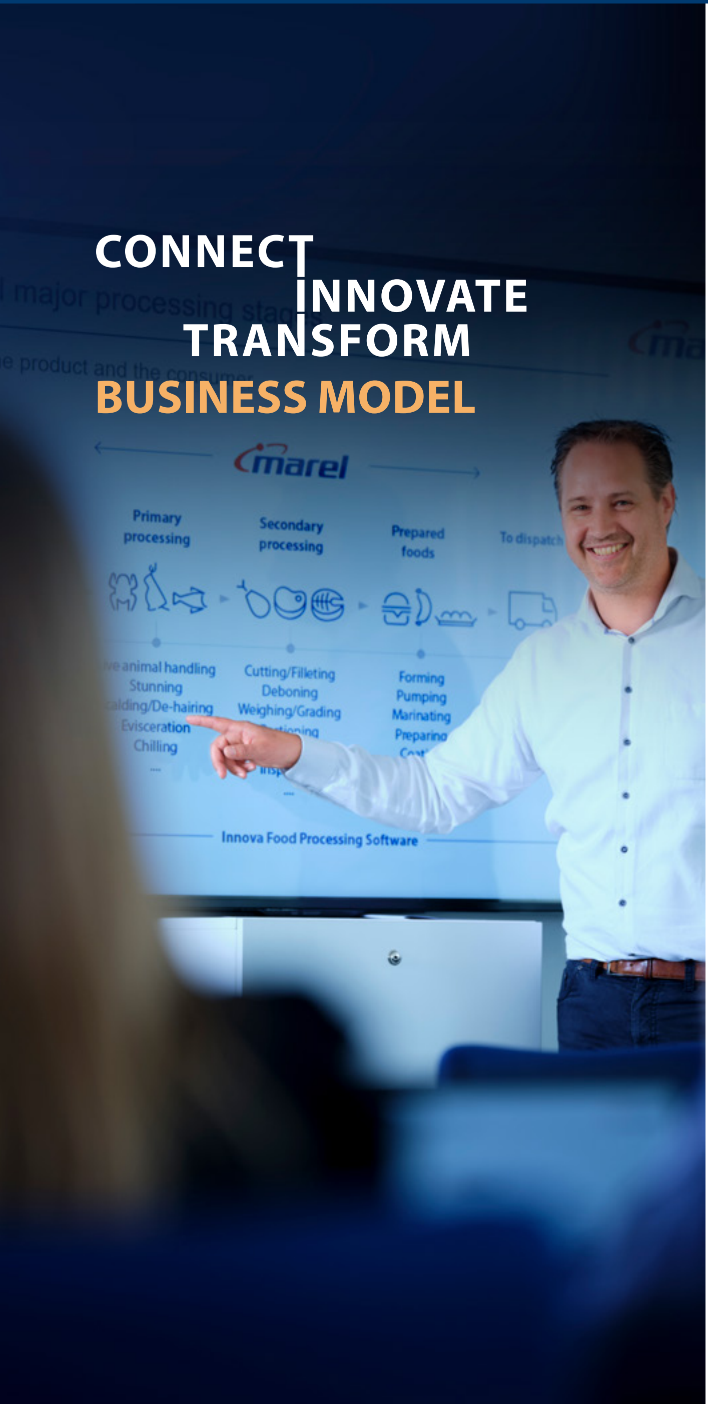
Focus on three UN Sustainable Development Goals

As a pioneer in our industry, we have committed to the UN Sustainable Development Goals (SDGs) and Global Compact's call to the private sector for corporate responsibility and transparency. We strive to be part of the solution by working toward a more sustainable future.

2 **Zero hunger**

9 **Industry, innovation and infrastructure**

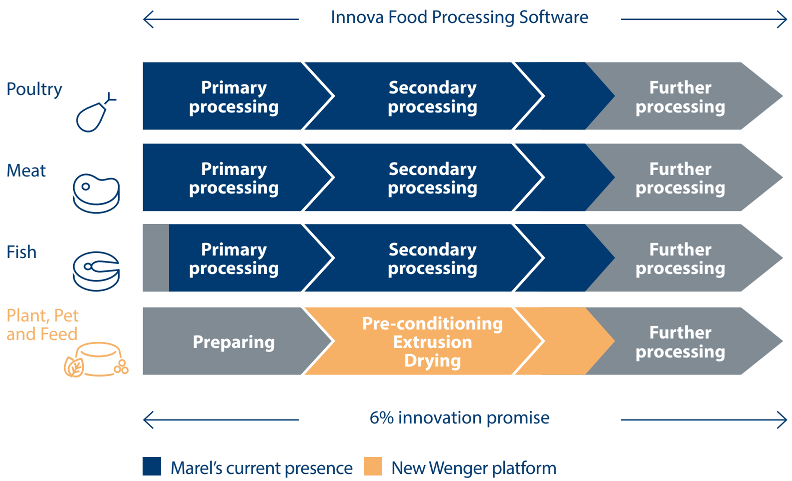
12 **Responsible consumption and production**



Business model

Marel's business model is based on providing full-line solutions and services to the food processing industry, one of the most important value chains in the world. With an emphasis on innovation, close partnership with customers and global reach across local markets, this model supports our vision of a world where quality food is produced sustainably and affordably.

Our revenue streams consist of projects, standard equipment and recurring sales of parts, services and software. We have a worldwide customer base, diversified across different industries, product mixes and geographical areas, allowing us to achieve and maintain strong profitability throughout economic cycles.



Full-line solutions provider
- One-stop shop for the customer
- Seamless integration
- More efficiency
- Strong competitive advantage

Gradually expanding business model into adjacent industries
- More resilient business model
- Technology transfer across industries
- Better resource utilization

Standard and modular offering
- Less engineering
- Easier to manufacture
- Improved service
- Better customer experience

Market-leading software
- Traceability and sustainability
- Linking equipment to function as a single entity
- Real-time actionable insights to improve operations

Full-line provider

Marel is a one-stop shop for food processors, offering a comprehensive range of food processing solutions, services and software across the value chain. Our business model as a full-line supplier enhances our ability to improve automation, digitalization, throughput, yield, traceability and sustainability for our customers.

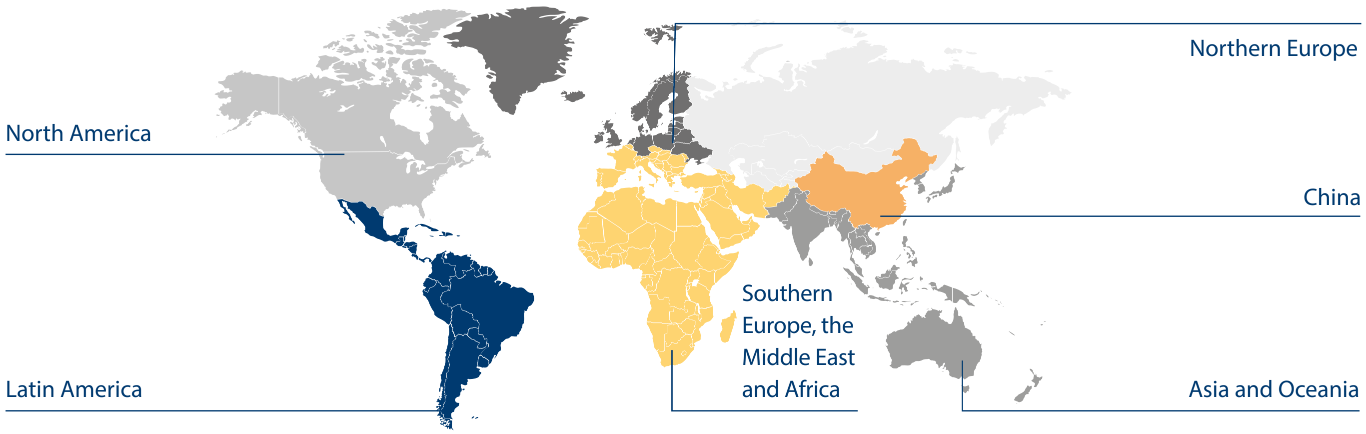
Standard and modular building blocks

Our full-line approach is based on modular building blocks and standard equipment, enabling the most flexible and resilient set-up possible. This approach also makes equipment and software easy and fast to install, upgrade and service. For Marel, this improves operational efficiency and time to market, and for our customers, it makes the overall experience more seamless.

Market leading proprietary software

Since the very beginning of Marel, we have integrated our equipment with software to drive enhancements across all key aspects of food processing. Our proprietary software solutions are installed worldwide and offer comprehensive device control and efficient factory and process management, including full traceability from source to shelf. Interconnected systems provide a complete overview of the raw materials' journey through processing. In addition, data-driven insights enable us to provide our customers with predictive maintenance, better instant and remote services, and many more potential applications.

Balance across segments, regions and business mix



Global reach, local presence

Our team of around 8,000 employees, located in more than 30 countries, allows us to serve companies of all sizes, ranging from the largest international food processing leaders to local niche producers in more than 140 countries. This extensive global reach and local presence are instrumental to our resilience and ability to engage with, service and support our customers effectively.

Marel's branding strategy was rolled out in 2022 and focuses on highly important steps to transition from segment-focused branding towards a global and unified brand for Marel.

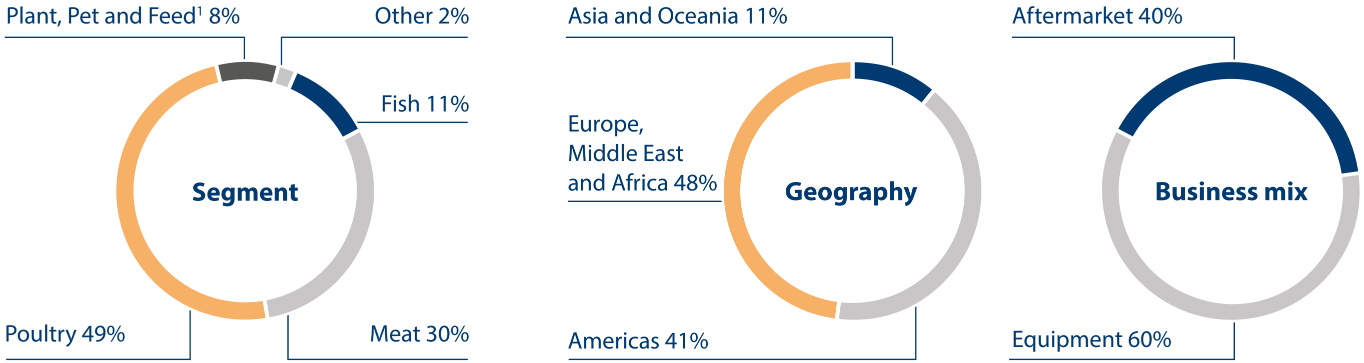
Four key business segments

Marel is focused on four key business segments: Poultry, Meat, Fish and the recently added segment of Plant, Pet and Feed. We provide software, equipment, systems and solutions that help food processors streamline their production and gain a competitive advantage by harnessing advanced technology such as automation, digitalization and robotics.

Mixed revenue streams drive resilience and synergies

Marel's presence across various protein industries and regions optimizes our ability to transfer technical know-how, solutions and expertise. We build upon our technological advances in one industry by implementing them in another. This balance minimizes reliance on single industries and markets, reducing cyclicality and exposure to market demand fluctuations. Similarly, our customer base is very diversified, ranging from leading international processors to smaller retailers and butchers, where no single customer contributes to more than 5% of annual revenues.

Revenues by...



Note: [1] 12% pro forma

Strong partnership with customers

Marel's customers include some of the world's leading food processors, and our strong brand and unique product and service offering have earned customer loyalty to our solutions. Our long-standing partnerships are solid, built on teamwork and common goals across industries and borders.

Innovating with our customers

We collaborate with customers to bring new and innovative solutions to life. Our customers bring best-in-class knowledge and fresh perspectives to the table, and together we push the boundaries of new food processing equipment, digital solutions and services. From idea to prototype, we are proud to work with forward-thinking food processors who are eager to test and co-create new solutions within their own plants and at our demo centers.

Building long-term partnerships

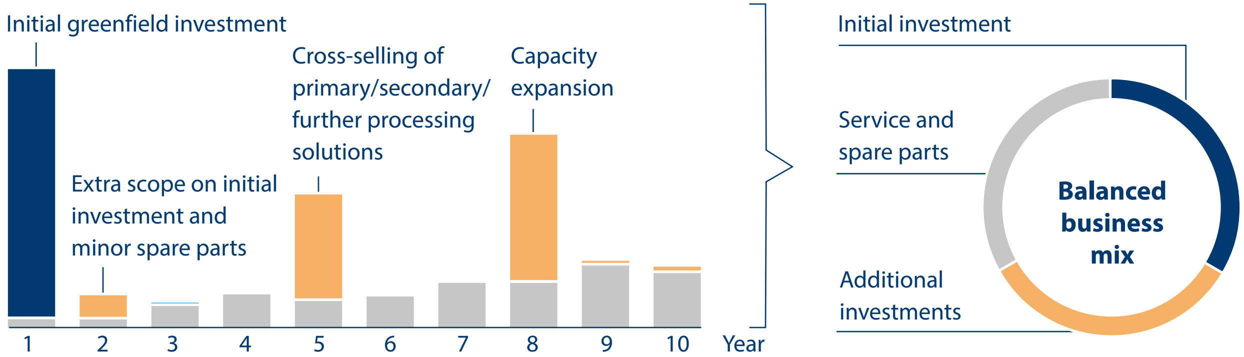
Our approach is to build and maintain long-lasting relationships with our customers, going beyond initial engagement to become a reliable service and maintenance partner. This way, we can maximize the value we bring throughout the lifespan of our solutions and services, delivering benefits for both our customers and our company.

A life cycle partner

We support our customers with a wide range of projects and solutions, including turnkey projects (brownfield and greenfield), line solutions, digital solutions and services, modernizations, standard equipment, services and spare parts.

The figure below shows an example of the types of revenues generated over a 10-year customer engagement period beginning with a greenfield project.

An illustration of a long-term customer relationship over a 10-year period and revenue profile



Strategy

As part of our commitment to our ambitious growth strategy, in 2022 we enhanced our line offering across our four key business segments of Poultry, Meat and Fish, in addition to the newly added segment of Plant, Pet and Feed. Our unique global sales and service network is one of our strongest and most visible assets. To remain at the forefront of technology in our industry, we are committed to our innovation promise of investing 6% of revenues annually in research and development.

Our strategic objective

Marel's strategic objective is to be a leading global provider of full-line processing solutions, services and market-leading proprietary software for our target markets in the food processing industry. Our continuous research and development, as well as strategic partnerships and acquisitions, enable us to provide our customers with the modular building blocks needed for cutting-edge food processing. We also seamlessly integrate and optimize the entire value chain with our overarching digital solutions.

To support our goal of becoming the digital partner of choice for the food processing industry, we have also increased our emphasis on digital products. By providing digital solutions and a platform for interconnectivity and optimization, we empower our customers to create maximum value in a sustainable manner.

Investing for growth

Marel is fully committed to meeting its target of an approximately 12% average annual increase in revenues in the period 2017-2026 through a balanced mix of organic and acquired growth. By continuously investing in innovation and acquisitions, coupled with strategic partnerships and digitalization, we aim to stimulate and drive organic growth for the future.

To further foster organic growth, we have increased our investments in infrastructure and capital expenditures. We expect cash capital expenditures, excluding research and development investments, to increase on average to 4-5% of revenues over the next four years and then return to a more normalized level of below 3% of revenues. These investments improve our product portfolio and support our goal of becoming a full-line provider across our target markets.

Organic growth

The market for food processing solutions, software and services for Marel's key markets is expected to grow by 4-6% in the long term. We believe the market growth will be at a level of 6-8% in the medium term, or 2021-2026, due to the catch-up effect from the past years and a tailwind in the market.

Population growth, urbanization and the growing income of the middle class are important global macro trends that continue to increase demand for more protein-rich products. Marel's portfolio of solutions and services is uniquely positioned to address these worldwide trends that influence our customers—and their customers. The addressable market for Marel continues to grow, driven by several factors including: a continued focus on automation to tackle labor shortages and rising costs, the need for flexibility to adapt to changing consumer preferences with different products, and greater emphasis on sustainability where food safety, traceability and efficient resource utilization are top priorities.

Three key strategic pillars to drive organic growth

Marel has three strategic growth pillars: customer focus, best-in-class products and technology, and people and culture.

Customer focus

- Customer focus is increasingly important, and we put our customers' needs at the forefront.
- Consumers are becoming more demanding, and we provide the agility processors need to address shifting consumer behavior.
- We strive to be a trusted maintenance partner operating in the same time zone and language as our customers.
- We emphasize building and maintaining long-term customer relationships.
- We aim to ensure an optimal customer journey that is fast yet reliable, with clear contact points.

Best-in-class products

- Best-in-class technology supports our strategy of being the leader in superior equipment, lines and digital solutions.
- Innovation and a refined operating model are vital to ensure that our cross-business collaboration provides optimal solutions and services.
- We provide industry-leading building blocks of equipment and software, either standalone or as integrated solutions.
- We collaborate with customers and other partners, addressing opportunities with product development and strategic partnerships.

People and culture

- People are the foundation of our success as our team's hard work and expertise drive accomplishments.
- Talent is in high demand, and we foster a supportive company culture to attract and retain great employees.
- Our compelling vision adds to our appeal as a workplace, resonating with current and future employees.
- We cultivate high-performing teams by emphasizing diversity, inclusion and development opportunities.
- We take proactive, systematic steps to identify and develop future leaders for strategic roles.

Strategic partnerships

Through strategic partnerships, we are able to close application gaps in the value chain by combining forces with leaders in various fields. Successful strategic partnerships increase our competitive advantage, accelerate new developments and speed to market.

One example of a strategic partnership is our collaboration with TOMRA, a true technical leader in vision and grading technology. For the past two years, we have been working in partnership developing the Marel Spectra, a revolutionary solution that will enable our customers to deliver the highest-quality products free from foreign contaminants such as plastic and wood. Marel Spectra is a true game-changer in foreign material detection, giving processors ease of mind in their challenge of delivering contamination-free, safe and sustainable food. We are already testing the technology with selected customers and getting feedback on working optimization of the solution.

Another great example is our partnership with Virtual Arts, a best-in-class virtual and immersive technologies company headquartered in the UK. Together, we are revolutionizing the Marel extended reality offering and building a product library, enabling fully simulated solutions and animations of our products and line concepts.

Acquired growth

We are committed to achieving our targeted average annual revenue growth of 5-7% through acquisitions in the period 2017-2026. Acquisitions support our strategic pillars and drive organic growth, enabling us to achieve better market reach and customer engagement and thus improve customer focus. As we strengthen our line offering and high-quality products, we are able to transfer the technology and expertise from one market segment to another.

Moreover, with a shared vision and strategy, we enrich our people and culture.

We do not anticipate that acquired growth will 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 to tap into the strength of the combined organizations. This also helps us capture both untapped aftermarket potential as well as any cross-selling and upselling opportunities from the combined entity.

More than EUR 1.2 billion deployed in external growth

Marel has deployed more than EUR 1.2 billion in high-quality acquisitions since 2016 to supplement our full-line offering in the poultry, meat and fish industries.

We also recently acquired Wenger as a platform for the attractive and high-growth markets of pet food, plant-based proteins and aqua feed. Marel's considerable investments in global reach and digital solutions, complemented by a proven track record in acquisitions and integration, strengthen our position as an appealing partner in the ongoing consolidation wave within our industry.

With a supportive banking group and access to capital markets through our dual listing in Iceland and the Netherlands, Marel has the financial capacity to continue to support strategic actions in the consolidation wave, in line with our company's growth strategy. In addition, our listing of shares in EUR on Euronext Amsterdam provides the platform and acquisition currency to pursue our 2026 growth ambitions. This makes Marel's shares an attractive currency in merger and acquisition (M&A) projects and enables sellers to take part in Marel's future growth journey as shareholders.

Mergers and acquisitions

2006-2008

STORK

EUR 370m
Expands into primary and further processing in the poultry markets

SCANVAEGT

EUR 90m
Strengthens our market position in secondary processing

2016

MPS meat processing systems

EUR 160m
Entry into primary meat processing—became a full-line provider to the meat industry

2017

sulmaq

EUR 25m
Expands geographic presence in Latin America

2018

MAJA

EUR 30m
Strengthens secondary processing

2019

CURIO

EUR 10m
Strengthens primary processing in fish

Cedar Creek Company

EUR 5m
Software/hardware for meat processing

Worximity

25% ownership
Cloud-based SaaS provider

2020

TREIF

EUR 80m
Strengthens secondary processing

2021

PMJ

EUR 5m
Duck processing solutions provider

Valka

EUR 17m
Secondary processing in fish

2022

WENGER

EUR 180m (USD 190m)
American provider of extrusion systems for food and feed industries

Sleegers Technique

EUR 5m
Dutch provider of interleaving, stacking, loading and slicing solutions

Soft Robotics

EUR 3m investment
American provider of leading robotics and AI technology for automated picking solutions

— *Financial figures for each company indicate annual revenues at the time of acquisition*

--- Strategic investments

Mergers and acquisitions continue to stimulate organic growth

Acquisition target profile

When partnering with companies through acquisitions, our aim is to enhance value by broadening and strengthening our line offerings and improving our portfolio of high-quality products, expanding our market reach and achieving better customer engagement, while also aligning our vision and values.

The companies we acquire are often second- or third-generation family-owned niche companies, with revenues of EUR 30-200 million and around 100-800 employees, or companies where the founder is exiting. These companies are looking to future-proof their business or prepare for succession planning to ensure the best home for their legacy.

Wenger: A platform investment in a new segment

The acquisition of Wenger in 2022 is an entry point for Marel into important market segments in pet food, plant-based proteins and aqua feed. Marel has sold some solutions to this segment in the past, and now we intend to further penetrate these markets.

When entering new market segments, acquisitions can be the principal enabler for success. For example, Wenger is a true leader in its field of providing solutions and services to the pet food and aqua feed industries. In recent years, the company has also made its mark on the fast-growing plant-based protein consumer market with advanced solutions positioned right in the center of the value chain. Wenger enjoys a diversified and loyal customer base ranging from blue-chip pet food processors to startup companies in plant-based proteins.

With Wenger's extrusion technology as an anchor point, Marel can further build on its success and create value for customers with more extensive offerings, digital capabilities and a larger network for sales and service. With headquarters in Sabetha, Kansas, US, Wenger has around EUR 180 million in annual revenues and 500 full-time equivalents.

Sleegers: A leader in interleaving and loading complements line offering

In April 2022, Marel acquired Sleegers Technique, a Dutch provider of interleaving, underleaving and loading solutions founded in 1993. These solutions for hamburger, bacon and cheese processing are well-known in the foodservice industry and retail markets. Sleegers' founder has stayed on board to assist in the successful handover of the business and currently acts as an advisor to the company with a focus on innovation.
With Sleegers, Marel can now offer more complete line solutions for processing prepared foods. We secured the first orders that included both Sleegers and Marel solutions shortly after the acquisition was completed. Sleegers has around EUR 5 million in annual revenues and 27 full-time equivalents, with headquarters in Nieuwkuijk, the Netherlands.

Marel and Tyson join forces to lead a Soft Robotics investment round

In November 2022, Marel and Tyson Ventures joined hands in a Series C investment round in Soft Robotics by investing USD 3 million in the company. Soft Robotics is a US-based company focused on automated robotic picking solutions in food processing.

Soft Robotics has developed a soft gripper for a variety of hard-to-grasp and delicate end-products, as well as imaging and artificial intelligence (AI) technology for optimized gripping and path planning.

The company has good technology to automate bin picking, i.e., picking products such as chicken drumsticks or wings from a pile and singulating them on a conveyor belt. Furthermore, Marel and Soft Robotics will enter a strategic partnership that will initially focus on product styling—properly placing the product in trays—and automated infeed for portion cutting.

Headquartered in South Easton, Massachusetts, US, Soft Robotics has around USD 5 million in annual revenues and around 50 full-time equivalents.

Integration to enable continued growth

Previous integrations have shown that the companies Marel acquires are able to continue their growth journey because of their integration with Marel. Leveraging our worldwide sales and service network, digital capabilities and worldwide infrastructure creates more opportunities to achieve higher-margin revenues.

New acquisitions enable Marel to rethink the organization and optimize our operating model due to changes in scale and new or strengthened capabilities from the acquired company. Each acquisition process includes an integration strategy, often created before final offers are placed and refined after the acquisition is closed. In addition, we focus on enabling systems, which helps strengthen and align customer facing processes and collaboration, while allowing the acquired organization to scale more effectively.

Integrations of Wenger and Sleegers progressing as planned

Since closing the Wenger acquisition in June 2022, we have focused on setting strategic direction and strengthening the Wenger organization to drive further growth. We actively pursue cross-selling opportunities by creating integrated line solutions with Marel's equipment downstream in the value chain. Wenger will be run on a standalone basis for around 2 years, however, integration activities for compliance with regulations for listed companies, such as financial reporting and legal compliance, have all been initiated and are well underway.

Marel also acquired Sleegers Technique as a bolt-on in 2022, with an emphasis on making them an integral part of our organization. Following the planning phase, the combined integration teams have been working on integrating various aspects of the organization to create a seamless and integrated experience for our customers. The integration is progressing well and is expected to transfer to business-as-usual by mid-2023.

CONNECT
INNOVATE
TRANSFORM

DELIVERING GROWTH

CONNECT
INNOVATE
TRANSFORM
SEGMENTS

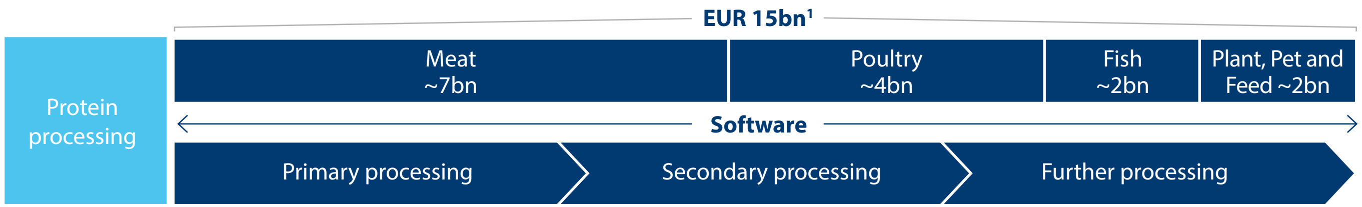
Segments

Marel is focused on four key business segments: Poultry, Meat, Fish and the recently added segment of Plant, Pet and Feed, which was established through the acquisition of Wenger in 2022.

The increasing world population, urbanization and a growing middle class are creating positive long-term prospects in the production of all proteins. Processors continue to call for highly automated and digitalized solutions that provide them with the flexibility needed to meet the challenges of shifting markets, labor shortages and stringent regulatory requirements. We support our customers by offering advanced solutions that optimize yield, throughput and efficiency, and provide end-to-end traceability for greater food safety.

Plant, Pet and Feed: Entering new growth markets with Wenger

Throughout the years, Marel has gradually expanded its playing field into adjacent market segments. The acquisition of Wenger, a global leader in extrusion technology, provides an entry point to the attractive growth markets of pet food, aqua feed and plant-based proteins. Wenger excels in these industries, and with its best-in-class extrusion technology positioned at the center of the value chain, the company continues to develop the plant-based protein formats of the future. We see immediate opportunities for growth and value creation by leveraging Marel's global reach and digital platforms in Wenger's sizeable addressable markets.



Note: [1] Management estimates

Attractive and high-growth markets

In partnership with our customers, Marel is constantly setting new benchmarks for sustainable growth in the food processing industry. Marel's focus markets, which include the poultry, meat, fish, pet food, aqua feed and plant-based protein processing industries, have an estimated commercial value of EUR 1,500 billion and are expected to grow around 3% annually in the long term.

Our addressable market for solutions and services in these markets is estimated at EUR 15 billion and is expected to grow by 4-6% in the long term. We aim to grow organically faster than the market, driven by innovation and growing market penetration. Due to a catch-up effect and a tailwind in the market, we expect market growth to be 6-8% until 2026.

Favorable secular trends, focused on automation, robotics and digital solutions that support sustainable food processing, will continue to support Marel's organic growth outlook in the long term. In the short term, the current macroeconomic backdrop is resulting in elevated uncertainty. As such, organic growth is not expected to be linear but instead based on opportunities and economic fluctuations. We expect growth to favor value-for-money products, efficient producers and processors, and agile companies that can produce safe and affordable food in a sustainable way.

A year of reconnection after COVID restrictions

Marel celebrated 2022 with a big return to trade exhibitions and in-house events like ShowHows and KnowHows across much of the world. We reconnected with customers and colleagues, showcasing our technological leadership at industry events including IFFA, VIV Europe, TecnoCarne and Anuga FoodTec and hosted our first Tilapia ShowHow in Latin America.

We recognize that in-person connections are vital to building strong relationships, and we were pleased to be able to return to face-to-face meetings throughout the year. We visited more customers onsite, and our dedicated field service engineers increased their customer-facing time by 24% compared to 2021. At the same time, we continued to utilize and enhance our remote customer support capabilities, providing swift assistance on service calls and installations.

Diffusing the disruption of 2022

In 2022, the food value chain continued adapting as the world progressed toward a new normal. The ripple effects of the pandemic, geopolitics, sanctions and the resulting logistics and supply chain disruptions have put our industry's capabilities to the test. In addition, ongoing labor scarcity, inflation and rising interest rates are directly impacting food production.

Prolonged inflation, rising interest rates and global recessions have historically shifted consumer demand as well as investments in the food industry from large projects toward standardized solutions, aftermarket and less capital-intensive projects.

In response to these trends, we have continued to work in partnership with our customers, developing connected equipment and software solutions that can navigate these challenges and capitalize on opportunities arising from market shifts. Amid these challenges, food processors can secure an advantage by investing in advanced technology such as robotics and digitalization.

Pandemic and labor shortage accelerate need for intelligent automation

Challenges such as market volatility, capacity constraints and labor limitations have increased processors' need for flexibility in serving the end consumer. This has accelerated the demand for fully integrated line solutions built from advanced, digitally connected technologies such as robotic solutions and artificial intelligence (AI). During the year, we continued to develop our automation capabilities in primary, secondary and further processing across all four business segments, with an emphasis on AI and advanced vision technology in several development programs.

Impact of inflation on processors and consumer landscapes

Food processors faced growing production costs and rapid changes in consumer behavior due to dramatic global inflation in 2022. This looming recessionary environment has impacted consumers, with high prices motivating increased purchases at discounters, reduced restaurant visits and trading down, for example, to smaller portions, lower-value proteins and private labels.

Inflation is a significant hindrance for food processors, however, this brings real momentum and highlights Marel's strengths as a business. Our solutions enhance customers' responsiveness to market shifts and enable more efficient use of raw materials, water and energy, helping customers improve their profitability and fulfill their sustainability commitments.

Reducing energy usage and costs

The halt in trade flows for feed and increased energy costs for processors reliant on fossil fuels have led to the inflation of food prices, reducing or creating negative margins at several stages of food production. Even though the short-term impact may be negative, it is predicted that this pressure will hasten the transition to more resource-efficient food systems, shifting away from fossil fuels and finite resources and toward reducing food waste.

As energy prices continue to rise and inflationary pressures persist, we are actively collaborating with our customers to explore cost-saving measures for energy inputs. One potential solution is the implementation of energy recovery systems. Our engineers are evaluating this option, recognizing the time-sensitive nature of the issue. We are committed to finding effective solutions to mitigate the impact of high energy costs on our customers' operations, as well as our own.

Smarter factories ready for lights-out

Marel continues to develop digitalized and connected offerings. Connectivity is the cornerstone of our digital journey, meaning that we are developing a digital ecosystem that seamlessly connects processing data throughout all levels of production. By providing cloud-based computing solutions, we ensure that our customers have the flexibility to scale their software package to their business needs, and consistently receive the latest updates and most advanced security measures.

Developing advanced connectivity is a crucial step toward lights-out manufacturing (also known as a 'dark factory'), a production method that requires little to no human interaction—essentially running on its own, even in a dark and otherwise empty factory. To achieve this, every step of the manufacturing process must be automated and use digital solutions to optimize production.

Adapting to demand for product variety and convenience

With the exponential growth in e-commerce, processing lines require adaptability and automation to cater to rising demand for product diversity. The pandemic has increased consumer demand for a variety of high-quality, safe, and convenient products that can be easily cooked at home. With our digital solutions at the forefront, we continue to develop automated and flexible solutions that help processors remain agile, enabling them to compete in a volatile and highly competitive marketplace.

Ensuring traceability and efficiency with real-time data

Integrating advanced software into full-line processing solutions enables real-time data collection for accurate source-to-supermarket tracing. It also helps processors reduce the risk of large-scale recalls. User-friendly dashboards provide real-time data visualization and production control from any approved device, empowering operators to optimize yield, throughput and labor efficiency. Processors can also collate and retrieve historical data to ensure effective monitoring and reporting, while reporting and labeling are simplified to meet stringent regulatory requirements.

Digitalized service and machine health

In 2022, we continued the rollout of SmartBase, Marel's software solution for monitoring machine health and performance. By utilizing cloud connectivity and sharing real-time data, SmartBase enables our service teams to assess equipment remotely, enhancing maintenance capabilities and reducing the need for onsite service visits.

Supporting sustainability in our industry

We provide solutions, equipment and software that enable our customers to meet their sustainability targets and make progress on their decarbonization journeys. Using our digital solutions, customers can collect data through multiple channels to drive their environmental, social and governance (ESG) transparency and green financing.

We design highly advanced equipment to harvest every gram possible of useful protein, improve product quality and safety, increase water and energy efficiency, and reduce CO_2 emissions. We incorporate circular design principles into all new product innovation, building solutions that are durable, adaptative and repairable.

As part of these efforts, in 2022 we expanded our modular systems portfolio, further enabling processing lines to adapt and grow with process needs. We also implemented equipment, digital and service solutions designed to improve equipment performance and lifespan. This is becoming especially important in the current market environment. By ensuring the longevity of our solutions, we provide the best value for our customers while minimizing environmental impact.

Poultry

Poultry is one of Marel's four key business segments. We are the global market leader in poultry processing equipment, systems, services and software for broiler, turkey and duck processors worldwide. Our Poultry segment contributed EUR 832 million in revenues in 2022, or 49% of total revenues, translating to an EBIT margin of 14.2%

The consumer value of the poultry market is estimated to be around EUR 400 billion, while poultry processing equipment sales are estimated around EUR 4 billion.

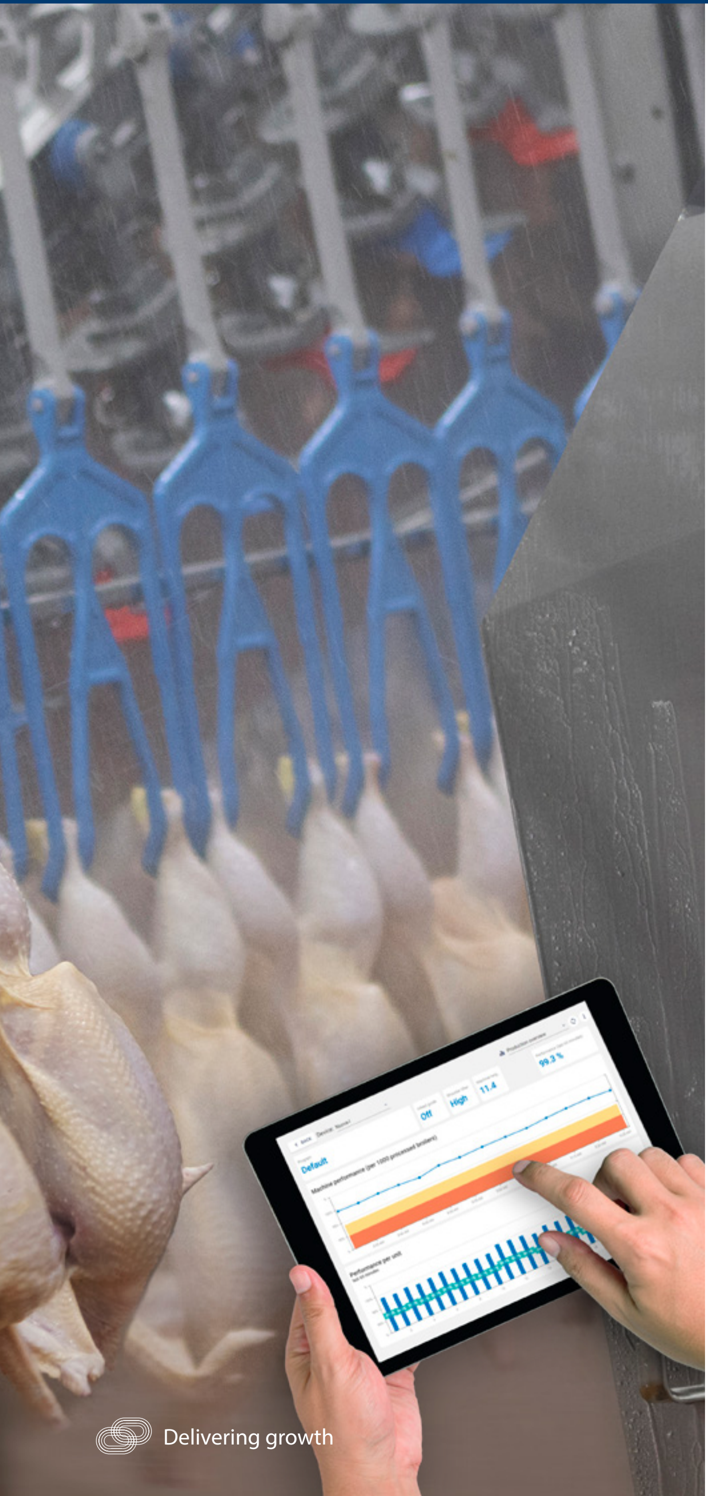
New solutions

In partnership with our customers, we transform the poultry industry by developing innovative solutions that anticipate market demands. Added customer value, sustainability and digital connectivity are the focus areas for our innovation efforts when designing new products.

ATHENA automates fillet harvesting

ATHENA is a fully automated system for deboning chicken breast caps. It can handle a wide range of weights, shapes and sizes, and offers fully automatic fillet harvesting with high yield and productivity. Equipped with smart software for digital control, its settings can be automated, making it a great option when human operators are in short supply. The system can be controlled via the HMI (human-machine interface) screen or a remote wireless device, making it easy to change recipes or product types. The system dynamically adapts its settings to handle each breast cap, and all modules adjust accordingly.

Marel's presence in the poultry value chain



ATHENA ensures full traceability by not only conveying breast caps but also their accompanying data. Information on flock, recipe and final destination stays with each fillet, passing automatically to integrated downstream processes such as portioning or packing. ATHENA also positions each piece of breast meat individually onto the belt that feeds these processes, eliminating the need for repositioning and operator contact with the meat. This improves food safety and reduces dependence on labor.

Greater efficiency with Breast Meat Value Optimization

The Breast Meat Value Optimization solution is designed to achieve the best match between incoming raw material and production orders while minimizing giveaway. It combines state-of-the-art technology with real-time process data to grade and distribute breast fillets on a conveyor belt. The process includes a product weigher, IRIS Fillet Inspector, SystemFlex Distributor and ProFlow Breast Meat software.

The absence of human contact during meat handling greatly enhances both food safety and quality. ProFlow Breast Meat software connects orders with all individual product data, directing each fillet automatically to its optimal destination. Other building blocks such as SensorX, I-Cut122 TrimSort and RoboBatcher Flex can be added to ensure the most profitable use of all fillet products.

Nuova-i surpasses expectations

The Nuova-i eviscerator has emerged as a highly successful product, with initial installations exceeding expectations. As a result, leading processors eagerly await the opportunity to secure the technology for themselves. The Nuova-i eviscerator represents a technological leap in the field of evisceration, bringing it into the digital age.

Equipped with advanced digital connectivity features, the Nuova-i offers optimal performance based on data-driven insights, all while adhering to the highest standards of hygiene. This means that processors can expect exceptional yields and quality in eviscerated carcasses and giblets, as well as superior pack removal and uniform, compact viscera packs.

The Nuova-i is particularly user-friendly, as the settings automatically follow the recipe entered into the machine's HMI display. Integrated SmartBase software makes the Nuova-i a truly connected solution, providing real-time insight into the health of the machine.

Connecting and optimizing with IMPAQT

Our newly introduced IMPAQT (Intelligent Monitoring of Performance, Availability and Quality Trends) software continues to gain attention from poultry processors around the world. IMPAQT assesses real-time availability, performance and quality at various stages of processing, and connects this information at line and process levels. The software provides a seamless connection to intelligent systems such as Nuova-i, ATLAS RFID and ATHENA. Our experts use this data to tell customers how efficiently their process is running, both technically and technologically, and show them in detail where improvements can be made.

We have rolled out our Base, Advanced and Premium software packages to offer customers a range of insights such as monitoring uptime and process optimization support, where IMPAQT makes proactive improvement proposals. Strong interest in the IMPAQT software has resulted in the sale of 20 systems, 10 of which are subscription-based.

A milestone in ATLAS sales

We developed the ATLAS live bird handling system with sustainability as a key priority, resulting in a solution that reduces truck movements and ensures animal wellbeing. In 2022, we sold the 50th ATLAS system since its launch in 2016. This is a remarkable achievement, as it reflects the readiness of processing plants to adopt and invest substantially in a system that has a profound impact on their operations. It also demonstrates that customers are considering growing their businesses once market confidence returns.

SmartStack containers enabled with radio frequency identification (RFID) chips provide a wealth of information and greatly improve traceability for ATLAS system users. Typically, the arrival of live birds at a processing plant involves a lot of paperwork, forms and handwritten notes, which can lead to errors. Marel Innova Flock Intake software, interacting with the RFID chips, transforms this process by minimizing the risk of errors, streamlining processes and providing end-to-end traceability.

1000mm Coating Line meets growing demands

Marel's new 1000mm Coating Line is designed to meet the growing demand for convenience food. As processors are being asked to make a greater variety of products at higher volumes than their production lines can handle, they require an automated coating solution that meets their specific needs. The 1000mm Coating Line delivers unmatched coating quality and can handle all types of coating, including homestyle, tempura, coarse or breadcrumb.

The 1000mm Coating Line has excellent hourly throughput thanks to the incorporation of the new 1000mm Active Flour Applicator, Active Batter Applicator and Active Tempura Applicator, which all feature very wide belts, and are especially robust and fail-safe. The line can be customized to meet the needs of the customer's market, with the option to include a RevoCrumb for precise coating or a RevoBreader for quick and easy switching between homestyle and standard products.

Digital Service Development and Delivery team supports customers

After committing to the digital journey and establishing initial machine connections, our customers have shown a strong tendency toward expanding their digital connectivity. To facilitate connectivity growth, we have launched a new digital service department.

Digital Service Development and Delivery is staffed by a dedicated team and is the primary point of contact for customers who have subscribed to our software packages, particularly IMPAQT. The department proactively reaches out to IMPAQT customers, sending them advice on how to maintain their equipment or alerts if performance drops below a certain level. The department also provides other services and serves as a hub for customers seeking to learn how to interpret data from their systems, such as Equipment Monitoring, Innova PDS and SmartBase.

A year of reconnection

In early 2022, the poultry industry began to recover as restrictions on travel and in-person meetings were lifted. Marel sales and service staff were able to visit customers once again, and industry professionals could attend events such as the IPPE (International Production & Processing Expo) exhibition in Atlanta. This provided a much-needed opportunity to reconnect face-to-face with our customers from North and South America for the first time in two years.

The highlight of the Poultry segment’s reconnection efforts was VIV Europe in Utrecht, the Netherlands, where many attendees visited the Marel booth. The atmosphere was dynamic, and the reactions were overwhelmingly positive as we showcased cutting-edge poultry processing solutions aligned with our mission to connect, innovate and transform. Attendees expressed significant interest and a willingness to invest in these products, making it a successful exhibition. The event also marked the debut of Marel and PMJ, acquired in 2021, as a united provider of duck processing solutions.

Key projects

Effective innovation requires close collaboration with our valued customers. By actively engaging with the conditions on the factory floor and gathering feedback, we can tailor our equipment and software to meet the demands of the poultry industry. The relevance and performance of our solutions can only be confirmed through the feedback and experiences of our customers.

In 2022, the Middle East was a key territory where we secured some substantial projects. In addition to the immense Etihad project in Iraq, similar in scale to Bell & Evans and Prestage in the US, we had large orders from Tanmiah and Arasco in Saudi Arabia, Al Rebass in Iraq and Al Sahl in Libya. Large projects in other regions included Schildermans in Belgium and Avicarvil in Romania.

Schildermans is fully prepared for the future

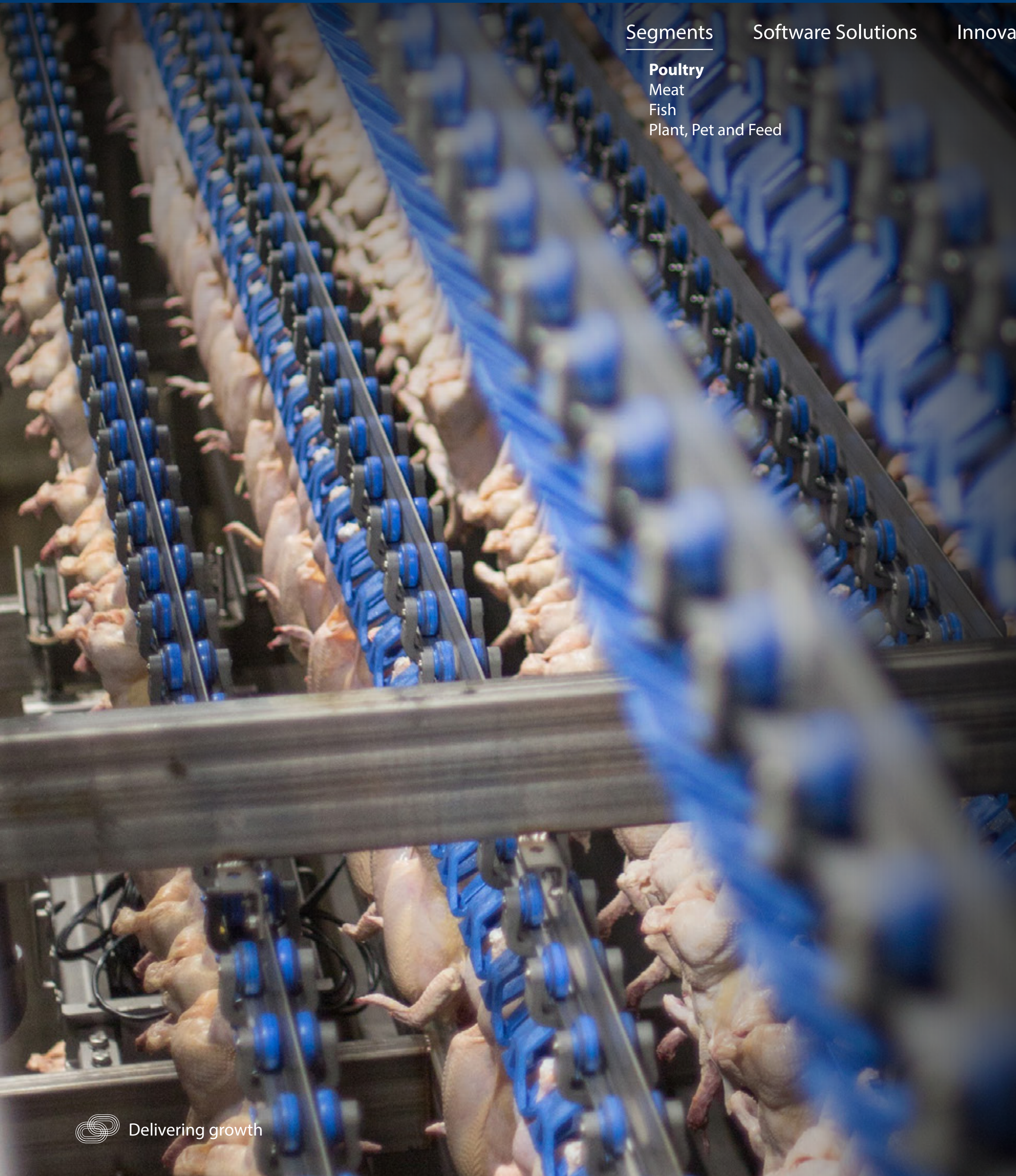
When poultry processor Schildermans planned to re-equip its plant, based in Bree, Belgium, it selected Marel as the new supplier. The company remains committed to maintaining a throughput of 8,000 birds per hour (bph) to ensure a focus on quality and freshness. Managing Director Eloy Schildermans wants to be prepared for a future in which corporate social responsibility (CSR), employee engagement and sustainability are at least as important as growth, as drastic changes are expected in the poultry supply chain.

“We looked closely at the new technologies launched since we last re-equipped in 2014. Marel convinced us that their innovative technologies handle the product better. Examples are the anatomic leg processor, which gives us more yield and less damage, and automatic giblet harvesting, where Marel really leads the field,” says Schildermans. “If we look to the future, we feel that Marel, with its innovative solutions, intelligently connected technological options and management of line data, is best placed to transform our operations and take us forward.”

Avicarvil will be Romania’s main protein producer

Avicarvil, a company within the Carmistin Group, is a leading poultry producer, processor and retailer in Romania. The company has an annual farming and processing capacity of over 30 million chickens and plans to double this capacity by building a greenfield processing plant. Avicarvil has chosen Marel as its partner in this ambitious project.

In Valcea County, Avicarvil intends to build the most up-to-date poultry processing plant in Southeastern Europe. Covering an area of 25,000 m^2, it will be the largest chicken meat production in Romania. Andrei Brumaru, Executive Director of the Carmistin Group, explains, “Given our sales forecast, we need to expand. At the same time, we must be internationally competitive by producing more chicken of a higher quality. For the best results and to optimize the return on our investment, we took the decision to work with Marel.”



Customer story

Etihad, a greenfield project without boundaries

In March 2022, Marel and Iraqi company Etihad reached an agreement for the construction of a monumental project. Located near the city of Karbala, the project will be a greenfield processing plant with two fully equipped 15,000 bird-per-hour (bph) lines from Marel. The first phase of the project includes all equipment from live bird handling to air chilling.

To ensure the highest quality, Etihad recommended a single-layer air chilling configuration, which prevents products from dripping on one another. As such, two massive buildings are necessary to accommodate the separate 15,000 bph air chilling lines—a requirement that posed no issue for Etihad.

Later in the year, we closed follow-up orders for secondary and further processing. Etihad's vision is ambitious and expansive, encompassing 1,200 chicken farms covering an area of 350 km^2. This project is Marel's largest ever in terms of surface area.

Learn more

Sustainability in the poultry industry

Poultry processors are constantly seeking new and better ways to run their plants more sustainably. Marel takes great pride in developing solutions that enable our customers to create value in a safe and environmentally responsible manner.

IMPAQT equals sustainability

IMPAQT software improves sustainability measures by optimizing processing, allowing processors to derive the maximum value from their broilers. This means fewer rejects, less B-quality product, less waste and more efficient utility usage. In addition, optimal process harmonization ensures that no water is wasted and no energy is lost. IMPAQT is a good example of how we strive for excellence in resource management and operational efficiency.

Energy saving

Currently, our poultry customers are primarily concerned with saving energy, driven not only by environmental considerations but also by the high cost of energy. They are therefore particularly interested in the AeroScalder, an innovative solution that uses warm, moistened air to scald products, eliminating the need to immerse products in hot water in a conventional scalding tank. In this way, the AeroScalder transforms the scalding process, reducing water usage by 75% and energy consumption by 50%.

Water saving

Poultry processors are showing more and more interest in water treatment, a trend that was particularly noticeable in 2022. It is now becoming standard practice for us to include water treatment in quotations for poultry projects.

Processors try to keep water usage per bird processed as low as possible, with an average figure in Europe between 5 and 8 L. Marel plays an essential role in helping poultry processors keep a close eye on this aspect of the process. However, balancing the need for low water usage and costs with adequate cleaning water for product hygiene can be a delicate issue. For instance, in Brazil, the government has enacted legislation specifying a minimum amount of water to be used per poultry product. We work closely with our customers to ensure that water usage remains within legal and industry standards, while also being mindful of cost-saving measures.

Market trends and growth drivers

Consolidating markets

During the pandemic, poultry processors worldwide put their large investments on hold and invested in automated, labor-saving solutions only. This behavior continued in 2022 due to the worldwide workforce shortage. Slowly, however, Marel began to see an increase in business, particularly in the form of larger poultry projects valued at over EUR 6 to 7 million. These were not greenfield plants but renovations and replacements of whole processing departments. As interest rates continue to rise and raw materials and energy prices experience significant inflation, the poultry industry has been trending toward adapting to these new market conditions.

In 2022, we had noteworthy success in the Middle East, but the consolidation process is well underway there too. Processors in South America are now beginning to take advantage of the export opportunities created by Russia's absence due to sanctions.

The poultry industry is also susceptible to fluctuations in the geopolitical climate. After the initial impact of the pandemic subsided, there was a brief period of optimism. However, the war in Ukraine has resulted in a slowdown of business activity, particularly in the European market. While the market in North America continued more or less as normal in 2022, China had lockdowns throughout most of the year. Even with a reopening economy, the Chinese poultry market will not return to the pre-COVID level in 2023.

There is an ongoing worldwide trend toward investment in automation and labor-saving processes. This includes Europe, although in this region the consolidation process seems to be completed. Europe, however, remains a hugely important market with a lot of potential for Marel Poultry.

Given stability elsewhere, our main growth in 2023 should come from North America, South America, Australia and Southeast Asia. Indonesia, for instance, is quickly becoming a very important market.

Growth drivers

Geopolitics, inflation, market dynamics and labor shortages will make 2023 a challenging year for the poultry industry. In light of rising interest rates, we expect customer investments to continue to shift away from large projects to focus on durable, labor-saving solutions and less capital-intensive ventures. We anticipate that growth will come largely from aftermarket activities, which keep increasing, while equipment sales will continue on their steady path.

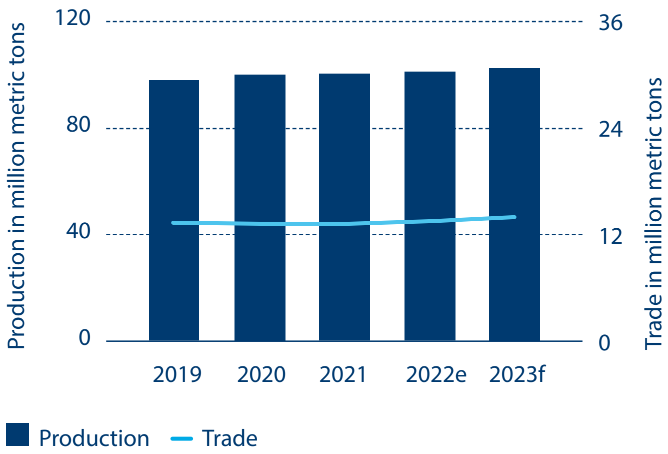
In line with worldwide developments in environmental, social and governance (ESG) trends, we expect consumers to move quite rapidly toward more affordable protein sources with a smaller environmental impact, such as chicken and eggs.

Whatever the trend, the market for chicken products continues to present a growing opportunity, with fluctuations in growth rate from year to year. Marel's challenge will be to take as big a share of this growth as possible. It is crucial that we remain dedicated to developing and delivering innovative products that align with the evolving poultry industry. Through perseverance, we will drive sustainable growth.

Global production and trade trends

Global chicken production and trade

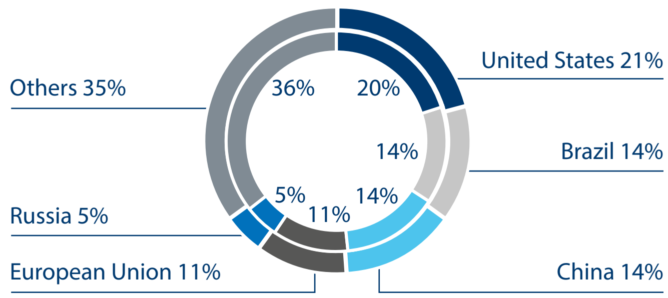
CAGR 2019-2023f: 3.1% for production and 0.9% for trade



Source: USDA Foreign Agricultural Service.
Note: Figures for 2022 are estimated (e) while figures for 2023 are forecast (f).

Largest chicken producers

2023 forecast (outer) compared to five years ago (inner)

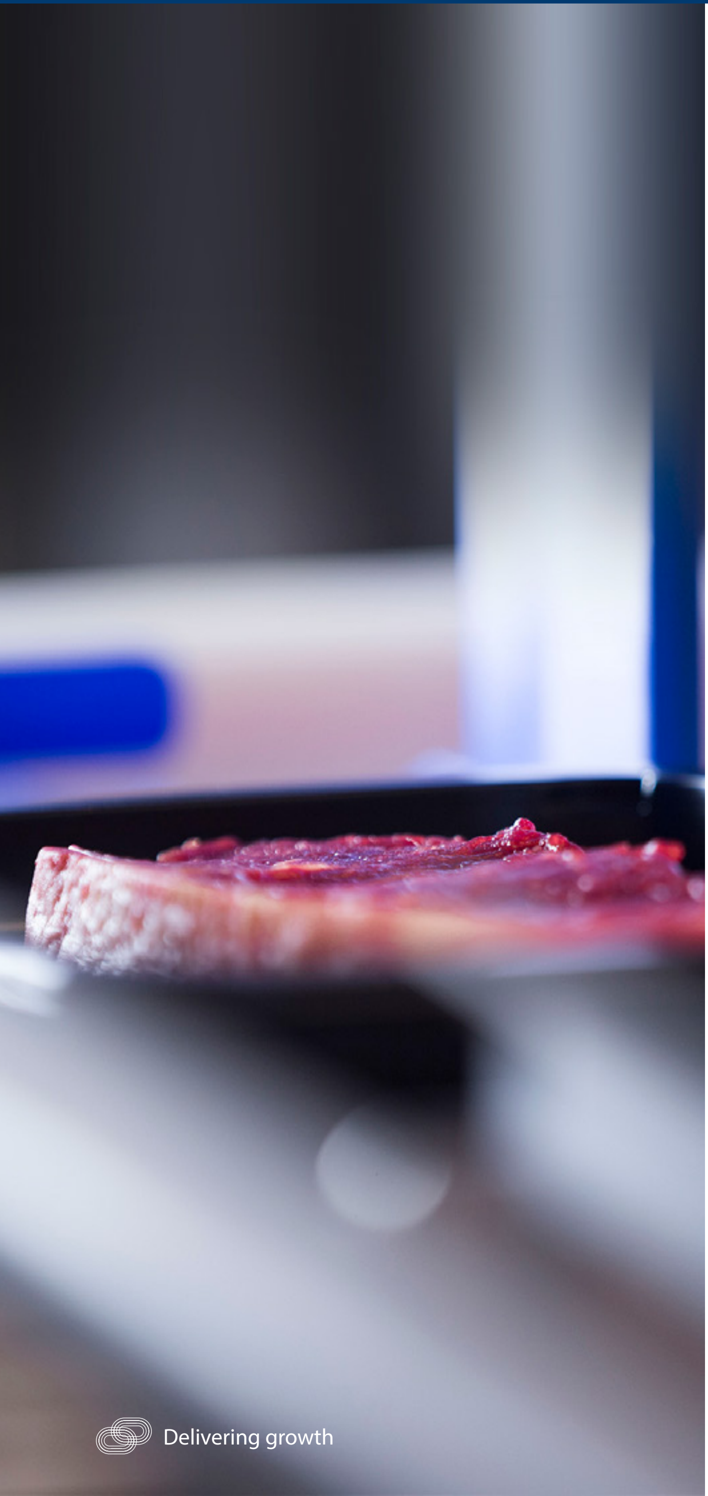


Source: USDA Foreign Agricultural Service.

As forecasted, production and trade of chicken meat grew in 2022. Production is estimated to have grown by 0.6% and reached 101.1 million tons. At the same time, trade is estimated to have grown by 2.0% and to have reached 13.5 million tons. In 2023, production is forecasted to rise further by 1.8% while trade is expected to grow by 3.3%.

The US continues to lead the market for chicken with roughly a fifth of the global output, while the most recent update indicates that China managed to edge out Brazil and take second place. Next year's forecast however favors Brazil, and China is expected to take third place.

Brazil continues to dominate the exports and is forecasted to reach a third of the global trade in 2023, while Japan continues to be the largest importer and the US the largest consumer.



Meat

Meat is one of Marel's four key business segments. We are a leading global supplier of integrated systems and advanced standalone processing equipment for the red meat industry. Marel's Meat segment contributed EUR 514 million in revenues in 2022, or 30% of total revenues, translating to an EBIT margin of 4.1%.

Marel management continues to target medium- and long-term EBIT margin expansion for the Meat segment, with an ongoing focus on cross- and upselling, increased standardization and modularization, and market penetration.

The consumer value of the meat market is estimated to be around EUR 700 billion, and meat processing equipment sales are estimated at around EUR 7 billion.

New solutions

The growing need for automation in the meat processing industry drives us to evolve the intelligence and innovation our customers need to thrive. Meat processors worldwide face rising production costs, labor scarcity and shifting consumer demands. To tackle these issues, they are looking to increase automation, optimize the flow of their processes and implement product tracking and traceability through data.

With Marel's innovative meat processing technologies, processors have the ability and agility to quickly respond to customer specifications, maximize the use of their raw material and deliver a safe and consistent product. This results in increased profits and improved product quality and shelf-life.

Marel works with meat during all stages of the production value chain, from primary through secondary and further processing. This is what makes us a truly unique supplier.

Marel's presence in the meat value chain

Growing the StreamLine family

Deboning and trimming are an essential part of secondary meat processing. StreamLine is a trailblazer in the move toward Industry 4.0, bringing the control and insight needed for continuous improvement. Traditionally, trimming is performed along a manual line involving several workers, making it difficult to track and measure how well raw material is being utilized.

The new StreamLine 457 for trimming is an intelligent trimming line solution that offers processors unparalleled control over their operations. The valuable insight and production data it provides allow processors to adapt quickly and increase their throughput with key performance indicators such as yield, throughput and quality. StreamLine 457 also ensures full traceability throughout the process, from raw material receipt to dispatch.

As labor costs and scarcity continue to rise, improving worker efficiency and comfort has never been more crucial. StreamLine 457's compact and ergonomic design makes it an intelligent solution for beef steak cutters of all sizes seeking to increase productivity by supporting employee wellbeing while minimizing conversion costs.

Expanding the DeboFlex series

Deboning methods are increasingly evolving from manual to automated. The DeboFlex Primal Cut and Middle is the newly released solution from Marel for primal cutting and middle deboning of pork, completing the DeboFlex series and automating full carcass cutting. By incorporating the proven DeboFlex solution in their production, pork processors can anticipate higher capacity and yield.

The principal feature of the DeboFlex is hanging deboning, which makes the process more efficient by increasing the operator's time spent trimming and cutting, instead of pushing and pulling products. Operators perform a single action before the product moves along the line, simplifying the task and resulting in higher yield and lower labor costs. The innovative design provides a better working environment for employees, ultimately delivering a higher-quality product with a longer shelf-life.

Transforming cutting through connected innovations

The increasing consumer demand for prepackaged convenience products has made accurate, flexible portioning solutions more vital than ever for the global meat industry. This applies equally to processors supplying retail and foodservice, and traditional butcheries.

Marel has a long history of delivering world-class portion-cutting solutions, and with the recent bolt-on acquisitions of MAJA and TREIF, we now offer butchers and meat processors the most extensive and versatile portfolio on the market.

Our equipment can meet any portioning or slicing requirement, from fixed-sized strips, slices, dices, cubes and splits to high-value uniform portions of fixed weight, length and thickness. This helps food processors enhance performance and boost productivity.

A robotic revolution in primary processing

The primary pork processing industry continues to prioritize automation to combat scarce labor resources and improve operator wellbeing. At the same time, ongoing concerns about food safety, such as the threat of African swine fever, remain a critical issue.

Marel's industry-leading automation of primary processing delivers immediate improvements to efficiency and hygiene conditions, reduces maintenance requirements and spare parts consumption, and minimizes the labor force needed for the process. Our range of M-Line robots includes the Leaf Lard Remover, Pre-Cutter and Belly Opener, Bung Remover, Splitting Saw and Neck Cutter, setting a new standard in primary processing automation.

Transforming food processing through connectivity at IFFA 2022

In 2022, we completed the integration of the bolt-on acquisitions of TREIF and MAJA. For the first time since their acquisitions, Marel, MAJA and TREIF united to welcome visitors from around the world for six days at IFFA 2022 in Frankfurt, Germany. Our expansive 1,540 m^2 stand showcased more than 40 advanced inline solutions and items of single-skill equipment, and visitors experienced live and live-streamed solution demos that aligned with our theme, 'transforming food processing through connectivity.'

We launched several of our latest innovations, including the MLR Leaf Lard Remover, the DeboFlex Primal Cut, a beef steak integrated case-ready line, as well as new portion cutters and skinners from MAJA and TREIF. It was an excellent opportunity to meet with our customers face to face and discuss how we can manage labor scarcity, increase sustainability and gain better real-time control over production. Our most forward-thinking solutions demonstrated how we address these critical issues with unique partnerships, world-class service and automated, modular and digital solutions.

Key projects

Quality partnerships make everyone stronger. At Marel, our relationships with our customers are integral to innovation and building successful solutions including equipment, software and services. These solutions ensure meat processors have the adaptability and resilience to be leaders in the meat value chain, increasing line yield, throughput and efficiency.

Beijing Zhongrun Changjiang meeting demand for prepacked pork

Founded in 2010, Beijing Zhongrun Changjiang Food Co. supplies meat and poultry products to supermarkets and fresh e-commerce platforms across the country. The company recognized that the best way to meet the demand for prepacked fresh meat in the Beijing-Tianjin-Hebei region was to enhance production methods by using more intelligent, automated solutions. A meeting with Marel meat processing specialists revealed that the fixed-weight portioning solutions could meet the standards and requirements of the company's high-end retail channels.

In 2022, Beijing Zhongrun Changjiang invested in two Marel case-ready lines for its pork processing facility to address the increased demand for prepacked fresh pork. The goal was to dramatically improve the production of standardized packs of multiple fresh pork products using less labor and boosting throughput. Before purchasing, packing required many hours of manual labor.

The two lines will include TREIF Falcon Evolution Preformers and a Marel tray-packing solution, including a product-to-tray unit, check weighers, make-weight stations and Innova Food Processing Software. The lines cover fixed-weight portioning, automatic packaging and weighing, and deliver excellent quality and high degrees of safety and standardization.

Data-driven beef production at Frigon

Brazilian company Frigon produces fresh and frozen beef products for local and international markets. To achieve and maintain the array of international inspection regulations and meet specific client production requirements, such as halal, Frigon needed exceptional production capacity and facility conditions. When the company decided to build a new facility with slaughtering, deboning and quartering lines that increased automation and processing capacity from 1,800 to 3,600 cattle per day, it came to Marel.

Frigon's focus for secondary processing was to increase productivity with fewer employees and a smaller equipment footprint through automation. The secondary processing line uses advanced technology with continuous overhead conveyors, an automated weighing system and the OCM9500+ Automatic Box and Crate Labeler, all working together to increase production flow and dramatically reduce giveaway.

Frigon has fully integrated Innova software with its end-of-line process to enhance system stability and reduce data security concerns. The digital dashboard allows Frigon to see production status at any moment, creating a more efficient and accurate processing line.

Increasing Ciacarne's primary processing capacity

Ciacarne Alimentos is a dedicated Brazilian pork processor of premium products with over 40 years in the industry and a particular focus on animal wellbeing, environmental sustainability and community responsibility.

When management realized that the original facility had reached capacity and the business was over-extending itself, it was clear Ciacarne needed to rebuild with greater primary processing strength. The goal was to raise the primary processing speed to 250-300 animals per hour, more than double the scope of the old facility, while maintaining Ciacarne's high environmental and animal wellbeing standards. Marel's mission to create a sustainable and future-ready pork processing industry supported Ciacarne's vision; it was a perfect match.

Once the new, integrated primary processing line with Marel and Sulmaq solutions was up and running, Ciacarne more than doubled its processing capacity. Hygiene increased, labor dependence decreased and employee wellbeing improved. Some of the technology that stands out as invaluable to the new line is the innovative CO_2 Stunning System and the highly advanced E-Line Splitting Saw.

3% yield increase

Labor shortage

Customer story

Automation is key at Cranswick

Cranswick Country Foods is the largest and strongest pork producer in the UK, supplying a variety of premium end-products to retail, service and export customers.

Increasing yield, efficiency and safety

Focused on efficiency, capability and sustainability, in 2017, Cranswick installed the DeboFlex for fore-ends and later added the DeboFlex for legs deboning, StreamLine, and SensorX Accuro in 2021, significantly reducing their need for skilled operators and improving product accuracy, resulting in a 3% yield increase. The innovative systems optimize processing efficiency, operator ergonomics, and workplace safety by reducing heavy lifting or movement of meat.

"Automating our production has given us tremendous benefits," explains operations director Darren Andrew. "Labor shortage is by far our biggest challenge. With the DeboFlex, several deboning tasks are automatic, which decreases the need for labor."

Smarter, more flexible processing

The modular design of the DeboFlex gives Cranswick the confidence that new additions will integrate smoothly into their processing line. "The DeboFlex system is modular and smart, meaning that we have been able to design it according to our end-product need," Andrew continues.

The combination of product and operator information provided by the StreamLine's intelligent software enables management to effectively plan and adjust when required, for example, when product specifications or orders change.

Learn more

Sustainability in the meat industry

A strong focus on valorization in meat production, i.e., maximizing value by reducing waste, continues to push innovation of solutions that minimize food waste. At the same time, the increased strain on food systems security creates even more demand for improved sustainability. Marel equipment and software advancements are helping processors reduce strain on natural resources and enhance sustainability across the industry.

Efficient and safe water treatment

Water is an increasingly valuable resource, and food processors have a growing need for reliable, safe water filtration and recycling that meet local effluent discharge laws and environmental targets, while optimizing energy usage.

Marel has over 50 years of experience in water treatment. We tailor-make our industrial wastewater treatment solutions to suit the specific environmental requirements of each facility and meet the most stringent environmental standards.

Over the past 15 years, PRONACA (Procesadora Nacional de Alimentos C.A.) has trusted Marel to design and install Marel Water Treatment systems in five of its processing facilities, with a sixth due to start operation in early 2023. When selecting the water treatment system for the company's latest further pork processing facility, Pifo, PRONACA had to meet specific parameters, including Ecuador's effluent discharge standards, ease of operation and optimization of operating costs. It also had to be compact enough to fit within the facility's space constraints.

The waste treatment system for the Pifo facility consists of three main stages: pre-treatment by the Dissolved Air Flotation unit to efficiently pass fat and other organic substances to the surface for removal; biological treatment, which removes carbon and nitrogen pollution; and the BioFlot system to separate sludge and water.

The BioFlot system was integral for meeting the space constraints of the Pifo facility. Using a flotation process, rather than the settling process of Marel's BioClar system, allows the BioFlot to have a higher sludge concentration and, thereby, a smaller reactor. The cleaned water passes through a final disinfection stage before being safely released into the environment.

Market trends and growth drivers

In 2022, the meat industry continued to move toward automation and software integration to address growing food security needs, sustainability concerns and continuing labor scarcity. Increasingly stringent export regulations and market demand for product transparency and safety have led to a growing interest in automation that minimizes human contact, and data-collection software that provides farm-to-market traceability.

African swine fever (ASF)

Although still impacted by ASF, Asia is successfully rebuilding heavily impacted herds. The recovery of herd numbers in China has led to reduced demand for European producers, who saw an increase in export demand to fill the deficit in the Chinese market from 2019 to 2021.

China

China is the highest global consumer of pork. With China's livestock numbers returning to strength after heavy losses due to ASF, processors are rethinking supply chains to prevent disease spread, shifting to farms and processing facilities that utilize advanced technologies and better biosecurity measures.

China is also seeing a shift in consumer demand for prepackaged products due to a growing middle class. These market changes are creating opportunities for Marel to expand its presence in China. An uptake of our portioning and packing solutions is advancing material handling and quality control to help prevent the spread of disease. Packing lines such as case-ready line, which incorporates TREIF equipment for the first time in China, will ensure processors are prepared to respond to consumer demands as they grow and change.

North American beef

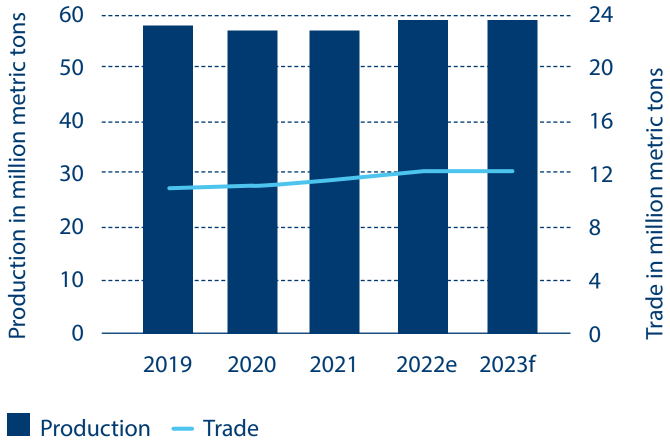
The demand for local import and export is driving opportunity in North American beef, with the retail and foodservice sectors asking for high-quality, lean ground and whole muscle products. Processors looking to capitalize on this highly regulatory compliant market segment have invested in Marel inspection solutions such as the SensorX Accuro and SensorX Magna. These solutions help ensure that processors meet import and export targets for on-spec fat-to-lean ratios and food safety.

The margin shift between cattle ranchers and packing houses has created an opening for smaller players to vertically integrate and compete against large and established processors. While large processors continue to focus on commodities and volume, smaller companies are focusing on diversification of products, brands and prices, taking advantage of market demands such as halal and kosher, cut variety and farm-to-fork traceability. From livestock management to packing and further processing, smaller players in beef production are recognizing and reaping the benefits of new technology and software innovations.

Global production and trade trends

Global beef and veal production and trade

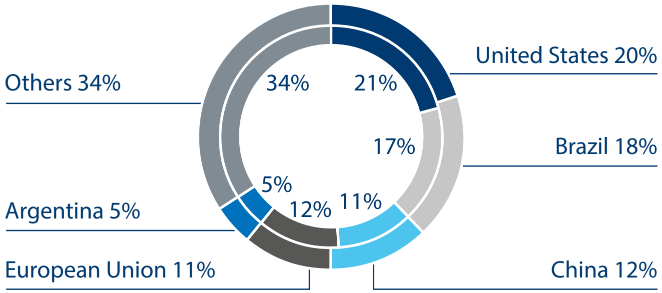
CAGR 2019-2023f: 0.3% for production and 1.7% for trade



Source: USDA Foreign Agricultural Service.
Note: Figures for 2022 are estimated (e) while figures for 2023 are forecast (f).

Largest beef and veal producers

2023 forecast (outer) compared to five years ago (inner)



Source: USDA Foreign Agricultural Service.

While the five-year compounded annual growth rate of the production of beef and veal is only 0.3%, trade has been growing at a 1.7% rate. At the same time, pork production has been growing at an impressive 3.1% rate, spearheaded by China.

Beef and veal

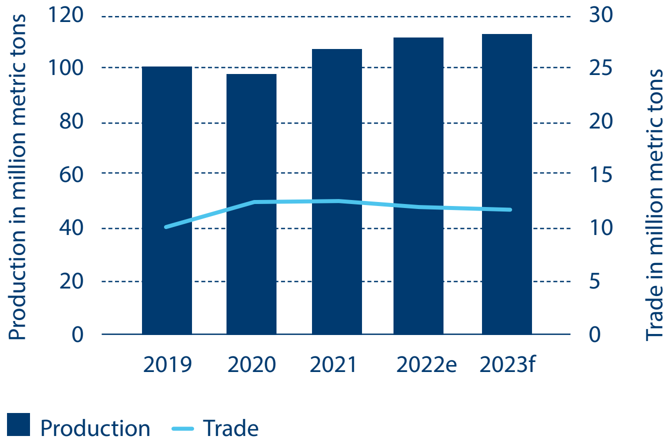
Production of beef and veal is estimated to have grown by 1.8% in 2022 and reached 59.4 million tons while trade is estimated to have grown by 6.3% and reached 12.2 million tons. Both are well above last year's forecast. In 2023, production is expected to shrink by 0.3% while trade is expected to grow by 0.2%.

Of major producers, Brazil and China are expected to increase their share in 2023 while the world's leading producer, the US, as well as the EU and Argentina, are expected to shrink by up to 1%. Brazil continues to be the world's leading exporter of beef and veal while Australia is forecasted to overtake the US and become the second largest. The largest share of imports continues to go to China, which is expected to increase its share further in 2023.

Global production and trade trends

Global pork production and trade

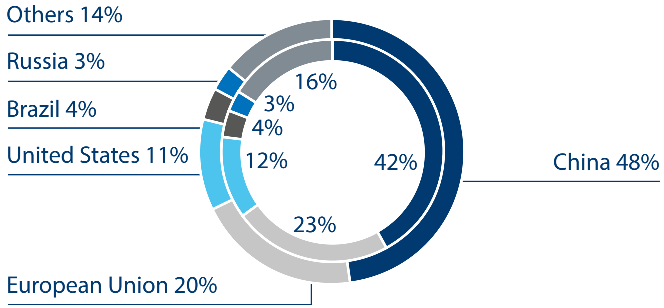
CAGR 2019-2023f: 3.1% for production and 0.9% for trade



Source: USDA Foreign Agricultural Service.
Note: Figures for 2022 are estimated (e) while figures for 2023 are forecast (f).

Largest pork producers

2023 forecast (outer) compared to five years ago (inner)



Source: USDA Foreign Agricultural Service

Pork

China's pork production is estimated to have grown by 16% in 2022 instead of shrinking as forecasted, raising the global total by 4.6% to 112.5 million tons. Consequently, China's need for imports was considerably less, resulting in an estimated 11% decrease of exports globally. The forecast for 2023 is 1.4% production growth while trade is expected to shrink further by 1.2%.

Due to China's impressive growth in 2022, its share of global production grew to 49%. The EU continues to be the leading exporter while Brazil is likely to overtake Canada in a few years' time as the world's third largest exporter.

Despite a decrease in 2022, China is still ahead of Japan as the world's largest importer while the Philippines' imports are the fastest growing.

Fish

Fish is one of Marel's four key business segments. We are a leading global supplier of integrated systems and advanced standalone processing equipment for whitefish and salmon, both farmed and wild, onboard and ashore. Marel's Fish segment contributed EUR 192 million in revenues in 2022, or 11% of total revenues, translating to a negative adjusted EBIT margin of 0.5%.

Marel management continues to target medium- and long-term EBIT margin expansion for the Fish segment, with an ongoing focus on reaching a full-line offering across farmed and wild whitefish and salmon through innovation and mergers and acquisitions. For example, Marel's acquisitions of Curio and Valka further accelerated the innovation roadmap to close certain application gaps to reach a full-line offering for whitefish, salmon and seafood.

The combined platform unlocks synergies of cross- and upselling, market penetration and gradually expanding species coverage.

The consumer value of the fish market is estimated to be around EUR 200 billion. For Marel, fish processing equipment sales are estimated at around EUR 2 billion.

Marel's presence in the fish value chain

New solutions

The fish industry underwent significant changes in 2022, with the continued rise of e-commerce and a growing demand for frozen, fresh and ready-to-eat products that are sustainably processed. Always remaining ahead of the curve, we developed new solutions and joined forces with like-minded innovators to help our customers improve their speed and scale to adjust to this changing market environment. Through our continued collaboration with customers and our recent bolt-on acquisitions of Curio and Valka, we help to ensure the safe, sustainable and affordable production of food.

Transforming tilapia processing with FilleXia

FilleXia is a revolutionary filleting solution that brings never-before-seen automation to the tilapia industry. It delivers consistent, high-quality products at increased outputs while minimizing labor dependency.

Traditionally, tilapia processing has relied heavily on a large, highly skilled workforce to fillet the fish manually, hampering the industry from creating a strong market economy. Each year, an estimated 1-1.5 million tons of tilapia are filleted worldwide. With most processors filleting manually, the process is expensive, and yield and product quality are inconsistent. Compared to automated filleting, hand filleting has higher rates of error, raw material waste and risk of contamination, resulting in uneven filleting speeds and high processing costs.

Automating tilapia filleting with FilleXia solves these issues. By introducing FilleXia to the industry, we are enabling a significant increase in tonnage in the coming years. Additionally, this allows processors to reduce production costs and employee turnover, making tilapia more affordable and accessible to consumers. This way, the tilapia industry can create demand and build a strong market economy for the species in the future, bringing broad benefits to processors and the economy.

FleXicut family grows

The newest additions to the FleXicut family expand Marel's filleting capabilities, enabling the production of high-value end-products with minimum waste, increased throughput and reduced labor reliance. Together, these solutions are helping to keep fish processing profitable and sustainable into the future.

FleXicut Tres

The FleXicut Tres expands the portioning possibilities for large processors of whitefish and salmon through increased automation. The innovative solution utilizes every part of each fillet, prioritizing high-value portions and adapting cutting patterns to suit the latest market trends. This allows our customers to strengthen their competitive edge by boosting yield and profits.

With the FleXicut Tres, fish processors have the advantage of dual-cutting technologies with three water-jet cutters and twin blades, which provide the flexibility to create portions to a specific size, shape and predefined cutting pattern. Combining X-ray technology with advanced software, the FleXicut Tres uses data to precisely portion fillets of all sizes, keeping raw material waste to an absolute minimum.

FleXicut Valka

The acquisition of Valka accelerated the innovation roadmap for Marel and the product launch of the FleXicut Valka alongside the FleXicut Tres. The FleXicut Valka combines intelligent software and advanced robotics to provide extremely flexible and precise portioning of skin-on or skinless salmon and whitefish.

Utilizing 3D vision, high-definition X-ray technology and dynamic robotic water-jet cutters, the FleXicut Valka debones and portions fillets at any angle or curved pattern.

Automating tail cutting with the Salmon Tail Cutter MS 2705.30

The Salmon Tail Cutter MS 2705.30 is a complementary solution that eliminates manual tail cutting, decreases labor reliance and improves raw material utilization. Designed to be a part of a filleting line between the PaceInfeeder MS 2725 and the Filleting Machine MS 2730, the Salmon Tail Cutter increases line stability and efficiency, resulting in higher quality fillets and a lower risk of downgrades.

New multi-angle slicer expands slicing capabilities

The MSC 55 MA is the latest multi-angle slicer in the Marel range of single-lane slicers for raw and fresh smoked salmon and similar species. Able to slice a wide variety of products, it is ideal for producers of fresh and smoked products looking for maximum flexibility.

SmartBase in the data-driven ecosystem

Enhanced remote support and valuable data collection increase the uptime of fish processing lines. In 2022, we added I-Slice 3400 to the family of solutions with SmartBase included as standard. Data is the key to improved service for our customers. SmartBase is a cloud-based software solution that shares real-time data about machine health and performance with users and service operators on any device.

The IQF Portion Grader for dynamic grading and batching

Grading frozen fish products into multiple product lines for bulk containers or boxes, the IQF Portion Grader delivers high-speed automation and accuracy. As an integral solution in a processing line that produces fish portions, the multi-lane grader is available with two or four lanes, each providing accurate grading with a maximum throughput of 100 pieces per minute per lane. This level of automation and technology minimizes giveaway, reduces the need for labor and increases throughput.

Key projects

Through our partnerships with customers, we are helping to ensure the safe, sustainable and affordable production of food around the world. We support processors with smart factory technologies such as robotics and advanced data-driven solutions, helping to optimize and streamline production lines and enhance product quality and employee wellbeing. Among our largest projects in 2022 were collaborations with Lerøy, Brim and Camanchaca.

Lerøy increases capacity with solution upgrade

Marel and globally recognized seafood producer Lerøy Seafood Group have partnered for over 20 years, driven by a shared goal to increase sustainability in fish processing. In 2022, Lerøy finalized its purchase of a new Marel solution for weighing, grading and packing whole salmon and salmon fillets for the Austevoll facility in Norway.

Installation of the new solution commenced in January 2023, replacing the current Marel system. The new system will provide increased capacity, greater automation, gentler fish handling and more advanced grading and sorting options to meet the needs of Lerøy's international market base.

Increased sustainability at Brim

Icelandic fish processor Brim is one of the world's most advanced whitefish processing plants. In 2022, the company continued its journey toward a smarter, more sustainable line by adding the newly launched FleXicut Tres, increasing automation and portioning flexibility.

Before incorporating the FleXicut Tres, Brim portioned large fillets with the two water-jets of the standard FleXicut, then manually cut them into smaller loin pieces. Manual portioning led to a high percentage of off-cuts and fewer on-spec products.

The third water-jet nozzle of the FleXicut Tres enables Brim to split large fillet loins lengthwise, producing consistently on-spec, natural-looking portions with accuracy and efficiency. This improves raw material utilization and adds value to large whitefish portioning, while also aligning with the consumer trend for whitefish portions with a natural loin look.

Customer story

Camanchaca improves efficiency and adaptability

Salmones Camanchaca is a founding company of the Chilean salmon industry, with over 50 years of experience exporting high-quality seafood to more than 50 countries worldwide. Currently, Salmones Camanchaca produces around 50,000 to 60,000 tons annually, with plans to scale to approximately 70,000 tons annually.

Working in partnership to build a complete value chain

The broad variety of products and stock-keeping units processed by Camanchaca requires advanced engineering to reach their production and sustainability goals successfully. Since their first investment in 2016, Camanchaca has worked with Marel to redesign their process with comprehensive solutions that enhance the capability, performance and growth, including the MS 2730 Filleting Machine, two complete filleting lines, an I-Cut 130 for dynamic portioning, and a packing line. "The combination of the different equipment makes the line solution as a whole more optimal in terms of safety, productivity and performance," says manager Jorge Vergara.

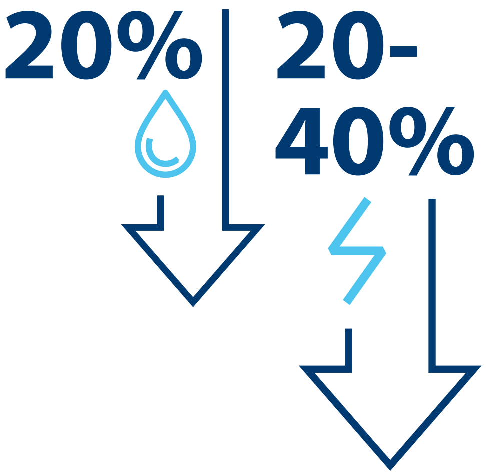
Mutual interests solidified a lasting partnership

Innova software ties the processes together, significantly improving giveaway and efficiency. President of Camanchaca Jorge Fernández García stresses that doing more with less is part of the common goal and using Marel's most advanced equipment allows an even more efficient process. "Marel's software and process method aims to achieve greater efficiency in the use of labor, better yields and, in the end, greater profitability of these processes."

"Camanchaca is the company in Chile that makes the highest proportion of its salmon in value-added products," says García. "And today, given the pandemic and labor restrictions, it would have been impossible to achieve this if we had not had this technology."

Learn more

Sustainability in the fish industry



Marel's innovative solutions for the fish processing industry have been lowering carbon footprints and maximizing the efficient use of raw materials, water and energy for the past 40 years. Our focus on environmental impact makes us a key partner for processors on the path to decarbonization for more sustainable food production.

Preserving resources

We examine the entire lifespan of our solutions, recognizing that even small changes can significantly improve the utilization of valuable resources. For example, a simple design adjustment to the nozzle of the water-jet cutters for our salmon pin bone remover has significantly reduced its water consumption by 20% while maintaining its exceptional accuracy. Water is a precious commodity, and we are constantly exploring ways to use it more efficiently.

Optimal equipment performance can also play a critical role in decreasing energy consumption by as much as 20-40%. SmartBase monitors machine performance levels, collecting data in real time to enable adjustments that keep lines running optimally and lengthen the equipment's overall lifespan. As SmartBase stores machine data securely in the cloud, service teams can be given access to accurate, up-to-date information remotely, enabling proactive maintenance. This helps to prevent unplanned stoppages, minimize parts replacement and avoid costly and carbon-heavy fly-in fly-out repairs.

Traceable and transparent fish industry

As consumer and legislative demand for traceable and transparent products grows, Marel's integrated software solutions help fish processors tackle the ever-increasing need for specificity. For instance, our labeling software makes it easy to create detailed labels that meet consumer and regulation requirements by including real-time, product-specific data. These flexible labeling solutions not only address the demand for food transparency and traceability but also help simplify and minimize the impact of recalls in the event that products are deemed unsafe.

Enhancing food safety

Advancing automation and technology within fish processing helps improve food safety. Working with our customers, we develop benchmark solutions such as the SensorX, which boosts the detection rate of bones and hard contaminants. This provides consumers with reliably high-quality end-products and helps processors meet the stringent demands of export markets.

In addition to supporting food safety, we prioritize workplace health and safety by streamlining equipment design to make it safer for operators and easier to clean.

Market trends and growth drivers

Marel's future market growth depends on the continued expansion of fish farming and the overall rise in fish processing automation worldwide. With ever-growing labor scarcity, processors need automation that provides adaptability and sustainability. Digitalization is the key to enabling flexibility, reducing CO_2 footprint, eliminating food waste and ensuring food safety and source-to-shelf traceability.

Product innovation and channel flexibility

The pandemic drove a shift in consumer behavior as consumers learned to prepare seafood at home, leading to a rise in sales of premium species such as shrimp and salmon. However, market dynamics are shifting back as pandemic restrictions subside. The reopening of foodservice has boosted sales and contributed to a rapidly strengthening market.

Despite its negative impacts, the pandemic fueled various innovations in delivery, sales, marketing and products, which look set to endure in the long term. For example, producers introduced new types of convenience products and meal kits as consumers focused on home cooking.

Growing seafood consumption

As consumers become more health conscious and environmentally aware, their dietary habits are shifting toward incorporating more seafood as a protein source. This increased demand for seafood, including differentiated and value-added seafood products, is expected to continue driving industry growth.

The millennial population is driving this growth with their demand for alternatives to meat due to a combination of dietary and sustainability concerns. Meanwhile, the aging baby boomer population is seeking greater diversity in their protein sources, mainly for health reasons.

Automation, efficiency and smarter technology

Prices have risen sharply for many seafood products as supply growth for many key species has failed to keep pace with the market recovery rate. Higher input costs for seafood supply chains, including raw material, feed, labor, energy and freight pressure production, are pushing producers to increase automation, efficiency and yield, and to create more value-added products from ever more expensive raw materials.

The need for greater automation and digitalization in fish processing is especially accelerating with ever-growing labor scarcity, a global issue that is not going away soon.

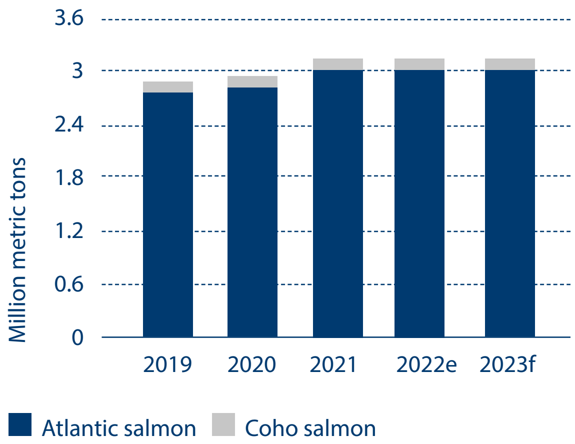
The ongoing transition to more sustainable production will accompany these trends. Increased automation reduces the number of human contact points along the processing line, minimizing contamination risks and enhancing line efficiency.

Marel is supporting this transition by developing solutions that automate manual processes, ensure food safety, reduce CO_2 footprint, eliminate food waste by increasing yield and ensure source-to-shelf traceability. An additional benefit of faster throughput is a decrease in food waste by extending the supermarket shelf life of end-products.

Global production and trade trends

Global production of farmed salmon

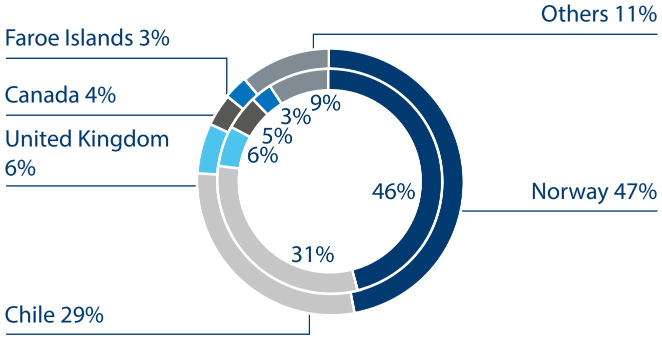
CAGR 2019-2023f: 4.3% for Atlantic salmon, 1.9% for Coho salmon



Source: RaboResearch (2023).
Note: Figures for 2022 are estimated (e) while figures for 2023 are forecast (f).

Largest salmon producers

2023 forecast (outer) compared to five years ago (inner)



Source: RaboResearch (2023).

Uncertainty in the Norwegian market

Norway continues to dominate the market, followed by Chile. However, Norway is facing uncertainty due to a new proposal for a 40% resource tax on aquaculture. As a result, major salmon farmers have frozen or delayed their investments to pressure political discussion.

In the long term, there is a risk that innovation efforts and capital expenditures could be reduced and directed toward other countries and 'geographically neutral' technologies such as land-based and offshore technologies, resulting in lower supply growth and higher long-term prices. This uncertainty may also reverse recent consolidation and create opportunities for some of Norway's smaller salmon producers.

Production of farmed fish continues to grow while cod faces a challenging year. Salmon, tilapia, catfish and cod are the key species on the market, with leading producers maintaining their dominant positions.

Salmon

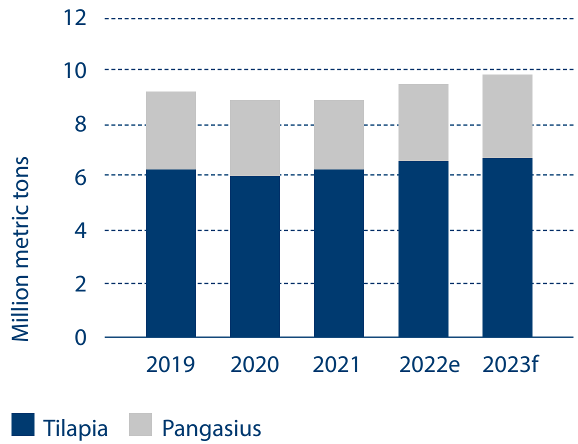
Global production of farmed salmon either grew slightly in 2022 or not at all, depending on sources. As before, Atlantic salmon accounts for the majority of production by species at 93%.

The Groundfish Forum expects production to pick up in 2023, forecasting a 2.1% growth, while RaboResearch forecasts even higher growth or 3.9%. Norway's production is expected to grow by 2.0%, while no growth is forecast for Chile in 2023. Despite higher forecasted growth for other producers, Norway's share is expected to stay close to half of the global production at 47%.

Global production and trade trends

Global production of tilapia and pangasius

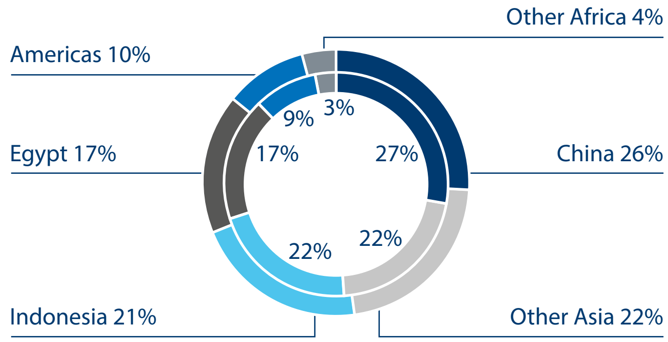
CAGR 2019-2023f: 2.0% for Tilapia, -0.8% for Pangasius



Source: RaboResearch (2023). Note: Figures for 2022 are estimated (e) while figures for 2023 are forecast (f).

Largest tilapia producers

2023 forecast (outer) compared to five years ago (inner)



Source: RaboResearch (2023).

Tilapia and pangasius

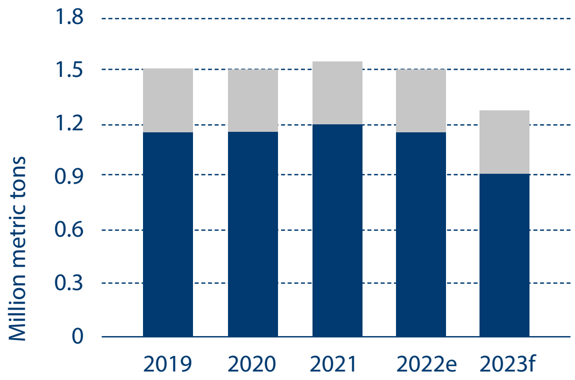
Global production of tilapia is estimated to have grown by 4.3% in 2022, while pangasius is estimated to have grown by 3.1%. The forecast for 2023 projects a 4.8% growth in the production of tilapia and 2.1% for pangasius. The production of both tilapia and pangasius fell in 2020. While tilapia was relatively quick to recover, pangasius has still not reached its peak from 2019, resulting in a negative five-year compounded annual growth rate.

Asia continues to dominate the tilapia market with close to 70% of the production, with China and Indonesia accounting for two-thirds of that. Africa accounts for roughly a fifth, spearheaded by Egypt, while the Americas supply the remaining 10%. Vietnam continues to supply roughly half of pangasius production, followed by India with 22%, while the world's third largest producer, Indonesia, is the fastest growing producer.

Global production and trade trends

Global production of cod

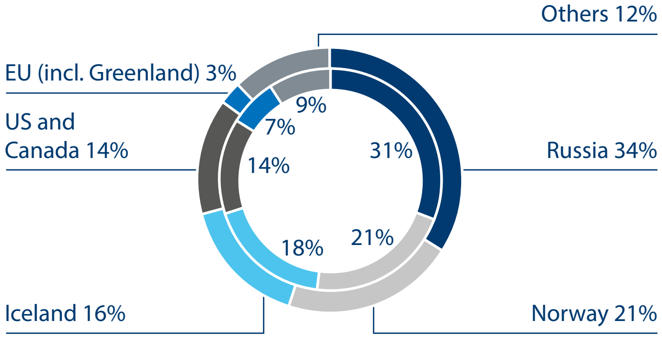
CAGR 2019-2023f: -4.9% for Atlantic cod, -2.0% for Pacific cod



Source: Groundfish Forum (2022). Note: Figures for 2022 are estimated (e) while figures for 2023 are forecast (f).

Largest cod producers

2023 forecast (outer) compared to five years ago (inner)



Source: Groundfish Forum (2022).

Cod

It is estimated that the global production of Atlantic cod decreased by 6.4% in 2022 while the production of Pacific cod is believed to have increased by 9.1%, amounting to a net decrease of 2.8%. Production is projected to decrease further in 2023, mostly due to diminishing catch of Atlantic cod.

The top three producing countries—Russia, Norway and Iceland—are all expected to lose ground in 2023 while other producers may gain some share. Norway's production is expected to shrink the most.

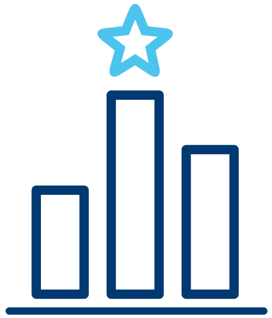
Plant, Pet and Feed

Marel's acquisition of Wenger in 2022 established our fourth key business segment: Plant, Pet and Feed. Wenger is the global leader in extrusion systems, widely known for its pioneering contributions in pet food, plant-based protein and aqua feed.

The acquisition enhances margins and earnings, with immediate opportunities for growth and value creation by leveraging Marel's global reach and digital platforms in Wenger's sizeable and high-growth markets.

Wenger shares Marel's passion for innovation and commitment to best-in-class products. Together, we are poised to transform our industries by connecting our strengths and creating valuable synergies between technologies and skills.

Wenger is committed to groundbreaking innovation and has been from the very beginning. Like Marel, Wenger has a target to invest 6% of its annual revenues in innovation.

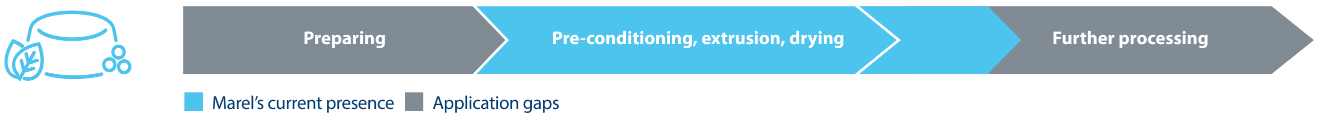


Track record of success for nearly

90 years

The Wenger business model is proven, with a 90-year track record of success. Backed by an experienced team, the company has a diversified and loyal customer base ranging from blue-chip pet food processors to startup companies in plant-based proteins.

Marel's presence in the plant-based, pet food and aqua feed value chains



Over 60% of Wenger's revenues derive from pet food, where the company has a global leading position within its focus market segments. Wenger has a strong foothold in the North American market, and over 40% of its revenues come from services. This has resulted in healthy profitability with an EBIT margin of 14% (pro forma), strong cash flow and solid return on invested capital.

Steady growth of existing businesses

From 2017 to 2021, Wenger's revenues grew organically by an average annual rate of approximately 5%. The third quarter of 2022 was the first quarter where the newly acquired Wenger business was consolidated into Marel's reporting segment Plant, Pet and Feed. The segment also includes revenues that were historically reported under Marel's 'Other' segment. Plant, Pet and Feed's revenues in 2022 were EUR 144 million, or 12% (pro forma) of total revenues, and a 17.7% increase compared to 2021.

Attractive markets with strong growth potential

The global pet food market is estimated to be worth around EUR 110 billion and the aqua feed market over EUR 50 billion, both growing at 4-6% annually. The plant-based protein market is currently valued at around EUR 10 billion and is expected to grow 15-20% annually. The total addressable market for Marel and Wenger in all three areas is estimated to be worth around EUR 2 billion, with expected annual growth of 4-6% in the long term. This aligns with Marel's long-term expectations for market growth.

Capital expenditures focus on capacity and aftermarket

Marel sees great opportunities and is committed to investing in the combined business to accelerate growth, adding structure and discipline to Wenger operations. Key capital investment priorities include expanding manufacturing capacity to shorten lead times and meet existing high demand, as well as capitalizing on opportunities in aftermarket solutions in Wenger's core markets.

The plant-based protein market EUR ~10bn | 15-20% growing annually

The global pet food market EUR ~110bn | 4-5% growing annually

The aqua feed market EUR ~50bn | 5-6% growing annually

Did you know?

Leading innovations since 1935

Wenger has been a leading provider of industrial machinery and process systems for the food and feed processing industries since 1935. Founded as a family-owned business, Wenger has grown into a multinational company with nearly 500 employees worldwide and brands including Extru-Tech, Maverick and Source Technology.

Headquartered in Sabetha, Kansas, Wenger manufactures the industry's most comprehensive line of commercial extrusion systems, known globally as the standard in food and feed processing. Products include single- and twin-screw extruders, horizontal and counterflow dryers, controls and other ancillary hardware. Thanks to Wenger's pioneering example, machines that allow customized solutions, stringent food safety and sustainable operations are now the industry standard.

Wenger Technical Center

Prior to being acquired by Marel, Wenger completed a EUR 20 million project to expand and modernize the Wenger Technical Center. This 3,800 m2 research and development hub has been important to the extrusion industry since 1954. It houses full-scale extruders, dryers and ancillary components to provide a real-world production environment.

Customers, academics and other industry partners use the Wenger Technical Center to accelerate product development, evaluate prototypes and test new products and processes to expand their scope of market-facing solutions and services. The center complements Marel's vast network of demo centers. Marel and Wenger will collaborate in these facilities to advance our pipeline and showcase new products and processes, particularly in plant-based proteins.

Synergistic partnership

Marel and Wenger are powerful partners due to our compatible strategic and cultural fit, as well as our complementary product portfolio and global presence. This unique positioning allows us to meet the growing demand for high-quality, affordable and sustainable processing of food and feed.

Complementary product portfolio

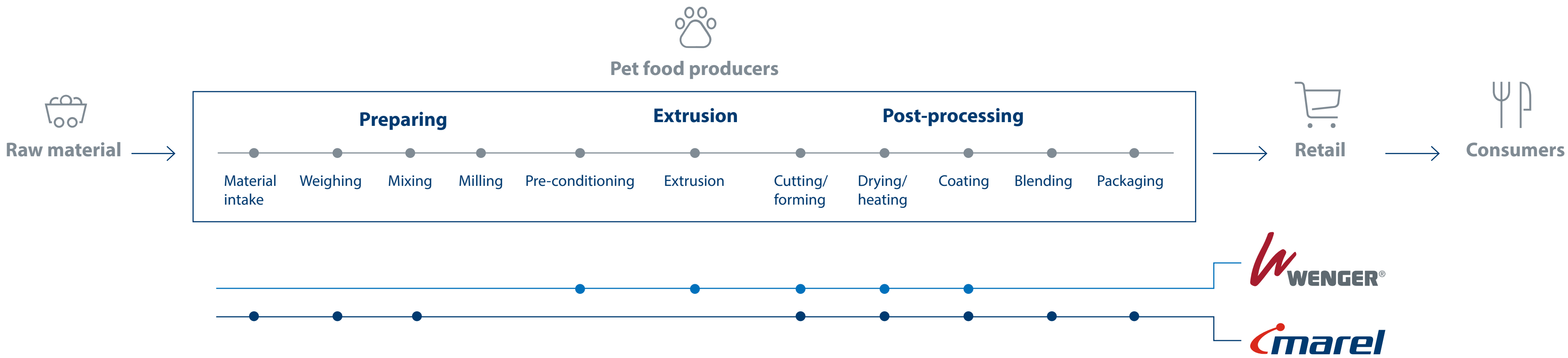
Wenger's respected position gives Marel an advantage in combining existing technology both upstream and downstream of Wenger's solutions. In turn, Marel's global reach and digital capabilities enable Wenger to offer more complete end-to-end processing solutions. Wenger brings industry-leading extrusion, drying and process control technologies, which pair well with Marel's weighing, sorting, inspection, forming and thermal treatment solutions.

Together, we will accelerate the advancement of ideas into transformative systems that meet the needs of food producers in the pet food, aqua feed and plant-based protein sectors.

Comprehensive pet food processing line

Having a complete line of equipment from one provider is a tremendous benefit to customers, resulting in a more efficient and seamless production system. Already, Marel and Wenger experts are working with our industry partners to explore the efficiencies of combined process and aftermarket solutions. We are also evaluating new and enhanced food product formats that are only possible because of the close collaboration between our areas of expertise.

Wenger and Marel's complementary solutions



Tapping into Marel's global reach

Wenger will utilize Marel's global reach to support a proactive aftermarket approach for improving customer service and pursuing cross-platform sales opportunities. With a long history of thinking and working globally, Wenger is well equipped to provide tailored solutions to meet customers' unique needs worldwide. The collaboration with Marel further strengthens Wenger's ability to localize and personalize. Marel's extensive sales and service network, with offices in more than 30 countries, brings the Plant, Pet and Feed platform closer to customers, expanding Wenger's ability to be the partner of choice.

Cross-sales between the four key business segments

For many customers of Marel's Poultry, Meat and Fish segments, expansion into the pet food industry is a logical step from their human food lines as they look to optimize the value-add of their raw material. By leveraging Marel and Wenger's loyal and well-diversified customer base, we aim to explore opportunities for cross-selling between these four key business segments.

Unlocking digital potential

Digitalization unlocks new potential for aftermarket services and to strengthen connections with customers as pandemic restrictions have lifted.

Marel's digital platform supports a more proactive approach to providing customers with value-added services such as parts and maintenance, creating new opportunities for the Plant, Pet and Feed segment. This makes it easier for customers to connect with Wenger virtually and use digital tools to see their order history, order parts and make service requests.

Giving customers greater process visibility with Innova

With Marel's software solutions, Wenger can now provide the advanced digital services customers have been asking for. By integrating Marel's digital platform with Wenger's Automated Process Management (APM) system, we are transforming the customer experience, providing much greater insight, control and traceability. Customers have visibility from the time materials are received at the factory to the moment they exit to distribution. These digital tools give customers the performance data they need to make more efficient use of labor and raw materials.

A diversified customer base

Wenger has a broad and loyal customer base that includes the world's largest pet food processors as well as startup companies in plant-based proteins and sustainable packaging. In pet food processing, five companies dominate the industry, making up 75% of all sales. Each of the top five companies is a Wenger customer.

Multinationals choose Wenger because its solutions are synonymous with extrusion processing systems and the company's reputation for quality and service is unsurpassed.

Startups choose Wenger because it provides the innovation, support and expertise their small operation might not have in-house. Investing in Wenger equipment makes them more attractive to potential buyers because it gives investors confidence in the scalability of the product.

Wenger's solutions also fit niche markets, which enables the premiumization trend in pet food, supports the rapidly growing plant-based protein market and meets the needs of highly specialized industries like aqua feed.

Sustainability

Wenger and Marel share a commitment to sustainability, and Marel's expertise in reducing processing waste and improving yields creates economic value for Wenger. By adopting sustainable practices, we aim to make a meaningful impact.
In the Plant, Pet and Feed segment, we focus on enhancing the energy efficiency of our equipment, with a particular emphasis on recovering and reusing processing waste. Marel has a strong track record in waste reduction, and together we will continue to innovate in this area.

Environmental advantages of extrusion

Compared to many other batch food production processes, extrusion is inherently more efficient and economical, and requires less water and energy. Wenger has taken steps to increase energy efficiency and minimize waste during startup and shutdown. Wenger's PetFlex and AquaFlex processes are derivatives of thermal twin extrusion technology, which reduce environmental impact, increase production speed and lower energy costs. Wenger products also lead the extrusion industry in minimizing water usage.

Reducing processing waste

Marel and Wenger have been operating in parallel for many years. Marel has led advancements in waste efficiency in poultry, meat and fish processing, while Wenger has forged pathways for pet food processing as the original sustainable, closed-loop protein reclamation industry. Together we can make better use of raw materials and by-products to improve processing yields and create higher-value products.

Did you know?

The importance of extrusion

Wenger founders, Joe and Lou Wenger, commercialized the first extrusion-cooking system in the late 1950s. Though significant advancements have been made over the decades, the extrusion systems that Wenger offers still retain many traits of that origin.

Extrusion cooking involves hydrating ingredients, mixing them into a dough and then continuously processing them through thermal and mechanical input into a value-added foodstuff for people, pets or livestock. Extrusion is vital for dry pet food production and is also important for processing wet foods, especially those with higher meat inclusion.

New protein formats emerging from early foundations

The food industry's growing interest in plant-based proteins is not new territory for Wenger. The company was a forerunner in texturizing vegetable proteins in the 1970s, when they were mainly used as fresh meat extenders. Extrusion processing formed the basis of texturizing vegetable proteins, and Wenger has continued to innovate to develop the plant-based protein formats of the future.

In 2022, Wenger received the largest order in its history. The order is from a customer that has been with Wenger since its earliest foray into textured vegetable protein (TVP) and includes multiple TX-168 extrusion systems. These systems are the largest-capacity TVP extruders on the market and are only available from Wenger. The new units will enable the customer to expand production of textured protein ingredients used in plant-based burgers, cutlets, nuggets and other plant-based protein options.

Market trends and growth drivers

Inflationary pressure

Commodity and energy prices, especially in European countries, are the greatest challenges facing Wenger customers, as they have a significant impact on operating costs. Ingredient shortages also affect pet food and aqua feed, as the war in Ukraine has disrupted grain trade, making production lower than forecasted in many regions.

Pet food

Pet food sales are not recession-proof, but they continue to prove their resilience. Pet food is a more than EUR 110 billion industry that experienced 25% growth from 2016 to 2020. Dry food, produced using extrusion technology, accounts for 73% of total pet food volume, with dog and cat food comprising 95% of all pet food sales.

Despite pandemic and economic pressures, global pet food sales are growing. Treats, a Wenger specialty, lead as the fastest-growing segment of pet food. Dry food sales are on a rapid growth trajectory in Latin America and Asia, and cat food in Asia is the fastest-growing segment with a 15% compound annual growth rate (CAGR) expected from 2021 to 2026. Indeed, Asia and Oceania, and Latin America are the fastest-growing markets overall, with growth tied to the rapidly developing middle class in those regions.

Wenger will continue to focus on selling to dominant players in growth regions and creating value for customers in more mature markets. We will emphasize connecting to larger processors and leaders planning to expand in Asia and Oceania, and Latin America.

The highest-value markets for pet food are North America and Europe due to their high level of disposable income. Nearly half of all households in the United States own a dog, and 27% own a cat. In Europe, 24% own dogs, and 25% own cats.

Humanization of pets

Extrusion processing is vital to meeting consumer demand for solutions that support pet health and wellness. Trends in pet food increasingly reflect those in the human food industry, with a growing demand for healthier, more diverse options made from fresh, high-quality ingredients. Plant-based proteins are a growing trend in pet food because they satisfy consumers' desire for healthier and more sustainable ingredients and processes. Millennials represent the largest purchasing segment in pet food, and this younger generation is more willing to spend more on their pets' health and wellbeing.

These trends are spawning a steady flow of startups producing highly specialized pet products, and this market segment looks to Wenger for innovative new products in the same way that large multinationals look to Wenger developments in efficiency, sustainability and aftermarket partnership.

Learn more

Plant-based protein

Leaders in plant-based proteins are currently recalibrating to determine the most marketable formats and business models. Protein is the 'center of the plate' and the most expensive part of the grocery bill, and in tough economic times, consumers will look for protein sources that offer the most value for money.

Conventional meat, while also hampered by inflation, is perceived as being higher in value than plant-based alternatives as consumers know the traditional products well. However, there is great optimism over new plant-based formats entering this sector, and Wenger is uniquely positioned to play an integral part in advancing the industry with best-in-class technology and know-how. The plant-based proteins sector offers great opportunity, but it is subject to market volatility as the industry finds the most effective ways to bring these products to the center of the plate.

Many plant-based protein products are produced through extrusion. While some formats of plant-based proteins have not performed well, high moisture meat analogs (HMMA), textured vegetable proteins and meat extenders have proven their longevity and continue to grow. Within the Wenger Extrusion Group, Source Technology's PowerHeater and the Wenger HMMA process can simulate whole-meat counterparts with similar characteristics for moisture, protein, flavor and fat content.

Aqua feed

Price has been a challenge for aqua feed, as the pandemic and war in Ukraine have disrupted the supply of raw materials. However, there may be good news on the horizon as commodity prices are going down and several salmon producers are reporting that feed ingredients have likely reached their peak price.

The sector has gone through tremendous change over the past few decades, and as the market matures, much of the industry is shifting to extruded feed. Some markets are very commoditized, such as traditional pond-based shrimp and catfish.

In this hyper-competitive market sector, Wenger's multi-brand strategy has proven resilient. For instance, Wenger brands Extru-Tech and Maverick offer aqua feed systems that deliver particularly strong performance for their prices, making them the most competitive brands in this area among the Wenger Extrusion Group brands. Meanwhile, the Wenger brand is especially competitive in high-value markets such as salmon and the emerging trend of recirculating aquaculture systems (RAS) technology, which is a significant step toward the environmental and sustainable production of fish species for human consumption. By offering a range of extrusion systems under different brands, Wenger can effectively target different market segments and provide customers with the optimal solutions for their needs.

Wenger is bringing new processing technology to aqua feed with the **AquaFlex XT High Capacity Twin Screw Extruder**. The AquaFlex has a higher level of processing capabilities and makes use of a wider range of raw materials than traditional single-screw extruders. In this time of price volatility and ingredient scarcity, the AquaFlex gives Wenger customers a unique advantage.

Outlook and strategic priorities

As we look to 2023, we anticipate challenges in new equipment sales as customers respond to market dynamics and global economic challenges. Despite this, we continue to see a trend toward the premiumization of pet food products. While it is unknown how consumers will react to worsening economic conditions, we expect that there will be slightly less spending on premium pet food, including treats, while traditional and lower-cost formulas will remain stable.

Benefiting from Marel's support and expertise, Wenger will be able to increase focus on aftermarket solutions and cost efficiency in ways that were not previously possible. Marel enhances Wenger's ability to fill gaps in knowledge and assistance. When a machine operator in Thailand needs support, we can offer excellent customer service by connecting them to a local Thai-speaking Marel partner. This is customer service excellence.

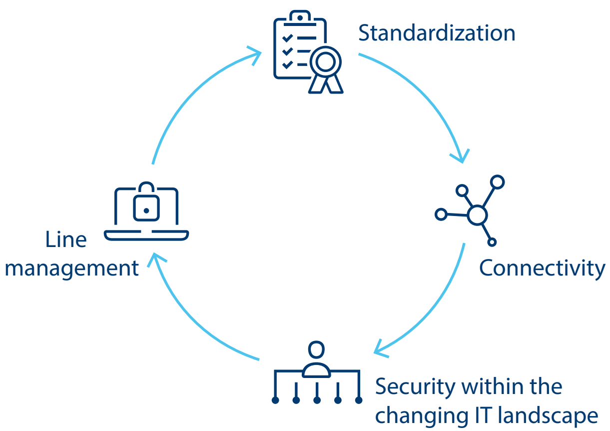
Software Solutions

As a global leader in food processing solutions, Marel provides innovative software to maximize value creation for processors worldwide. By delivering digital products and platforms that build interconnectivity, we constantly enhance our position as the digital partner of choice for the food processing industry.

As Marel continues the journey toward the smarter factories of the future, we are focused on developing connected offerings that underpin a future of sustainable, affordable food. With digitalization at the center of our strategy, our advanced solutions are transforming food production to benefit food processors, consumers and the environment.

Our world is becoming increasingly complex, and processors are looking for software and automated solutions to remain market competitive. We understand the challenges our customers and end consumers face, and create holistic solutions that address these issues, delivering value for a more balanced supply chain.

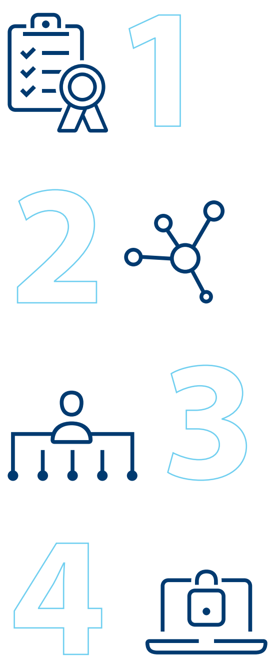
By integrating software into processing lines, we are increasing throughput and improving yield, product quality and safety. This not only improves performance and uptime but also ensures more predictable service, enables our customers to surpass sustainability and traceability requirements, and helps address the growing need for end-product flexibility.



Smarter factories of the future

The factory of the future will be a dynamic and adaptive space, built to evolve with continuously changing needs and improve food processing at every stage. To support this evolution, we have established four interconnected foundations: standardization, connectivity, security within the changing IT landscape and line management.

Four key software foundations for innovative solutions



Foundation 1: Standardization

Standardization finds simple solutions to complex problems through data collection, collation and analysis. It is the core foundation for creating a fully flexible, upgradeable, evolvable manufacturing and execution system (MES) solution and enables continuous delivery of innovative features, processes and synchronized rollouts.

Many process flaws are difficult to spot unless there are sufficient examples. Studying data reveals patterns for evaluating the suitability and workability of fundamental problems in a standardized way. At Marel, this translates to developing standard workflow processes through data modeling.

Food processing facilities can be divided into individual workflow processes that cover logistics for receiving and primary, secondary and final goods. Workflows such as 'Start stock take' and 'Calculate yield' interact with common functionalities like orders, tracking and tracing within the MES. Data is also shared with business processes such as resource planning for inventory management. The integration of workflows and MES ensures our customers are using best practices.

Marel has been collecting data from all software installations currently in operation, with a focus on secondary processing. As patterns emerge, they guide our process experts to build workflow solutions to benefit all our customers. During site visits, technicians collect post-install workflow data and install updated workflows. We are working toward workflow data being collected and implemented via the Marel Cloud, to offer processors even faster improvements.

Breakdown of the benefits

Deployment: Standardized workflows act as building blocks when constructing new systems. Processors can choose from a library of workflows that best suit their processing line, making deployment easier and more efficient. As IT landscapes continue to change, our standardized models will enable easy movement through the new environments.

Quality: As connected installations increase and more data is collected, the library will evolve. Workflows can be streamlined and flaws removed. Marel customers will benefit from new or updated workflows deployed remotely to all sites.

Knowledge transfer: Workflows can be synchronized across multiple sites, improving systems and standardizing workforce training. Specific rule changes to workflows can be made if individual site needs differ.

Easier purchasing: By standardizing sales material, processors reduce design time and are able to supply consumers with easy-to-understand product information, thereby enhancing their brand recognition.

Foundation 2: Connectivity

Marel's digital journey is constantly evolving to help processors navigate the increasing complexity of operations and maintenance. Designed to enhance digital connectivity, our program of integrated software solutions encompasses hardware, software and services to offer holistic solutions. We are transforming solutions to create a world where data and insight make food processing less dependent on manual labor. By connecting equipment, software and services, our solutions optimize processes and increase uptime.

Cloud connectivity is becoming a standard feature of Marel equipment. By connecting to the Marel Cloud, real-time and historical data is stored in customer-specific databases, providing accurate insights into machine health and performance from both technical and production standpoints. An accompanying application, available on any device, grants access to data and actionable insights, making it easy for processors to operate and maintain their equipment with a user-friendly dashboard.

Dashboards are integrated into all connected products and serve as a powerful tool for data visualization. They present the data collected for traceability and real-time monitoring of key performance indicators such as yield, throughput, capacity and labor efficiency. This allows processors to make immediate data-driven decisions that improve their line efficiency and ultimately increase profitability.

As data is stored on the Marel Cloud, customers can allow our service and support teams instant access to information that will supply an immediate, clear understanding of any issues. This way, more problems can be solved remotely, shortening resolution times. If a service specialist needs to visit the site, they can be better prepared with the right parts or materials.

Where we are on the connected journey

Our first connectivity offering is SmartBase, an advanced solution for monitoring machine health. The program is in the early stages of rollout in Northern Europe and North America, with plans for expansion into other regions soon. Seven solutions now come with SmartBase as standard, and retrofitting for customers' installed base is also available. Today, we have more than 200 solutions in the field operating with SmartBase.

Our SensorX and FleXicut solutions were the first to be onboarded to SmartBase. In 2022, we made SmartBase connectivity a standard feature of five more solutions: the ModularOven, I-Slice, Compact Grader, Nuova-i and Marel Spectra. A further 25 solutions are road-mapped for inclusion in 2023.

Learn more

Foundation 3: Security within the changing IT landscape

Moving to cloud computing offers many advantages, including improved service and maintenance, faster equipment updates, data loss prevention and scalable flexibility. By using cloud-based software, processors can lower costs as they only pay for what they use, rather than expensive licensing fees for software that quickly becomes outdated. With the Marel Cloud, software is always the latest version and adapts as a business changes.

One of the greatest benefits of Marel Cloud technology is its advanced security, which is constantly updated through a larger cloud provider in addition to Marel's own stringent security measures. Connecting to the cloud also enhances the security of Marel's overall IT landscape, moving away from hierarchical data architectures to data ecosystems that enable more aggregate data relationships.

With data becoming a primary driver to running an efficient processing business, we are acutely aware of the importance of understanding cyber-security risks. We are dedicated to delivering trustworthy and resilient digital solutions and services to our customers.

Marel digital solutions are built with security as a top priority. SmartBase operates within a protective cloud environment to keep customer systems and data secure at all times. Customers retain ownership and control of their data, granting access to Marel for remote support only.

Development with a security focus: ISO 27001 certification

To ensure that Marel consistently follows best practices in data protection and cyber resilience, we are in the process of acquiring ISO 27001 certification, the international standard for information security management systems. Gaining certification will build trust in our process control and demonstrate that we continuously implement and develop our security processes.

The current scope for certification is the Marel Cloud platform. An internal audit was finalized in 2022, and an external audit is planned for early 2023. Following certification of our cloud platform, we will move toward certification of all platform layers.

Integrating security by investing in people and processes

Security goes hand in hand with standardization. By reducing the number of variables in a system, we can increase the trustworthiness of our software and make it easier to protect data. This can be achieved by standardizing our development and deployment processes, such as hiring the right people to develop new tools and training our teams to implement them effectively.

Over the past few years, we have been systematically standardizing our development processes, building up the necessary competencies to support connectivity.

Foundation 4: Line management

The food industry faces the immense challenge of reducing reliance on skilled labor in secondary and further processing, while also delivering a growing variety of end-products to meet customer demand. Line management is key to delivering the right products at the right time. Integrating software into line equipment, implementing factory-wide MES software, and automating lines decreases labor dependency and increases product flexibility.

In February 2022, Marel initiated a program to address industry trends and challenges. The program focuses on balancing automation and flexibility through integrated and connected line solutions in secondary processing. In this way, it aims to accelerate key developments, increase automation and adapt Marel's portfolio to standard interfaces.

Our roadmap to advance secondary processing includes innovations across all Marel business segments, starting with the poultry portioning line and beef steak line.

In the industry in general, current secondary processing lines are made up of standalone equipment with varying technologies and frameworks. This means that effective line operation is reliant on a skilled labor force and has limited flexibility, with slow product changeovers.

The program for integrated line solutions addresses these issues by standardizing Marel equipment both mechanically and electronically and by designing for modularity and flexibility. Central Line Management allows for machine-to-machine communication, standard connections between Marel and third-party equipment, and software integration for a connected facility. This reduces operator dependency, improving processing efficiency and ease of use.

Customer story

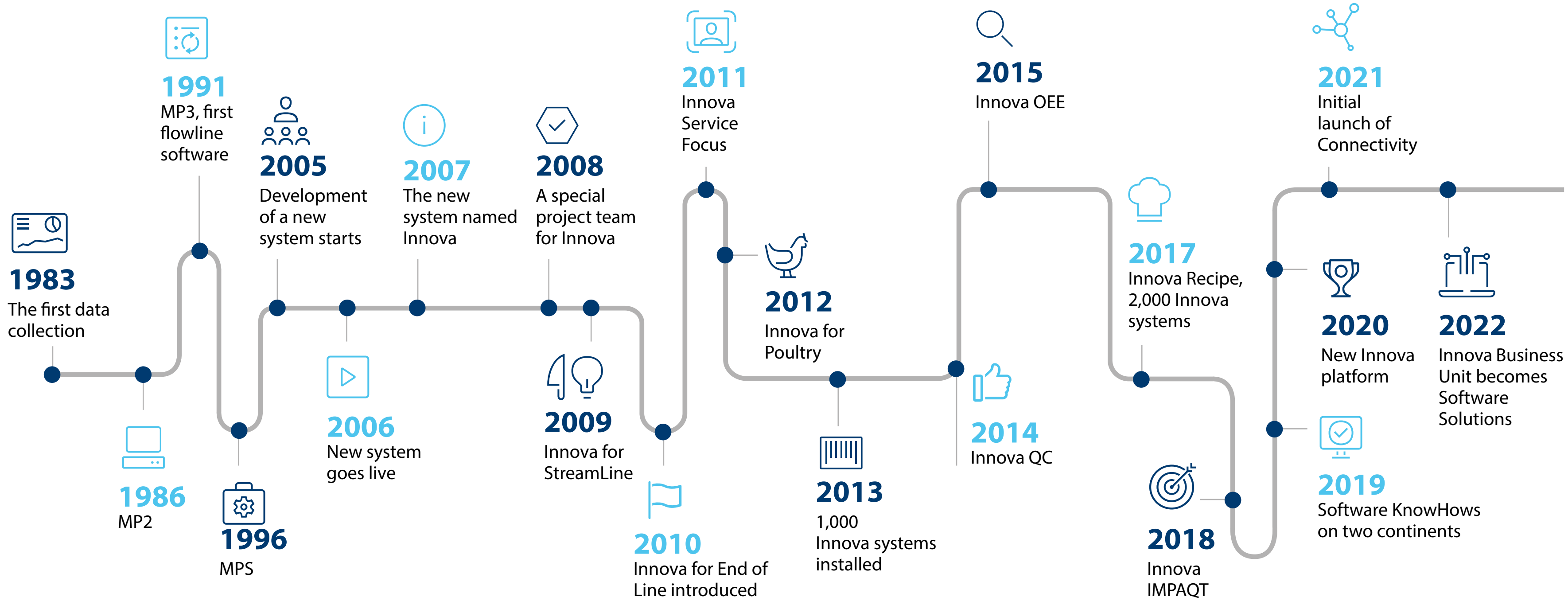
Master Good masters the primary process with IMPAQT

Master Good is a forward-thinking poultry enterprise in Hungary that processes about 260,000 birds per day, working in two shifts, six days a week. The primary processing line runs at a speed of 15,000 birds per hour (250 birds per minute), which makes it impossible for the human eye to measure efficiency. However, by implementing the intelligent IMPAQT software from Marel, Master Good has seen significant improvements in its primary process.

IMPAQT software has reduced product losses by shifting equipment performance from the subjectivity of guesswork to objective data, based on interval and overall production. Data shows where product losses occur in real time, allowing Master Good's staff to quickly identify and address the root causes.

Learn more

Timeline



Industry drivers for software solutions

During the pandemic, Marel has seen similar market trends across all four business segments. As we move toward solutions that combine software, equipment and services in one holistic approach, we examine the market trends and digital needs of our customers.

See the detail with traceable products

Increased regulation and consumer demand for end-to-end traceability and sustainability are key challenges for the food processing industry today. Our customers must comply with a growing number of laws and provide consumers with transparency regarding their products and practices.

To meet these demands, Marel's sophisticated software enables processors to accurately capture detailed information at all stages of production. This is essential for establishing the quality, safety and provenance of end-products. Our digital traceability systems can also manage and minimize recalls, organize inventory and make meeting regulations efficient with ready access to detailed historical data.

Customer story

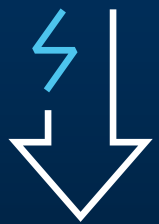
Sanford steps into a digitalized future

Sanford, a globally recognized fish processor with a 150-year history of operations and growth in New Zealand, has ventured into the digital world. The company's business scope is broad, ranging from fishing vessels of various sizes to processing whitefish, salmon and other seafood.

In 2021, Sanford invested in Marel's Innova Food Processing Software and began its journey to digitalization. With Innova's comprehensive Manufacturing Execution System and Product Management System, Sanford can integrate all pillars, accessing accurate, real-time data from any enabled computer. The software enhances operations by providing operators and managers with greater monitoring and control over the entire process, from raw material receiving to end-product dispatch.

Since the 1990s, Sanford has been a leader in sustainable fish industries. "It is vitally important for us to have systems in place that can enable and support our decision making as we manage our processes from sea to plate," says Andre Gargiulo, Sanford's Chief Customer Officer. As the Innova software rollout continues, the company is poised to become even more sustainable by reducing food waste, improving yield, increasing traceability and eliminating the challenges of paper-based systems.

20-40%



Did you know?

The future of connected cooking with SmartBase

In 2022, we launched a pilot project to evaluate the benefits of reactively monitoring a SmartBase-connected ModularOven. The ModularOven functioned correctly, with product going in and coming out cooked evenly. However, by acting on data gathered through SmartBase and communication with the operator, we were able to optimize the oven's performance even further, resulting in a 20-40% reduction in energy use.

These exciting results yield valuable insights and data that bring Marel closer to achieving 24/7 proactive monitoring for our connected equipment. This advanced level of monitoring will not only optimize energy efficiency, but also offers insights into machine health for predictive maintenance and reduction of total ownership costs for our customers.

Software Solutions events in 2022

In 2022, we brought Marel customers together by hosting our North American and Oceanian Software KnowHow user conferences in person once again. We also celebrated the inaugural Innova Asia Roadshow, introducing our valued Asian customers to the advantages of digital innovation. These events allowed us to strengthen our customer community through active engagement and feedback.

Software KnowHow testimonials Watch now

Software KnowHow highlights Watch now

Software KnowHow North America

In October, Marel hosted the first in-person Software KnowHow in North America since 2019. We focused on fostering customer engagement and building local software user communities. Attendees enjoyed presentations on connecting equipment to the Marel Cloud for machine health, as well as supporting MES and intelligent solutions that lay the foundations for smart factories. We also hosted product demonstrations, training sessions and security panels, and our customers shared their experiences with using Marel software and connectivity to enhance productivity, management and the power of data.

Software KnowHow Oceania

The 2022 Software KnowHow Oceania user conference was an opportunity for customers in Australia and beyond to network and exchange experiences with Marel experts and other peers in the food processing industry. Participants attended customer-driven presentations on 'Innova trick' sessions, three service deep-dive topics, sessions focused on product solutions, keynote presentations and open panel discussions.

Innova Asia Roadshow Oceania

In the first two weeks of July 2022, Marel Innova specialists visited Thailand, Singapore and Vietnam to hold half-day seminars for Marel customers. Participants had the chance to discuss market trends and digital transformation in seafood processing and build relationships with Marel experts. We look forward to future seminars, and to helping our customers stay on top of the latest market trends and digital transformation in seafood processing.

Innovation

More than 1,000 employees
in 10 countries

6% of revenues
invested in innovation

33 solutions
launched in 2022

Innovation is deeply ingrained in Marel's culture and is one of our core values. To continuously build our ability to connect and transform our industry, we invest 6% of our annual turnover into innovation activities.

Our commitment to innovation is driven by our aim to create a sustainable food processing industry, where precious resources are used responsibly and food waste is minimized. By pursuing this goal, we enable our customers to remain adaptable, efficient and competitive.

In 2022, Marel brought 33 new solutions to market, and we had the opportunity to engage with customers worldwide in person once again. We were able to showcase over 35 products that we had developed during the pandemic, displaying our achievements from the past year and a half.

Innovating in uncertain times

We innovate solutions that align with the major trends we observe in the food processing industry, including the growing demand for automation, digitalization, sustainability and integrated line concepts. Our dedication to these areas is reflected in this past year's innovation launches, which are highlighted at the end of this chapter.

We strive to help food processors adapt to a changing world. As consumer preferences shift toward more ready-made meals and complex retail offerings, our customers are also facing labor scarcity and rising costs of raw materials and energy. To help them meet these challenges and supply consumers with sustainably produced, high-quality food, we must embrace new technologies and processes at an increasing pace.

To support our customers, we aim to connect them with their processes, transform the technology base on which they operate and innovate our way to better solutions. Our efforts are focused on key areas such as connectivity, automation, sustainability and flexible line offerings.

Automation

As a megatrend in the food processing industry, automation is key to Marel's innovation efforts. Through the development of automation, robotization and digitalization, Marel helps food processors create opportunities to improve food safety, sustainability, efficient resource use and animal wellbeing. These cutting-edge technologies also reduce dependence on manual labor and make processing lines more flexible.

Connectivity and digitalization connecting to service

In 2022, we are proud to have transitioned from extensive planning to live implementation in our digital journey. We made solid progress on our roadmaps for the next connectivity products across all industries, for example with our SmartBase cloud solution.

We also continued our digital journey by developing new service products and digitally connected solutions in our current installed base, such as the **SmartBase-enabled ModularOven**. These efforts have positioned Marel at the forefront of the food processing industry, taking advantage of the latest advancements in automation and Industry 4.0.

Next-level line solutions

In recent years, Marel has worked closely with current and potential customers to initiate several product development programs specifically addressing innovative line concept solutions. In 2022, we introduced the Beef Steak Line to market at IFFA, which was a major milestone in taking our line solutions to the next level. The Beef Steak Line is just one of many solutions that address ease of integration, standardization and modularization, all of which improve costs and lead time to market.

Case study

Expanding the FleXicut range

Marel has launched two new FleXicut models for portioning salmon and whitefish: FleXicut Tres and FleXicut Valka. The FleXicut range combines intelligent software, waterjet cutting and advanced X-ray capabilities to improve sustainability and profitability through higher yield and throughput.

FleXicut Tres

The FleXicut Tres is designed for skin-on and skinless large whitefish and pre-rigor salmon fillets, enabling maximum raw material utilization. The X-ray scanning area fits large fillets and detects bones as small as 0.2 mm, with advanced software adjusting cutting angles to remove bones and optimize efficiency.

The solution uses dual-cutting technologies, with three waterjets making curved and angled cuts, and twin blades making vertical cuts. This combination improves flexibility and prioritizes high-value portions. Cutting patterns can be easily adapted to suit market trends, helping customers remain competitive.

FleXicut Valka

The FleXicut Valka helps drive fish processing toward a more profitable and sustainable future. Developed following Marel's bolt-on acquisition of Valka, this advanced machine combines software and robotics for extreme flexibility and precise deboning of skin-on or skinless salmon and whitefish.

A 3D vision system scans fillet size, shape and density, while a high-definition X-ray detects even the smallest bones. Fillets are then precision deboned and portioned using tilted and dynamic waterjet robot cutters that can cut at any angle or curved pattern, maximizing yield and thus the value of the end-product.

New Automation Center to support faster innovation to market

In 2022, Marel Innovation formally established the Automation Center—a decentralized virtual team dedicated to nurturing and further developing the necessary collaboration between our experts within robotics, computer vision and artificial intelligence (AI). The aim is to provide and combine expert knowledge, continuously keep on-trend with new technology and provide development teams with relevant building blocks to create smarter solutions for our customers.

Marel Incubator process to support proof-of-concepts

When working with cutting-edge technology, Innovation often needs to mature ideas and concepts, transfer knowledge from universities and test out the latest offerings from our suppliers. To support these activities, we have established the Marel Incubator process for conducting proof-of-concept studies. The Automation Center will build and maintain test labs where we will perform these studies and test out new technology.

Core team of experts

To maintain Marel's leadership in advanced technology offerings, the core team of the Automation Center is responsible for investigating, integrating and maintaining new technology. Additionally, the team is responsible for fostering a knowledge-sharing community by hosting expert forums, presentations and company-wide information sharing that is released bi-annually.

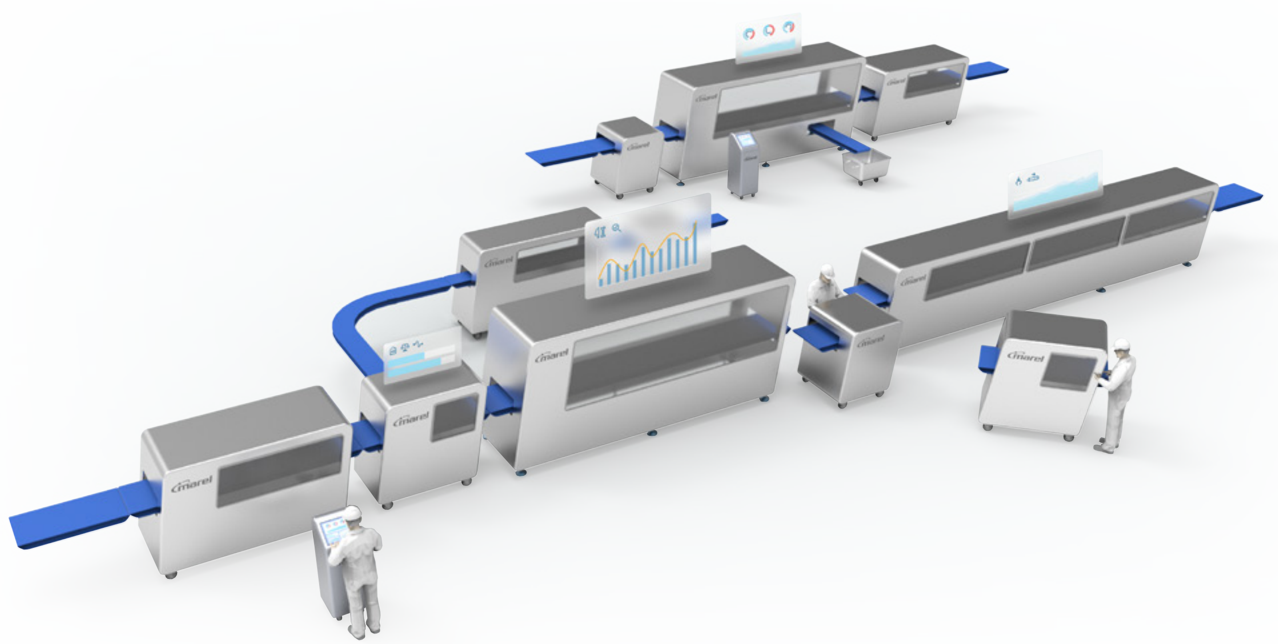
AI and computer vision platforms

The center's core team develops and maintains platforms for AI and computer vision, which focuses on enabling machines to interpret and understand the visual world. A common platform ensures faster innovation, a higher quality and scalable solution, and improved ways of working. The platform provides common building blocks for all development teams that seek to implement computer vision and/or AI into their solutions.

Automating flexibility with an emphasis on line solutions

Marel has come a long way in automating primary processing but faces the challenge of balancing automation and flexibility in secondary processing. Since processors in the retail and foodservice sectors must cater to a high variety of consumer preferences and cope with a scarcity of labor, flexibility is crucial. Our experts are working to address this issue throughout the company.

A conceptual example of future line flexibility



Automation opportunities in a customer-driven value chain

With emerging technology and new channels such as e-commerce, the industry is trending toward a customer-pull-driven value chain, where the end-consumer creates the food processing requirements.

Based on our engagement with customers, we have identified a clear need and demand for advanced interlinked secondary processing steps in the value chain. We aim to simplify our offering of line solutions, accelerate key integration developments and fully utilize automation opportunities to achieve this goal.

Automating across business segments to benefit customers

To further enhance our customers' experience, we are prioritizing the development of global standards for mechanical, electrical and digital environments throughout Marel. We are also creating integrated and connected line solutions for our customers. By doing this, we will be able to deliver fully flexible and modular sub-systems and end-to-end line solutions, as illustrated to the left.

Enabling our customers to be connected creates added value and serves as an additional incentive to view Marel as a one-stop shop for aftermarket services, trusted maintenance partnerships, and digital connectivity in service.

Sustainability in Innovation

In 2022, we made great strides in advancing our sustainability efforts. We began by mapping out ongoing initiatives across the company that could be having a positive impact on Marel's sustainability goals. From this assessment, we identified several areas for continued monitoring, two of which have a direct impact on the company's overarching sustainability key performance indicators: the Sustainability Scorecard 2.0 and Product Life Cycle Analysis. These initiatives also support our Innovation Roadmap focus, illustrated below.

Sustainable ways of working

- Sustainability mindset
- Design guidelines around circularity
- Processes and tools to support sustainable innovation behavior
- Partnering for sustainable impact

Sustainable products and solutions

- Ensure lasting sustainability impact
- Lower carbon emissions
- Health and safety from a modern sustainability perspective, e.g., ergonomics
- Circular design to ensure optimal use of resources

Sustainability Scorecard 2.0

Marel has developed the Sustainability Scorecard 2.0 to make sustainability a permanent criterion for evaluating all new product developments (NPDs) at every stage of our development process. The scorecard, updated from the previous Sustainability Scorecard, helps our innovation team focus on improving sustainability in the food value chain, ensuring that all Marel innovations align with our goals in this area. In 2022, all new innovation projects approved for further development were rated using the scorecard, maintaining our 100% rating from 2021.

Sustainability through extended reality and simulations

In 2022, we made progress in utilizing extended reality (XR) and other simulations to improve our sustainability impact. Our engineering innovations have reduced waste of raw materials in the prototyping phase by increasing the use of virtual prototyping. Additionally, we have reduced the need for shipping equipment to exhibitions by using 3D real-time immersive technology to showcase our innovations. This technology is shown in action in the video below.

Watch now

Innovation launches in 2022

In 2022, we made significant progress on key projects to develop and install advanced processing solutions across our business units. Multiple initiatives continued to move forward as planned.

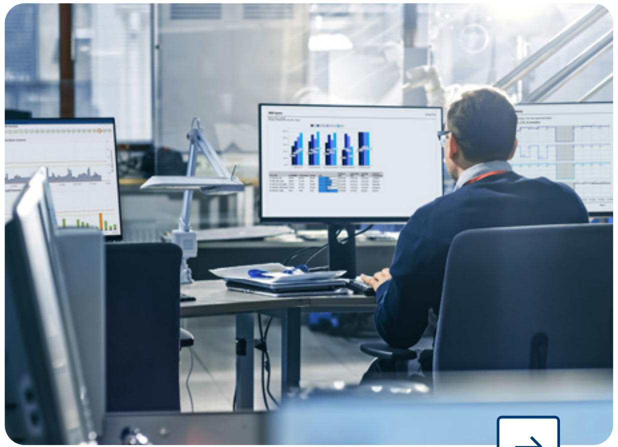
We are proud to highlight major product launches such as the Leaf Lard Remover, Innova IMPAQT, and FilleXia, among others. We are also increasing releases of digitally driven solutions to market, such as our Warehouse Management System (WMS).

As we continue to take important steps toward standardizing our product portfolio and internal processes, digitalization remains a major focus for us.

New products strengthen the portfolio

In 2022, we demonstrated our commitment to robust delivery by releasing a total of 33 new solutions. Here, we have highlighted a selection of these to showcase the breadth and depth of our innovation efforts.

Innova IMPAQT, Poultry



Learn more

Optimizing the primary process

Innova IMPAQT brings together data from sensors, systems and processes, from live bird handling to chilling. This allows processors to see trends in losses in the processes over time, leading to optimized production and increased output levels.

Benefits

- Reveals real-time losses while highlighting the causes
- Identifies issues that require attention from production management
- Unleashes the full potential of a Marel poultry production line
- Highlights where to improve daily efficiency on the line

FilleXia, Fish

Learn more

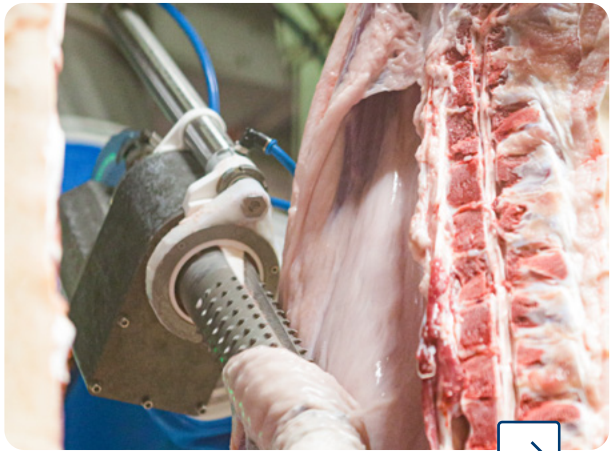
Transforming tilapia production

FilleXia is the automated filleting machine that brings unprecedented efficiency to the tilapia industry. It increases productivity, lowers the risk of contamination and creates a more affordable product.

Benefits

- Low production cost and maximum yield
- Minimum manual handling
- Improved food safety
- Small footprint

M-Line Leaf Lard Remover (MLR), Meat



Learn more

Tough task made fast and automatic

Leaf lard removal (flare fat removal) is one of the toughest tasks in the primary processing of pork. The M-Line Leaf Lard Remover (MLR) eliminates the steps of manual processing and the need for any pre-cutting.

Benefits

- Reduced need for maintenance and spare parts
- Higher yield on cutting and deboning
- Improved scanning process
- Higher accuracy of positioning

Active Batter Applicator, RFS

Learn more

Unique technology for flawless coating

The Active Batter Applicator uses unique technology to ensure an unrivaled, all-around coverage of formed and whole muscle products. It creates the perfect base for a flawless layer of dry coating.

Benefits
- Optimal product coverage—no voids or belt marks
- Unbeatable pick-up
- High line speed—up to 25 m per minute
- Handles highly viscous batters

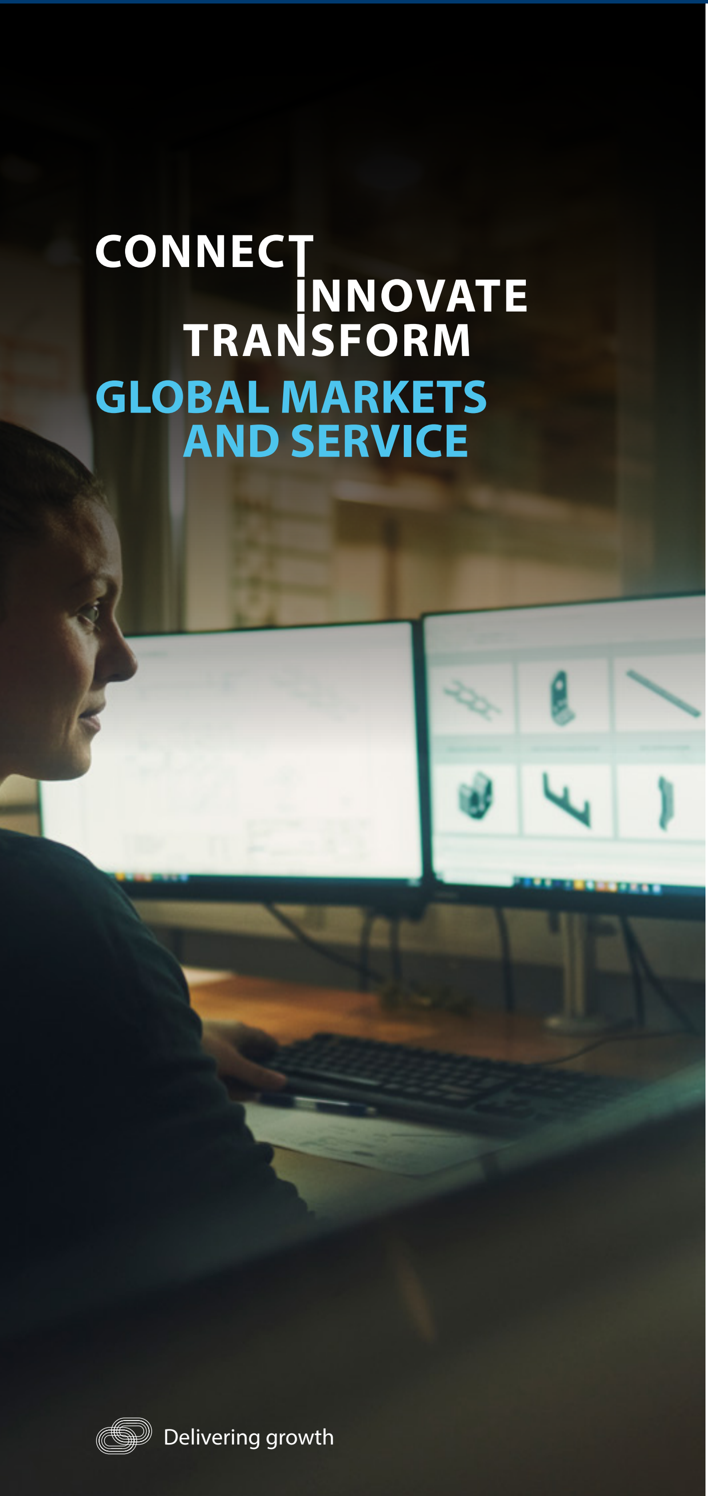
V-Cut 180, RFS

Learn more

Versatile volumetric portion cutting

The V-Cut 180 is a scalable, multifunctional volumetric portion cutter for medium-sized butcheries and industrial processors operating small lines. It offers exceptional versatility and portion quality.

Benefits
- Simple to operate
- Scalable solution for customized configuration
- Wide operational window
- High throughput



Global Markets and Service

Marel maintains an extensive global presence so that we can effectively serve customers all around the world. This unique network allows us to build enduring partnerships that produce exceptional results for our customers and the market. We have customers in more than 140 countries, ranging from international leaders to local processors, mainly within the poultry, meat and fish industries.

The Global Markets and Service team consists of nearly 3,000 employees, where more than 50% are regional and market focused, spread across more than 30 countries. We cover global functions for a unified customer approach and offer locally based sales and service to ensure we engage with processors where they live and operate.

In 2022, we worked to strengthen our global and local capabilities, as well as advance our internal technology and digital customer interfaces. We have structured the reach of our data-driven marketing, sales and service activities to have a strong local presence in our six regions. Each region is backed by a robust knowledge base in our business segments. Our global functions also contribute to a unified approach.

Together, these efforts support our aim of growing aftermarket revenues from 40% towards the 2026 target of 50% of revenues coming from service and software.

3,000 employees

>50% employees are regional and market focused

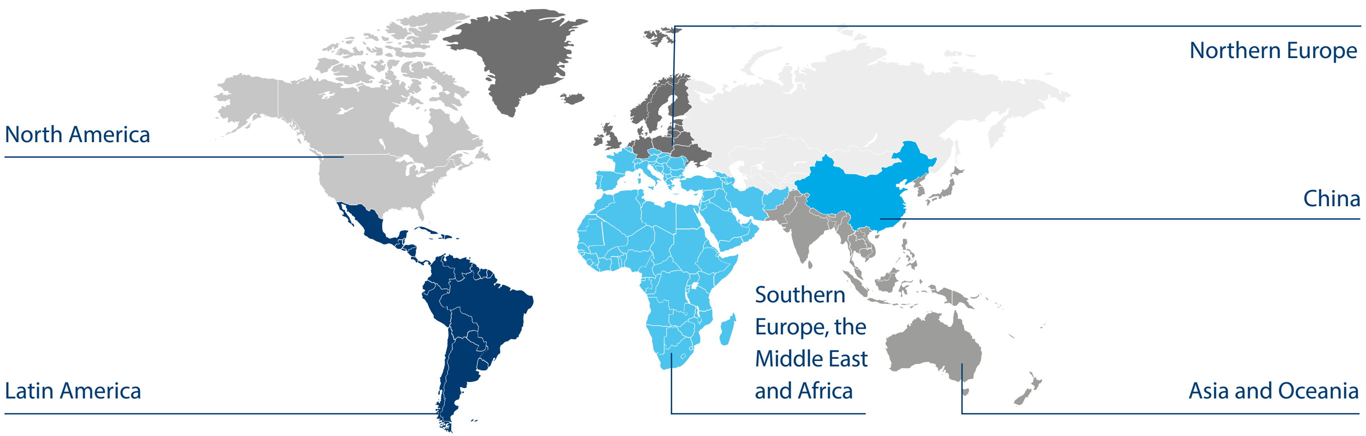
Spread across more than **30** countries

Our global reach

Marel's local sales and service network is the backbone of our global reach. We are organized in six regions, where our regional teams are responsible for the customer journey and experience: North America; Latin America; Northern Europe; Southern Europe, the Middle East and Africa; China; and Asia and Oceania.

Our strong local presence enables us to help customers optimize their operations for safe, sustainable and affordable food production. It is also key to understanding the market, our customers' customers, retailers and trends in the food industry.

In 2022, we further strengthened our structured regional account ownership approach for sales and service. We have grown aftermarket revenues substantially in emerging and established markets, increased equipment sales to new customers and increased sales of connected software solutions to both new and existing customers. In addition, we have engaged with processors at physical, virtual and hybrid trade shows, events, training sessions and demos.



Aurora Coop to install largest further processing greenfield in Brazil

Marel is proud to be partnering with Aurora Coop to install a groundbreaking new prepared foods greenfield—the largest of its kind in Brazil. The project includes the first installation of some of our newest solutions in Latin America, such as the RevoPortioner 1000, which provides accurate sizing and weighing, and ModularOvens, which ensure gains in productivity and yield.

Scheduled to begin production in 2023, the facility is designed to serve both domestic and international markets. It will set a Latin American benchmark in both technology and production volume, with a capacity to process over 20,000 kg of final product per hour.

"Aurora Coop is always looking for project partners providing the highest levels of reliability and safety, who can guarantee the quality and performance of our products," says Neivor Canton, CEO of Aurora Coop. Marel is excited to be working with Aurora Coop on this trailblazing new venture.

Learn more

Latin America

In 2022, our demo center Progress Point Latin America in Campinas, Brazil proved to be a catalyst for success since its opening in 2021. It serves as a modern event space, hosting industry events such as the **Tilapia ShowHow** and equipment demonstrations in physical, virtual and hybrid combinations with external events like **TecnoCarne**.

Progress Point Latin America has been valuable for the targeted training of our service and sales employees. In addition, the space has been indispensable for partnering with customers in testing and developing new products.

Overall in Latin America, we continued to focus on investment and operational efficiency. By improving commercial and service activities to support existing local customers, we were able to capture further growth potential. We invested in hiring additional service technicians in key markets and boosting regional capacity and productivity.

49 **days** of training for service people

28 **demos** in 2022

North America

To meet our customers' growing demand for connected digital solutions, we invested in upskilling our service and sales employees in North America, ensuring that they are well-equipped to address our customers' needs. Connectivity is the cornerstone of the Marel digital journey, meaning that we are developing a digital ecosystem that connects processing data in a seamless fashion throughout all levels of production. This greatly benefits our customers by improving their processing operations and predictive maintenance.

In 2022, we connected nearly 120 Marel solutions to SmartBase in North America, and we are working to increase this number significantly in 2023. SmartBase is our machine monitoring solution based on Internet of Things (IoT) and cloud technology and is the new standard for all Marel equipment. We began manufacturing and selling our first SensorX and FleXicut machines embedded with SmartBase as a standard component.

In October, we engaged with customers at our **Software KnowHow**. The event was a great success as it brought customers together with software developers to discuss their current and future challenges and how Marel can help solve them. We also discussed how processors can achieve new levels of efficiency with digitally connected equipment that communicates and interacts to optimize the overall process, rather than just enhancing individual machines.

A 15,000-bird-per-hour greenfield for Atria Finland

Atria Finland is undertaking the largest investment in its history: a new 15,000-bird-per-hour poultry processing plant in Nurmo, Finland, mainly powered by Marel solutions. Atria and Marel have been long-term partners since Marel installed Atria's current poultry processing line some 20 years ago.

The new processing plant will feature some of Marel's most advanced primary processing technologies, such as our ATLAS live bird handling system, the CAS SmoothFlow stunning system and one of the world's first ever Nuova-i eviscerators. Atria has also opted for Marel's advanced air chilling, cut-up and deboning technologies.

"Like elsewhere around the world, poultry consumption is growing in Finland. We foresee our factory capacity being challenged in the coming years. Secondly, our current Marel line and the equipment in our poultry process date back to 2003, so they're at the end of their life cycle, although they are still in quite good shape thanks to proper service and maintenance," says Reijo Äijö, Vice President of Atria.

In keeping with the growing demand for automation, digitalization and sustainability in Northern Europe, Atria Finland aims to be more data-driven and sustainable. The new line will be equipped with our IMPAQT software solution to stay ahead of maintenance needs and improve evisceration and bird quality.

Learn more

Northern Europe

Throughout the year, we assisted our Northern European customers in leveraging the many benefits of digitally connecting their equipment. As one of our two leading regions in terms of advanced digital solutions, the number of connected machines in Northern Europe continues to increase. By helping customers create a digital ecosystem for efficient food processing, we supported their needs for flexibility and scalability amid the region's challenging market conditions.

In 2022, we finalized the alignment of our Northern European region with our global vision. This involved fully implementing the regional leadership structure and clarifying roles and responsibilities in sales and service. Northern Europe is also home to the teams that support our business segments, which have transitioned into fully global teams. To improve internal collaboration and deliver a seamless customer experience, we also promoted closer collaboration among Marel's different functions and teams, both within the region and with our global business segments.

Southern Europe, the Middle East and Africa

In Southern Europe, the Middle East and Africa, we focus on embracing opportunities to grow new markets and expand our sales and service coverage. In 2022, we embarked on some great new customer relationships and invested in getting the right people on board to help unlock the many opportunities for Marel in the region. It was a particularly strong year for us in the Middle East, where we secured some substantial projects such as two new greenfield projects in Iraq.

We are also eager to take on a greenfield project in Romania with **Avicarvil**, a leading poultry producer, processor and retailer with a capacity of over 30 million chickens per year. Avicarvil plans to double this capacity in the coming years by building a greenfield processing plant in close partnership with Marel.

Geopolitical uncertainty, such as the war in Ukraine, has meant a shift in supply and demand for various proteins, which has encouraged investments by our customers in various areas. We have been able to quickly accommodate and act on these changing market conditions thanks to our lean and flexible organization in this region.

Average customer satisfaction[1]

[1]According to 118 net promoter score (NPS) responses received

China

We engaged with local customers, industry associates and key partners at our new demo center Progress Point Shanghai in 2022. The center opened in 2021 and has proven to be effective at showcasing Marel and our innovative solutions to transform the food industry in China.

As China's demand for high-quality processed food accelerates, many customers are asking Marel to help them transform to meet consumer needs. Despite the challenges posed by COVID-19 restrictions throughout the year, we continued to co-create and innovate with our customers, ensuring that our solutions are tailored to meet the specific needs of the Chinese market.

Chaohe Group partners with Marel to increase automation

Chaohe Group, a Marel customer since 2019, is expanding its operations in further processing and plans to integrate its value chain further downstream. Chaohe's subsidiaries already integrate standardized breeding and processing of broilers, as well as further processing of chicken products using Marel's advanced solutions. Progress Point Shanghai played an important role in Chaohe's decision to partner with Marel for its first cook line, as the demo center allowed Chaohe to see the capabilities of our solutions and how we support our customers at every step.

This recent collaboration with Marel will make Chaohe one of the most automated local poultry breeding and processing companies in China. "Marel helps our company realize the industrial upgrade of intelligence, digitalization, automation and standardization," says Zhang Li, President of Chaohe Group.

Asia and Oceania

In Asia, Marel has continued to expand its presence by strengthening aftermarket support to our customers in countries such as Japan, South Korea, Thailand and Vietnam. We spent the year proactively engaging with customers on a range of service offerings to maximize their line performance.

We also focused on equipment sales. One of our most successful products in Asia and Oceania is our SensorX bone detection solution, which has a solid installed base throughout the region. Customers also appreciate our preventive maintenance solutions, where we maintain and replace critical parts to ensure uptime and the highest level of safety for consumers.

In Oceania, we helped customers transition to a more automated production line. A great example is **Ausport**, an Australian company that faced labor shortages during the pandemic. Implementing Marel's solutions helped to transform and future-proof the business through the power of automation, resulting in improved throughput and efficiency.

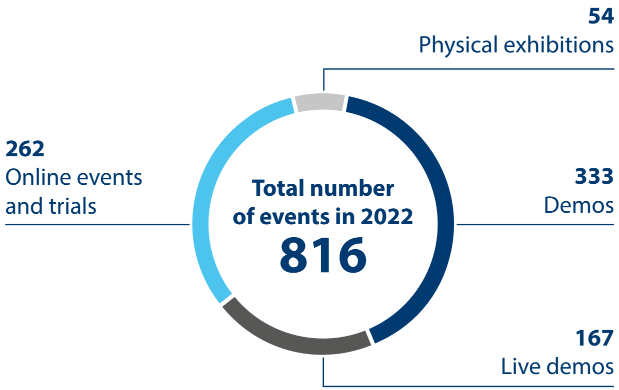
Connecting with customers at exhibitions and events

After two years of mostly online events, in 2022 we made a concerted effort to reconnect with our customers and partners through in-person events such as exhibitions, trade shows and in-house events like ShowHows and KnowHows. We attended events including IFFA, VIV Europe, TecnoCarne and Anuga FoodTec and hosted our first Tilapia ShowHow in Latin America.

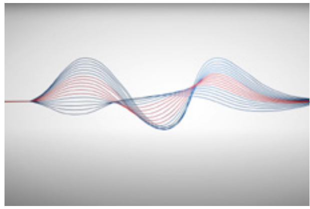
When presenting at these events, we focused on showcasing how we are transforming food processing through connectivity. We demonstrated how our modular and digitalized solutions provide a flexible and scalable platform that covers the complete spectrum of processing needs, from line solutions for companies of all sizes, to single-skill solutions for butchers, bakers and fast-food makers, and from primary processing to consumer-ready products.

We also used our global network of demo centers and collaborative customer partnerships to create new ideas and applications. We have utilized multiple demo centers in real time to offer hybrid events, allowing participants to benefit from our global reach and access to state-of-the-art solutions across multiple locations. Using virtual and augmented reality, we let customers fully explore how a modular and connected line can meet their specific needs.

Online events and demos 2022



For Marel, innovation and connectivity are an infinite, unbroken line forward. Watch our video to get a taste of how we have returned to expos stronger than ever in 2022.



Marel is back at exhibitions!

Watch now

Global service and spare parts

Digitally enabled services

We are driving connectivity of Marel equipment to support the rollout of new digital services that bring added value to our customers. In 2022, we connected around 200 machines through SmartBase. By giving processors access to machine data, they can make instant adjustments to improve their performance. We can also provide remote troubleshooting and support, pinpoint bottlenecks on production lines, identify potential breakdowns before they happen and increase the predictability of production. All of this leads to higher uptime, reduced waste and improved efficiency.

Digitally unlocking the aftermarket potential

Digitalizing the installed base is key to unlocking the full potential of an integrated solution and combination of hardware, software and service. To achieve our target, we are constantly strengthening our service portfolio to meet our customers' needs and deliver more value. We are building our team and driving processes to both enhance our traditional maintenance services and develop new digitally enabled service products.

In addition to growing our spare parts sales, we have also increased the digital connectivity of equipment and expanded the number of service contracts. These efforts help ensure that our customers' machines and lines run smoothly throughout the contract period.

Expanding the digital journey in partnership with customers

Marel's advanced IMPAQT software identifies production losses and improves daily efficiency, and we are also developing new solutions that combine data-driven optimization with traditional maintenance and support services. We are collaborating with key customers to develop innovative services for select machines such as the SensorX and ModularOven, and we will accelerate and expand these efforts going forward.

Marel is also using digitalization to offer more extensive and scalable training services for customers, helping to address staff turnover and ensure employees have the right skills to operate production equipment. We are currently developing an online customer training portal and digital training content, which we aim to make available in the first half of 2023. These services will scale up as we add equipment coverage and expand customer accessibility.

Progress in spare parts sales and sustainability

We have made strong progress in spare parts sales. As a trusted maintenance partner, we must be able to deliver high-quality spare parts to our customers worldwide at the right time and cost, and in a sustainable way. This is an essential part of the customer experience and maintaining long-term customer relationships.

In 2022, we invested in our infrastructure with a long-term plan to establish a dedicated global supply chain for spare parts. We have also worked closely with our procurement team to optimize the end-to-end performance of our spare parts.

In terms of services, we are simplifying spare parts ordering through an online customer portal that will streamline the process of placing and tracking orders. This portal is a multi-step project that will be implemented starting in 2023, adding industry and geographic coverage step by step.

As part of our sustainability efforts, we have created standardized spare parts packages to ensure that our customers get the necessary parts when they need them. By offering a standardized package, we can source and price spare parts more sustainably.

Total customer-facing time
+24%

Field service engineer efficiency
+20%

Aftermarket hours
+27%

Field service

Marel has one of the most extensive installed bases across our target markets. We maintain close partnerships with our customers to ensure reliable, high-performance production throughout the life cycle of their equipment. In 2022, our dedicated field service engineers increased their customer-facing time by 24% compared to 2021. We visited more customers onsite and continued to use our remote customer support when fast assistance was needed.

Our global approach to field service last year emphasized learning and development. We targeted onboarding, upskilling and specializing, as well as instilling a strong safety culture across all aspects of our global operations, including the work performed onsite for our customers. All field service engineers and field service managers completed our mandatory health and safety training.

We also took additional steps to advance how we monitor performance. With this progress, we can better forecast workload and ensure a better work-life balance for our engineers. We are committed to creating a safe environment for our employees, contractors and visitors, with a focus on promoting health and wellbeing and reducing absenteeism.

Technical support and help desk

Being a trusted maintenance partner means being easy to contact and quick to solve our customers' issues. We achieve this by applying our global expertise with local support.

Throughout the year, we further improved our processes and implemented a general technical support flow that allows customers to access standardized remote technical support within regional opening hours. Our goal is to provide fast, accurate assistance through regional touchpoints. By leveraging our global knowledge with local resources, we effectively serve our customers' needs.

Remote access to machine data further enhances our ability to troubleshoot and resolve issues. We are developing enhanced reactive and proactive technical support services that provide greater value for customers through richer insights and increased preparedness.

Our specialists in the business segments assist with service requests that cannot be resolved in the regions and help with the training and upskilling of regional service colleagues. This helps us to maintain a strong source of technical knowledge along the product life cycle, while also building up competencies in the regions and standardizing our processes to improve the customer experience.

Global Supply Chain

Global Supply Chain is responsible for procurement, manufacturing and logistics within Marel. We pride ourselves on our ability to produce solutions according to our customers' needs, delivered at the right time and right cost, all while maintaining a sustainable approach.

Our team of more than 3,400 experts, along with colleagues recently welcomed from Wenger, works to build long-standing relationships with partners, distribution networks and key suppliers.

Together, we facilitate the innovation and distribution of standalone equipment, full-line solutions and spare parts. We also support Service, which ensures that our customers are well taken care of and underpins our reputation as a trusted maintenance partner.

The year in review

Global Supply Chain had a busy and productive 2022, including a change in leadership, investments in transformative initiatives, and navigating pandemic-related challenges.

Solid performance amid shortages

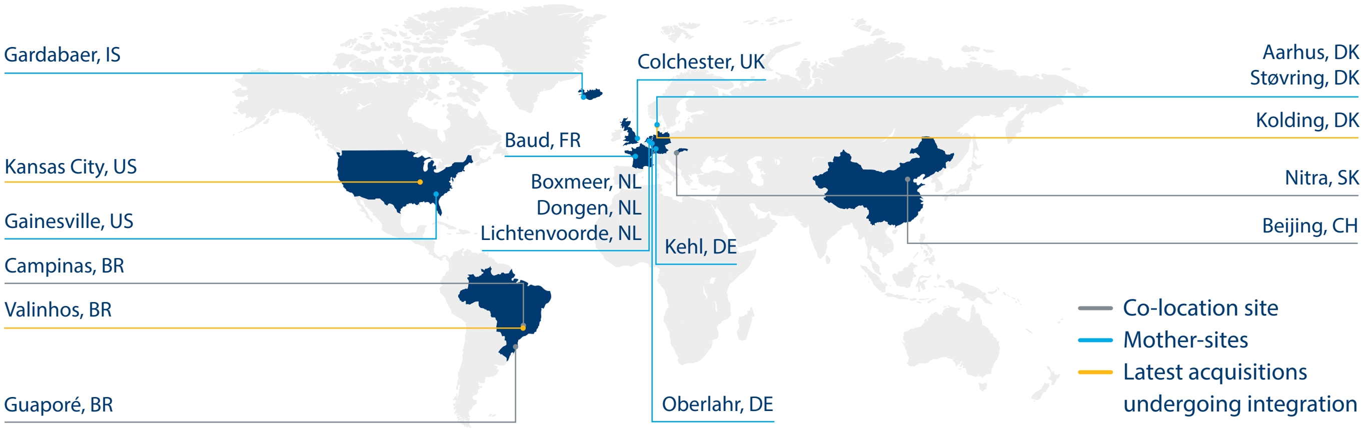
Despite logistical challenges brought on by the pandemic, we achieved relatively good performance on equipment delivery in 2022. We also managed to ramp up revenues in the fourth quarter thanks to strong order intake in the first half of the year, though parts availability issues put pressure on profitability.

Continuing Marel's co-location strategy enabled us to optimize production costs. We currently have 18 manufacturing sites for equipment and spare parts that support our extensive sales and service network.

Financial initiatives

Marel made significant investments to support our goal of EUR 3 billion in revenues by 2026, with 50% coming from aftermarket services and software. These investments include transformative initiatives that support our end-to-end spare parts journey and role as a trusted maintenance partner. We are working to automate and digitalize the manufacturing platform, supply chain and aftermarket to provide the speed and scale needed to meet the financial targets for year-end 2023.

Global manufacturing platform



Investing in automation and digitalization

Cash capital expenditures, excluding research and development expenses, are projected to rise to an average of 4-5% of revenues in the period 2021-2026, before returning to more normalized levels. This increase will drive the performance improvements needed to achieve our 2023 financial targets.

The long-term outlook for the industry is unchanged, so Marel will continue to invest in digital solutions, spare parts handling and streamlining the backend. We remain focused on automating and digitalizing our manufacturing platform, supply chain and aftermarket to shorten lead times and support the 2026 target of 50% of revenues being generated by service and software. Marel's aftermarket revenues, composed of recurring services and spare parts, have continued to grow throughout the years, reaching 40% of total revenues in 2022. Our spare parts revenues have been strong, reflecting our commitment to investing in the spare parts delivery model and shortening lead times.

New distribution and manufacturing facilities

In 2022, we initiated several key investments to enhance operations and meet customers' needs. Parts used for manufacturing and spare parts for customers run at different tempos, and we aimed to shorten lead times to customers and improve planning and optimization of parts scheduled for manufacturing activities.

One of these investments was a new, digitalized Global Distribution Center, strategically located in Eindhoven, the Netherlands. This center will become operational in 2024 and improve flow, flexibility, scale and efficiency, shortening lead times as intended.

We also invested in a new production facility next to the current operations in Nitra, Slovakia. This facility will allow us to increase production in a cost-effective location.

In addition, we are continuously digitalizing, automating and improving flow in our main poultry facility in Boxmeer, the Netherlands. Our new 10,000 m^2 warehouse, known as the Farmersland project, will streamline operations by consolidating multiple small warehouses around Boxmeer into a single location close to the manufacturing halls. The warehouse will be operational in the first half of 2023.

Case study

Buford warehouse success story: 23% rise in on-time delivery

In 2020, we embarked on a journey to improve the efficiency and professionalism of our North American spare parts operation. We implemented the new spare parts operating model, and in June 2020, we split our inventories in Gainesville to regain simplicity, control and transparency over spare parts and manufacturing parts.

To further improve our response times and delivery performance, we established the Order Fulfillment Team, dedicated to spare parts handling and purchasing. Finally, in June 2022, we physically split our spare parts inventory and moved it to a separate location, the new Buford Distribution Center.

The move was a huge success, thanks to the tireless efforts of our project team, a large group of Marel volunteers and external helpers. Over the course of a weekend, they moved more than 8 million parts into the 10,000 m^2 Buford warehouse. The result was a 23% improvement in on-time delivery performance, greater cost efficiency and improved work safety, all with minimal disruption. This move is a significant milestone for our company, and we are pleased with the positive impact it has had on our spare parts delivery in North America.

Balancing the load between manufacturing sites

In early 2022, COVID-19 lockdowns affected our efficiency and output performance. However, Marel's co-location strategy enabled us to minimize the impact significantly, meaning that only a limited number of deliveries to customers were delayed.

Marel faced considerable changes in market demand and had to take extra measures to balance demand and capacity at each manufacturing site. Some sites increased capacity to maintain good delivery performance, while others decreased capacity to control costs. The manufacturing sites showed exceptional collaboration, such as taking on tasks from colleagues, traveling to other sites to provide support, and co-locating products sustainably. This demonstrates our strong unity and customer focus in the Global Supply Chain team.

We also made and implemented important co-location decisions to simplify the organization and minimize the impact of 'mixed sites,' where one site was supporting several business units. An example of this is the OneMeat initiative, where we have begun moving manufacturing of our meat-processing solutions from Boxmeer to Lichtenvoorde. We also plan to relocate manufacturing of our solutions for the processing of prepared foods from Støvring to Boxmeer.

Pricing

Marel maintains a global price list to administrate the sales prices in its product portfolio. In 2022, we saw high inflation for raw materials, with the cost prices increasing significantly during the first half of the year. Fortunately, in the second half of the year the price cost stabilized, primarily due to lower stainless steel prices.

To respond to fluctuations in cost, Marel has a continuous price revisions process. We begin by studying the global price list to administrate the sales prices in the product portfolio. As a response to inflation and the resulting effects on operating costs, we executed three price revisions on the global price list, including equipment, software, spare parts and hourly rates (tariffs). The process for price revision is based on the continuous development of macroeconomic trends as well as a quantitative assessment of the market environment.

In addition to price revisions, we tightened our quote validity in 2022. For equipment, the validity was reduced from 120 to 60 days, and for parts, it was reduced from 60 to 30 days.

The already enacted pricing actions and volume upside are expected to filter through until the second quarter of 2023, with variations depending on the time lag by business mix. For aftermarket, the time lag is around six to eight weeks, compared to three to six months for standard equipment and nine to 12 months for larger projects. This should support improved price/cost coverage and margin expansion toward our 2023 financial targets.

Procurement

Navigating the semiconductor crisis with Innovation and suppliers

Procurement focused on mitigating the impact of the semiconductor crisis by prioritizing parts. We achieved this through close co-operation with Marel suppliers and by actively searching for alternative components with the Innovation team. To ensure swift action for critical suppliers, we established cross-functional focus teams. We managed to minimize the impact with several suppliers, even amid heavy supply chain disruptions.

We expect that the situation will slowly improve in 2023, but it will call for full attention from Procurement, Innovation, Manufacturing and our suppliers. We worked collaborating in different ways with our main supplier, helping them to adjust their scheduling processes and inventory strategies. This collaborative approach will be vital to addressing the ongoing challenges successfully.

Responsible sourcing team in Lodz Shared Services Center

In October 2022, Procurement installed a responsible-sourcing team in our Shared Services Center in Lodz, Poland. This team is dedicated to supporting Procurement's sustainability goals by ensuring that suppliers comply with Marel's Supplier Code of Conduct, as well as encouraging suppliers to join our EcoVadis initiative.

Developing procurement expertise with the Marel Procurement Academy

Procurement is all about people, and to develop the capabilities of the Procurement team, we launched the Marel Procurement Academy. The first courses took place in 2022, including:

1. Foundation course focusing on strategy and planning
2. Basic legal training for strategic purchases
3. Advanced negotiations training for all Procurement staff
4. Strategic sourcing training focusing on creating category strategies

Building on the first year's success, the Marel Procurement Academy will continue in 2023 with an emphasis on supply chain management and supplier relationship management courses. Participants can also fulfill additional requirements, such as joining Marel's sustainability journey.

Case study

Breaking ground at the Global Distribution Center in Eindhoven

Taking the next step on our spare parts journey, we have commenced construction of our new state-of-the-art Global Distribution Center, strategically located in Eindhoven in the Netherlands. With a 13,875 m^2 warehouse, the new and digitalized distribution center will eventually house and distribute Marel's full range of spare parts, primarily to customers in Europe, the Middle East and Africa. It will also replenish local Marel inventories close to customers in Asia and Oceania, China, North America and Latin America. Our objective is to solidify our role as a reliable maintenance partner and ensure consistent lead times for our customers in all regions.

The strategic location will offer the latest possible cut-off times for customer orders for same-day shipment. The center will be operated on the new SAP S/4HANA enterprise resource planning (ERP) software platform with the extended Warehouse Management System (eWMS) and a highly automated AutoStore solution. The Global Distribution Center will be fully operational by the second quarter of 2024.

Learn more

New production facility purchased in Nitra

Marel Nitra

In the third quarter of 2022, Marel invested in a new production facility adjacent to its current operations in Nitra, Slovakia. We made this strategically important investment to improve production efficiency and cost-effectiveness.

The 18,700 m^2 facility is named Nitra West and officially opened in November. We have already transferred warehouse operations into the new building. Equipment assembly commenced in January 2023 following the completion of minor interior building projects, and the building will be in full use in the first half of 2023.

New laser and storage tower in Nitra

In October 2022, we completed the installation of a new laser cutting system and automated storage tower for metal sheets. The use of automated storage and loading eliminates the need for manual handling of heavy stainless steel sheets, improving the ergonomics and safety of the operation. The laser was supplied by sheet metal processing company Bystronic and is the latest generation fiber type, replacing the old CO_2 type. This new generation laser cutting system can cut at speeds up to five times faster on thin materials, is easier to maintain and reduces machine operating costs by 50%. The installation will ensure that we can meet the increasing demand for stainless steel parts as Nitra increases its output in 2023.

Global Logistics

We are continuously evolving our Global Logistics operations. In 2022, we initiated an important project to establish the Global Logistics organization at all Marel sites, except for Brazil and Lichtenvoorde, the Netherlands, where we expect to roll out the project in 2023.

We also conducted and planned multiple tender activities, reviewing bids from suppliers offering services across different transport modes. The EU Road tender took place in 2022 and will be fully implemented in 2023.

In addition to establishing the Global Logistics organization, we made sure to implement best practices. These include the secure utilization of frame agreements and carriers we selected from the tender processes.

The Global Logistics organization spanning all Marel sites operates under guidelines that promote scalability, process alignment and knowledge sharing to ensure an efficient and consistent way of working.

Initiating a parcel tender for improved shipping efficiency

In 2022, we undertook an initiative to unify our shipping operations across all our shipping locations. Previously, these operations were managed through local account setups, but we sought to improve collaboration and efficiency by implementing a new system.

To achieve this, we initiated a parcel tender, inviting carrier companies to submit proposals for their parcel delivery services. We held sessions with carriers to explain our company and future logistics strategy, and presented our global parcel footprint. Based on the proposals received, we nominated FedEx/TNT as our primary parcel carrier, with DHL as the backup carrier.

Marel's recent acquisitions, PMJ, Wenger and Sleegers, have also been incorporated into this framework.

Transport Management System

Our Transport Management System is an integration platform that will enable Marel to create a higher degree of integration (EDI) with strategic carriers and create an efficient pick-to-ship process through the warehouse. It is a critical middleware platform, acting as a bridge between separate software systems to facilitate communication and data exchange between them, ultimately creating a more efficient shipping process.

The Transport Management System will be used for our Global Distribution Center in Eindhoven, the Netherlands and other Marel shipping locations to enable integration and create transparency within spend and freight cost validation. The platform will ensure that track and trace links together with visibility of milestones from shipping to delivery.

Wenger acquisition creates synergies on freight spend

In 2022, Marel made a strategic move by acquiring Wenger, a global leader in pet food, plant-based protein and aqua feed processing solutions. This acquisition presents numerous opportunities for the Wenger sites to benefit from Marel's discount structure on freight costs. Moreover, adding Wenger's activities and locations will expand Marel's reach and enable us to achieve even better rates going forward.

We have already made progress by implementing source technology, which has led to savings on freight costs. In 2023, other pilot Wenger sites are following suit, further streamlining operations and maximizing cost efficiencies.

Key sites had no recordable injury

We continuously strive to make working environments even safer for our employees. In 2022, we made incredible progress toward our target of zero harm, making this goal more tangible and attainable for all Marel sites.

Through proactive and preventative safety measures, we were able to decrease recordable incidents by 25% and increase hazards reported by 28% during the year. This was largely due to the constant focus and leadership of our managers, who regularly conducted 'safety walks,' gathered feedback from employees and acted promptly on any reported hazards.

We use our in-house Track concern management tool to record incidents and follow up on the root causes. In addition, we share lessons learned from incidents with all our colleagues in Global Supply Chain, with our operation directors leading calls twice a month to discuss safety concerns and share their insights.

These ongoing efforts have paid off, as two of Marel's key sites, Nitra in Slovakia and Guaporé in Brazil, had zero recordable incidents throughout the year. We are very proud of this achievement and consider it a testament to our commitment to health, safety and the environment (HSE).

Learn more

CONNECT
INNOVATE
TRANSFORM

INVESTORS

Shares

Marel is the second largest company listed on Nasdaq Iceland by market capitalization. The market value at year-end 2022 was EUR 2.5 billion, compared to EUR 4.6 billion at year-end 2021.

Since listing on Nasdaq Iceland and dual listing on Euronext Amsterdam in 2019, Marel has attracted a diversified international shareholder base, and broadened its analyst coverage. In August 2022, the US investment bank Jefferies initiated equity research coverage on Marel, thereby becoming the eighth firm to actively track and publish opinions on Marel and its stock.

Listed on Euronext Amsterdam
since 2019

Listed on Nasdaq Iceland
since 1992

Trading and liquidity

The challenging environment of global markets weighed on the development of Marel's shares in 2022. Despite a gradual recovery from the pandemic, Marel's operational and financial performance in 2022 were affected by supply chain disruption and inflation at high levels resulting in inefficiencies in manufacturing and aftermarket, and higher costs associated with timely delivery.

These factors put pressure on Marel's shares in the first half of the year, but improved slightly in the second half, particularly in the fourth quarter. Marel's shares declined by 43.9% in ISK on Nasdaq Iceland and by 45.8% in EUR on Euronext Amsterdam.

Marel trades under the ticker MAREL and ISIN IS0000000388 on both Nasdaq Iceland and Euronext Amsterdam. However, the company's shares are not traded exclusively on the two stock exchanges. With the dual listing on Euronext Amsterdam, trading in Marel's shares has become more fragmented, with a significant proportion of trading outside of regulated markets resulting in low liquidity for Marel's shares on Euronext Amsterdam.

Shareholders

Eyrir Invest is Marel's largest shareholder, holding 24.7% or 190,366,838 shares, followed by the Icelandic Pension Fund of Commerce (LIVE), Gildi Pension fund and LSR Pension Fund, which also had reported shareholdings above 5% in Marel at year-end 2022. Eyrir Invest has been a principal shareholder in Marel since 2005.

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.

Shareholders who hold shares in Marel on Nasdaq Iceland and Euronext Amsterdam have identical rights, including voting rights and rights to dividends. As of year-end 2022, 257.7 million shares or 33.4% of Marel's total issued shares were listed on Euronext Amsterdam. The free float as of year-end 2022 was 75.3%.

Share capital

As of 31 December 2022, Marel's authorized share capital was ISK 771,007,916, represented by 771,007,916 shares issued, each assigned one vote with a nominal value of ISK 1.00, and 752,714,522 shares outstanding with 18,293,394 shares held by the company as treasury shares, or 2.4% of issued shares.

Stock options

Stock options are granted to management and selected employees. The aim of the stock option agreements is to align the long-term interests of employees and the company.
Granted and unexercised stock options totaled 23.1 million shares at the end of 2022 (2021: 18.4 million shares), of which 11.4 million are exercisable in 2023 and 11.7 million in 2024-2025.

On 16 March 2022, Marel's Annual General Meeting (AGM) approved a new stock option scheme, where up to 25 million shares may be granted as stock options and be in effect at any time under the scheme. If any stock options lapse prior to their vesting date, new stock options may be granted instead. Any options that had not been granted under an identical stock option scheme approved at the 2019 AGM became invalid once the 2022 scheme went into effect.

At Marel's 2014 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. It was renewed at the company's 2019 AGM and applies for five years from its adoption. No new shares were issued in 2022 under this resolution.

Share buyback program

On 1 June 2022, the Board of Directors of Marel decided to initiate a share buyback program on Nasdaq Iceland for up to 4 million shares, or about 0.52% of the total issued share capital in the company. In addition, the Board of Directors of Marel decided to initiate a share buyback program on Euronext Amsterdam for up to 1 million shares, or about 0.13% of the total issued share capital in the company. The purpose of the buyback program was to meet the company's obligations under share incentive programs with employees.

As part of the buyback program, Marel purchased 4.6 million shares (EUR 19.8 million) in the period 1 June 2022 to 2 September 2022. The buyback program on Nasdaq Iceland was in effect from 1 June 2022 and was discontinued after 1 July 2022, when the maximum number of shares to be purchased was reached. The buyback program on Euronext Amsterdam was in effect from 2 June 2022 until and including 2 September 2022, when the buyback program was ended.

Did you know?

Marel joins the FTSE Global All Cap Index

As of September 2022, Icelandic securities, including Marel, became eligible for the FTSE Global All Cap and associated indices:

- FTSE Global All Cap incl. Iceland
- FTSE Emerging All Cap incl. Iceland
- FTSE All-World incl. Iceland
- FTSE Emerging incl. Iceland
- FTSE Frontier excl. Iceland

The inclusion of Iceland in the FTSE Global Equity Index Series (FTSE GEIS), effective from the market open of 19 September 2022, will be implemented in three tranches: in September 2022, December 2022 and March 2023. The securities will be reflected at the full investability weight, i.e., their investability weight once Tranche 3 is completed in March 2023.

The transition to FTSE's Secondary Emerging Market status is a positive step that could further elevate interest in the Icelandic equity market and Marel more specifically, as one of the 15 Icelandic securities to be included in the FTSE Global Equity Index Series. The reclassification should also attract interest from a broader investor base and help facilitate substantial new inflow into Marel stock on Nasdaq Iceland.

Index inclusion

As one of the 15 Icelandic securities, in September 2022 Marel was included in the FTSE Global Equity Index Series (FTSE GEIS), following Iceland's recognition as a Secondary Emerging Market by global index provider FTSE Russell.

In 2021, international indexing company MSCI reclassified Iceland from Standalone Markets to Frontier Markets, and subsequently Marel was added to the MSCI's Frontier Markets Index series. Icelandic stocks have been incorporated in MSCI's indexes since 2018, when it was the first inclusion of Icelandic stocks since 2008 and since the lifting of capital controls in March 2017.

Marel is also included in the Nordic Large Cap segment of the Nasdaq OMX and is part of the OMXI10, an index that consists of the 10 most actively traded companies on Nasdaq Iceland. Since 2019, Marel has also been included in the VINX Benchmark Index by Nasdaq OMX Nordic.

Market making

Marel has agreements with Kvika Banki and Íslandsbanki for market making in its shares on Nasdaq Iceland, and with ABN AMRO – ODDO BHF and Kepler Cheuvreux on Euronext Amsterdam. The purpose of these agreements is to facilitate trading to improve liquidity and enhance transparent price formation in the company's shares on both stock exchanges.

Market making on Nasdaq Iceland

As market makers on Nasdaq Iceland, Kvika Banki and Íslandsbanki are committed to making daily bid and ask offers for shares in Marel for a minimum of 30,000 shares, at a price that they determine in every instance. The bid-ask spread shall be determined with reference to the tick size table of Nasdaq Iceland as it is at any given time with the bid-ask spread as close to 1.50% as possible, but not below 1.45%. The market makers are permitted to go below the aforementioned bid-ask spread in case of circumstances due to the tick size table of Nasdaq Iceland.

The total number of shares each market maker is committed to buy or sell each day is 240,000 shares in Marel on Nasdaq Iceland. The agreements with Kvika Banki and Íslandsbanki are valid for an indefinite period and may be terminated with one month's notice.

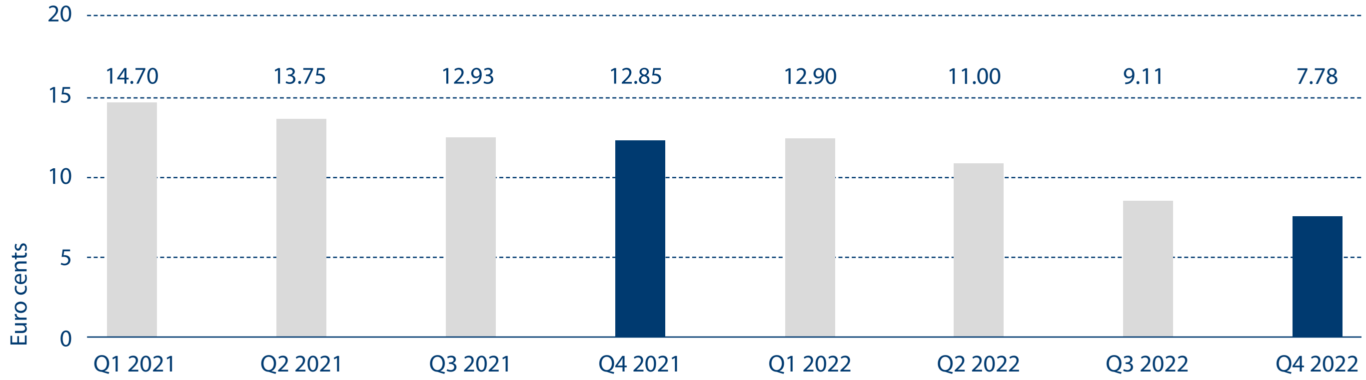
Market making on Euronext Amsterdam

As market makers on Euronext Amsterdam, ABN AMRO – ODDO BHF and Kepler Cheuvreux are required to provide quotes, bids and asks, for a minimum aggregate order value of EUR 5,000 each. In accordance with Euronext Amsterdam's rules, the liquidity providers shall be permanently present during the trading session and 15 minutes before the opening session.

The maximum bid/ask spread is 3% as of the agreement with Kepler Cheuvreux. According to the agreement with ABN AMRO – ODDO BHF, the maximum bid/ask spread is 3% if Marel's share price exceeds EUR 4.00 and a maximum of EUR 0.12 per share in case the share price is lower than or equal to EUR 4.00. The agreements are valid for one year and can be terminated with written notices with immediate effect for ABN AMRO – ODDO BHF and in one month for Kepler Cheuvreux.

Earnings per share

Earnings per share
Trailing twelve months



Earnings per share (EPS), calculated by dividing the net profit attributable to shareholders by the weighted average number of outstanding shares issued, were EUR 7.78 cents in 2022, compared to EUR 12.85 in 2021.

Earnings per share was impacted by one-offs e.g., cost of 5% headcount reduction, Stranda Prolog insolvency, higher level of investments and Wenger PPA in 2022.

Marel's management targets basic earnings per share to grow faster than revenues, resulting in profitable growth.

Dividends

Dividend history

Year of payment (for previous year of operations)	2023[1]	2022	2021	2020	2019	2018
Dividend per share EUR cents	1.56	5.12	5.45	5.79	5.57	4.19
Dividend yield, %[2]	0.48%	0.86%	1.09%	1.27%	2.00%	1.60%
Payout ratio, %[3]	20%	40%	40%	40%	30%	30%
Ex. Dividend date	24 Mar	18 Mar	19 Mar	20 Mar	7 Mar	7 Mar
Record date	27 Mar	21 Mar	22 Mar	23 Mar	8 Mar	8 Mar
Payment date	14 Apr	30 Mar	7 Apr	8 Apr	27 Mar	27 Mar

Notes: [1] Based on proposal to the 2023 AGM. [2] Dividend per share/Price per share at previous year-end.
[3] Total dividend paid/Net income of previous year.

Ahead of the AGM on 22 March 2023, Marel's Board of Directors has proposed that a dividend of EUR 1.56 cents per share be paid for the operational year 2022 (2021: EUR 5.12 cents per share), corresponding to 20% of net results attributable to Shareholders of the Company for the year 2022. The estimated total dividend payment will be around EUR 11.7 million for the operational year 2022, compared to EUR 38.7 million in 2021.

The proposed dividend is in line with Marel's dividend policy disclosed at Marel's AGM in March 2011. Dividend or share buyback is targeted at 20-40% of the net result and excess capital is to be used to stimulate growth and value creation.

Share price development on Nasdaq Iceland

Marel share price on Nasdaq OMX Iceland in 2022 compared to OMXI10 index

Source: Nasdaq OMX Nordic

At year-end 2022, Marel was the second largest company listed on Nasdaq Iceland by market capitalization.

The market value of the company was ISK 377.8 billion (EUR 2.5 billion) compared to ISK 673.9 billion (EUR 4.6 billion) at year-end 2021, a decrease of ISK 296.1 billion (EUR 2.1 billion).

As of year-end 2022, 513.3 million or 66.6% of Marel's shares were listed on Nasdaq Iceland. Marel's share price decreased by 43.9% during 2022. At year-end 2022, Marel's share price was ISK 490, compared to ISK 874 at the end of 2021. Marel's average end-of-day spread for 2022 was 0.87% (2021: 0.86%).

Marel's shares were among the most actively traded on Nasdaq Iceland in 2022. Shares in Marel were traded 13,561 times in 2022 (2021: 7,850 times) for a total market value of EUR 963.9 million (2021: EUR 798.6 million), which corresponds to a velocity rate of 29.6% (2021: 17.6%).

Share price development on Euronext Amsterdam

Marel share price on Euronext Amsterdam in 2022 compared to AMX index

Source: Euronext

Marel's share price on Euronext Amsterdam decreased by 45.8% during 2022. At year-end 2022, Marel's share price was EUR 3.22, compared to EUR 5.94 at year-end 2021.

Shares in Marel on Euronext Amsterdam were traded 19,769 times in 2022 (2021: 20,253 times) for a total market value of EUR 50.5 million (2021: EUR 64.1 million), which corresponds to a velocity rate of 1.5%.

As of year-end 2022, 257.7 million or 33.4% of Marel shares were listed on Euronext Amsterdam.

Trading data for 2022 and 2021

	2022	2021	Unit
Market capitalization:[1]			
Nasdaq OMX Iceland	377.8	673.9	ISK billion
Euronext Amsterdam	2.5	4.6	EUR billion
Share price at year end:			
Nasdaq OMX Iceland	490	874	ISK
Euronext Amsterdam	3.22	5.94	EUR
High/Low price per share:			
Nasdaq OMX Iceland	888/437	973/788	ISK
Euronext Amsterdam	6.00/3.06	6.58/5.02	EUR
Dividend per share (for previous year of operations)	5.12	5.45	EUR cents
Earnings per share	7.78	12.85	EUR cents
Price-to-earnings ratio	41.4	46.2	P/E
Issued shares	771.0	771.0	Million
Outstanding shares	752.7	755.7	Million
Shares listed at year-end:			
Nasdaq OMX Iceland	66.6%	64.2%	% of issued shares
Euronext Amsterdam	33.4%	35.8%	% of issued shares

Note:[1] Issued shares multiplied by share price at last trading day of 2021 and 2022

Financials

In 2022, Marel has continued to invest in transformative infrastructure to further automate and digitalize its platform. This will enable us to improve operational efficiency and increase volume through reliable customer deliveries.

Marel plays a pivotal role in the food value chain, focusing on continued innovation and introducing pioneering solutions that strengthen our customers' competitiveness.

Acquisitions and strategic partnerships have accelerated our innovation roadmap. The platform acquisition of Wenger in 2022 has opened up exciting new growth avenues in the areas of pet food, plant-based protein and aqua feed. Wenger now forms our fourth reported business segment—Plant, Pet and Feed—alongside Poultry, Meat and Fish.

The acquisition has been margin and earnings enhancing for Marel, and there are immediate opportunities for growth and value creation by leveraging Marel's global reach and digital platforms in Wenger's sizeable and high-growth markets. The long-term growth outlook in the food processing industry remains unchanged, and we are committed to a balanced approach of organic and acquired growth to reach Marel's 2023 financial targets and growth ambition for 2026.

Financial highlights

2022 in brief

Revenues in EUR **1,709m**	Adjusted EBIT margin **9.6%**
Orders received in EUR **1,734m**	Order book in EUR **675m**

Financial results in 2022

- Orders received increased by 15%, and revenues rose by 26% compared to 2021.
- We achieved record aftermarket revenues for 11 consecutive quarters, accounting for 40% of total revenues in 2022. This reflects Marel's strong market position as a trusted maintenance partner and underpins our 2026 target of having 50% of revenues come from software and services.
- Improved operational performance was achieved through higher volume, enabled by automation and infrastructure investments, solid customer deliveries and better price/cost coverage.
- We are committed to achieving the run-rate of 14-16% EBIT target for year-end 2023.
- We remain committed to our 2023 financial and operational targets and 2026 growth plan.

Financial performance

Record orders received

Marel closed the year with orders received at a record level of EUR 1,734.0 million. Demand for our pioneering solutions has been strong since the third quarter of 2021, with orders received exceeding EUR 400.0 million every quarter during this period. Based on this new level of market demand, resulting from a catch-up effect from the past years and a tailwind in the market, Marel raised its forecast of short-term organic market growth to the range of 6-8% until 2026, compared to the 4-6% market growth expected in the long term.

Prolonged inflation, rising interest rates and global recessions have historically shifted consumer demand as well as investments in the food industry from large projects toward standardized solutions, aftermarket and less capital-intensive projects.

Favorable secular trends, which are focused on automation, robotics technology and digital solutions that support sustainable food processing, will continue to support the organic growth outlook in the long term. In the short term, the current macroeconomic backdrop is causing elevated uncertainty.

Order book at a healthy level

Marel's order book at year-end was EUR 675.2 million, up by 18.7% compared to EUR 569.0 million at year-end 2021, representing 39.5% of 12-month trailing revenues. The book-to-bill ratio was 1.01 for the full year, compared to an average of 1.09 in the past four quarters (4Q21 to 3Q22) and 1.10 at year-end 2021.

Marel's order book consists of orders that have been signed and financially secured with down payments or letters of credit. The vast majority of the order book is composed of greenfields and projects, while spare parts and standard equipment move through the system more quickly.

In 2022, we actively raised prices, which gradually filtered through the system. The new price/cost levels filter through at varying rates depending on business mix. Aftermarket takes around 6-8 weeks, standard equipment takes around 3-6 months and larger projects take around 9-12 months.

Ramp up of revenues and solid delivery to customers

Revenues for the full year were EUR 1,708.7 million, an increase of 25.6%, with acquisitions contributing EUR 129.3 million. Organic revenue growth was 16.1%, and acquired growth was 9.5% in 2022. Challenging market conditions in the first half of the year, such as supply chain disruption and high inflation, led to missing parts and inefficiencies in manufacturing, which affected revenues.

Revenues up by 26% in 2022

Infrastructure investments enable higher volumes

Infrastructure investments in warehouses and better load balancing across manufacturing sites enabled higher volumes and solid customer deliveries in the second half of 2022. An improvement in parts availability toward the end of the year also contributed positively to higher volume. However, the semiconductor crisis remained an issue.

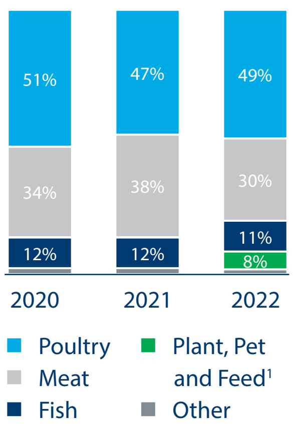
To resolve bottlenecks, we set up cross-functional teams for critical suppliers, innovated to engineer around switching parts, and optimized the supplier base as needed.

Aftermarket revenues continue to rise to record levels

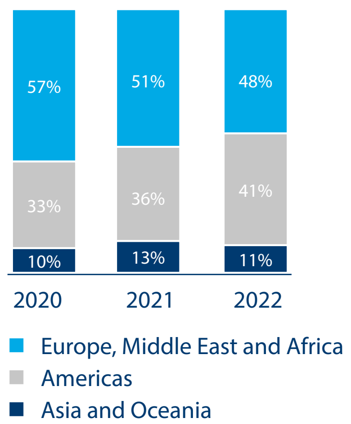
Aftermarket revenues, composed of recurring services and spare parts, represented 40% of total revenues in 2022 (2021: 40%). Marel's recurring aftermarket revenues continue to rise to new record levels and have increased for 11 consecutive quarters. This reflects our strong market position and reputation as a trusted maintenance partner.

Customers are increasingly looking to Marel as a full-line supplier with service and software to ensure processing optimization and factory uptime. Following the easing of pandemic travel restrictions, better utilization of field service engineers has also made a positive contribution to aftermarket revenues. We remain focused on expanding capacity in this area.

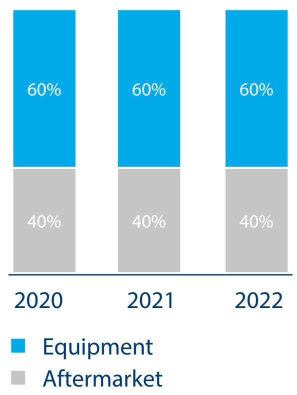
Business segment



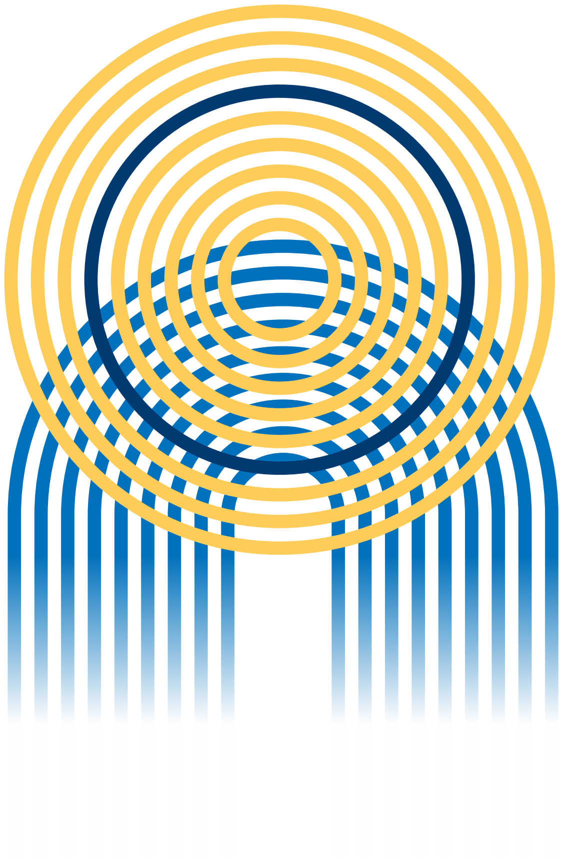
Geography



Business mix



Note: [1] 12% pro forma



Improved operational performance in the second half of the year

Revised year-end 2023 financial target

Operational performance was below expectations in the first half of 2022, hampered by high operating expenses, cost pressures due to inflation and disruptions in logistics and the supply chain. Moreover, ramp up of revenues was slower than expected.

As a result, Marel revised its year-end 2023 financial target to a run-rate of 14-16% EBIT in the second quarter, down from the previously stated 16%, allowing for a 2% contingency buffer due to volatility in market conditions.

Other 2023 financial targets were unchanged, with a gross profit of around 38-40%; selling, general and administrative expenses (SG&A) of around 18%; and investment in innovation at the 6% strategic level.

Infrastructure investments improved operational efficiency

In the second half of 2022, Marel's strong order book and the full benefit of our pricing actions supported the ramp up in revenues and improved price/cost coverage and operational performance. Our transformative infrastructure investments to further automate and digitalize the platform helped to improve operational efficiency and increase volumes through solid customer deliveries. Although these investments added to non-recurring costs in 2022, they are expected to have a positive impact in the future.

Full Potential program to support EBIT margin expansion

For the full year, the adjusted EBIT was EUR 163.4 million (2021: EUR 153.6 million), translating to an adjusted EBIT margin of 9.6% (2021: 11.3%). To support further EBIT margin expansion, we launched the Full Potential program as a global top priority in the second half of 2022. As part of this program, we have already enacted various actions that we expect will positively impact the EBIT margin. These include pricing actions that have been filtering through and the 5% global workforce reduction, which is expected to result in annualized cost savings of around EUR 25.0 million.

Further initiatives are centered around price/cost discipline, improving Service Level Agreements (SLA) attachment rates, and further aftermarket penetration on the current installed base, in addition to optimizing the manufacturing footprint and supply base.

Cash flow below historical levels

Operating cash flow in 2022 was affected by lower operational performance, including one-off costs related to acquisitions and restructuring. Operating cash flow for the year was EUR 96.4 million, compared to EUR 212.3 million in 2021.

At the same time, net working capital movements, continued investments and an inventory buildup earlier in the year impacted free cash flow, tying up capital and cash flow. Free cash flow was negative by EUR 18.1 million, compared to EUR 116.0 million in 2021.

Marel's cash flow model remains unchanged and aims to reach historical cash conversion levels by year-end 2023.

Leverage temporarily above target of 2-3x

Following the acquisition of Wenger in the second quarter, Marel's leverage ratio was 3.6x at year-end 2022, compared to 1.0x at year-end 2021 and 3.9x at the end of the third quarter of 2022. Marel's current leverage is temporarily above the targeted capital structure of 2-3x net debt/EBITDA, with the objective to be within the targeted range at the beginning of 2024.

The main drivers of deleveraging will be improvements in EBIT and net working capital. Marel's strong cash flow model has enabled the company to deleverage quickly after transformational acquisitions in the past.

USD 300 million term loan for additional headroom and flexibility

On 2 November, Marel signed a three-year USD 300 million term loan with its banking group consisting of ABN AMRO, BNP Paribas, Danske Bank, HSBC, ING, Rabobank and UniCredit. This new term loan has an initial margin of 250 basis points on top of the Secured Overnight Financing Rate (SOFR), which will move in line with the net debt/EBITDA ratio. Additionally, the loan has a two-year uncommitted extension option.

While Marel is within the acquisition spike and covenant terms of the EUR 700 million revolving facility, Marel and the banking group agreed on additional covenant headroom as a safety measure for temporary swings in cash flow and operational performance, as well as foreign exchange (FX) volatility.

Marel had committed liquidity of EUR 243.8 million at year-end 2022.

Continued investments for future growth

In 2022, Marel continued to focus on automating and digitalizing our manufacturing platform, supply chain and aftermarket to shorten lead times and support the 2026 target of 50% of revenues coming from service and software.

To achieve the performance improvements needed to reach our targets, we will adjust the size and scale of our operations to reflect current market realities, while ensuring long-term profitability and positioning our business for future growth. While the long-term outlook for the industry is unchanged, we will continue to invest in the platform, including digital solutions, spare parts handling and streamlining the backend.

Key investments include the new and digitalized Global Distribution Center in Eindhoven, the Netherlands; a new production facility adjacent to our current operations in Nitra, Slovakia; and the ongoing journey to digitalize, automate and improve flow and flexibility in our main poultry facility in Boxmeer, the Netherlands.

Cash capital expenditures, excluding research and development investments, will be on average 4-5% of revenues in the period 2021-2026, thereafter returning to more normalized levels of below 3% of revenues.

Acquisitions and strategic partnerships

In April 2022, Marel announced the USD 540 million acquisition of US-based Wenger, a global leader in extrusion systems. Over 60% of Wenger's revenues derive from pet food, they have a strong foothold in the North American market and over 40% of revenues come from services. Headquartered in Sabetha, Kansas, US, the company has a strong foothold in the North American market and around USD 190 million in annual revenues, with 500 full-time equivalents (FTEs).

Marel also concluded the bolt-on acquisition of Sleegers Technique in April 2022. Sleegers is a Dutch provider of interleaving, stacking, loading and slicing solutions for prepared foods such as hamburgers, bacon and cheese processing. Headquartered in Nieuwkuijk, the Netherlands, Sleegers has around EUR 5 million in annual revenues and 27 FTEs.

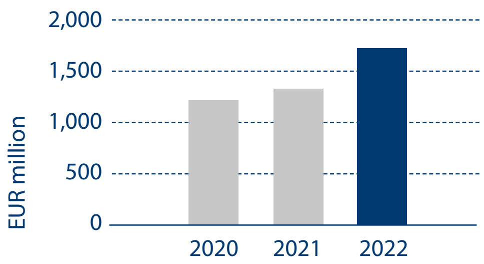
In February 2022, Marel also acquired the remaining 50.0% of the shares of Curio, an innovative primary processing equipment provider for whitefish processing. Curio and Marel have worked closely together since 2019.

Then in November, Marel, Tyson Ventures and a group of investors announced they are partnering to invest in Soft Robotics, a leading US-based technology company that designs and builds automated picking solutions that utilize proprietary soft robotic grippers, 3D machine perception and artificial intelligence (AI). As part of Soft Robotics' initial Series C funding round, Marel invested a total of USD 3 million, with Soft Robotics raising a total of USD 26 million from new and existing investors.

Dividend proposal of 20%

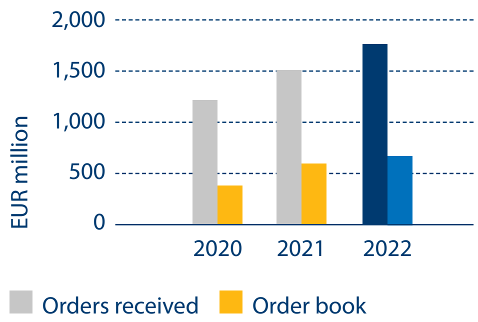
In line with Marel's targeted capital allocation and dividend policy of a 20-40% payout ratio, our Board of Directors will propose a 20% payout ratio (2022: 40%) at the Annual General Meeting to be held on 22 March 2023. Based on a EUR 1.56 dividend per outstanding share paid for the operational year 2022, the estimated total dividend payment will be around EUR 11.7 million, compared to EUR 38.7 million for the operational year 2021.

Revenues

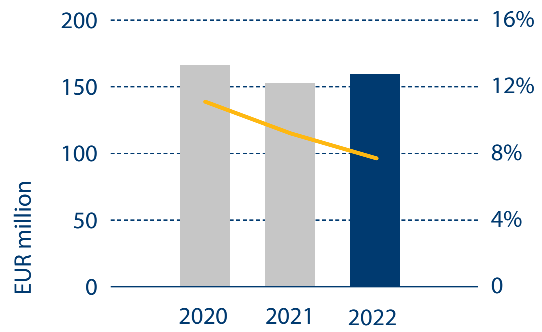


Orders received

And development of order book



Adjusted EBIT[1]

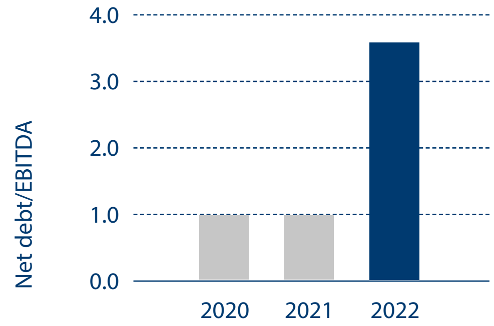


Adjusted EBIT — Adjusted EBIT as % of revenues

Note: [1] Operating income adjusted for PPA related costs, including depreciation and amortization, and acquisition related costs. In Q3 and Q4 2022, operating income is adjusted for restructuring costs due to the 5% headcount reduction.

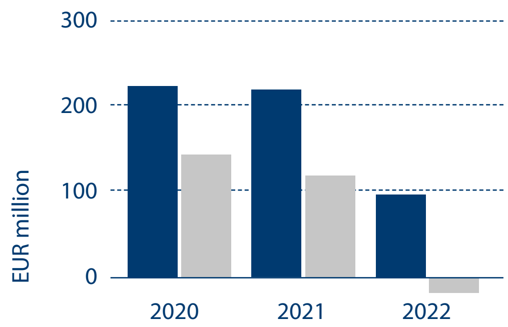
Leverage

Net debt/EBITDA



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

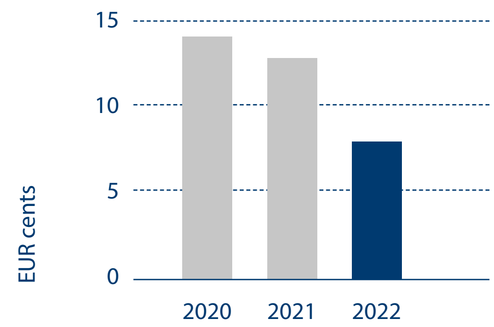
Cash flow



Operating cash flow Free cash flow

Earning per share

Trailing twelve months



Segment reporting

Marel is a leading global provider of advanced food processing equipment, systems, software and services to the poultry, meat and fish industries. In line with our 2017-2026 growth strategy, we have gradually expanded our business model into adjacent industries, such as the recent addition of pet food, plant-based protein and aqua feed with the acquisition of Wenger. Marel's revenue streams are well diversified by geography, industries and processing steps.

Poultry

Our Poultry segment's competitive position remains strong due to its established full-line offering. With one of the largest installed bases worldwide, Poultry focuses on rolling out innovative products and penetrating the market by cross-selling secondary and further processing solutions.

Poultry had a good number of orders received in 2022, with a mix spanning the whole value chain including primary, secondary and consumer-ready products. The demand in North America remained strong throughout the year.

The segment started 2023 with a healthy order book, thanks to double-digit growth in orders. Although the pipeline is good, the timing of converting the pipeline into orders is uncertain in the current market environment, and demand could shift between geographies.

Poultry's revenues in 2022 were EUR 832.1 million, up 30.2% from 2021, driven by growth in both equipment and aftermarket sales. The adjusted EBIT margin for the full year was 14.2%, compared to 14.3% in 2021.

Management targets short-term EBIT margin expansion for Poultry. However, operational results may vary from quarter to quarter due to general economic developments, fluctuations in orders received and timing of deliveries of larger systems.

Meat

The Meat segment is a full-line supplier to the meat processing industry. Its focus is on strengthening product development and increasing standardization, modularization and market penetration, as well as further cross- and upselling.

In 2022, the meat industry was impacted by challenging market conditions such as geopolitical unrest, sanctions, lockdowns, inflation and the reappearance of African Swine Fever. Additionally, focus on sustainability has shifted consumer preferences from meat to poultry and plant-based proteins. The outlook for North America and Latin America is promising, but it is softer for other geographies in current market conditions.

Revenues remained steady in 2022 at EUR 514.1 million, similar to 2021 due to a slowdown in orders in the second and third quarters that impacted volume for the year. Challenging market conditions resulted in an adjusted EBIT margin of 4.1%, compared to 9.2% in 2021.

Management continues to target EBIT margin expansion for Meat, with an emphasis on improving operational performance, including optimizing the manufacturing footprint by investing in infrastructure initiatives to support aftermarket and modernization opportunities in primary processing. Recent product launches in secondary processing are showing great promise and relevance in the current inflationary environment.

Fish

The Fish segment's objective is to achieve a full-line offering across farmed and wild whitefish and salmon by focusing on innovation and mergers and acquisitions (M&A).

After a record first half of the year, orders received for Fish were on the softer side in the second half of 2022. This was due in part to the closing of several larger projects being moved into 2023 and the impact of proposed tax changes in Norway.

The segment's revenues in 2022 were EUR 191.5 million, an increase of 18.9% from 2021, while the adjusted EBIT margin was negative 0.5%, compared to a margin of 5.6% in 2021.

Management continues to target EBIT margin expansion for Fish by focusing on faster conversion of the order book to revenues, in addition to improving the segment's product mix, productivity and cost efficiency through load balancing in key locations.

Plant, Pet and Feed

In the third quarter, Marel consolidated the newly acquired Wenger business in its segment reporting under the name of Plant, Pet and Feed. This segment also includes sales of retail and foodservice solutions.

In line with expectations, Plant, Pet and Feed performed well in 2022, with a stronger second half of the year compared to the first half due to the timing of orders and shipments.

Revenues in the third and fourth quarters totaled EUR 121.8 million, including EUR 21.3 million in revenues that were historically reported under the Other segment, which includes everything not categorized into the four business segments. The adjusted EBIT margin also met the expectations of 14-15%, with margins of 14.7% and 15.7% in the third and fourth quarters, respectively.

Wenger's strong foothold in the North American market is providing Marel with a better diversification of revenues across geographies. By leveraging Marel's global reach and digital platforms, Marel can proactively create value in Wenger's sizeable and high-growth markets.

Utilizing customer relationships to cross-sell the companies' combined portfolios also allows for a more proactive approach. Other planned initiatives include expanding manufacturing capacity to respond to high demand in Wenger's core markets, particularly in pet food.

Outlook

Management remains committed to the year-end 2023 financial targets, which include a run-rate of 14-16% EBIT; gross profit of 38-40%, selling, general and administrative expenses (SG&A) of 18%; and maintaining Marel's innovation promise at the 6% strategic level.

For the period 2017-2026, Marel has set a target of achieving a 12% average annual increase in revenues through both organic growth and acquisitions. Our growth plan involves capitalizing on our strong innovation investment, global reach and digital solutions to drive expansion and market penetration, in addition to strategic partnerships and acquisitions. In the period 2017-2022, the compound annual growth rate (CAGR) was 9.9%.

Market conditions remain challenging due to ongoing supply chain disruption and high inflation resulting in inefficiencies in manufacturing and aftermarket operations, as well as higher costs associated with timely delivery. However, there are indications of relief in the form of improving supply chain and parts availability, which should enhance operational efficiency.

Favorable secular trends, centered around automation, robotics technology and digital solutions that support sustainable food processing, will continue to support the organic growth outlook in the long term. In the short term, the current macroeconomic backdrop is creating elevated uncertainty.

Growth is not expected to be linear but instead based on opportunities and economic fluctuations. Operational results may vary from quarter to quarter due to general economic developments, fluctuations in orders received and the timing of deliveries of larger systems.

In the period 2017-2026, Marel is targeting 12% average annual revenue growth through market penetration and innovation, complemented by strategic partnerships and acquisitions.

Key aspects of our outlook for the coming years are as follows:

- Maintaining solid operational performance and strong cash flow is expected to support 5-7% revenue growth on average by acquisition.
- Management expects average annual market growth of 4-6% in the long term. We aim to grow organically faster than the market, driven by innovation and growing market penetration.
- Management believes that market growth will be at a level of 6-8% throughout 2021-2026, due to the catch-up effect and a tailwind in the market.
- Recurring aftermarket revenues, including software and services, are expected to reach 50% of total revenues by year-end 2026.
- Management expects basic earnings per share (EPS) to grow faster than revenues.
- Cash capital expenditures excluding research and development investments are expected to increase to an average of 4-5% of revenues in 2021-2026, thereafter returning to more normalized levels.

Key figures

Figures in millions of EUR	2022	2021	2020
Revenues	1,708.7	1,360.8	1,237.8
Gross profit	604.9	498.1	462.5
% of revenues	35.4%	36.6%	37.4%
EBIT[1]	163.4	153.6	166.8
% of revenues	9.6%	11.3%	13.5%
EBITDA[1]	221.4	205.5	217.5
% of revenues	13.0%	15.1%	17.6%
Non-IFRS adjustments	(66.4)	(23.3)	(17.1)
Result from operations (EBIT)	97.0	130.3	149.7
% of revenues	5.7%	9.6%	12.1%
Net result for the period	58.7	96.2	102.6
% of revenues	3.4%	7.1%	8.3%

Notes: [1] Operating income and EBITDA adjusted for PPA related costs, including depreciation and amortization, and acquisition related expenses. In Q3 and Q4 2022, operating income is adjusted for restructuring costs due to the 5% headcount reduction.

Figures in millions of EUR	2022	2021	2020
Orders received	1,734.0[1]	1,502.0[2]	1,234.1[3]
Order book	675.2	569.0	415.7

Notes: [1] Including acquired order book of EUR 81m from Wenger and Sleegers in 2Q22. [2] Including acquired order book of Curio, PMJ and Valka of EUR 12m. [3] Including acquired order book of TREIF of EUR 5m.

Cash flow statement in millions of EUR	**2022**	**2021**	**2020**
Cash generated from operating activities, before interest and tax	96.4	212.3	217.6
Net cash from (used in) operating activities	51.4	176.2	182.6
Net cash from (used in) investing activities	(567.2)	(121.4)	(161.6)
Net cash from (used in) financing activities	505.9	(64.3)	(235.6)
Net cash flow	(9.9)	(9.5)	(214.6)

Financial position in millions of EUR	**2022**	**2021**	**2020**
Total assets	2,696.4	2,005.0	1,814.9
Working capital	64.1	45.7	44.1
Group equity	1,028.1	1,023.1	958.7
Net debt	816.7	199.2	205.2

Various figures in percentage of revenues	**2022**	**2021**	**2020**
Gross profit	35.4%	36.6%	37.4%
Selling and marketing expenses	12.7%	12.5%	11.4%
General and administrative expenses	7.4%	6.9%	6.9%
Research and development expenses	5.7%	5.9%	5.6%
Wages and benefits	38.8%	38.3%	37.4%
Adjusted result before depreciation (EBITDA)[1]	13.0%	15.1%	17.6%
Depreciation/amortization	4.8%	5.0%	5.1%
Adjusted result from operations (EBIT)[1]	9.6%	11.3%	13.5%
Net result for the period	3.4%	7.1%	8.3%

Note: [1] Operating income and EBITDA adjusted for PPA related costs, including depreciation and amortization, and acquisition related expenses. In Q3 and Q4 2022, operating income is adjusted for restructuring costs due to the 5% headcount reduction.

Other key ratios	2022	2021	2020
Current ratio	1.1	1.1	1.1
Quick ratio	0.6	0.6	0.7
Equity ratio	38.1%	51.0%	52.8%
Return on total equity	5.7%	9.7%	10.7%
Return on total assets	2.5%	5.0%	5.6%

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 and non-current) - Cash and 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 recognized as revenues in Marel's financial statements as of the relevant order book date.

Orders received
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. Investor Relations (IR) is responsible for ensuring that Marel is appropriately and strategically positioned with analysts, investors and other stakeholders.

The objective of the IR department is to help investors make informed decisions in their actions regarding the company's equity. The IR department does this by providing up-to-date information about the company's operations, strategy and financial disclosure to current and potential shareholders and third-party equity research analysts.

Sources of investor information

Marel's passion for innovation extends to our investor relations activities and how we engage with our key audiences using a variety of channels and platforms. We aim to meet the highest standards in our investor relations by continuously improving the quality, transparency and consistency of our information disclosure. Equal access to timely and accurate information, within limits set by commercial sensitivity, is key to building a relationship of mutual trust with key stakeholders.

Social media

Marel uses social media to communicate with its key audience and share news and other material information. Improving engagement on social media is important to understand the sentiments of various stakeholders and boost retail investor participation. Marel has a presence on several social media platforms, including Twitter, LinkedIn and Facebook.

Follow us and join the conversation

Website

The IR website, at marel.com/ir, provides extensive information on Marel's strategy, financial performance and governance, specifically suited to its key audience of analysts, investors, and other stakeholders. This includes financial reports and presentations, annual reports, as well as archived recordings and additional materials from quarterly results, Capital Markets Day events and the Annual General Meetings.

Other material includes regulatory announcements, analyst coverage, consensus estimates, financial reports, company presentations, share price data, major shareholders, dividend policy, the financial calendar, as well as information on Marel's commitments to sustainability, and environmental, social and corporate governance (ESG).

Financial reports

Detailed quarterly and annual financial reporting and analysis, including financial targets and comments on the progress of Marel's operations, are available on the IR website. Investors and market participants are invited to Marel's annual and quarterly results presentations, where senior management presents Marel's results in English for analysts and investors.

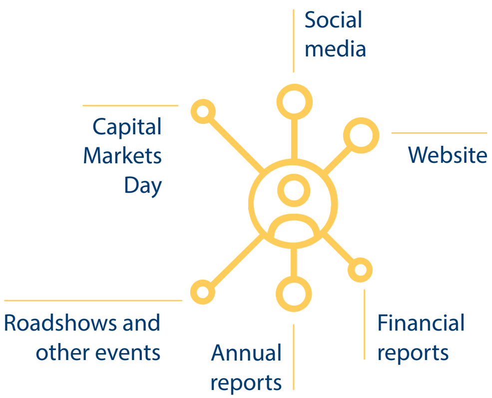
Following the live webcast, a recording is archived and available on the IR website. For added convenience, Marel's financial accounts are also available in Excel.

Learn more

Roadshows and other events

Marel regularly engages with current shareholders and potential investors during IR roadshows, conferences, and other events. Regular face-to-face meetings, either in person or virtually, are essential for maintaining and strengthening investor confidence and belief in the company's vision and strategy for delivering shareholder value.

In 2022, Marel participated in several investor conferences hosted by leading financial institutions. The company was well represented at J.P. Morgan's European Capital Goods CEO Conference, the Berenberg USA and European Conference, and Jefferies' Pan-European Mid-Cap Conference, to name a few. In addition, Marel took part in several successful roadshows and fireside chats with investors.



Annual reports

The annual report clearly sets out how Marel distinguishes itself from its competitors in terms of strategy, innovation, and performance. It provides a comprehensive overview of Marel's operations, key activities throughout the year, and commitment to sustainability and environmental, social, and corporate governance reporting. The annual report is available in English and is easily accessible online through a desktop computer, tablet, or mobile phone at **marel.com/ar**. It can also be downloaded in PDF format.

Capital Markets Day

Marel's Capital Markets Day, held every 18-24 months, is an excellent opportunity for market participants to engage with us and deepen their knowledge of Marel. In 2021, we hosted a series of virtual Capital Markets Day events where the company's leadership was joined by experts and customers to give a 360° overview of how Marel delivers growth. The successful virtual series continued to draw attention in 2022, effectively communicating our equity story and key messages.

The Capital Markets Day 360° series consisted of five events: a virtual site visit to Marel in Iceland and its innovation partner Brim, as well as four thematic sessions focused respectively on growth, global reach, digitalization, and sustainability.

Learn more

Analyst coverage

Marel is covered by eight analysts, one Icelandic and seven international, who actively track and publish opinions on Marel and its stock. In 2022, Marel welcomed Jefferies to the analyst coverage of Marel and widened the pool for quarterly consensus estimates. To receive a detailed analysis of Marel's financial performance, contact one of the analysts listed to the right.

Consensus estimates

In 2021, analyst consensus estimates for Marel were made publicly available to the market for the first time. Vara Research, an independent service provider of external investor relations services, collects analyst estimates on Marel's behalf.

The resulting high-quality consensus data supports market participants by reflecting the expectations of the research analysts covering Marel, leading to increased transparency and credibility between Marel and market participants. The consensus estimates are compiled throughout the year and updated around the company's quarterly results. The consensus is published on the external website of Vara Research and is also available from **marel.com/ir**.

Company	Country	Analyst
ABN AMRO – ODDO BHF	Netherlands	Eric Wilmer
Berenberg	United Kingdom	Fraser Donlon
Citigroup	United Kingdom	Klas Bergelind
IFS Research (Reitun)	Iceland	Sveinn Hedinsson
Jefferies	United Kingdom	David Kerstens
J.P. Morgan	United Kingdom	Akash Gupta
Kepler Cheuvreux	Netherlands	Andre Mulder
ING Bank	Netherlands	Tijs Hollestelle

Note: This list is provided for informational purposes only and is subject to change. Any opinions, estimates, or forecasts regarding Marel's performance or outlook given out by these analysts and their respective brokerage firms are their own. 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.

Financial calendar for 2023

Marel will host its Annual General Meeting and publish its interim condensed and annual consolidated financial statements according to the 2023 financial calendar.

Event	Date
Q1 2023	3 May 2023
Q2 2023	26 July 2023
Q3 2023	23 October 2023
Q4 2023	7 February 2024
Annual General Meeting	20 March 2024

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Contact IR for further information

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Director of Investor Relations

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Investor Relations

Ellert Gudjonsson
Investor Relations

CONNECT INNOVATE TRANSFORM

RESPONSIBLE GROWTH

Sustainability

We embrace our role as a critical infrastructure company in the global food industry. Environmental, social and governance (ESG) pledges and climate targets are shaping the futures of our stakeholders, driving the industry toward more sustainable and affordable production of high-quality food. By taking bold steps to reduce emissions and committing to becoming net-zero by 2040, Marel aims to enable customers to deliver on their sustainability strategies.

In 2022, we made great progress in our sustainability efforts, particularly in the area of reporting. We took significant steps on our climate-related disclosure journey, implemented a more robust governance structure around sustainability issues, and our science-based emission targets were validated. We also updated our Sustainability Scorecard 2.0 to include circularity criteria for all new product development and announced our first medium-term sustainability program, which is fully in line with Marel's 2026 growth plan. Further, we expanded ESG criteria into the short-term incentive plans for around a quarter of our employees.

Responsible governance

Marel is committed to exercising sound corporate governance in line with corporate best practices and applicable legislation concerning public companies. We have a clear objective of embedding ESG criteria into all aspects of Marel's governance, including business planning and operations. Our sustainability team drives ESG goal-setting efforts and disclosure. The team also monitors ESG compliance in collaboration with various business functions including Internal Audit, Supply Chain and Finance.

Framework, guidelines and principles

In 2022, the Sustainability and ESG Committee, which is a sub-committee of the Executive Board, was chaired by Marel's Director of Sustainability and Community Engagement. Marel's corporate governance framework includes our Articles of Association; Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Employers; and the Dutch Corporate Governance Code.

Marel follows the Nasdaq ESG reporting guidelines and has been a Nasdaq ESG transparency partner since 2019. These guidelines are mostly aligned with the standards set forth by the Global Reporting Initiative (GRI), the UN Global Compact, the Task Force on Climate-Related Financial Disclosures and the Value Reporting Foundation Sustainability Accounting Standards Board.

We disclose our sustainability performance in line with the principles and definitions detailed in the **explanatory note** of Marel's 2022 sustainability disclosure. We believe that this is the most accurate reflection of Marel's sustainability performance possible until the global sustainability reporting landscape transitions toward homogenization of the various standards.

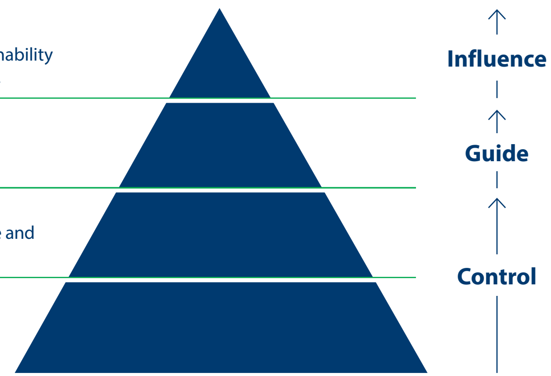
We are guided by three pillars of responsibility: **social**, **environmental** and **economic**. Each is equally important and guides our decision-making processes at all levels.

Transforming our industry
We transform our industry with how we focus our efforts to impact positively key sustainability trends in our industry and aspire to change the game in collaboration with our partners.

Partnerships to deliver value
With a focus on a responsible and resilient supply chain, we make the best possible solutions available to our customers across the globe through a local presence.

Sustainable solutions
Marel is known for its innovations and excellence. We continuously embed our knowledge and expertise in every product and solution to ensure they run successfully and sustainably.

Championing the fundamentals
Marel's license to operate rests on our drive to champion the fundamentals of behaving in responsible and transparent ways toward our environment and the societies in which we operate.



Marel's ESG journey

2015 Marel joined the UN Global Compact as a signatory

2016 First CSR guidance policy

2017 Joined the UN Global Compact as a participant

Launch of Sustainability Innovation Scorecard

2018 Founding member of the Nordic CEOs for a Sustainable Future coalition

2019 Nasdaq ESG transparency partner

Sustainable procurement pillar

First full life cycle analysis

2020 EUR 700 million sustainability linked syndicated credit facility

Materiality analysis with more than 160 stakeholders

Formation of Sustainability and ESG Committee

Responsible supply chain risk management

Green Electricity Procurement policy

Commitment to climate-related disclosure and setting science-based targets

2021 Supplier Code of Conduct

Launched Whistleblowing Platform

Incorporated ESG into incentive scheme for management

Scope 3 mapping

2022 Launch of first five-year sustainability program

Validated science-based targets

Established Responsible Sourcing team

Circularity as part of the Sustainability Scorecard 2.0

2026 Completion of first sustainability program

2030 Delivering on our science-based target commitment

2040 Committed to net-zero by 2040

Marel has steadily been improving its ESG profile since 2015. We are working toward becoming a part of the solution.

Sustainability roadmap

Since the first days of Marel, we have made consistent progress in increasing our sustainability impact, with special emphasis on improving the company's ESG profile since 2015. As we work to be a part of the solution, we are setting leading standards in the food processing industry for our customers, employees, shareholders, suppliers, strategic partners and consumers.

Our sustainability roadmap is designed in partnership with our customers, employees, suppliers, innovation partners and other key stakeholders. In 2020, we engaged with more than 160 stakeholders to gain insight and clarity regarding the most relevant sustainability topics for Marel.

Following the roadmap, we can direct our efforts toward raising sustainability performance by focusing on four key themes: transforming our industry, partnerships to deliver value, sustainable solutions and championing the fundamentals. In 2023, we plan to update the roadmap to ensure compliance with upcoming regulations on sustainability reporting disclosures.

Sustainability program

Marel is committed to becoming net-zero by 2040. To strengthen our long-term commitment, we launched a five-year sustainability program, running from 2022 until the end of 2026. It sets ambitious environmental, social and governance targets with the aim of guiding both Marel and the industry on a more sustainable path.

The program is fully in line with our 2026 growth strategy and complements our long-term climate ambitions. In 2022, we set science-based emissions reductions targets in line with the Paris Agreement, and these targets were validated by the Science-Based Targets initiative (SBTi) in the same year. We regularly review and update these targets. Going forward, we will increase the frequency of our ESG performance communication to a quarterly basis.

Environmental targets	Social targets	Governance targets
Reduce carbon emissions[1] by 20% by 2026	Gender diversity in management levels L1-L3 >25%	Increase proportion of ESG incentivized pay throughout the organization
Increase recycling of waste to 90% by 2026	All managers create annual engagement improvement action plans with their teams[2]	Continuously improve supply chain sustainability[3]
Powering >85% manufacturing facilities on renewable electricity by 2026	Total recordable incident rate <0.5	All new innovations need to improve at least one sustainability aspect

Notes: [1] Includes Scope 1, Scope 2, and business air travel from Scope 3 emission intensity. Environmental targets are set against base year 2019. [2] As measured by Gallup. [3] As measured by EcoVadis.

Contributing to the UN Sustainable Development Goals

Marel has been a signatory to the United Nations Global Compact since 2015 and a participant since 2017. Through this participation, we direct our efforts toward benefiting people, the planet and our operations by focusing on the following three UN Sustainable Development Goals (SDGs):

2 Zero hunger

End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations including infants, to safe, nutritious and sufficient food all year round.

2.4 By 2030, ensure sustainable food production systems to implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters, and that progressively improve land and soil quality.

9 Industry, innovation and infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.

9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

12 Responsible consumption and production

Ensure sustainable consumption and production patterns.

12.2 By 2030, achieve the sustainable management and efficient use of natural resources.

12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Benefitting our stakeholders through innovation

Innovation is the primary way we make an impact and meaningfully contribute toward the SDGs. Our actions are focused around:

Environmental criteria
Marel emphasizes circularity, minimizing food waste and food loss, and reducing the consumption of scarce resources.

Knowledge sharing
Marel engages actively with the local communities and stakeholders where we operate. We seek local participation and insights to spur innovation, and to build capacity and know-how in the industry.

Social criteria
These include food quality, food safety and security, and employee health and safety.

Partnerships
Marel collaborates with more than 25 science and technology partners to develop breakthrough solutions in sustainable food production.

Innovation investment
Marel invests around 6% of annual revenues into research and development of advanced solutions, with the aim of transforming food processing.

Solutions
Marel creates equipment and software solutions that help to reduce food waste, increase resource efficiency, minimize environmental impact during use, boost yields, facilitate recycling and optimize portion sizes.

Pioneering product development

1

Identification

- Focus on market
- Value proposition and business case

2

Feasibility

- Sustainability scorecard guidance
- Proof of concept
- Identify the biggest risks in market and technology

3

Prototype

- Start with industrialization of the solution
- Build prototype and customer field-test

4

O-series

- Product to market

5

Maintenance

Sustainability Scorecard 2.0

In 2017, Marel implemented a strict process framework with an accompanying scorecard to evaluate new products and to support the development of valuable and feasible technologies. Sustainability was a key consideration in this evaluation. In 2018, we integrated the scorecard into all new product development processes to help Marel's innovation teams improve sustainability in the food value chain.

In September 2022, we updated the scorecard with enhanced circularity criteria for all new product development. Sustainability Scorecard 2.0 ensures that we are providing more innovative and sustainable products and solutions for our customers, which in turn supports them with their ESG ambitions.

Sustainability and circular design at every stage

The updated scorecard is now used throughout all phases of the product development process. This encourages continuous improvements on sustainability factors at every stage of the process.

Another major change is the addition of a new category—circular design—which prioritizes the circular use of materials through increased reuse, repair, refurbishment and remanufacture of products. The scoring criteria for circular design cover aspects such as circular material choices, modularity, upgradability, repairability and remote or condition-based maintenance.

Other categories in the scorecard cover food waste reduction, environmental impact, safety impact, animal wellbeing and other sustainable innovation.

In 2022, 100% (2021: 100%) of all innovation projects approved for further development were rated using the scorecard, beginning in the second stage, feasibility.

Life cycle analysis and product end-of-life

In 2022, we finalized a life cycle analysis (LCA) of our 10 core cross-industry solutions to assess their full carbon footprint from design through production until end-of-life. This analysis provides Marel's innovation team with valuable insights to improve the environmental footprint of our solutions.

This process started in 2018, when we took our first steps toward understanding the full carbon footprint of our machinery during its lifetime. We began performing a meticulous study of a broad cross-section of our products, following internationally recognized methodologies to assess raw material extraction, manufacturing and processing, transportation, use-phase estimates as well as end-of-life, recycling and circularity.

Three key action points

The life cycle analysis identified three key actions that Marel can take to mitigate the environmental impact of our products:

1. Minimize energy and water consumption during the use-phase.
2. Ensure the durability and longevity of our products.
3. Reduce food processing waste.

Delivering carbon neutral solutions to our customers not only reduces emissions but also adds resilience to Marel's offerings.

By performing life cycle analyses, Marel and customers gain valuable opportunities to align with the EU Taxonomy, a framework for sustainable investment.

Sustainable supply chain and procurement

We are working toward creating a sustainable supply chain for our manufacturing locations and our external supply base. Through our sizeable annual product-related procurement spend and several thousand suppliers in our supply chain globally, we can have a considerable positive impact.

To achieve this, we have a responsible supply chain program that focuses on energy, waste management, health and safety, and ethical and social conduct. This applies in all our manufacturing locations as well as in our partnerships with suppliers worldwide.

Collaboration with suppliers for a sustainable value chain

Sustainability is a key pillar of Marel's procurement strategy. Our goal is to collaborate with suppliers across the entire value chain to proactively reduce the societal and environmental impacts of developing, producing and delivering our solutions and spare parts.

Supplier engagement and due diligence are key components of this effort, and in 2022 we strengthened these processes with the support of a dedicated responsible sourcing team. We expect our key suppliers and development partners to be EcoVadis rated and collaborate with us as needed to define improvements. As part of our science-based targets initiative, we monitor purchased goods emissions and explore options with best-in-class suppliers for reducing emissions in high-emitting purchasing categories such as stainless steel.

Knowledge sharing and communication

We believe that knowledge sharing and communication about supply chain sustainability are crucial. To support this, we have increased the information available for our suppliers through online channels and meetings. For example, we organized a supplier day at our Slovakia location, during which we shared our vision for future growth. In addition, we implemented a procurement academy in 2022 to develop the knowledge and skills of our staff.

Information and cyber-security

Cyber resilience is vital for doing business in modern society, as evidenced by the major financial and operational impact of cyber-attacks worldwide. As a leader in driving digitalization in the food processing industry, Marel recognizes the importance of adhering to the highest standards of information- and cyber-security. We prioritize this security to protect the critical food supply chain and maintain the trust of our customers and partners.

Ethics and the Code of Conduct

To fulfill our day-to-day ethics and compliance responsibilities, we must be mindful of our commitments to each other, our customers, our business partners and the communities where we operate. In line with this, we published an updated version of the **Marel Code of Conduct** in 2022 to ensure that we remain a mindful and committed partner.

The Code of Conduct applies to all members of Marel's extended global family, which includes consultants, suppliers, vendors, contractors and other business partners. Business partners serve as extensions of Marel and are expected to follow the spirit of our Code, as well as any contractual provisions while working on our behalf.

In addition, in 2022 we published a separate **Supplier Code of Conduct**, which procurement partners are required to sign and comply with.

Whistleblowing

Marel encourages employees to report any potential violation of laws, safety or ethics. We strictly prohibit any form of retaliation against anyone who makes a report in good faith, and we protect the anonymity of whistleblowers. An up-to-date policy and digital whistleblowing platform are available to all employees, enabling them to report any suspicious activities formally and anonymously.

Social responsibility

Social responsibility is an essential element of our company culture, and we are committed to being socially accountable to our employees, contractors, customers, visitors and ourselves. Marel provides a safe and respectful workplace that fosters diversity and inclusion (D&I), and belonging. We also ensure that our employees have opportunities for further education and career development.

As a global company, we reach out to communities where we operate to seek local insights and collaboration. Together, we forge solutions to benefit everyone. Moreover, we apply the highest standards at every level and do not tolerate human rights violations under any circumstances.

We take care
of our people

We strive for excellence
in health, safety and the environment

We build networks
of trained volunteers who educate colleagues about D&I

52% of employees
participated in interactive sessions on creating a culture of inclusion

Our people

Our people drive Marel's success, and this success is directly tied to the unique perspectives and experiences that each individual brings to the table. The Marel team comes from a wide range of cultural, geographical, professional and personal backgrounds, and we actively encourage and respect this diversity.

As an international team of problem solvers, we feed off each other's drive for creating leading solutions and transforming the future of food. With technology driving us forward, our people's innovative mindsets, talents and perseverance allow us to create more sustainable food solutions for the world.

We work collaboratively and learn from one another, building our knowledge and experience to advance our solutions and business.

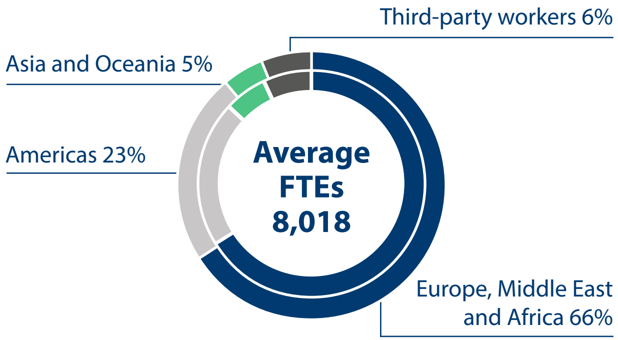
To ensure our employees have the necessary tools and knowledge to succeed, we provide a supportive work environment that motivates our team to make Marel's vision their own. We encourage further education and career development, for example by offering employees a variety of in-house training courses.

Employees in 2022

	2022	2021
Europe, Middle East and Africa	5,250	4,777
Americas	1,819	1,466
Asia and Oceania	435	402
Employees	**7,504**	**6,645**
Third-party workers	514	495
Average FTEs in 2021	**8,018**	**7,140**

Employees by geography

Average full-time equivalents (FTEs) in 2022 (outer) and 2021 (inner)



Employee engagement is key

Employee engagement is crucial both for our team members and for the overall health of our organization. Since 2019, we have partnered with Gallup UK on an engagement journey to benchmark Marel against top-performing global companies. We provide managers with training to promote desired behaviors in their teams through frequent and future-focused performance dialogues.

To measure engagement, we conduct an annual survey and actively follow through on the results. In 2022, more than 90% of our managers created an action plan with their teams to improve their engagement. Our new engagement activities concentrate on working with employees' strengths and having conversations that further evolve Marel values and culture, emphasizing diversity, inclusion and respectful behaviors.

As we emerge from pandemic restrictions, we have embraced positive changes in our work culture. We promote work-life balance, physical wellbeing and mental health support, which all contribute to our employees' efficiency at work. We respect that people have responsibilities and a life outside Marel and need to nurture themselves and recharge. Therefore, we offer flexible working arrangements, opportunities to work part-time and other options to help our employees find the right balance.

Case study

Building our Employer Brand together

Marel places great importance on having a strong employer value proposition to help attract and retain diverse, world-class talent. To support this, in 2021 we initiated work on our Employer Brand, which permeates all People and Culture (our human resources team) processes as well as various Marel offerings.

Our people are our focus, and we seek to create an Employer Brand that reflects this by ensuring that everything we do adds value for our employees. Moreover, our Employer Brand is centered around the fact that Marel has an international team of problem solvers who work together to create leading solutions and transform the future of food. In over 30 different countries, we rise to the challenge together.

To create our Employer Brand, we put together focus groups with key stakeholders from across different geographies, business entities and functions. We took into account factors such as age, nationality, gender, seniority, function, business units and regions to ensure that our approach was inclusive and reflected the diversity of the Marel team.

We tested our Employer Brand narrative and taglines with more than 350 Marel employees through surveys to ensure that they resonated with our team. The output of this work is our New People Vision, which guides our interactions with employees and ensures that they remain at the center of everything we do.

In keeping with our Employer Brand, we rolled out our global branding strategy in 2022. This is a critical step toward unifying our global brand.

Statistics and initiatives from learning and development

32,542
completed trainings in 2022

4.6 (out of 5)
is the average rating of a training

6,091
employees participated in trainings in 2021

215 new courses were uploaded in Workday
47% included e-learnings

Talent management

Marel's competitive advantage depends on our talented workforce, making talent management essential to our success. We recognize that employees perform best and feel most fulfilled when they are able to utilize their natural talents, skills and knowledge on a daily basis. Hence, we prioritize aligning people with roles that best match their full potential.

Our global talent management process focuses on key positions within our organization and works to establish the essential skills, knowledge, experience and behavior needed to be successful in these roles. We then identify individuals who meet these requirements and determine how we can support their development. We have identified succession candidates for most key positions and are working on development plans to ensure succession coverage in the years to come. In 2022, we concentrated on strengthening our current leadership while developing our next generation of leaders.

In line with our future-oriented approach, we have assessed our employees' growth potential and asked them to register their career interests and development needs. All processes are supported by our global human resources information system, Workday.

In 2023, we will further integrate talent management into our culture and ways of working, providing training and support for meaningful discussions around career development. Our goal is to foster a transparent talent marketplace that makes it easy to match talent supply and demand. To achieve this, we are building the right support to empower employees to take control of their careers.

MY Marel Campus

Case study

Launch of the Marel Campus

Today's skills will not meet tomorrow's needs. As our industry rapidly evolves, our employees must develop their skills to adapt, and they need support to develop these new and different skills. It is estimated that 30% of the skills we use now will no longer be needed by 2026. To prepare our people for these future challenges, we launched the Marel Campus.

The Marel Campus is an online learning platform that provides unlimited employee access to a wide variety of learning content and opportunities. It is the place to go to gain knowledge, develop new skills and sharpen leadership capabilities through technical courses and video and conference platforms.

In addition to self-led learning, managers can provide employees with more specific learning paths. Designed to ensure the skilled-preparedness of our people, these paths are structured, skill based and easily scalable.

Learning is for everyone, and through these digital tools, we increase access for all Marel employees.

Diversity and inclusion

We foster a diverse and inclusive workforce and culture where all people feel respected and valued and are treated with dignity and fairness. We have already achieved our desired gender diversity in our Board of Directors (43/57) and Executive Board (40/60) and have set a 2026 goal to achieve greater gender diversity in middle and upper management.

We also recognize that diversity and inclusion (D&I) goes beyond gender. Marel employees, prospective employees, contractors, consultants, suppliers and customers must be treated fairly and should not be discriminated against on the grounds of age, race or ethnicity, nationality, sexual orientation, gender identity, disability, mental health, neurodiversity, religious or political beliefs, financial status or class, marital, carer or parental status, or any other aspect of diversity.

It is important that we reflect the markets in which we operate. This includes servicing our customers in their local languages, listening to the needs of our end consumers, moving toward fully local management teams in the regions and hiring and developing more diverse talent in technical roles. We hope to be a part of moving our industry toward greater diversity and inclusivity going forward.

For 2023, we plan to offer learning programs covering various D&I topics to enhance our employees' knowledge. Additionally, we will continue to collaborate with our various locations to create local D&I policies that accompany our Global Diversity and Inclusion Policy.

Learn more

Composition of governance bodies and breakdown by gender

	2022			2021		
	Female	Male	Total	Female	Male	Total
Board of Directors	43%	57%	7	43%	57%	7
Executive Team[1]	40%	60%	5	44%	56%	9
Employees	18%	82%	8,018	17%	83%	7,140

Note: [1] On 2 November 2022, Marel introduced organizational changes whereby an Executive Board of six members was formalized. The new Executive Board replaced the Executive Team as the subset of the Board of Directors. In total, the Executive Board consists of six members, but is marked as a total of five as one seat on the Executive Board is still vacant.

Case study

Passionate volunteers educating colleagues

40 volunteers

Creating a culture of inclusion

Global participation was **52%**

80 sessions in **12** languages

To create a culture of inclusion, we believe it is important to build our capabilities from within. Instead of relying on external professionals to educate our employees on D&I, we established an internal team of trainers made up of employees who are passionate about D&I. We have given them the resources they need to share knowledge with their colleagues.

A group of 40 volunteers stepped forward and participated in a full-day workshop on the importance of D&I within organizations. The workshop equipped participants with the knowledge to foster an inclusive culture in their day-to-day activities. It also trained them to facilitate interactive educational sessions called 'Creating a culture of inclusion.'

Our volunteers, now serving as trainers, set out to conduct sessions in their own languages. Together, they managed to host more than 80 sessions in 12 languages. In just under four months, they exceeded the year's target of having 50% of our global workforce participate voluntarily in a D&I session. In 2023, we will continue to offer training in more languages, with the end goal of reaching all Marel employees.

The volunteers' enthusiasm and readiness to take on the role of trainer, in addition to their usual work, demonstrate Marel's core values of unity and excellence in action. Their commitment has already raised awareness of the topic within Marel and provided us with a strong network and foundation to build our inclusive culture going forward. The sessions have provided great insight, both for employees and our organization, and we look forward to continuing our efforts in this area.

Health, safety and environment

We strive for excellence in health, safety and environment (HSE) because it aligns with good business practice, makes us an attractive business partner and employer of choice. It means we can grow with confidence, knowing that risks related to the health and safety of our employees are effectively managed.

We aspire to be a 'high-reliability' organization that delivers consistently high performance across all aspects of HSE management, even amid changing business environments, regulatory landscapes and unplanned events.

Providing a healthy and safe working environment for Marel's employees, contractors and visitors is imperative, and we take pride in doing this well. HSE risks concern all company stakeholders, and Marel does its utmost to make sure employees have the necessary competence, environment, tools and instructions to perform their work professionally and safely. Our global HSE function provides support and oversight to Marel operations, ensuring compliance with our **HSE policy** and facilitating continuous improvement. Local management within all Marel entities is responsible for establishing processes and procedures to comply with Marel's HSE policy and local laws.

Our goal of zero harm

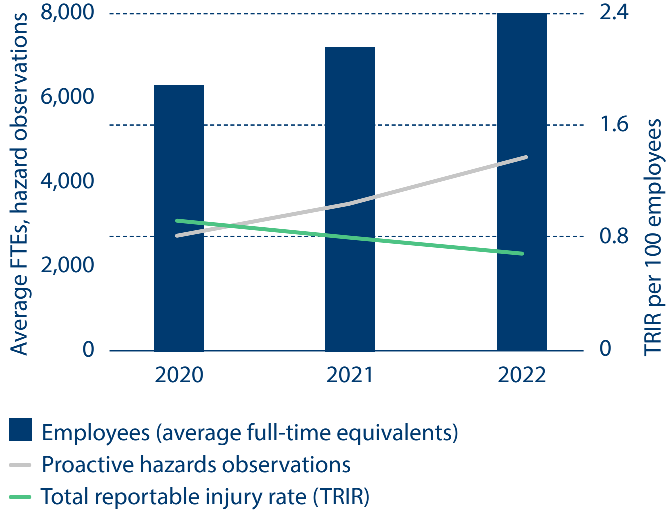
As we continue our journey toward zero harm, we remain committed to a culture of safety in all aspects of our operations. We aim to ensure a safe and healthy environment for our employees, contractors, customers and visitors.

In 2022, 85% of all Marel employees participated in HSE e-learning activities, created to increase awareness of key health and safety issues. These activities show employees how to ensure that they and their colleagues return home safe and healthy at the end of every day.

Our continuous efforts over the last four years have resulted in a steady reduction of both the total reportable injury rate (TRIR) and absolute number of injuries over the same period. From a TRIR of 1.24 per 100 employees in 2019, we achieved 0.91 in 2020, 0.78 in 2021, and 0.67 in 2022. These positive trends indicate that our HSE improvements are having a tangible impact.

Increasing awareness of HSE has resulted in more reporting of first aid and near-miss events, allowing us to analyze trends and launch improvement actions to prevent future occurrences. By enabling employees to report safety concerns in all areas of our business, we create more opportunities to highlight risks and prevent them from becoming injury events.

Marel's journey to zero harm



Local and global community outreach

Marel's social responsibility includes actively and systematically engaging with the local communities and stakeholders where it operates, seeking local participation and insights. Marel is investing in these locations for the long-term. This is good for business and helps spur innovation, capacity building and know-how in the industry and among Marel's current and future workforce.

By introducing new food processing technologies to these locations, Marel can have an immediate and radical effect on production capabilities, worker safety and food traceability. One of Marel's growth opportunities is the creation of shared value through partnerships in new markets. By providing groundbreaking solutions to these markets, Marel hopes to positively impact on both general wellbeing and economic progress in all the company's markets.

Educational outreach and development programs

Marel focuses on educational outreach in collaboration with local educational institutions. We also emphasize the continuing education of our employees. Most Marel locations offer internships and trainee programs to support talented young professionals entering the workforce, to help them develop their skills in a professional and safe environment.

Charitable giving and social participation guidelines

Well-designed charitable activities and social participation programs can contribute to a better standard of living and increase social stability. Marel's **charitable giving and social participation guidelines** reflect our pledge of corporate social responsibility. This helps us to extend our purpose beyond our core business activities. Our guidelines are designed to support the company in its desire to be the partner, neighbor, employer, customer and supplier of choice around the world. Through partnership, Marel aims to empower external organizations, our customers and employees in their efforts to serve the communities in which we operate.

Humanitarian aid for Ukraine

In 2022, we directed all major social participation programs toward easing the suffering of civilians impacted by the Russian military invasion of Ukraine. We express our deepest sympathies to those affected by the violence and have donated EUR 250,000 to an international humanitarian organization. This donation helped to provide humanitarian aid including food, water, shelter and maintenance of basic infrastructure in Ukraine. We have also been touched by all local initiatives from our employees to support and help those directly impacted.

Forced labor and underage workers

Marel does not tolerate human rights violations in the value chain under any circumstances. We have a zero-tolerance policy for human rights violations, including forced labor, child labor and all other illegal labor conditions. No Marel facility shall be associated with illegal labor conditions or forced labor, and all employees must have reached the legal working age in the country where they work.

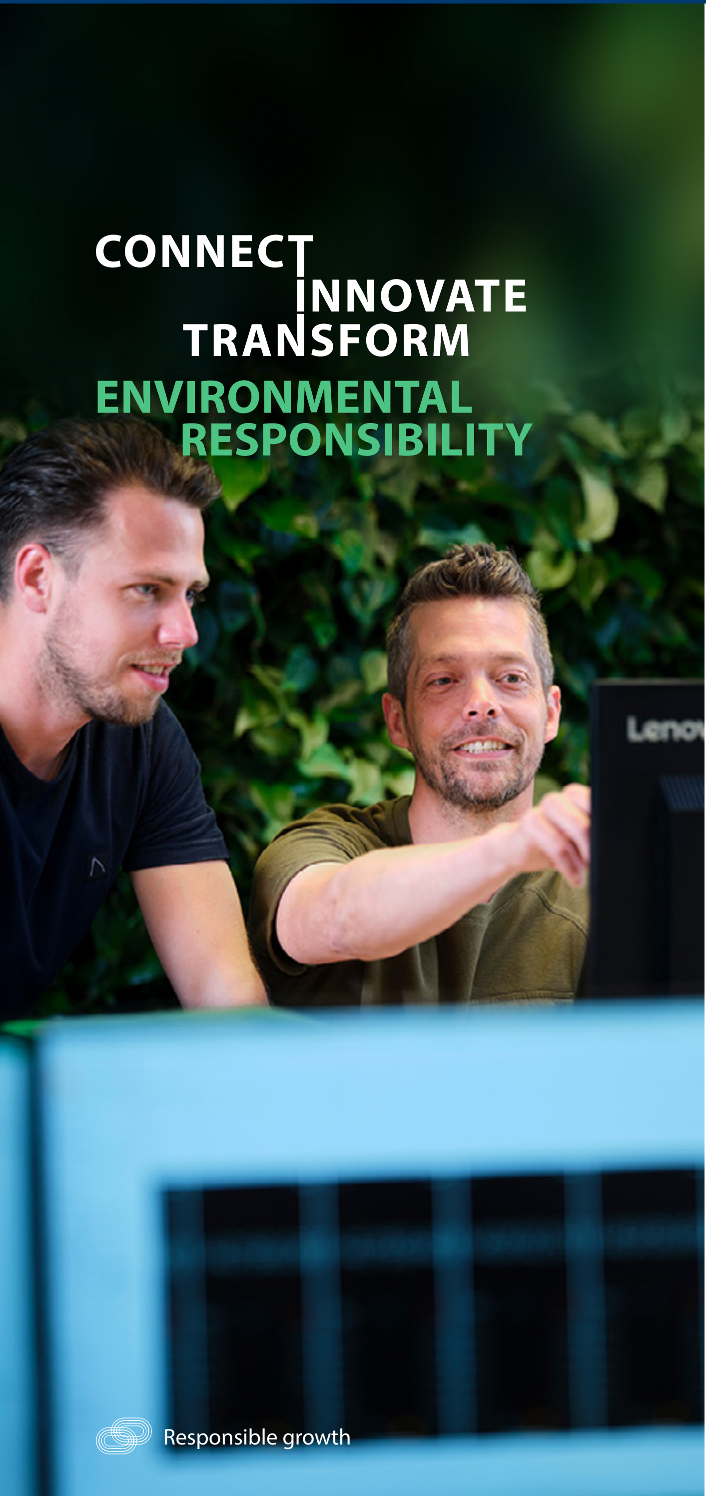
Since 2017, Marel has required all new suppliers to comply with its standards on issues related to human rights and labor, as described in Marel's **Code of Conduct**. Our renewed **Supplier Code of Conduct** reinforces guidance on how to work and act in line with Marel's purpose, values and the highest standards of integrity.

Marel complies with the European Whistleblowing directive and related local legislation. Marel's **whistleblower portal** can be used by its employees, suppliers, business partners and customers to report any wrongdoings, violations or illegal actions.

No human rights violations were reported at Marel in 2022 or the previous year.

Freedom of association

We are committed to respecting the right of all employees' freedom of association and their right to collective bargaining without discrimination, as established in the **Freedom of Association and Protection of the Right to Organise Convention (C. 87)** and the **Right to Organise and Collective Bargaining Convention (C. 98)**. Marel ensures that these rights can be exercised by all employees, business partners and those directly associated with our services, products and operations.



Environmental responsibility

As the leading global supplier of high-tech food processing solutions, Marel is in a key position to promote environmentally responsible practices through one of the world's most important value chains. We take this responsibility seriously and continuously seek out ways to minimize environmental impact and foster environmental protection in food processing. Innovation is at the core of this strategy.

We are passionate about creating new methods to transform yields and decrease waste in food production. We design advanced technology to minimize the use of precious resources such as energy and water, while promoting animal wellbeing, food safety and traceability. By working in partnership with our customers and thousands of suppliers across the globe, our improvements can scale up to considerable gains in sustainability throughout the entire value chain.

Marel has committed to become

Net-zero by 2040

Commitment to a net-zero future

In 2022, the Science-Based Targets initiative (SBTi) validated Marel's targets of lowering Scope 1 and 2 carbon emissions by 42% and Scope 3 carbon emissions by 25%.

The validation confirms that Marel's targets are aligned with the goals of the Paris Agreement to limit the global temperature increase. The SBTi is dedicated to mobilizing companies worldwide to cut their emissions in half before 2030 and achieve net-zero emissions before 2050.

Lowering our carbon footprint

We are committed to showing progress toward our SBTi targets. New and ongoing decarbonization initiatives assisted in lowering Marel's Scope 1 and 2 carbon footprint by 19% and Scope 3 by 11% from 2021 to 2022. Total market-based Scope 2 carbon emissions saw a significant decrease of 43% in 2022 from 2021, driven largely by Marel's Green Electricity Procurement policy. We expanded our carbon footprint disclosure in 2022 by reporting on two large Scope 3 categories: purchased goods and services, and use of sold products. This gives Marel and relevant stakeholders a better understanding of Marel's environmental impact on its value chain.

Key carbon reduction projects throughout 2022 supported us in further improving our emission intensity results, while revenues grew by 26% to EUR 1,709 million.

Sustainable purposeful travel
In 2022, Marel completed its first full year of the Global Travel Policy which emphasizes well-planned and purposeful travel. We prioritize both our employees' wellbeing and reducing our carbon footprint, which together form the basis of how we see travel in the future. Trips for service and installations are always considered essential business travel.

Supplier sustainability program
Supplier engagement is vital to our sustainable procurement program. We expect our key suppliers and development partners to be EcoVadis rated and collaborate with us to define improvements that can reduce greenhouse gas emissions from our products during their life cycle. In line with our sustainability ambitions, we also renewed our Code of Conduct for Suppliers and introduced Marel's Environmental Compliance Requirements for Suppliers.

- Sustainable housing strategy
- Green Electricity Procurement policy
- Strong regional structure
- Responsible sourcing program
- Mapping our Scope 3 carbon emissions
- Waste management program
- Sustainable digital design
- Sustainability Scorecard 2.0
- Life cycle analysis
- Energy management system program
- ESG incentive scheme for management
- First five-year sustainability program
- Supporting customers with their decarbonization efforts
- Commitment to climate-related disclosures
- Science-based targets
- Environmental training

Key 2022 carbon reduction projects

We have rolled out the first round of Marel's decarbonization plan, which focuses on three main areas:

1. Shifting to renewable or green energy where possible
2. Engaging with our supply chain through our responsible sourcing program
3. Designing low-carbon solutions and systems with embedded circularity

The aim of this approach is to future-proof Marel's growth, strengthen our competitive advantage and support our customers in becoming more sustainable.

Sustainable purposeful travel

Sustainable housing strategy

Green Electricity Procurement policy

Strong regional structure

Supplier sustainability program

Responsible sourcing program

Mapping our Scope 3 carbon emissions

Waste management program

Sustainable digital design

Sustainability Scorecard 2.0

Life cycle analysis

Energy management system program
Marel performs continuous analysis on various energy-intensive devices, particularly compressors, ventilation and cooling systems. This enables us to reduce energy loss, which directly impacts our net-zero goals. We have also previously implemented measures including switching to LED lighting where feasible and installing car-charging points for employees and visitors.

ESG incentive scheme for management
In 2021, we incorporated environmental, social and governance (ESG) targets, including carbon emission reduction targets, into our short-term incentive plans for management remuneration. We further expanded the ESG incentive scheme to around 25% of Marel's total workforce in 2022, in alignment with our aim to make ESG initiatives and improvements a more robust part of Marel's overall compensation program.

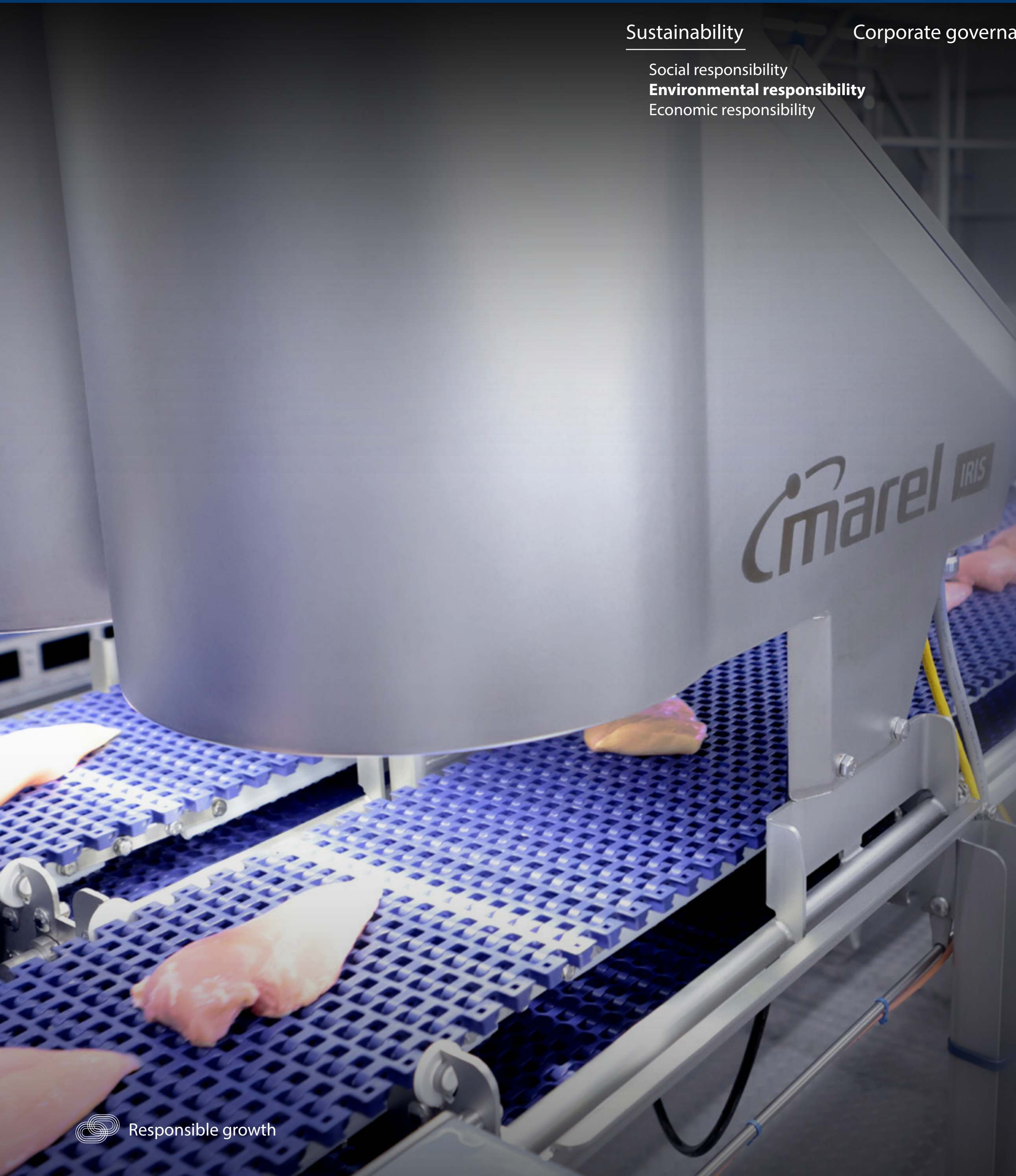
First five-year sustainability program

Supporting customers with their decarbonization efforts

Commitment to climate-related disclosures
Marel is committed to integrating the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) into climate-risk reporting. In 2022, we continued to internalize and implement the TCFD's recommendations for the second full year. Please see our climate-related disclosure in the appendix section for further details.

Science-based targets

Environmental training
Marel's activities have a substantial environmental impact, and we believe it is crucial for our employees to understand our carbon footprint so that we can work together to reduce it. Our environmental training focuses on improving employees' general understanding of how they can impact important environmental themes such as climate change, water quality and biodiversity.



Case study

Minimizing food waste using the IRIS Fillet Inspector

Marel's IRIS Fillet Inspector (IRIS FI) is a prime example of how automated quality assessments can be combined with minimizing food waste and optimizing yield. Using an advanced camera system, the IRIS FI can detect defects such as remaining tendons, fat and blood clots. By removing human bias and manual touch from the process, unwanted products can be filtered out or redirected to different processing streams with great accuracy and efficiency. With the IRIS FI, quality-dependent decisions are based on facts, not estimates. This allows raw material to be utilized to the maximum and put into exactly its most profitable form.

Combined with Innova Production Distribution Software, the IRIS FI camera and the software work together in assigning quality criteria to the fillets according to the customer's requirements. This information can be used in real-time for decision-making for downstream distribution. This could be achieved, for example, by using Marel's Fillet Distributor solution, which includes intelligent servo-operated conveyor belts that redirect products of different qualities to different processing streams. The system could be arranged with an upper belt leading to a RoboBatcher or another tray packing process, while a lower belt could lead to a marination, shwarma strip or schnitzel processing line.

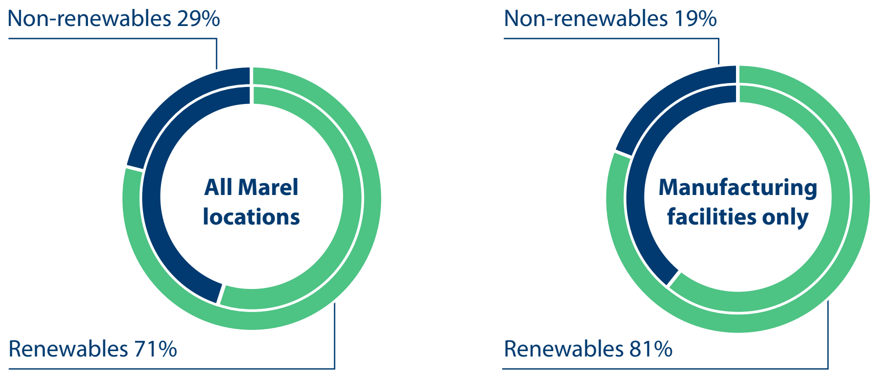
Another purpose for collecting data in this way is to assess the performance of the plant's trimming process. If trimming is performed too intensely, too much valuable meat will be downgraded. To prevent this, trimmers can be trained based on data, and the results of such training can be verified by IRIS FI.

In this way, processors can save an incredible amount of valuable meat on an annual basis, minimizing food waste and optimizing yield.

Energy consumption

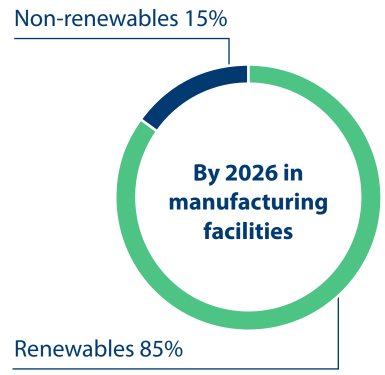
Share of renewable electricity

2022 (outer) and 2021 (inner)



Power aim

Renewable electricity target



In 2021, Marel implemented the Green Electricity Procurement policy, which we approved in 2020. This policy focuses on the preferred sourcing of green energy for electricity as part of our sustainability program. By 2026, we aim to power at least 85% of our manufacturing facilities on renewable electricity. We made considerable progress in 2022, increasing our renewable electricity share to 81% (2021: 61%) for manufacturing locations.

Additionally, we decreased energy consumption by 14%, amounting to a total energy consumption of 62.6 GWH in 2022, compared to 73.2 GWH in 2021. The energy intensity per FTE improved to 8.1 MWH, compared to 10.4 MWH per FTE in 2021.

Improving resource efficiency

We help reduce food waste

We make the most of cutting-edge technology such as digitization, automation and robotics to decrease food waste. Yield increase and waste elimination are a core part of our success, and we strive to be better by constantly improving the accuracy, efficiency, safety and traceability of food processing through smart solutions.

Minimizing our waste footprint

We closely monitor our waste streams to understand the impact of waste management on our operations and the environment. By collecting data and conducting full-scale analyses of our waste streams, we can gain an overview of the size and composition of our waste footprint. This enables us to improve how we digitalize and advance our waste management efficiency, such as monitoring and improving how much of our total global waste volume we recycle or reuse. All of our major manufacturing locations report on standard waste management metrics.

Efficient use of water during food processing

Food processing requires a lot of water, both for the processing itself and for cleaning equipment and production facilities. Inevitably, this generates wastewater, which must be treated safely and effectively to prevent harm to human health and the environment. Our team of water treatment experts works with food processors globally to optimize their water usage. Marel Water Treatment offers standard and customized systems to treat wastewater so thoroughly that it can be discharged to surface water or reused in a variety of processes. In 2022, we published the water usage numbers for our manufacturing footprint for the first time.

Sustainable housing

We integrate sustainability into renovation and greenfield projects for Marel's manufacturing sites, demo centers, offices, warehouses and combined sites. We are building a distribution center in Eindhoven that will be energy neutral, by using solar power. It is designed in line with WELL ambition, focusing on the health and wellbeing of its users, and will be BREEAM certified —a certification method for sustainable built environments. In addition, it will be TAPA compliant, adhering to security standards for the supply chain. We are also building a warehouse that will be energy neutral, by using no gas, in Boxmeer, the Netherlands.

Our office renovation projects aim to reduce carbon emissions and energy use wherever possible by focusing on environmentally friendly materials and selecting locations that can support low emission transport modes and energy utilization.

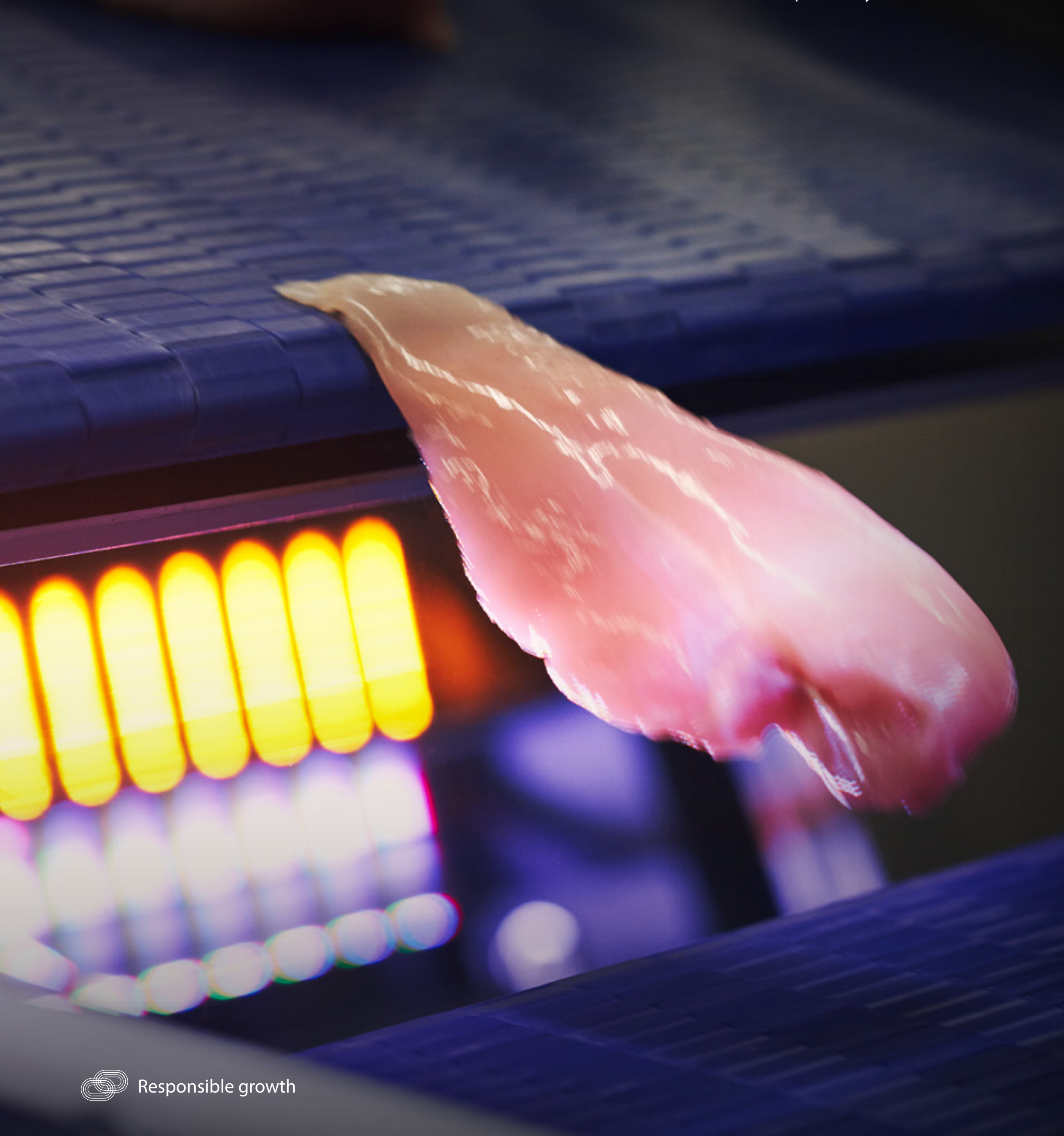
Transportation

As part of our supplier engagement, we have started monitoring carbon dioxide emissions from product related purchased goods as well as assessing the emission impact of different transportation modes. This supports Marel's journey in reducing emissions related to purchased goods.

Animal wellbeing is our priority

Because we are in the food processing business, animal wellbeing is high on our agenda. We take this responsibility seriously and are determined to lead the way by developing solutions that promote the highest standards of animal wellbeing. This is reflected in our Sustainability Scorecard 2.0, which emphasizes the importance of animal wellbeing in ensuring both environmental and economic responsibility throughout the product life cycle.

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



Case study

Marel joins European research project

Marel is a major participant in the European mEATquality research project, which aims to improve the quality of meat on consumers' plates. By collecting data from farm to fork, the project seeks to establish a correlation between animal wellbeing on the farm and consumer perceptions of meat quality.

The mEATquality project kicked off in January 2022 and is co-ordinated by Wageningen University & Research. It was awarded EUR 6.5 million of EU funding within the framework of the Horizon 2020 program and has several partners, including retailer Carrefour and poultry breeder Hubbard.

Marel participates as an equipment manufacturer to supply the technology needed, such as Innova Food Processing Software and inline sensor technology. These solutions make it possible to evaluate the level of meat quality that comes to the processing plant and makes it traceable back to the animal feed.

Consumers expect high-quality meat from animals reared on farms providing a high standard of animal wellbeing. The mEATquality project examines if this expectation is justified by collecting data on all kinds of farms, conventional, organic and free-range, and conducting consumer expectation studies and controlled experiments.

The project aims to support the development of techniques to assess the sustainability of livestock production, such as a quick scan for life cycle analysis, determining animal wellbeing through stress hormones in feathers and hair, and an automated quality assessment that can establish whether the origin of the meat can be fully traced.

Through our involvement in the mEATquality project, we show our dedication to working toward a more ethical and transparent meat industry.

GHG emissions

Emissions category (in tCO2e)	2022	2021	Change year-on-year
Scope 1: heat - natural gas	3,193	3,252	-2%
Scope 1: company cars	4,121	4,311	-4%
Scope 2: heat - district heating	260	267	-3%
Scope 2: electricity (market-based)	3,990	7,061	-43%
Scope 2: electricity (location-based)	7,333	8,487	-14%
Scope 3: waste	289	308	-6%
Scope 3: business travel by air	6,341	3,430	85%
Scope 3: purchased goods and services	81,014	109,529	-26%
Scope 3: use of sold products	294,244	317,534	-7%
Total tCO2e	**393,452**	**445,691**	**-12%**

Carbon emission intensity

	2022	2021	Change year-on-year
tCO2e per average FTE	51.1	63.0	-19%
tCO2e per EUR 1,000 of revenues	0.25	0.33	-24%

Note: Please see the ***ESG Explanatory Note and Nasdaq ESG metrics*** *for further details. Greenhouse gas emissions were calculated using the IEA emission factors. Scope 3 for 2021 has been adjusted based on expanded Scope 3 categories validated by the Science-Based Targets initiative.*

Scope 1
Includes all direct GHG emissions that occur from sources directly controlled by the company. Marel's Scope 1 is composed of the emissions from the combustion of natural gas in controlled boilers and the emissions from fuel combustion in vehicles operated by Marel, such as company cars. Leased vehicles are operational leases and are reported under Scope 1 based on their tank-to-wheel emissions.

Scope 2
Includes all indirect GHG emissions that are associated with the purchase of electricity, steam, heat or cooling. For Marel, Scope 2 is composed of the emissions resulting from generating electricity purchased or used by Marel in offices and manufacturing facilities. Additionally, the emissions resulting from generating district heating is included in Scope 2.

Scope 3
Includes all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. Marel currently reports on business travel by air (downstream) and waste generated in operations (downstream) from its manufacturing facilities. Please see the ESG Explanatory Note for further details.

Economic responsibility

Marel strives to generate value for our partners and shareholders while also having a positive impact on the societies where we operate. Our guiding principles in delivering a positive economic impact are sustainable business practices, fair trade and long-term profitability.

By maintaining an economically strong and responsible business over the long term, we contribute significantly to our customers and our people, as well as the economy and society as a whole. Our economic value includes growth at a local level, such as creating jobs and supporting local suppliers through the purchase of goods and services, as well as our payment of in taxes.

Innovation, collaboration and transparency are key. We innovate sustainable solutions and work with partners that share our vision of a world where quality food is produced sustainably and affordably. Moreover, we comply with international laws, anti-corruption rules and local regulations, and expect the same of our partners, customers and suppliers.

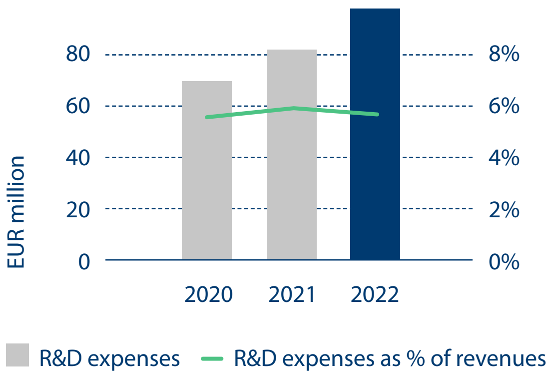
Innovation investment

Innovation is central to our commitment to contributing toward the UN Sustainable Development Goals (SDGs). To drive new product development and progress in food processing, we annually invest about 6% of our revenues into researching and developing advanced solutions.

We embed sustainability and circular design principles into all new product development. Our solutions, including equipment and software, reduce food waste, increase resource efficiency, minimize environmental footprint during use, boost yields, add recycling options and optimize portion sizes.

In 2022, Marel invested EUR 97.5 million (2021: EUR 80.8 million), excluding purchase price allocation related costs, representing 5.7% of our revenues (2021: 5.9%) in innovation. This investment supports new product development and ensures the continued competitiveness of our existing product offering.

Research and development investments



Did you know?

TREIF helps Schragen bakery restart after a flood

In July 2021, devastating floods hit parts of Germany, taking many lives and damaging buildings and infrastructure. The Ahr valley was among the worst-hit regions, and many businesses wereforced to close for an extended period.

Schragen bakery, the oldest registered bakery in the Ahr valley, was among the businesses impacted. The bakery tried to rescue what they could as the flood hit, but all that was left in the end were the tiles on the floor. The business had to close because it no longer had the equipment or the environment to continue operating.

In September 2021, the owners of Schragen decided to rebuild the bakery and get back into business. To do so, they needed support. Among those offering to help was Thilo Buck, a baker from Cadenberge. Buck contacted TREIF, part of Marel, to ask if we could refurbish two TREIF Pegasus bread slicers and hand them over to affected bakeries. After learning that Schragen needed support, some of TREIF's staff also helped volunteer in the region in the aftermath of the flood.

The bread-cutting machines arrived at TREIF in December 2021, where they were then fully refurbished. Once ready for use, we sent an engineer to install one of them at Schragen in May 2022. The Schragen bakery has now opened its doors again, much to the delight of regular customers.

Learn more

Impact through partnerships

UN Sustainable Development Goals

2

End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

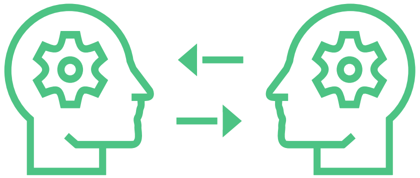
9

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

12

Ensure sustainable consumption and production patterns.

Knowledge sharing



We actively and systematically engage with local communities by seeking local participation and sharing insights. Marel is investing in these locations for the long term. This is good for business and helps to spur innovation, capacity building and know-how.

Partnerships

Marel is a founding member of the Nordic CEOs for a Sustainable Future coalition, created to inspire co-operative action toward the UN Sustainable Development Goals (SDGs) and the Paris Agreement in the Nordics

Twenty-five science and technology partners to develop breakthrough solutions in sustainable food production

Partnership with the International Red Cross in line with Marel's Global Charitable Giving and Social Participation Policy

Generating economic value

Economic value generation in 2022 as measured by revenues in EUR

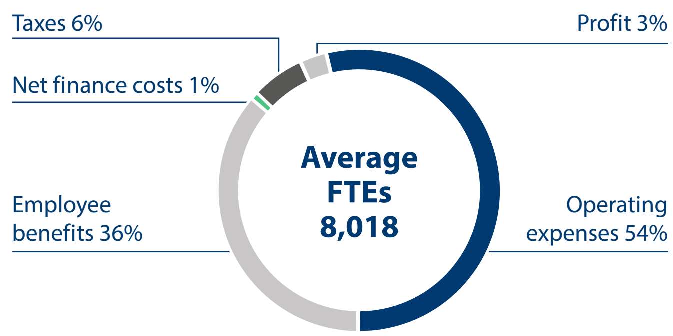
1.7 billion

Marel operates a global sales and service network that reaches more than 30 countries, and we produce a range of solutions that are manufactured in the Netherlands, the US, Brazil, China, Iceland, Denmark, Germany, the UK and Slovakia.

We emphasize strong revenue growth and have achieved a compound annual growth rate of 20% since listing in 1992. As a result of this ambition, our operations generated an economic value of EUR 1,709 million in 2022 (2021: 1,361 million).

In addition, we directly employed an average of 8,018 full-time employees in 2022 (2021: 7,140). Employee benefits (excluding employment taxes) paid during the year amounted to EUR 613 million (2021: 480 million), or 35% of the economic value generated.

Economic value composition



Tax footprint

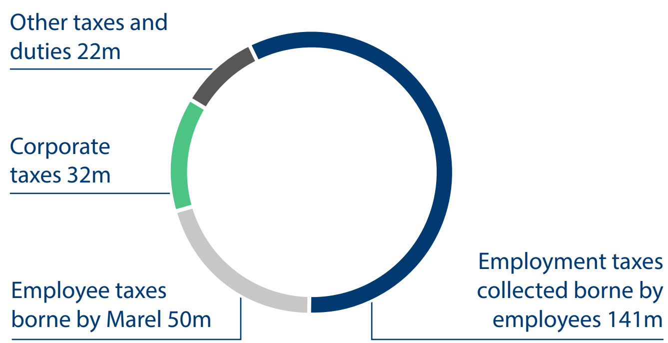
Tax footprint by Marel in 2022 in EUR

245 million

Marel's total tax footprint amounted to EUR 245 million in 2022 (2021: 200.5 million). Taxes paid by Marel in 2022 amounted to EUR 82 million (2021: 71.1 million), representing 4.8% of the economic value generated.

Of Marel's total tax footprint, employment taxes borne by employees accounted for 57.5%, followed by employee taxes borne by Marel at 20.4%, corporate taxes at 13.0% and other taxes and duties at 8.9%.

Tax footprint by Marel in 2022 in EUR



Anti-bribery and anti-corruption

We take compliance with global anti-bribery laws, anti-corruption laws and other relevant regulations very seriously. Marel's anti-bribery and anti-corruption policy adopted in January 2017 reinforces our commitment. This includes our no-cash policy, whereby payments should never be made in cash or untraceable funds.

The policy applies to all employees, officers and directors, as well as any contractors, consultants, agents and partners engaged in business on Marel's behalf. Our commitment to transparency and preventing illegal activity, including terrorist financing, extends to complying fully with all applicable anti-money laundering laws of the countries where we operate, as well as international regulations.

Complying with trade laws and sanctions

Various national and international trade laws restrict or prohibit the import and export of products. These restrictions can stem from factors such as the chemistry of a product, the country of origin, the destination of the product or service, or the proposed end user or end use.

In addition, Marel is subject to strict requirements regarding compliance with customs regulations. All employees involved in importing or exporting goods and services must comply with all applicable provisions of laws and regulations, be aware of the high-risk countries, and ensure the sanctions checks have been conducted before doing any business there.

Failure to comply with applicable export and import controls or sanctions may result in fines or other penalties for Marel. Individuals who knowingly disregard sanction rules may also face legal consequences.

Corporate governance

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.

Framework and compliance

Marel's corporate governance consists of a framework of principles and rules, based on applicable laws, including its Articles of Association and the Guidelines on Corporate Governance issued in July 2021 by the Iceland Chamber of Commerce, Nasdaq OMX Nordic Iceland and the Confederation of Icelandic Employers, which are accessible on the website of the Iceland Chamber of Commerce.

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

Article 1.3 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 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 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 of the Guidelines stating that Shareholders' meetings should determine the role of the Nomination Committee and the manner in which its operation shall be carried out. Marel's Nomination Committee is a sub-committee of the Board of Directors and therefore the Board determines its role and the manner in which its operation is carried out. This is in line with the Dutch corporate governance code.

Article 1.5.10 of the Guidelines concerning the Nomination Committee's request for proposals from shareholders before the company's AGM: The Nomination Committee consults with the company's major shareholders on the nomination process as well as engaging professional firms, but does not formally request proposals from shareholders. Information on how to contact the Nomination Committee is however publicly available on the **Committee's website** and candidates can make themselves available through this channel. This is line with the Dutch corporate governance code.

Internal Controls and Risk Management

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. Significant risks are discussed in the 2022 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 Director of Internal Audit 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 Consolidated Financial Statements in accordance with generally recognized 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 16 March 2022. Auditors on KPMG's behalf are Saemundur Valdimarsson and Audur Thorisdottir, both Certified Public Accountants (CPAs). They have audited and endorsed Marel's Consolidated Financial Statements for the year 2022.

In 2027, the provisions of EU Regulation no. 537/2014, on specific requirements regarding statutory audit of public-interest entities, concerning the maximum duration of audit engagements, will enter into force for Marel, cf. Article 55(2) of the Icelandic Act on Auditors no. 94/2019. The Board of Directors will organize a tender process in due time, in line with the requirements of Article 16 of EU Regulation no. 537/2014.

Governance structure

The company's management structure, from 2 November 2022, consists of the Board of Directors and the Executive Board (previously the Executive Team), led by the Chief Executive Officer.

Board of Directors

The Board of Directors has supreme authority in company affairs between shareholders' meetings. It is elected by shareholders at the AGM 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 16 March 2022. In line with Icelandic law, the Board of Directors convenes immediately following the AGM in which it is elected to allocate responsibilities between the board members. The Board of Directors elects a Chairman and Vice Chairman, as well as the Chairmen and members of its sub-committees.

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 Executive Board. The Board defines strategic objectives for the company and sets targets aimed at achieving these goals.

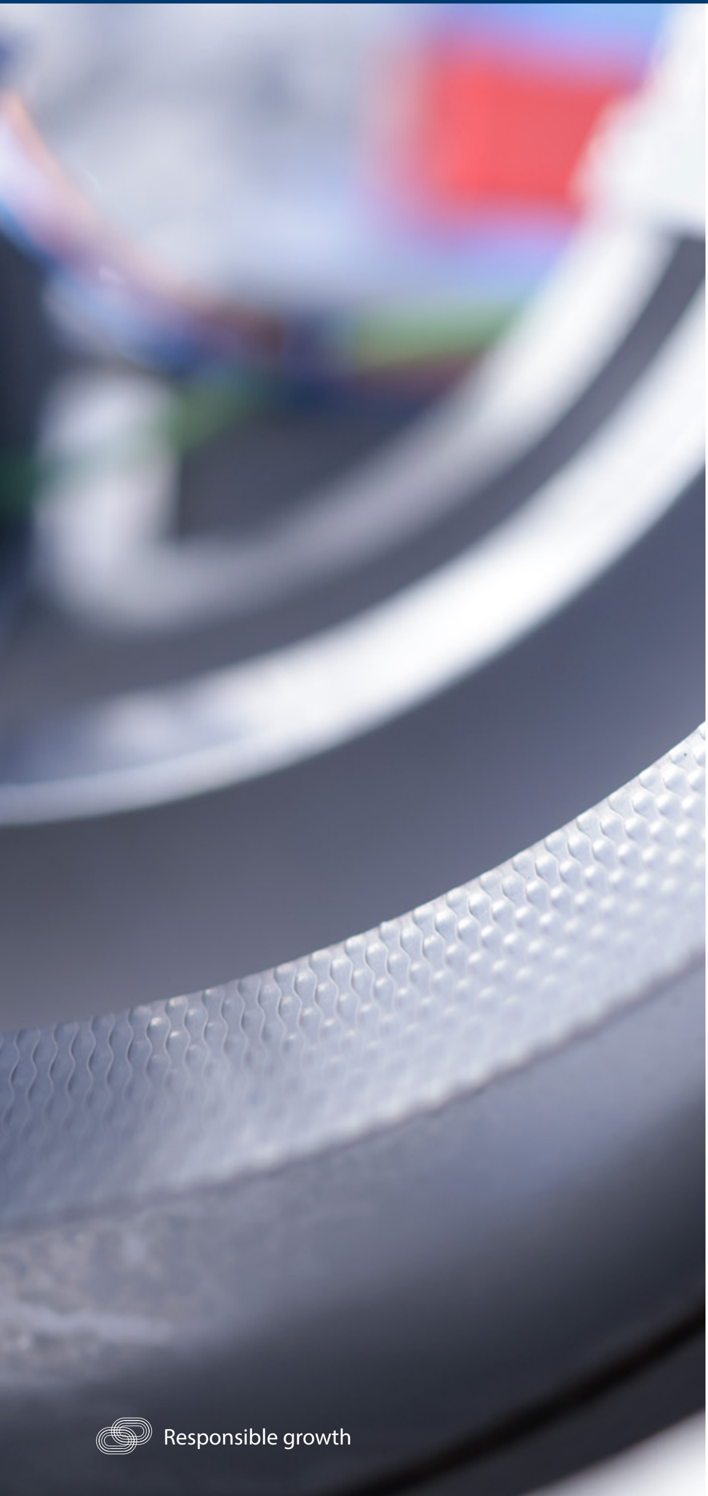
Regular board meetings are held with management over the course of the year, including quarterly meetings coinciding with the publication of financial results, two strategy sessions and an operational planning meeting for the coming year. The Board of Directors meets regularly without management and once a year there is a meeting to structure the board's agenda and conduct a self-assessment. Additional meetings are convened as needed.

The Board of Directors has a number of on-site visits to company locations and to customers during the year. 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 20 times in 2022, with an average attendance of 94%. Thereof, there were 10 regular meetings, with 100% attendance, and 10 extra meetings with average attendance of 87%.

The Board of Directors has assessed which directors are independent according to the Icelandic Guidelines on Corporate Governance. All seven directors: Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Olafur S. Gudmundsson, Svafa Grönfeldt and Ton van der Laan, are considered independent of the company. Furthermore, six of the Board members, Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Svafa Grönfeldt and Ton van der Laan, are considered independent of the company's major shareholders. According to the Guidelines, the tenure of a director does not affect the independency assessment.

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 2022 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 share of the Board's work is carried out in its sub-committees: the Remuneration Committee, the Audit Committee and the Nomination Committee. Subcommittee 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 Committee

The Remuneration Committee is composed of three 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 for management is conducted. The current Board decided to appoint three members to the Remuneration Committee as of March 2022: Arnar Thor Masson (Chair), Lillie Li Valeur and Olafur S. Gudmundsson. The Remuneration Committee convened four times in 2022, attendance was 100%.

Audit Committee

The Audit Committee is composed of three or four Board members 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. Members of the Audit Committee since March 2022 are: Svafa Grönfeldt (Chair), Astvaldur Johannsson, Ann Elizabeth Savage and Ton van der Laan. All members are independent of the company, its auditors and of large shareholders. The Audit Committee convened seven times in 2022, with an average attendance of 93%.

Nomination Committee

The Nomination Committee is composed of three members elected by the Board. 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. 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 March 2022 are: Lillie Li Valeur (Chair), Arnar Thor Masson and Olafur S. Gudmundsson. The Nomination Committee convened five times in 2022, attendance was 100%.

Structure of Board's sub-committees

Meeting attendance 2022		Board of Directors			Audit committee	Nomination committee	Remuneration committee
		Regular meetings	Extra meetings	All board meetings			
		10 meetings	10 meetings	20 meetings	7 meetings	5 meetings	4 meetings
		Attendance	Attendance	Attendance	Attendance	Attendance	Attendance
Arnar Thor Masson	Chairman	100%	100%	100%		100% ○	100% ●
Olafur S. Gudmundsson	Vice-Chairman	100%	70%	85%		100% ○	100% ○
Ann Elizabeth Savage	Director	100%	80%	90%	86% ○		
Astvaldur Johannsson	Director	100%	90%	95%	86% ○		
Lillie Li Valeur	Director	100%	90%	95%		100% ●	100% ○
Svafa Grönfeldt	Director	100%	80%	90%	100% ●		
Ton van der Laan	Director	100%	100%	100%	100% ○		
Average attendence		**100%**	**87%**	**94%**	**93%**	**100%**	**100%**

● Chair ○ Member

Notes: Regular meetings are scheduled at least one year in advance while extra Board meetings are often scheduled with short notice and cannot always be scheduled in time zones that are convenient for all Board Directors, who reside in four different time zones.

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 237,644 shares in Marel. He is a major shareholder of Eyrir Invest, which on 2 February 2022, held 190,366,838 shares in Marel hf. (24.7% 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 Board.
3. 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.
4. At least once a year, the CEO shall evaluate the work and results of the Executive Board that he heads according to previously established criteria. The CEO shall discuss the results of his evaluation with each member of the Executive Board 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 Board 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 Board

On 2 November 2022, Marel introduced organizational changes whereby an Executive Board of six members was formalized. The Executive Board supports the CEO in his role and responsibility for daily operations of the company in line with the directives of Marel's Board of Directors. The company's Executive Board is composed of the following:

- Chief Executive Officer (CEO): Arni Oddur Thordarson
- Chief Business Officer (CBO) and Deputy CEO: Arni Sigurdsson
- Chief Operating Officer (COO): Linda Jonsdottir
- Chief Financial Officer (CFO): Stacey Katz
- Chief Human Resource Officer (CHRO): David Freyr Oddsson
- Chief Strategy Officer (CSO): Vacancy

At the beginning of 2022, Marel's Executive Team was composed of nine executives: Arni Oddur Thordarson (CEO), Linda Jonsdottir (CFO), Arni Sigurdsson (CSO and EVP of Strategic Business Units), Roger Claessens (EVP Marel Poultry), David Wilson (EVP Marel Meat), Gudbjorg Heida Gudmundsdottir (EVP Marel Fish), Ulrika Lindberg (EVP Global Markets and Service), Anna Kristin Palsdottir (EVP Innovation) and Folkert Bölger (EVP Global Supply Chain).

On 7 March 2022, Linda Jonsdottir was appointed COO and Stacey Katz was appointed CFO. Folkert Bölger stepped down

from his position as EVP Global Supply Chain on the same date, with the responsibility for Global Supply Chain being assumed by the newly appointed COO.

On 2 November, it was announced that David Wilson, EVP Marel Meat would be stepping down and leaving Marel, with Roger Claessens stepping in as interim EVP Marel Meat until a new appointment would be announced. It was moreover announced that other current executives from the Executive Team, who are not members of the Executive Board, will continue as part of Marel's senior leadership.

Diversity

Marel's Diversity and Inclusion policy, accessible on **marel.com**, guides and ensures commitment to fostering, cultivating and preserving a culture of diversity and inclusion within the company. The policy applies to all employees and governance bodies, including the Board of Directors, its sub-committees and the Executive Board. Training on diversity and inclusion has been offered to all Marel employees worldwide in 2022, with around 52% participation from the global workforce at year end.

The Nomination Committee has the role of reviewing and evaluating the structure and composition of the Board of Directors, in order to ensure balance of skills, knowledge, experience, diversity, tenure and independence. The Board as a whole should also encompass desirable diversity in aspects such as nationality, gender, age, education and different perspectives. Marel's Board of Director's skills matrix is used in the yearly evaluation and nomination process, see further in the Nomination Committee's report.

The Board of Directors and the CEO are responsible for reviewing and evaluating the structure and composition of the Executive Board, based on the same principles of diversity as apply to the Board of Directors in addition to Marel's diversity and inclusion policy. Gender diversity (female/male ratio) within the Board of Directors remained stable at 43% (2021: 43%). Gender diversity of the Executive Team rose to 56% in March 2022 (2021: 44%). Gender diversity of the Executive Board as of November 2022 is at 40%, with one vacancy. Gender diversity of the total company rose to 18% (2021: 17%).

Code of Conduct and Social Responsibility

Values and Social Responsibility

Marel's company values are our shared ideals and standards, providing direction in our every day 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. Marel places great emphasis on corporate and **social responsibility** with detailed information available in Marel's 2022 ESG report.

Code of Conduct

Marel's Board of Directors initially approved a Code of Conduct with a global application in October 2012, which was thoroughly revised and updated in 2021. 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. See **marel.com** for the company's Code of Conduct.

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 as needed. The AGM is advertised publicly with at least three weeks' notice in accordance with Icelandic law and the company's Articles of Association.

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 (inside information) and on other sensitive business information, which could compromise the company's competitive position. Further information on communication with shareholders can be found in the company's Investor Relations Policy on **marel.com**.

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BOARD OF DIRECTORS

Board of Directors

Arnar Thor Masson
Chairman of the Board

Arnar Masson, born in 1971, is an independent advisor and board member. Masson is currently on the Board of Directors of Siminn, the largest telecom company in Iceland, listed on Nasdaq Iceland, where he also serves on the Renumeration Committee. He also serves on the Board of Directors of Íslandshótel, Iceland's largest hotel chain. Arnar is a member of the University Council of the University of Iceland and is a board member of Festa – Center for Sustainability in Iceland.

Masson was Chief Human Resources and Strategy Officer at Isavia, a company that handles the operations and development of all airports in Iceland. Prior to that, he 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, Masson worked in the Government Offices in Iceland, first in the Ministry of Finance and later as Director General in the Prime Minister's Office. From 2000 to 2008, Masson held an adjunct lecturer position at the Department of Political Science at the University of Iceland. Masson has experience in strategy development and implementation, human resources, Environmental, Social and Governance (ESG), mergers and acquisitions (M&A), political affairs and has worked in emerging markets. He has completed executive courses for board directors both at Harvard Business School and IMD.

Masson has no interest links with the company'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
2021 Chairman of the Board
2013 Vice-Chairman
2001 Board Director

Sub-committees
Remuneration Committee (Chair)
Nomination Committee

Dr. Olafur S. Gudmundsson

Vice-Chairman of the Board

Olafur Gudmundsson, born in 1969, is currently the Head of Discovery Pharmaceutics and Analytical Sciences at Bristol-Myers Squibb (BMS), a global biopharmaceutical company.

For more than two decades, 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. At BMS, Gudmundsson has helped bring multiple drug candidates to clinical trials, several of which have become marketed products.

In his time within the pharmaceutical industry, Gudmundsson's responsibilities have included involvement with global portfolio strategy, evaluation of external acquisitions, strategic innovations, and integration of merged companies. He has participated in governance teams providing input on global portfolio optimization and prioritization, led process optimization teams and chaired integration teams.

Gudmundsson is also associated with the graduate program of the Pharmaceutical Chemistry department at Purdue University. Currently, Gudmundsson is a Board member of Eyrir Invest and Noruz.

Gudmundsson has no interest links with the Company's main customers. He is a member of the Board of Directors of Eyrir Invest, Marel's largest shareholder.

Education

PhD, Pharmaceutical Chemistry, University of Kansas
Cand. pharm., Pharmacy, University of Iceland

Elected

2021 Vice-Chairman
2014 Board Director

Sub-committees

Remuneration Committee
Nomination Committee

Ann Elizabeth Savage
Board Director

Ann Elizabeth Savage, born in 1957, most recently worked for Gousto, a UK meal kit manufacturer and –retailer. She worked for Gousto from 2018 to 2022 in an advisory role and headed the Food Technical function.

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. She has held a variety of roles in technical and research and development departments within the retail and food industry over her 40-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 and Health Protection England. She has chaired the Food Network for Ethical Trade, the IGD Technical Leadership Forum and has 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 Tanzania and Kenya to support African endeavors in tilapia fish farming and beekeeping. She is a member of her parish council and previously served as a Governor of Boston College, a college of further education in the UK.

Savage has no interest links with the company's main customers, competitors, or major shareholders.

Education
Post Graduate Diploma in Management Studies, Nottingham University
Mathematics, Technology and Systems Management, Open University

Elected
2013 Board Director

Sub-committees
Audit Committee

Astvaldur Johannsson
Board Director

Astvaldur Johannsson, born in 1961, is Business Development Director at Controlant, a global real-time monitoring software solution (IoT) provider focusing on the pharmaceutical industry. Previously, Johannsson was a Board member of Festi, a holding company that focuses on investments and support services for its five operating companies: Bakkinn voruhotel, ELKO, Festi Fasteignir, Kronan and N1. Shares in Festi are listed on the Nasdaq Iceland Stock Exchange.

His previous international business experience includes senior management positions at Össur, a global medical devices manufacturer and as an Executive Director leading the international division of Valitor, an e-commerce payment solutions and services provider. Johannsson also served as a member of the Executive Team of the IT company Nýherji, as Sales and Marketing Director at Penninn, and as a system analyst expert in the IT sector focusing on process design and development.

Johannsson has extensive international leadership experience in different markets across the EU, US and Asia, and in cross-functional environments, both at the executive and board level. He has comprehensive experience in formulating and implementing policy and strategy, and in 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.

Johannsson has no interest links with the company's main customers, competitors, or major shareholders.

Education
MBA, University of Iceland
BS, Management Information Systems, Heriot-Watt University

Elected
2014 Board Director

Sub-committees
Audit Committee

Lillie Li Valeur
Board Director

Lillie Li Valeur, born in 1970, is a Chinese born Danish citizen residing in Germany. Valeur is currently the CEO of Arla Foods in Germany, she also serves as a member of the Board of Directors of Plus Pack, a multinational Denmark-based packaging company.

Valeur has extensive international experience in the food, ingredients, and pharmaceutical industries, with special focus on EMEA, Asia, emerging markets, commercial leadership, innovation, M&A and strategic partnerships. Valeur has served as CEO for Good Food Group and COCIO in Denmark.

Over 19 years with Arla Foods, a leading global dairy company, Valeur held several senior management roles, both in Asia and globally, including VP Greater China, VP South-East Asia and VP Global Milk Based Beverages. Prior to that, she held various international business management positions at Lundbeck in Denmark, Novartis Consumer Health in Shanghai, as well as a management consulting position at Bain & Company in Beijing.

Valeur was a member of Board of Directors, Remuneration Committee and Science & Innovation Committee of Chr. Hansen, a global Denmark-based bioscience company, listed on Nasdaq Copenhagen from 2020 to 2022; a member of the Board of Directors and Audit Committee of AAK, a global Sweden-based plant-based oils and fats company, listed on Nasdaq Stockholm, from 2013 to 2020 and a member of the Board of Directors of Meda, a European Swedish-based specialty pharmaceutical company, from 2015 to 2016.

Valeur has no interest links with the company's main customers, competitors, or major shareholders.

Education
MBA, China European International Business School Shanghai, China
Degree in Medicine, Shanghai Medical University, China

Elected
2020 Board Director

Sub-committees
Nomination Committee (Chair)
Remuneration Committee

Dr. Svafa Grönfeldt
Board Director

Svafa Grönfeldt, born in 1965, is a Professor of Practice at the Massachusetts Institute of Technology (MIT). She is a founding member of MIT's newest innovation accelerator DesignX, focused on the design and development of technology- and service-based ventures created at MIT.

Grönfeldt is the co-founder of The MET fund, a Cambridge-based seed investment fund. She is the Vice-Chairman of the Board of Directors of Össur, a global leader in orthopedic solutions since 2008, and member of the Board of Directors of Icelandair since 2019, where she is also a member of the Audit Committee and the Strategy Committee.

Within the global life science field, she served as the Chief Organizational and Development Officer of Alvogen and Deputy to the CEO of Actavis Group. For more than twenty years, her executive career has been focused on organizational design for high growth companies, strategy implementation, service process design and performance tracking, as well as the integration of acquired companies and new business units. She is a former President of Reykjavik University.

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

Education
Ph.D. from the London School of Economics
MSc in Technical and Professional Communication from Florida Institute of Technology

Elected
2021 Board Director

Sub-committees
Audit Committee (Chair)

Ton van der Laan
Board Director

Ton van der Laan, born in 1953, is a Dutch national residing in the Netherlands. He currently serves as Chairman of the Supervisory Board of Royal de Heus, a global feed company and as Vice-Chairman of the Board of Directors of Rainforest Alliance in New York. He is a non-executive board member of Dummen Orange.

Van der Laan has extensive experience from several executive roles in the food, feed and commodity industries. He is the former CEO of Nidera, a company globally active in financing and distribution of grains and oilseeds. He also served as Executive Vice President for Cargill Animal Proteins and Animal Nutrition globally and as CEO of Provimi in the Netherlands, one of the global leaders in animal nutrition.

For over 22 years, Van der Laan held several executive roles at Unilever, the Anglo-Dutch consumer food company, where 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.

Van der Laan has no interest links with the company's main customers, competitors, or major shareholders.

Education
New Board Program, Nyenrode Business University
MS, Mechanical Engineering, Twente University

Elected
2019 Board Director

Sub-committees
Audit Committee

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Executive Board

Arni Oddur Thordarson
Chief Executive Officer

Arni Oddur Thordarson became Marel's CEO in November 2013, having served as Chairman of Marel's Board of Directors from 2005. Thordarson co-founded Eyrir Invest in 2000 and was the company's CEO until 2013. He has extensive global business experience and has served as non-executive director of various companies, including Fokker Technologies and Stork Technical Services. He has been part of the CEOs for Sustainable Future since its creation in 2018, and is currently serving as Chairman.

Education
MBA, IMD, Switzerland
Cand. Oecon., Business Administration, University of Iceland

Linda Jonsdottir

Chief Operating Officer

Linda Jonsdottir was appointed COO in March 2022, having served as CFO since 2014. From 2009, she was Marel's Corporate Director of Treasury and Investor Relations. Before 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
MSc, Finance, Reykjavik University
Cand. Oecon., Business Administration, University of Iceland

Arni Sigurdsson

Chief Business Officer and Deputy CEO

Arni Sigurdsson leads Marel's business segments. He joined Marel in 2014 and established the Strategy and Development department. In his previous role, he led Strategy and M&A, as well as the business units of Retail and Foodservice Solutions and Software Solutions. Sigurdsson serves on the board of Worximity Technology. Before joining Marel he worked at AGC Partners and Landsbankinn Islands, where he supported Marel on the acquisition of Stork Food Systems.

Education
MBA, Harvard Business School.
B.Sc, Industrial Engineering, University of Iceland

Stacey Katz

Chief Financial Officer

Stacey Katz became CFO in 2022 and is responsible for Finance, IT and Global Business Services (GBS). Katz joined Marel in 2014 and from 2020 served as the Chief Accounting Officer and Vice President of GBS, where she led the startup and development of shared services, end-to-end business processes, master data, business intelligence and cross-functional program management. Katz is a CPA in New York and worked for PwC in the US and Iceland before joining Marel.

Education

MBA, Reykjavik University.
Bachelor of Science, Applied Economics and Management, Cornell University

David Freyr Oddsson

Chief Human Resources Officer

David Freyr Oddsson was appointed as Chief Human Resources Officer in November 2022. He joined Marel in 2011 as the HR Director of the International Sales and Service Network. From 2013 to 2020, he was the Executive Vice President Human Resources and the Vice President of People and Culture from 2020 to 2022. Before joining Marel, Oddsson was the Global Head of Human Resources and Corporate Services at Straumur Investment Bank and an HR consultant at Capacent.

Education

MBA, Reykjavik University
Cand. Theologius, University of Iceland

Risk management

Management has identified certain key risks to our business that require attention. Of these, eight key risks are mentioned below, together with an overview of corresponding mitigating actions.

Profit and earnings volatility risk

Marel's operational results are subject to volatility. Factors like the pandemic and the accompanying shift in market dynamics in today's inflationary environment, colored by labor scarcity and geopolitics, influence our ability to predict revenues, costs and expenses affecting our growth objectives. Emerging global recession risks add complexity to predicting market behavior going forward. Marel's diverse business model with revenue streams generated by different business segments, geographical areas and product mix allows the company to adapt and respond to profit and earnings volatility throughout economic cycles. Marel is also refining its operating model to foster customer-centricity, enhance end-to-end accountability and enable cross-business collaboration.

Foreign exchange risk

As an international company, Marel is exposed to foreign exchange risk arising from various currency movements, primarily the US dollar, British pound, Icelandic krona, and Brazilian real in relation to the euro, as the euro is the Group's reporting currency. Marel maintains a good natural hedge in its operations, with a good match between revenues and costs in most currencies. The company's funding is denominated in its main operational currencies to create natural hedging in the balance sheet. Where appropriate, financial exposure is hedged in accordance with Marel's policy on permitted instruments and exposure limits.

Supply chain disruption risk

As a manufacturer of leading technology solutions, Marel relies on the timely supply of inputs and the continued supply of scarce resources. Market conditions remain challenging due to continued supply chain disruption and high inflation, which are causing inefficiencies in manufacturing and aftermarket, and higher costs associated with timely delivery. Marel is utilizing its global reach to mitigate supply chain risks while continuing to adopt new supply chain technologies. Specific mitigations include collaborating with key suppliers and establishing distribution centers where spare part materials are managed separately from parts intended for manufacturing. Marel remains agile and forward-thinking when prioritizing its supply chain needs.

Profit and earnings volatility risk | Foreign exchange risk | Supply chain disruption risk | Geopolitical risk | Innovation risk | Talent management risk | Reputational and compliance risk | Information security risk

Geopolitical risk

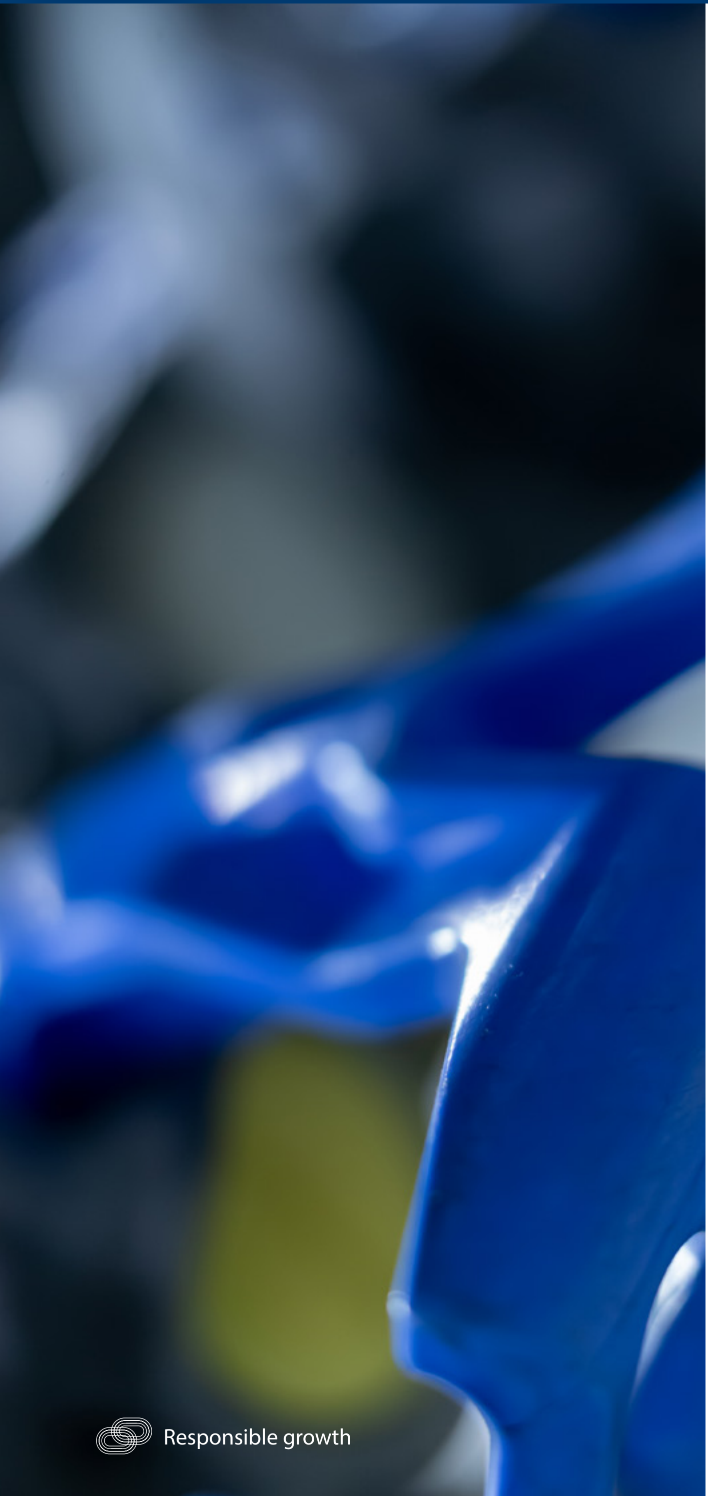
As a global company, Marel is exposed directly and indirectly to geopolitical events. These events may impact our employees, customers, suppliers and shareholders. Additionally, these events can create volatility in manufacturing costs. Marel's geographic mix, product mix and input mix allow the company to maintain business continuity. Our presence spans six continents, forming a resilient sales and service network that reliably supports our customers in more than 140 countries. We take proactive steps to protect our stakeholders from the short- and long-term implications of geopolitical events.

Please visit the following link to read Marel's statement regarding the Russia/Ukraine conflict.

Learn more

Innovation risk

Changes in technology, failure to understand customer needs and inability to enforce intellectual property rights can affect our growth objectives. Marel's success depends on our ability to develop and successfully introduce new products and ensure the competitiveness of existing ones, including solutions and software. Through innovation, we will continue transforming the food processing industry by committing significant resources to support our ambitious innovation goals. To that end, Marel invests 6% of revenues annually toward research and development.



Talent management risk

Attracting and retaining skilled people is essential to Marel's success. We are committed to keeping employees safe and motivated while adapting to the ever-changing landscape of the pandemic. We foster flexible and hybrid working arrangements, enabling people to work remotely where possible. Marel's policies and company culture prioritize diversity and inclusion, employee wellbeing and engagement and leadership development. Additionally, we implement initiatives to encourage staff retention, particularly in the wake of a two-year increase in turnover following a five-year period of gradual decline. All Marel managers collaborate with their teams to create action plans that nurture employee engagement.

Learn more

Reputational and compliance risk

Marel operates worldwide and needs to comply with numerous and ever-changing laws and regulations. Failure to comply can lead to penalties and adverse publicity. The evolution of social media further increases reputational risk. Marel strives to preserve and enhance its brand value, build resilience and create emotionally connected customers, employees and stakeholders while complying with all industry, regulatory and other general standards of significance.

Information security risk

Securing our data, solutions, information systems, and services is vital to mitigating the risk of operational disruptions, financial losses and reputational damage with existing and future customers. Marel continues to invest in people, processes, standardization, certifications and technical information security controls to ensure the confidentiality, integrity and availability of its data and products.

For further information, please contact Marel Investor Relations via email IR@marel.com or tel. (+354) 563 8001

Consolidated Financial Statements

2022

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The Board of Directors' and CEO's Report

Marel is a leading global provider of advanced solutions, software and services to food processing industries. Marel has a global reach with local presence in over 30 countries, with sales and service engineers servicing customers in over 150 countries.

The Consolidated Financial Statements for the year ended 31 December 2022 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 2022

The consolidated revenues for Marel for the full year 2022 are EUR 1,708.7 million (2021: EUR 1,360.8 million). The adjusted result from operations for the same period is EUR 163.4 million or 9.6% of revenues (2021: EUR 153.6 million or 11.3% of revenues).

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

	2022	2021
Adjusted result from operations[1]	163.4	153.6
Non-IFRS adjustments	(66.4)	(23.3)
Result from operations	**97.0**	**130.3**

[1] Result from operations is adjusted for PPA related costs, including depreciation and amortization, and acquisition related expenses. In Q3 and Q4 2022, result from operations is adjusted for restructuring costs due to the 5% headcount reduction.

At 31 December 2022 the Company's order book amounted to EUR 675.2 million (at 31 December 2021: EUR 569.0 million). Orders received in 2022 amounted to EUR 1,734.0 million (2021: EUR 1,502.0 million). EUR 80.9 million order book was acquired in 2022 from Wenger and Sleegers.

The average number of full time employees (including 3rd party workers) was 8,018 in 2022 (2021: 7,140). Total salaries and wages were EUR 546.1 million (2021: EUR 430.2 million). Gender diversity (female/male ratio) within the Board of Directors remained stable at 43% (2021: 43%) and gender diversity of the Executive Board as of November 2022 is at 40%, with one vacancy. Gender diversity of the total Group rose to 18% (2021: 17%).

According to the Consolidated Statement of Financial Position, the Group's assets amounted to EUR 2,696.4 million at the end of 2022 (2021: EUR 2,005.0 million). The increase in assets is mainly related to the acquisitions of Wenger and Sleegers, an increase in inventories and an increase in trade receivables. Total equity amounted to EUR 1,028.1 million at the end of 2022 (2021: EUR 1,023.1 million) or 38.1% of total assets (2021: 51.0%).

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. Further information is provided in note 16 of the Consolidated Financial Statements.

Net cash from operating activities during the year was EUR 51.4 million (2021: EUR 176.2 million). The decrease in net cash from operating activities is mainly due to a lower result from operations and unfavorable movements in working capital.

Capital expenditures in 2022 were EUR 101.2 million (2021: EUR 85.1 million). Ahead of the foreseen growth curve, Marel stepped up its focus on important initiatives to automate and digitize our manufacturing platform, supply chain and aftermarket business. Marel will continue to invest on average 4-5% of revenues (excluding R&D) in the period 2021-2026 with the objective to create a more scalable growth platform allowing for agility and flexibility of operations and to position the business for future growth.

In 2022, Marel invested EUR 97.5 million (2021: EUR 80.8 million) excluding non-IFRS adjustments or 5.7% of revenues (2021: 5.9%) in innovation to support new product development and ensure continued competitiveness of existing product offering.

At 31 December 2022, net cash and cash equivalents were EUR 75.7 million (31 December 2021: EUR 77.1 million). Net interest-bearing debt increased from EUR 199.2 million at the end of 2021 to EUR 816.7 million as per 31 December 2022. The increase in net interest-bearing debt is mainly related to acquisitions in 2022.

Acquisitions in 2022

On 1 February 2022, Marel acquired an additional 50.0% of the share capital of Curio ehf. ("Curio") bringing Marel's total share to 100%. Curio and Marel have worked closely together since Marel's initial investment in Curio on 22 October 2019 and as such, Marel initiated the acquisition of the remaining shares ahead of the timing agreed in the put option.

On 21 April 2022, Marel concluded the acquisition of the entire share capital of Sleegers Techniek B.V. (“Sleegers”). Sleegers is a Dutch provider of interleaving, stacking, loading, and slicing solutions for food processers globally. The joint offering by the two companies strengthens Marel’s position in the case-ready and prepared foods segments.

On 9 June 2022, Marel concluded the acquisition of the entire share capital of Wenger Manufacturing LLC (“Wenger”), including all relevant business activities of the group. Wenger is a global leader in processing solutions focused on pet food, plant-based proteins and aqua feed. The acquisition of Wenger is a platform investment into new and attractive growth markets where Wenger’s industry-leading extrusion and dryer technologies form the anchor point in a new segment in Marel’s business model, plant, pet and feed. As of Q3 2022, the revenues, results from operations and assets of plant, pet and feed are reported into this new segment, which also includes revenues that were historically reported under the other segment. The acquisition is fully in line with Marel’s growth strategy and increased focus on adjacent markets.

Further information on acquisitions in 2022 is provided in note 4 of the Consolidated Financial Statements.

In relation to the Wenger acquisition, Marel signed a EUR 150.0 million multi-currency bridge facility in order to provide operational headroom. On 2 November 2022, Marel signed a new USD 300.0 million term loan which has been utilized to replace the EUR 150.0 million multi-currency bridge facility. Further information is provided in note 24 of the Consolidated Financial Statements.

Stranda Prolog entered into insolvency proceedings

On 5 September 2022, the board of Stranda Prolog AS ("Stranda") filed for insolvency with Møre og Romsdal district court in Norway. As a result, an impairment loss on Marel's 40.0% stake in Stranda of EUR 7.0 million was recognized in the net result.

Outlook

The demand for Marel’s pioneering solutions has been strong since 3Q 2021 with orders above EUR 400 million. The need for automation and digitalization investments in food processing continues. Favorable secular trends, focused on automation, robotics technology and digital solutions that support sustainable food processing, will continue to support the growth outlook for demand in the long term. In the short term, the current macroeconomic backdrop is resulting in elevated uncertainty.

Market conditions remain challenging due to continued supply chain disruption and inflation at high levels resulting in inefficiencies in manufacturing and aftermarket, and higher costs associated with timely delivery. There are signs of easing in supply chain and parts availability which should improve operational efficiency. Operational results may vary from quarter to quarter due to general economic developments, fluctuations in orders received and timing of deliveries of larger systems.

In Q2 2022, Marel revised its year-end 2023 financial target to a run-rate of 14-16% EBIT, from the previously stated 16%, allowing for 2% contingency buffer due to volatility in market conditions. Other 2023 financial targets were unchanged, gross profit of around 40%, SG&A of around 18% and innovation at the 6% strategic level. To drive the performance improvements needed to reach the 2026 growth targets, Marel is refining its operating model to foster customer-centricity, enhance end-to-end accountability and enable cross-business collaboration.

Share buyback program

On 1 June 2022, the Board of Directors of Marel decided to initiate a share buyback program on Nasdaq Iceland for up to 4,000,000 shares, or about 0.52% of the total issued share capital in the Company. In addition, the Board of Directors of Marel decided to initiate a share buyback program on Euronext Amsterdam for up to 1,000,000 shares, or about 0.13% of the total issued share capital in the Company. The purpose of the buyback program was to meet the Company’s obligations under share incentive programs with employees.

As part of the buyback program, Marel purchased 4.6 million shares (EUR 19.8 million) in the period 1 June 2022 to 2 September 2022. The buyback program on Nasdaq Iceland was in effect from 1 June 2022 and was discontinued after 1 July 2022, when the maximum number of shares to be purchased was reached. The buyback program on Euronext Amsterdam was in effect from 2 June 2022 until and including 2 September 2022 when the buyback program was ended.

Treasury shares and stock options

At year end 2022 Marel’s issued shares totaled 771.0 million (31 December 2021: 771.0 million). At the same time Marel holds 18.3 million treasury shares (31 December 2021: 15.3 million).

Stock options are granted to management and selected employees. Total granted and unexercised stock options at the end of the year 2022 were 23.1 million shares (2021: 18.4 million shares), of which 6.2 million are exercisable at the end of 2022 (2021: 0.9 million) and the remainder will vest in the years 2023 to 2026.

As part of the acquisition of Wenger, Marel awarded 0.9 million shares to the Wenger employees conditional upon completing one year of service from the date of acquisition.

Further information is disclosed in note 23 to the Consolidated Financial Statements.

Dividend proposal

Based on the Company's 2022 Annual General Meeting ("AGM") resolution, a dividend was declared and paid to shareholders for the operational year 2021 amounting to EUR 38.7 million, EUR 5.12 cents per share. This corresponds to approximately 40% of net result for the operational year 2021 (in 2021: a dividend of EUR 41.0 million, EUR 5.45 cents per share, corresponding to approximately 40% of net result for the year 2020, was declared and paid out to shareholders for the operational year 2020).

The Board of Directors will propose to the 2023 Annual General Meeting that EUR 1.56 cents dividend per outstanding share will be paid for the operational year 2022, corresponding to approximately 20% of net results attributable to Shareholders of the Company of EUR 58.7 million for the year 2022, and refers to the Consolidated Financial Statements regarding appropriation of the profit for the year and changes in shareholders' equity.

This is proposed in accordance with Marel's dividend policy disclosed at Marel's Annual General Meeting in March 2011. Dividend or share buyback is targeted at 20-40% of the net result and excess capital is to be used to stimulate growth and value creation. Marel has a targeted capital structure of 2-3x net debt/EBITDA. Leverage was 3.6 net debt/EBITDA at year-end 2022 after the acquisition of Wenger, though is expected to be within the targeted range at the end of 2023.

If approved by Marel's shareholders, the Company's shares traded on and after 24 March 2023 (Ex-date) will be ex-dividend and the right to a dividend will be restricted to shareholders identified in the Company´s shareholders registry at the end of 27 March 2023, which is the proposed record date. The Board will propose that payment date of the dividend is 14 April 2023.

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 Amsterdam. Shareholders holding ISK shares can therefore have additional shareholding in EUR and shareholders only holding EUR shares can have up to 5% shareholding without Marel's knowledge.

		2022			
		Number of	Shareholding (%)		
Ten largest shareholders at year end		**shares (million)**	**In ISK**	**In EUR**[1]	**Total**[1]
ABN Amro on behalf of Euroclear[2]	Custody account	254.7	33.0%	-	-
Eyrir Invest hf.[3]	Investment company	98.4	12.8%	11.9%	24.7%
The Pension Fund of Commerce	Pension fund	50.0	6.5%	-	-
Gildi	Pension fund	49.2	6.4%	-	-
LSR A, B & S divisions	Pension fund	39.7	5.1%	-	-
Birta lifeyrissjodur	Pension fund	21.2	2.8%	-	-
Frjalsi lifeyrissjodurinn	Pension fund	13.2	1.7%	-	-
Vanguard Funds	Asset management	12.9	1.7%	-	-
Smallcap World Fund Inc.	Asset management	11.9	1.5%	-	-
Festa - lifeyrissjodur	Pension fund	10.9	1.4%	-	-
	Top 10 total	562.1	72.9%		
	Others	190.6	24.7%		
Marel hf.[4]	Treasury shares	18.3	2.4%		
	Total issued shares	**771.0**	**100.0%**		

1 Additional information according to an announcement of the principal shareholder, Eyrir Invest hf. to Marel.
2 Custody account in ISK representing all EUR shareholders.
3 Eyrir Invest hf. has 24.7% shareholding in Marel, thereof 11.9% in EUR that are included in the custody account of ABN Amro on behalf of Euroclear.
4 Of Marel's treasury shares, 15.3 million shares are in ISK and 3.0 million shares are in EUR and therefore included in the custody account of ABN Amro on behalf of Euroclear.

Corporate Responsibility Statement

Corporate Governance

Marel's corporate governance consists of a framework of principles and rules, based on applicable laws, including its Articles of Association and the Guidelines on Corporate Governance issued in July 2021 by the Iceland Chamber of Commerce, Nasdaq OMX Nordic Iceland and the Confederation of Icelandic Employers, which are accessible on the website of the Iceland Chamber of Commerce.

The Company's management structure, from 2 November 2022, consists of the Board of Directors and the Executive Board (previously 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. A share of the Board's work is carried out in its sub-committees: the Remuneration Committee, the Audit Committee and the 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.

The Board of Directors has prepared a Corporate Governance Statement in line with the guidelines, which is published as an appendix to the Consolidated Financial Statements as well as in Marel's Annual Report, where the Company's corporate governance is discussed in detail.

Sustainability at Marel

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

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. As environmental risk can translate into financial risk for Marel as well as its stakeholders, Marel is implementing the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). In 2022, our targets of lowering CO2 emissions were validated by the Science Based Targets initiative (SBTi).

Economic 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. Marel takes compliance with global anti-bribery and anti-corruption laws and regulations very seriously, and Marel's anti-bribery and anti-corruption policy applies to all employees, officers and directors as well as contractors, consultants, agents and other business partners of Marel.

Further information on sustainability at Marel is available on marel.com/sustainability. Marel will publish its 2022 Annual Report in March 2023.

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 2022, operating performance and the cash flows for the year ended 31 December 2022 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 on the financial risks is disclosed in note 28 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 2022 with their signatures.

Gardabaer, 8 February 2023

Board of Directors

Arnar Thor Masson
Chairman of the Board

Ann Elizabeth Savage

Astvaldur Johannsson

Lillie Li Valeur

Olafur S. Gudmundsson

Svafa Grönfeldt

Ton van der Laan

Chief Executive Officer

Arni Oddur Thordarson

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 2022, 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 2022, 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.

Our opinion is consistent with the additional report submitted to the Audit Committee and the Board of Directors.

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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were first appointed as auditors by the Annual General Meeting on 10 March 2009. We have been re-appointed by resolutions passed by the annual general meeting uninterrupted since then.

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.

Key audit matters	How the matter was addressed in our audit
Recoverability of Goodwill	
Refer to note 2.9 and note 16. Goodwill amounted to EUR 859 million and represents 32% of total assets as at 31 December 2022. The goodwill is allocated to four cash generating units (CGUs). Management prepared a value-in-use model to estimate the present value of forecasted 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 judgments about forecasted 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. Based on the significance of the goodwill amount and judgments in the goodwill calculations, recoverability of goodwill is a key audit matter.	We have performed the following procedures to address this risk: • We evaluated the cash flow projections included in the goodwill impairment test by management. We considered the level of historical budgeting inaccuracies and how the assumptions compared with the actual performance achieved in prior years, also taking into account the best estimate of macro-economic developments on the business of Marel. • 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 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 2.4 and note 7. The Group's revenue is comprised of 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 proof of delivery. • We tested a sample of credit notes issued after year end to agree that revenue was 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, pre-calculations 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 European Union and additional disclosure requirements for listed companies in Iceland, 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 judgment 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors and 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

Report on European Single Electronic Format (ESEF Regulation)

As part of our audit of the Consolidated Financial Statements of Marel hf. we performed procedures to be able to issue an opinion on whether the Consolidated Financial Statements of Marel hf. for the year 2022 with the file name 5299008YTLEN09WTHW26-2022-12-31 is prepared, in all material respects, in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021 relating to requirements regarding European single electronic format Regulation EU 2019/815 which include requirements related to the preparation of the Consolidated Financial Statements in XHTML format and iXBRL markup.

The Board of Directors and CEO are responsible for preparing the Consolidated Financial Statements in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021. This includes preparing the Consolidated Financial Statements in an XHTML format in accordance with EU Regulation 2019/815 on the European single electronic format (ESEF Regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the Consolidated Financial Statements is prepared in all material respects, in compliance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirement set out in the ESEF Regulation, whether due to fraud or error.

In our opinion, the Consolidated Financial Statements of Marel hf. for the year 2022 with the file name 5299008YTLEN09WTHW26-2022-12-31 is prepared, in all material respects, in compliance with the ESEF Regulation.

Report on the Board of Directors' and CEO's report

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements 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 Statements Act if not disclosed elsewhere in the Consolidated Financial Statements.

The engagement partner on the audit resulting in this independent auditor’s report is Audur Thorisdottir.

Reykjavik, 8 February 2023

KPMG ehf.

Audur Thorisdottir
Saemundur Valdimarsson

Consolidated Statement of Income

In EUR million unless stated otherwise	Notes	2022	2021
Revenues	5 & 6 & 7	1,708.7	1,360.8
Cost of sales	5 & 8	(1,130.4)	(867.0)
Gross profit	5	**578.3**	**493.8**
Selling and marketing expenses	5 & 8	(236.2)	(180.4)
General and administrative expenses	5 & 8	(139.2)	(96.2)
Research and development expenses	5 & 8	(105.9)	(86.9)
Result from operations	5	**97.0**	**130.3**
Finance costs	9	(23.7)	(9.2)
Finance income	9	10.7	0.5
Net finance costs	9	**(13.0)**	**(8.7)**
Share of result of associates	18	(1.9)	(0.9)
Impairment loss of associates	18	(7.0)	-
Result before income tax		**75.1**	**120.7**
Income tax	12	(16.4)	(24.5)
Net result		**58.7**	**96.2**
Of which:			
- Net result attributable to Shareholders of the Company	13	58.7	96.8
- Net result attributable to non-controlling interests	23	0.0	(0.6)
Earnings per share for result attributable to Shareholders of the Company during the period (expressed in EUR cent per share):			
- Basic	13	7.78	12.85
- Diluted	13	7.75	12.73

The notes on pages 17-67 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

In EUR million	Notes	2022	2021
Net result		**58.7**	**96.2**
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences	23	(11.0)	4.9
Cash flow hedges	23	(0.8)	(0.5)
Deferred income taxes	21 & 23	0.2	0.2
Other comprehensive income / (loss) for the period, net of tax		**(11.6)**	**4.6**
Total comprehensive income for the period		**47.1**	**100.8**
Of which:			
- Total comprehensive income attributable to Shareholders of the Company		47.1	101.4
- Total comprehensive income attributable to non-controlling interests	23	0.0	(0.6)

The notes on pages 17-67 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position

In EUR million	Notes	2022	2021
Assets			
Property, plant and equipment	14	327.1	228.7
Right of use assets	15	39.8	40.5
Goodwill	16	859.2	705.2
Intangible assets	17	562.3	357.2
Investments in associates	18	4.0	12.7
Other non-current financial assets	19	3.7	-
Derivative financial instruments	28	1.5	-
Deferred income tax assets	21	31.6	18.1
Non-current assets		**1,829.2**	**1,362.4**
Inventories	22	403.6	273.4
Contract assets	7	65.8	69.6
Trade receivables	7 & 20	218.3	154.7
Derivative financial instruments	28	1.8	1.1
Other receivables and prepayments	20	102.0	66.7
Cash and cash equivalents		75.7	77.1
Current assets		**867.2**	**642.6**
Total assets		**2,696.4**	**2,005.0**
Equity and liabilities			
Share capital	23	6.7	6.7
Share premium reserve	23	440.2	450.3
Other reserves	23	(33.4)	(22.1)
Other equity	23	-	(13.6)
Retained earnings	23	614.6	593.8
Shareholders' equity		**1,028.1**	**1,015.1**
Non-controlling interests	23	-	8.0
Total equity		**1,028.1**	**1,023.1**
Liabilities			
Borrowings	24	729.8	234.9
Lease liabilities	24	30.3	30.9
Deferred income tax liabilities	21	90.7	92.1
Provisions	25	6.9	4.0
Other payables	27	7.5	22.7
Derivative financial instruments	28	-	0.4
Non-current liabilities		**865.2**	**385.0**
Contract liabilities	7	324.3	306.0
Trade and other payables	27	316.8	259.4
Derivative financial instruments	28	3.5	0.8
Current income tax liabilities		14.2	10.7
Borrowings	24	121.5	0.0
Lease liabilities	24	10.8	10.5
Provisions	25	12.0	9.5
Current liabilities		**803.1**	**596.9**
Total liabilities		**1,668.3**	**981.9**
Total equity and liabilities		**2,696.4**	**2,005.0**

The notes on pages 17-67 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]	Other equity[3]	Retained earnings[4]	Share-holders' equity	Non-controlling interests	Total equity
Balance at 1 January 2022	**6.7**	**450.3**	**(22.1)**	**(13.6)**	**593.8**	**1,015.1**	**8.0**	**1,023.1**
Net result for the period					58.7	58.7	0.0	58.7
Total other comprehensive income			(11.3)	(0.3)		(11.6)		(11.6)
Transactions with owners of the Company								
Treasury shares purchased	(0.0)	(19.8)				(19.8)		(19.8)
Treasury shares sold	0.0	4.2				4.2		4.2
Options granted / exercised / canceled	0.0	5.5			1.3	6.8		6.8
Transactions with non-controlling interests				13.9	(0.5)	13.4	(8.0)	5.4
Dividend					(38.7)	(38.7)		(38.7)
	0.0	**(10.1)**	**(11.3)**	**13.6**	**20.8**	**13.0**	**(8.0)**	**5.0**
Balance at 31 December 2022	**6.7**	**440.2**	**(33.4)**	**-**	**614.6**	**1,028.1**	**-**	**1,028.1**

In EUR million	Share capital	Share premium reserve[1]	Other reserves[2]	Other equity[3]	Retained earnings[4]	Share-holders' equity	Non-controlling interests	Total equity
Balance at 1 January 2021	**6.7**	**442.8**	**(27.5)**	**-**	**536.4**	**958.4**	**0.3**	**958.7**
Net result for the period					96.8	96.8	(0.6)	96.2
Total other comprehensive income			5.4	(0.8)		4.6		4.6
Transactions with owners of the Company								
Treasury shares sold	0.0	9.9				9.9		9.9
Options granted / exercised / canceled	0.0	(2.4)			1.6	(0.8)		(0.8)
Non-controlling interests on acquisition of subsidiary							8.5	8.5
Transactions with non-controlling interests				(12.8)		(12.8)		(12.8)
Dividend					(41.0)	(41.0)	(0.2)	(41.2)
	0.0	**7.5**	**5.4**	**(13.6)**	**57.4**	**56.7**	**7.7**	**64.4**
Balance at 31 December 2021	**6.7**	**450.3**	**(22.1)**	**(13.6)**	**593.8**	**1,015.1**	**8.0**	**1,023.1**

1 Includes reserve for share-based payments as per 31 December 2022 of EUR 13.3 million (31 December 2021: EUR 7.3 million).
2 For details on other reserves refer to note 23.
3 Includes equity impact of the option to acquire the remaining shares of non-controlling interests. For further information refer to note 23.
4 Includes a legal reserve for capitalized intangible assets related to product development projects as per 31 December 2022 of EUR 102.8 million (31 December 2021: EUR 88.1 million).

The notes on pages 17-67 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

In EUR million	Notes	2022	2021
Cash Flow from operating activities			
Result from operations		**97.0**	**130.3**
Adjustments to reconcile result from operations to net cash provided by / (used in) operating activities:			
Depreciation and impairment of property, plant and equipment and right of use assets	14 & 15	38.5	29.8
Amortization and impairment of intangible assets	17	43.1	38.8
Adjustments for other non-cash income and expenses		7.4	3.8
Working capital provided by / (used in) operating activities		**186.0**	**202.7**
Changes in:			
Inventories and contract assets and liabilities		(65.4)	(11.7)
Trade and other receivables		(59.7)	(7.3)
Trade and other payables		31.3	30.7
Provisions		4.2	(2.1)
Changes in operating assets and liabilities		**(89.6)**	**9.6**
Cash generated from operating activities		**96.4**	**212.3**
Income taxes paid		(28.0)	(29.2)
Interest and finance income received		1.2	0.5
Interest and finance costs paid		(18.2)	(7.4)
Net cash from operating activities		**51.4**	**176.2**
Cash Flow from investing activities			
Purchase of property, plant and equipment	14	(52.8)	(46.1)
Investments in intangibles	17	(35.6)	(24.8)
Proceeds from sale of non-current assets and assets held for sale	14 & 17	1.9	3.8
Investments in associates	18	-	(10.4)
Investments in other non-current financial assets	19	(2.9)	-
Acquisition of subsidiaries, net of cash acquired	4	(477.8)	(43.9)
Net cash provided by / (used in) investing activities		**(567.2)**	**(121.4)**
Cash Flow from financing activities			
Purchase of treasury shares	23	(19.8)	-
Sale of treasury shares and options exercised	23	0.6	0.7
Dividends paid	23	(38.7)	(41.2)
Proceeds from borrowings	24	1,358.0	52.2
Repayments of borrowings	24	(763.6)	(62.9)
Payments of lease liabilities	24	(14.2)	(13.1)
Acquisition of non-controlling interests	4	(16.4)	-
Net cash provided by / (used in) financing activities		**505.9**	**(64.3)**
Net increase / (decrease) in cash and cash equivalents		**(9.9)**	**(9.5)**
Exchange gain / (loss) on cash and cash equivalents		8.5	8.0
Cash and cash equivalents at beginning of the period		77.1	78.6
Cash and cash equivalents at end of the period		**75.7**	**77.1**

The notes on pages 17-67 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, Gardabaer.

The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as "the Group" or "Marel").

The Group is a leading global provider of advanced solutions, software and services to food processing 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 8 February 2023. 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 22 March 2023.

The Company is listed on the Nasdaq Iceland ("Nasdaq") and on Euronext Amsterdam ("Euronext") exchanges.

1.2 Basis of Accounting

The Consolidated Financial Statements of the Group have been prepared on a going concern basis and 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 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 2022.

The Consolidated Financial Statements have been prepared under the historical cost convention, except for the revaluation of financial assets classified as 'fair value through other comprehensive income' or 'fair value through profit or loss', as well as derivative financial instruments, which are reported in accordance with the accounting policies set out in note 2.

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 amounts are in millions of EUR 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.

	2022		2021	
	Year end rate	Average rate	Year end rate	Average rate
1 euro =				
USD	1.07	1.05	1.14	1.18
GBP	0.89	0.85	0.84	0.86
ISK	152.00	142.19	147.45	150.22
BRL	5.64	5.44	6.34	6.38

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 ongoing 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 note 2, note 3 and note 28.

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. The accounting policies set out in these Consolidated Financial Statements have been applied consistently for all periods presented.

Changes in accounting policies

A number of new and amended standards and interpretations became effective for annual periods beginning on or after 1 January 2022, including:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16: Leases);
- Proceeds before Intended Use (Amendments to IAS 16: Property, Plant and Equipment);
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets);
- Reference to the Conceptual Framework (Amendments to IFRS 3: Business Combinations);
- Annual Improvements to IFRS Standards 2018–2020.

The Group adopted the new/amended standards and interpretations in preparing the Group's Consolidated Financial Statements 2022; none of them had a material impact.

Prior-year information

The presentation of prior-year disclosures is in line with the current year disclosures.

Presentation of the 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 revenues. 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; and
- 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 the Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows has been prepared applying the indirect method whereby result from operations 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.

Cash flows in foreign currencies have been translated, in principle, at average exchange rates; certain material (mainly financing) transactions are translated at the exchange rate at the day of translation. Exchange differences concerning cash items are shown separately in the Consolidated Statement of Cash Flows.

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 the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.

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 consults with 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.

The purchase consideration in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. 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 issuance of debt or equity securities.

The purchase consideration 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.

Details of the acquisition of Sleegers and Wenger in 2022 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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, other comprehensive income ("OCI") and (reversal of) impairments 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.

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.

2.3 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 revalued.

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 a permanent loan, as qualifying cash flow hedges and as qualifying net investment hedges as explained in note 2.13. 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 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; and
- 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 due to 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 the 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.

2.4 Revenue recognition

Marel recognizes revenue based on the considerations specified in contracts with customers using 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 the 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.

Equipment revenue

In Marel's business model, equipment revenue relates 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.

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.

Complete solutions or systems have a similar margin for all components of the solution or system.

Aftermarket revenue

Aftermarket revenue relates to the sale of spare parts as well as performing related maintenance services to the equipment.

Revenues for spare part sales 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.

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 the payments received up-front and is recognized as revenue over the service period.

Payment terms

For the sale of complete solutions or systems and for most of the standard equipment down payments are obtained. Payment terms on invoices are usually 30 days from the date of invoice issued according to the contractual terms.

Commissions

The Group applies the practical expedient in relation to the incremental costs of obtaining a contract. The Group recognizes 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.

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 the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.5 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.

2.6 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 an equity-settled share-based compensation plan, 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 to be 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 the share premium reserve in 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 exercise price of the stock options, expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, defined vesting period, 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.

As part of the acquisition of Wenger, Marel granted shares to the Wenger employees conditional upon completing one year of service from the date of acquisition. The fair value of the shares granted to Wenger employees is based on the listed share price of the Company at 9 June 2022 and the total amount to be expensed is recognized over the vesting period.

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 managements 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. These pension plans are classified as defined contribution pension plans. Obligations relating to defined contribution pension plans are charged to the Consolidated Statement of Income as employee benefit 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.

The jubilee rights in the Netherlands and the post retirement medical benefit plan in the United States of America are classified as defined benefit obligations. Because of their non-material character, these arrangements are not disclosed separately.

2.7 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

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 tax

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 for unused tax losses, unused tax credits and temporary differences to the extent it is probable that future taxable profits will be available against which the assets can be used. Future taxable profits are determined based on managements internal forecasts for individual subsidiaries in the Group. Unrecognized deferred tax assets are reassessed at each reporting date. 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.

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.

2.8 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 2.11).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in the Consolidated Statement of Income when the disposal is completed.

Borrowing cost is expensed as incurred except when directly attributable to the 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.

2.9 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 maximum 30 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 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 & trademarks

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 in case of patents and licences, or 20 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; and
- 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, consultancy costs and the licence fees incurred during the development phase of the software product.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

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 is recognized in the Consolidated Statement of Income as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

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.

2.10 Leases

Marel leases property, plant and equipment including manufacturing and demo facilities, office buildings, small equipment and cars. The leases for manufacturing and demo facilities can run up to 10 years. The leases for office buildings are typically annual, with an automatic renewal. The lease payments, if relevant, are adjusted every year based on the change in the consumer price index in the preceding year. The small equipment and car leases typically run for a period of 3-5 years.

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.

Right of use assets

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 re-measurements of the lease liability.

Lease liabilities

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.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The lease liability is re-measured when there is a change in future lease payments.

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. The Group recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

2.11 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 the lower of carrying amount and fair value less costs to sell, 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.

2.12 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) and a financial liability are initially measured at fair value. 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 are added to the fair value measurement. 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 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 costs 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 costs 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 a 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 costs are 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 28.

Impairment – Financial assets and contract assets

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.

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 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 which are part of the cash pool are netted against cash and cash equivalents; other bank overdrafts are shown within borrowings in current liabilities on the Consolidated Statement of Financial Position.

Financial liabilities

Financial liabilities are classified as measured at amortized cost 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.

An entity has 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 on 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 of 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 either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - 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 of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or canceled, 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.

2.13 Derivative financial instruments and hedging activities

After the implementation of IFRS 9, the Group has chosen to continue to apply the hedge accounting requirements of IAS 39.

The Group uses financial derivatives such as foreign currency forward contracts and interest rate swaps to hedge risks associated with foreign currency and interest rate fluctuations. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently revalued at their fair value and changes therein are recognized in profit or loss unless cash flow hedge accounting or net investment hedge accounting is applied. 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 forecasted 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.

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 (mainly as a result of changes in timing of the hedged transactions) 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. When the forecasted 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 the cost of goods sold for inventory or in depreciation for non-current assets.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

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 comprehensive 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.

2.14 Inventories

Inventories are measured at the lower of historical cost or net realizable value. Cost is determined using the weighted average method. 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.

2.15 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 canceled or reissued. Repurchased shares are classified as treasury shares. The nominal value of the treasury shares is presented in share capital; payments for treasury shares in excess of nominal value are presented in the share premium reserve. Where such shares are subsequently sold or reissued, any consideration received in excess of nominal value, 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 a private placement

2.16 Provisions

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.

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.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on incremental costs necessary to fulfill the obligation under the contract.

2.17 New standards and standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2022 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 new and amended standards and interpretations are not expected to have a material effect on the Group's Consolidated Financial Statements:

- Disclosure of Accounting Policies (Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2);
- Classification of liabilities as Current or Non-Current (Amendments to IAS 1: Presentation of Financial Statements);
- Definition of Accounting Estimates (Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12: Income Taxes); and
- IFRS 17 Insurance Contracts and amendments to 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 risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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 importance on the accurate estimates of progress towards completion and 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 and margin. Due to supply chain challenges, with higher supply chain and logistics costs, these estimates are less certain, which may impact revenue and margin recognition on complete solutions or systems. For further information refer to note 7.

Impairment

The Group annually tests whether the financial and non-financial assets, including goodwill, were impaired in accordance with the accounting policies stated in note 2.9, 2.11 and 2.12. The recoverable amounts of CGUs have been determined based on a value in use calculation. These calculations require the use of estimates. For further information refer to note 16.

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 a discounted cash flow analysis for this purpose. This analysis requires the use of estimates. For further information refer to note 17.

Expected Credit Losses

Loss allowances are measured based on the Expected Credit Losses that result from all possible default events over the expected life of a financial instrument. The estimated ECL were calculated based on actual credit loss experience over the past five years. The Group takes a holistic view of its financial assets and applies the same expected credit loss rate over all trade receivables. For further information refer to note 20 and note 28.

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. For further information refer to note 21.

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.

Purchase Price Allocations

Acquisitions by Marel as part of business combinations, which will be accounted for by the acquisition method, will result in the 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 consults with 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.

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. Certain property leases contain extension options exercisable by the Group. Estimates have been made on the estimated (remaining) useful lives of these right of use assets and the remaining lease terms. The Group reassesses it's estimates if there is a significant event or change within its control.

In the following table the book values of the assets and liabilities which include an element of estimation are disclosed.

		2022		2021	
	Notes	Assets	Liabilities	Assets	Liabilities
Goodwill	16	859.2	-	705.2	-
Intangible assets	17	562.3	-	357.2	-
Right of use assets / lease liabilities	15 & 24	39.8	41.1	40.5	41.4
Current and deferred income taxes	21	31.6	104.9	18.1	102.8
Contract assets / liabilities	7	65.8	324.3	69.6	306.0
Derivative financial instruments	28	3.3	3.5	1.1	1.2
Trade receivables	7 & 20	218.3	-	154.7	-

4 Business combinations

Under IFRS 3, up to one year from the acquisition date, the initial accounting for business combinations is to be adjusted to reflect new 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.

Sleegers

On 21 April 2022, Marel concluded the acquisition of the entire share capital of Sleegers, a Dutch provider of interleaving, stacking, loading, and slicing solutions for food processers globally. Sleegers was founded in 1993, has 27 employees and around EUR 5.0 million in annual revenues. The joint offering by the two companies strengthens Marel's position in the case-ready and prepared foods segments. The purchase consideration was paid with EUR 12.9 million in cash. The acquisition was financed through Marel's strong cash position and existing credit facilities.

Goodwill amounted to EUR 5.9 million and is allocated to the meat and other segments and is primarily related to the strategic fit of Sleegers and Marel with a highly complementary product portfolio in the case-ready and prepared foods segments. The goodwill for the Sleegers acquisition is not deductible for corporate income tax.

Wenger

On 9 June 2022, Marel concluded the acquisition of the entire share capital of Wenger, including all relevant business activities of the group. The acquisition of Wenger is a platform investment into new and attractive growth markets where Wenger's industry-leading extrusion and dryer technologies form the anchor point in a new segment in Marel's business model. Wenger shares Marel's passion for innovation and commitment to best-in-class products, backed by an experienced team, and long-standing partnerships with customers. The acquisition is fully in line with Marel's growth strategy and increased focus on adjacent markets.

Wenger is a global leader in processing solutions focused on pet food, plant-based proteins and aqua feed. Founded in 1935, Wenger is a family-owned business headquartered in Sabetha, Kansas, USA. Wenger has around 500 employees and around USD 190.0 million of annual revenues.

Closing was subject to customary closing conditions, including anti-trust and approval of Wenger's shareholders. The purchase consideration includes a cash consideration of USD 519.3 million (EUR 484.9 million), 1.0 million Marel shares (EUR 4.2 million) and a cash contribution of USD 4.0 million (EUR 3.8 million) into a not-for-profit private foundation, to continue the legacy of Wenger and its meaningful impact on the community. The fair value of the Marel shares transferred was based on the listed share price of the Company at 9 June 2022 of EUR 4.37 per share. The acquisition was financed through Marel's strong cash position, existing credit facilities and available treasury shares.

Immediately after the acquisition date the PPA activities started. The amounts recorded for the acquisition are provisional. The preliminary purchase price allocation may be further revised within the one year period from the acquisition date if additional information is obtained which might impact the purchase consideration and / or fair value of assets and liabilities.

Provisional goodwill amounted to EUR 146.7 million and is primarily related to the strategic and cultural fit and a highly complementary product portfolio. The goodwill is allocated to the new segment plant, pet and feed.

The goodwill for Wenger is tax deductible in the US.

In 2022 Sleegers and Wenger contributed EUR 117.8 million to the Group's revenue and EUR 18.2 million to the Group's adjusted result from operations. If these companies had been acquired on 1 January 2022, revenues on a year to date basis contributed to Marel would have been approximately EUR 193.0 million and adjusted result from operations EUR 26.0 million.

The impact to Marel's Consolidated Statement of Financial Position of acquisitions in 2022 is shown in the below table.

Impact on the Consolidated Statement of Financial Position in 2022	**Wenger**	**Sleegers**	**Total**
Property, plant and equipment	69.2	0.3	69.5
Right of use assets	1.1	-	1.1
Intangible assets	206.7	5.1	211.8
Other non-current assets	0.9	-	0.9
Inventories	78.4	1.7	80.1
Trade receivables	22.3	0.9	23.2
Other receivables and prepayments	11.8	0.8	12.6
Cash and cash equivalents	19.8	0.2	20.0
Assets acquired	**410.2**	**9.0**	**419.2**
Borrowings, current and non-current	12.1	-	12.1
Lease liabilities, current and non-current	1.1	-	1.1
Provisions, current and non-current	1.3	-	1.3
Deferred and other tax liabilities	0.4	1.2	1.6
Contract liabilities	33.0	0.3	33.3
Trade and other payables	16.1	0.5	16.6
Liabilities assumed	**64.0**	**2.0**	**66.0**
Total net identified assets	**346.2**	**7.0**	**353.2**
Purchase consideration	**492.9**	**12.9**	**505.8**
of which paid / to be paid in cash	488.7	12.9	501.6
of which paid / to be paid in shares	4.2	-	4.2
Goodwill on acquisition	**146.7**	**5.9**	**152.6**

Valka

In 2022, the PPA for Valka ehf. was finalized. Compared to the provisional goodwill reported in the Consolidated Financial Statements for the period ended 31 December 2021, it resulted in an increase of goodwill of EUR 0.1 million and a decrease of the purchase consideration of EUR 1.3 million.

Purchase of non-controlling interest

On 1 February 2022, Marel acquired the remaining 50.0% of the shares of Curio for an additional investment of EUR 15.9 million. Curio and Marel have worked closely together since Marel's initial investment in Curio on 22 October 2019 and as such, Marel initiated the acquisition of the remaining shares ahead of the timing agreed in the put option. Curio was consolidated in Marel’s financial results as of Q1 2021 at the moment Marel assessed it had control over Curio.

On 21 June 2022, Marel acquired the remaining 24.0% of the shares of MPS France S.A.R.L. ("MPS France") for an additional investment of EUR 0.5 million.

As these additional investments in Curio and MPS France do not result in a change of control, the purchase is treated as an equity transaction. As a result, no changes in the carrying amounts of assets (including goodwill) were recognized. The difference between the change in non-controlling interest and the consideration paid is recognized directly in equity.

5 Non-IFRS measurement

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. The non-IFRS measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures and should be read only in conjunction with our Consolidated Financial Statements prepared in accordance with IFRS.

Management has presented "adjusted result from operations" as a performance measure because it monitors this performance measure at a consolidated level and believes that this measure is relevant to understanding 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) and acquisition related expenses. Restructuring costs due to the 5% headcount reduction announced in Q2 2022 are adjusted for in Q3 and Q4 2022. 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.

	As reported 2022	Non-IFRS adjustments 2022	Non-IFRS measures 2022	As reported 2021	Non-IFRS adjustments 2021	Non-IFRS measures 2021
Revenues	1,708.7	-	1,708.7	1,360.8	-	1,360.8
Cost of sales	(1,130.4)	26.6	(1,103.8)	(867.0)	4.3	(862.7)
Gross profit	**578.3**	**26.6**	**604.9**	**493.8**	**4.3**	**498.1**
Selling and marketing expenses	(236.2)	18.3	(217.9)	(180.4)	10.4	(170.0)
General and administrative expenses	(139.2)	13.1	(126.1)	(96.2)	2.5	(93.7)
Research and development expenses	(105.9)	8.4	(97.5)	(86.9)	6.1	(80.8)
Adjusted result from operations		**66.4**	**163.4**		**23.3**	**153.6**
Non-IFRS adjustments		(66.4)	(66.4)		(23.3)	(23.3)
Result from operations	**97.0**	**-**	**97.0**	**130.3**	**-**	**130.3**

The non-IFRS adjustments to the result from operations includes the following:

	2022	2021
PPA related charges	43.5	21.1
Acquisition related expenses	14.5	2.2
Restructuring costs	8.4	-
Total non-IFRS adjustments	**66.4**	**23.3**

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.

	2022	2021
Result from operations (EBIT)	97.0	130.3
Depreciation, amortization and impairment	81.6	68.6
Result from operations before depreciation & amortization (EBITDA)	**178.6**	**198.9**

EBITDA adjusted for non-IFRS measures in 2022 amounted to EUR 221.4 million (2021: 205.5 million).

6 Segment information

Operating segments

The identified operating segments comprise the four core industries, which are the reporting segments. These operating segments form the basis for managerial decision taking.

Following the acquisition of Wenger, a new operating segment plant, pet and feed has been added to Marel's segment reporting alongside the poultry, meat and fish segments. As of Q3 2022, the revenues, results from operations and assets of Wenger are reported into this new segment, which also includes revenues that were historically reported under the other segment. For more information refer to note 4.

The following summary describes the operations in each of the Group's reportable segments:

- Poultry processing: Our poultry full-line product range offers integrated systems, software and services for processing broilers, turkeys and ducks;
- Meat processing: Our meat industry is a full-line supplier for primary, secondary and further processing equipment, systems, software and services of pork, beef, veal and sheep;
- Fish processing: Marel provides advanced equipment, systems, software and services for processing salmon and whitefish, both farmed and wild, on-board and ashore;
- Plant, pet and feed: The plant, pet and feed industry provides solutions and services to the pet food, plant-based protein and aqua feed markets.

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 general economic developments, 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 and are not allocated to the operating segments. The profit or loss per operating segment is the adjusted result from operations; 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.

31 December 2022	Poultry	Meat	Fish	Plant, pet and feed	Other	Total
Revenues	**832.1**	**514.1**	**191.5**	**144.2**	**26.8**	**1,708.7**
Adjusted result from operations	**118.3**	**21.0**	**(0.9)**	**21.4**	**3.6**	**163.4**
PPA related charges	(0.4)	(15.2)	(2.3)	(24.6)	(1.0)	(43.5)
Acquisition related expenses						(14.5)
Restructuring costs						(8.4)
Result from operations						**97.0**
Net finance costs						(13.0)
Share of result of associates						(1.9)
Impairment loss of associates						(7.0)
Result before income tax						**75.1**
Income tax						(16.4)
Net result for the period						**58.7**
Assets excluding cash and cash equivalents	**891.7**	**870.2**	**249.6**	**576.5**	**32.7**	**2,620.7**
Capital expenditures	47.9	29.7	16.2	6.3	1.1	101.2
Depreciation and amortization	(26.7)	(33.9)	(8.9)	(9.7)	(2.4)	(81.6)

31 December 2021	Poultry	Meat	Fish	Plant, pet and feed	Other	Total
Revenues	**639.1**	**512.5**	**161.1**	**-**	**48.1**	**1,360.8**
Adjusted result from operations	**91.2**	**47.0**	**9.1**	**-**	**6.3**	**153.6**
PPA related charges	(0.4)	(17.0)	(2.0)	-	(1.7)	(21.1)
Acquisition related expenses					(2.2)	(2.2)
Result from operations						**130.3**
Net finance costs						(8.7)
Share of result of associates						(0.9)
Result before income tax						**120.7**
Income tax						(24.5)
Net result for the period						**96.2**
Assets excluding cash and cash equivalents	**803.6**	**844.5**	**227.3**	**-**	**52.5**	**1,927.9**
Capital expenditures	39.6	32.3	10.2	-	3.0	85.1
Depreciation and amortization	(25.5)	(32.8)	(7.0)	-	(2.6)	(67.9)
Impairment	(0.3)	(0.4)	-		-	(0.7)

Geographical information

The Group's operating segments operate in three main geographical areas, although they are managed on a global basis. The Group is domiciled in Iceland.

Assets excluding cash and cash equivalents	2022	2021
Europe, Middle East and Africa[1]	1,785.8	1,669.4
Americas	801.3	228.3
Asia and Oceania	33.6	30.2
Total	**2,620.7**	**1,927.9**

[1] Iceland accounts for EUR 278.2 million (31 December 2021: EUR 270.8 million).

Total assets exclude the Group's cash pool which the Group manages at a 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	2022	2021
Europe, Middle East and Africa[1]	88.8	65.5
Americas	11.0	14.4
Asia and Oceania	1.4	5.2
Total	**101.2**	**85.1**

[1] Iceland accounts for EUR 14.1 million (2021: EUR 16.9 million).

Cash capital expenditures are made up of capital expenditures excluding the investments in right of use assets. Cash capital expenditures for the year ended 31 December 2022 amount to EUR 88.4 million (2021: EUR 70.9 million).

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 where the customer is located):

Revenue by geographical markets	2022	2021
Europe, Middle East and Africa[1]	818.8	692.5
Americas	709.6	491.3
Asia and Oceania	180.3	177.0
Total	**1,708.7**	**1,360.8**

1 Iceland accounts for EUR 16.6 million (2021: EUR 10.9 million).

In the following table revenue is disaggregated by equipment revenue (comprised of revenue from greenfield and large projects, standard equipment and modernization equipment) and aftermarket revenue (comprised of maintenance, service and spare parts):

Revenue by business mix	2022	2021
Equipment revenue	1,019.5	817.4
Aftermarket revenue	689.2	543.4
Total	**1,708.7**	**1,360.8**

Trade receivables and contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

Trade receivables and contract balances	2022	2021
Trade receivables	218.3	154.7
Contract assets	65.8	69.6
Contract liabilities	(324.3)	(306.0)

No information is provided about remaining performance obligations at 31 December 2022 that have an original expected duration of one year or less, as allowed by IFRS 15.

Marel continuously reassesses the impaired trade receivables and contract assets. A part of the impairment is related to product risk, the contract assets were impacted by an impairment charge of EUR 2.3 million (2021: EUR 1.0 million).

8 Expenses by nature

Expenses by nature	2022	2021
Cost of goods sold	638.2	483.2
Employee benefits	662.4	520.8
Other personnel expenses	33.1	25.1
Depreciation, amortization and impairment	81.6	68.6
Other[1]	196.4	132.8
Total	**1,611.7**	**1,230.5**

1 Other expenses include mainly consultancy, IT maintenance, marketing, outsourcing services, travel and utilities.

9 Net finance costs

Net finance costs	2022	2021
Finance costs:		
Interest on borrowings	(18.4)	(4.7)
Interest on leases	(1.2)	(1.0)
Other finance expenses	(4.1)	(2.1)
Net foreign exchange loss	-	(1.4)
Subtotal finance costs	**(23.7)**	**(9.2)**
Finance income:		
Interest income	1.5	0.5
Net foreign exchange gain	9.2	-
Subtotal finance income	**10.7**	**0.5**
Total	**(13.0)**	**(8.7)**

10 Employee benefits

Employee benefit expenses	2022	2021
Salaries and wages	546.1	430.2
Social security contributions	68.9	54.3
Equity-settled share-based payment expenses	7.4	3.8
Post retirement costs	40.0	32.5
Total	**662.4**	**520.8**

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:

Employee benefit expenses	2022	2021
Cost of sales	337.2	270.2
Selling and marketing expenses	145.2	116.3
General and administrative expenses	96.5	68.3
Research and development expenses[1]	83.5	66.0
Total	**662.4**	**520.8**

1 EUR 21.1 million were capitalized in 2022 (2021: EUR 13.2 million) as intangible assets.

For further information on post-employment benefit costs, refer to note 26.

For details on the remuneration of the members of the Board of Directors and Marel's management, refer to note 30.

The average number of employees in FTEs per cost category is summarized as follows:

Employees in FTEs	2022	2021
Cost of sales	4,245	3,801
Selling and marketing	1,426	1,250
General and administrative	767	652
Research and development	1,066	942
Employees	**7,504**	**6,645**
3rd party workers	514	495
Total	**8,018**	**7,140**

The average number of employees in FTEs per geography is summarized as follows:

Employees in FTEs	2022	2021
Europe, Middle East and Africa[1]	5,250	4,777
Americas	1,819	1,466
Asia and Oceania	435	402
Employees	**7,504**	**6,645**
3rd party workers	514	495
Total	**8,018**	**7,140**

1 Iceland accounts for 835 FTE (2021: 695 FTE) excluding 3rd party workers.

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 2022 and 2021.

Audit fees	2022	2021
Financial Statement audit fees	1.5	1.1
Other fees, including tax services	0.1	0.2
Total	**1.6**	**1.3**

12 Income tax

Income tax recognized in the Consolidated Statement of Income	2022	2021
Current tax	(32.1)	(30.7)
Deferred tax	15.7	6.2
Total	**(16.4)**	**(24.5)**

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 next table.

Reconciliation of effective income tax	2022	%	2021	%
Result before income tax	75.1		120.7	
Income tax using Icelandic rate	(15.0)	20.0	(24.2)	20.0
Effect of tax rates in other jurisdictions	(4.2)	5.6	(4.7)	3.9
Weighted average applicable tax	(19.2)	25.6	**(28.9)**	**23.9**
Foreign exchange effect Iceland	(0.3)	0.4	0.6	(0.5)
Research and development tax incentives	5.0	(6.7)	4.6	(3.8)
Other permanent differences	(2.5)	3.3	(0.1)	0.1
(Impairment)/reversal of tax losses	(1.1)	1.5	(0.1)	0.1
Effect of changes in tax rates	(0.3)	0.4	(1.4)	1.2
Others	2.0	(2.7)	0.8	(0.7)
Tax charge included in the Consolidated Statement of Income	**(16.4)**	**21.8**	**(24.5)**	**20.3**

The EUR 7.0 million impairment loss following the filling for insolvency by the board of Stranda is not tax deductible, resulting in an increase of the effective tax rate by 2.4% included within others in the table above.

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)	**2022**	**2021**
Net result attributable to Shareholders (EUR millions)	58.7	96.8
Weighted average number of outstanding shares issued (millions)	754.3	753.6
Basic earnings per share (EUR cent per share)	**7.78**	**12.85**

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has one category of dilutive potential ordinary shares: stock options. For the stock options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding stock options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the stock options.

Diluted earnings per share (EUR cent per share)	**2022**	**2021**
Net result attributable to Shareholders (EUR millions)	58.7	96.8
Weighted average number of outstanding shares issued (millions)	754.3	753.6
Adjustments for stock options (millions)	2.8	6.9
Weighted average number of outstanding shares for diluted earnings per share (millions)	757.1	760.5
Diluted earnings per share (EUR cent per share)	**7.75**	**12.73**

14 Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Under con-struction	Total
1 January 2022					
Cost	233.0	103.9	61.4	16.1	414.4
Accumulated depreciation	(72.7)	(64.6)	(48.4)	-	(185.7)
Net book value	**160.3**	**39.3**	**13.0**	**16.1**	**228.7**
Year ended 31 December 2022					
Opening net book value	160.3	39.3	13.0	16.1	228.7
Divestments	(0.9)	(0.6)	(0.4)	-	(1.9)
Effect of movements in exchange rates	0.8	0.9	0.1	0.4	2.2
Additions	4.6	8.9	5.0	34.3	52.8
Business combinations, note 4	32.3	31.3	2.3	3.6	69.5
Transfer between categories	18.1	4.8	2.3	(25.2)	-
Depreciation	(9.7)	(9.8)	(4.7)	-	(24.2)
Closing net book value	**205.5**	**74.8**	**17.6**	**29.2**	**327.1**
At 31 December 2022					
Cost	293.1	178.0	73.3	29.2	573.6
Accumulated depreciation	(87.6)	(103.2)	(55.7)	-	(246.5)
Net book value	**205.5**	**74.8**	**17.6**	**29.2**	**327.1**

	Land & buildings	Plant & machinery	Vehicles & equipment	Under con-struction	Total
At 1 January 2021					
Cost	204.4	91.6	56.9	4.5	357.4
Accumulated depreciation	(58.1)	(58.3)	(44.3)	-	(160.7)
Net book value	**146.3**	**33.3**	**12.6**	**4.5**	**196.7**
Year ended 31 December 2021					
Opening net book value	146.3	33.3	12.6	4.5	196.7
Divestments	(0.1)	(0.5)	(0.5)	0.0	(1.1)
Effect of movements in exchange rates	1.0	0.7	0.1	0.0	1.8
Additions	17.9	7.9	3.2	17.1	46.1
Business combinations, note 4	0.1	2.0	0.7	-	2.8
Transfer between categories	1.1	3.5	0.9	(5.5)	-
Depreciation	(6.0)	(7.6)	(4.0)	-	(17.6)
Closing net book value	**160.3**	**39.3**	**13.0**	**16.1**	**228.7**
At 31 December 2021					
Cost	233.0	103.9	61.4	16.1	414.4
Accumulated depreciation	(72.7)	(64.6)	(48.4)	-	(185.7)
Net book value	**160.3**	**39.3**	**13.0**	**16.1**	**228.7**

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

Depreciation of property, plant and equipment	**2022**	**2021**
Cost of sales	10.7	7.6
Selling and marketing expenses	0.9	0.5
General and administrative expenses	11.5	9.3
Research and development expenses	1.1	0.2
Total	**24.2**	**17.6**

15 Right of use assets

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2022				
Cost	39.5	1.8	27.7	69.0
Accumulated depreciation	(13.4)	(0.8)	(14.3)	(28.5)
Net book value	**26.1**	**1.0**	**13.4**	**40.5**
Year ended 31 December 2022				
Opening net book value	26.1	1.0	13.4	40.5
Divestments	(0.0)	(0.2)	(1.2)	(1.4)
Effect of movements in exchange rates	0.8	0.0	0.3	1.1
Business combinations, note 4	1.1	-	-	1.1
Additions	3.4	1.2	8.2	12.8
Depreciation	(6.4)	(0.5)	(7.4)	(14.3)
Closing net book value	**25.0**	**1.5**	**13.3**	**39.8**
At 31 December 2022				
Cost	44.6	2.8	29.2	76.6
Accumulated depreciation	(19.6)	(1.3)	(15.9)	(36.8)
Net book value	**25.0**	**1.5**	**13.3**	**39.8**

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2021				
Cost	38.8	1.2	24.4	64.4
Accumulated depreciation	(9.3)	(0.7)	(11.7)	(21.7)
Net book value	**29.5**	**0.5**	**12.7**	**42.7**
Year ended 31 December 2021				
Opening net book value	29.5	0.5	12.7	42.7
Divestments[1]	(10.4)	(0.1)	(0.3)	(10.8)
Effect of movements in exchange rates	0.8	0.1	0.2	1.1
Business combinations, note 4	5.4	-	0.1	5.5
Additions	5.8	0.7	7.7	14.2
Depreciation	(5.0)	(0.2)	(7.0)	(12.2)
Closing net book value	**26.1**	**1.0**	**13.4**	**40.5**
At 31 December 2021				
Cost	39.5	1.8	27.7	69.0
Accumulated depreciation	(13.4)	(0.8)	(14.3)	(28.5)
Net book value	**26.1**	**1.0**	**13.4**	**40.5**

[1] Divestments in land & buildings in 2021 include the impact of reassessing remaining estimated lease terms.

For the annual maturity of the lease liabilities, refer to note 24.

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

Depreciation of right of use assets	2022	2021
Cost of sales	3.6	3.4
Selling and marketing expenses	2.3	2.3
General and administrative expenses	8.1	6.2
Research and development expenses	0.3	0.3
Total	**14.3**	**12.2**

16 Goodwill

	2022	2021
At 1 January		
Cost	705.2	678.8
Net book value	**705.2**	**678.8**
Year ended 31 December		
Opening net book value	705.2	678.8
Business combinations, note 4	152.7	25.7
Effect of movements in exchange rates	1.3	0.7
Closing net book value	**859.2**	**705.2**
At 31 December		
Cost	859.2	705.2
Net book value	**859.2**	**705.2**

For 2022 business combinations relate to the acquisition of Wenger (increase in provisional goodwill of EUR 146.7 million), Sleegers (increase in goodwill of EUR 5.9 million) and Valka (increase in goodwill of EUR 0.1 million due to the finalization of the PPA).

For 2021 business combinations relate to the acquisition of PMJ (increase in goodwill of EUR 6.7 million), Curio (increase in goodwill of EUR 3.7 million), Valka (increase in provisional goodwill of EUR 17.3 million) and TREIF (decrease in goodwill of EUR 2.0 million due to finalization of the PPA). Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

Impairment testing

Annually, goodwill is tested for impairment at the level of the CGUs, which are Marel's operating segments:

- Poultry
- Meat
- Fish
- Plant, pet and feed; and
- Other

Only at the level of the operating segments, the connection can be made between the businesses for which the goodwill was originally paid for and the results of the synergies after those acquisitions.

The annual impairment test includes property, plant and equipment, right of use assets, goodwill, other intangible assets and net working capital allocated to the 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; and
- the price for the uncertainty inherent in the CGU.

Key assumptions used in the impairment tests for the CGUs were sales growth rates, EBITDA and the rates used for discounting the projected cash flows.

The sales growth rates and EBITDA used to estimate future cash flows are based on past performance, external market growth assumptions and industry long-term growth averages. EBITDA in all segments is expected to increase over the projected period as a result of volume growth and cost efficiencies.

The cash flow projections for 2023 are derived from Marel's business plan as aligned with the Board of Directors. The weighted growth rate for the period 2024-2027 of forecast cash flows is between 5.1% and 8.7% 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. Revenues, operating results and cash flows beyond the 5 year forecast period are extrapolated using estimated growth rates of 2.2% (31 December 2021: 2.1%). 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 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 9.5% - 10.1% (2021: 6.8% - 7.2%) for all CGUs. The pre-tax discount rate for the CGUs is calculated in the range of 11.9% - 13.0% (2021: 8.4% - 9.1%). The increase in the discount rate is mainly driven by a higher risk-free rate and higher market risk premium compared to 2021.

The key assumptions used for the impairment tests are listed below.

2022	Poultry	Meat	Fish	Plant, pet and feed[1]	Other	Total
Goodwill	347.4	311.0	46.8	147.2	6.8	859.2
Terminal growth rate[2]	2.2%	2.2%	2.2%	n/a	2.2%	2.2%
Discount rate (post-tax)[3]	10.1%	9.8%	9.7%	n/a	9.5%	9.9%

2021	Poultry	Meat	Fish	Plant, pet and feed[1]	Other	Total
Goodwill	337.5	309.4	52.4	-	5.9	705.2
Terminal growth rate[2]	2.1%	2.1%	2.1%	n/a	2.1%	2.1%
Discount rate (post-tax)[3]	7.2%	7.1%	7.0%	n/a	6.8%	7.1%

1 The goodwill in plant, pet and feed relates to the acquisition of Wenger. Since the PPA process has not yet been completed, no impairment test has been performed in 2022.
2 Weighted average growth rate used to extrapolate cash flows beyond management's internal forecast period.
3 Discount rate applied to the cash flow projections.

The goodwill impairment test performed in the fourth quarter is rolled forward to 31 December 2022 and shows that there is sufficient headroom and that there are no triggers indicating that impairment is necessary. For all operating segments the recoverable amount exceeds the carrying amount by a substantial amount.

Sensitivity tests were performed on growth assumptions (a 50% reduction of the sales growth rate), adjusted EBITDA margin assumptions (a 1% decrease in EBITDA) and for WACC (a 1% increase in WACC). All sensitivity tests showed that the conclusions would not have differed if significant adverse changes in key parameters had been assumed.

The market capitalization of Marel at 31 December 2022 amounted to EUR 2.5 billion (31 December 2021: EUR 4.6 billion) which is clearly above the carrying amount of net assets, thus providing an additional indication that goodwill was not impaired.

17 Intangible assets

	Technology & development costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2022				
Cost	351.6	261.5	94.1	707.2
Accumulated amortization	(189.3)	(86.2)	(74.5)	(350.0)
Net book value	**162.3**	**175.3**	**19.6**	**357.2**
Year ended 31 December 2022				
Opening net book value	162.3	175.3	19.6	357.2
Business combinations, note 4	87.1	124.7	-	211.8
Effect of movements in exchange rates	0.8	0.0	0.0	0.8
Additions	28.0	-	7.6	35.6
Amortization	(20.6)	(16.1)	(6.4)	(43.1)
Closing net book value	**257.6**	**283.9**	**20.8**	**562.3**
At 31 December 2022				
Cost	469.4	388.0	101.7	959.1
Accumulated amortization	(211.8)	(104.1)	(80.9)	(396.8)
Net book value	**257.6**	**283.9**	**20.8**	**562.3**

	Technology & development costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2021				
Cost	313.3	233.5	89.7	636.5
Accumulated amortization	(166.5)	(72.1)	(66.9)	(305.5)
Net book value	**146.8**	**161.4**	**22.8**	**331.0**
Year ended 31 December 2021				
Opening net book value	146.8	161.4	22.8	331.0
Divestments	-	-	(0.9)	(0.9)
Business combinations, note 4	13.8	25.2	-	39.0
Effect of movements in exchange rates	1.1	1.0	0.0	2.1
Additions	19.5	-	5.3	24.8
Impairment loss	(0.6)	-	(0.1)	(0.7)
Amortization	(18.3)	(12.3)	(7.5)	(38.1)
Closing net book value	**162.3**	**175.3**	**19.6**	**357.2**
At 31 December 2021				
Cost	351.6	261.5	94.1	707.2
Accumulated amortization	(189.3)	(86.2)	(74.5)	(350.0)
Net book value	**162.3**	**175.3**	**19.6**	**357.2**

Business combinations for 2022 relate to the acquisition of Wenger and Sleegers. For 2021, business combinations relate to the acquisitions of PMJ, Curio and Valka. Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

The additions for 2022 of EUR 35.6 million (2021: EUR 24.8 million) predominantly comprise internally generated assets for product development and for development of software products.

The recoverability of the capitalized development cost is subject to an annual impairment test, to verify if expected future economic benefits justify the values captured in the intangible fixed assets. The Group uses a discounted cash flow analysis for this purpose.

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

Amortization of intangible assets	2022	2021
Selling and marketing expenses	16.2	11.8
General and administrative expenses	6.4	7.9
Research and development expenses	20.5	18.4
Total	**43.1**	**38.1**

18 Investments in associates

The investments in associates relate to a 25.3% interest in the Canadian software company Worximity Technology ("Worximity").

As per 31 December 2021, investment in associates as well included a 40.0% stake in Stranda, a Norwegian provider of salmon processing solutions. On 5 September 2022, the board of Stranda filed for insolvency with Møre og Romsdal district court in Norway. As a result, an impairment loss on Marel's 40.0% stake in Stranda of EUR 7.0 million was recognized in the net result.

19 Other non-current financial assets

Other non-current financial assets include equity investments comprising interests in which Marel has no significant influence and intends to hold long-term for strategic purposes.

20 Trade receivables, other receivables and prepayments

Trade receivables, other receivables and prepayments	2022	2021
Trade receivables	221.3	156.1
Less: write-down to net-realizable value	(3.0)	(1.4)
Trade receivables - net	**218.3**	**154.7**
Prepayments	27.7	14.2
Other receivables	74.3	52.5
Other receivables and prepayments	**102.0**	**66.7**

The carrying amounts of trade receivables and other receivables and prepayments approximate their fair value.

Trade receivables in 2022 increased by EUR 23.2 million and other receivables and prepayments increased by EUR 12.6 million due to the acquisition of Wenger and Sleegers. Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

The aging of trade receivables is as follows:

Aging of trade receivables	2022	2021
Not overdue	124.8	97.4
Up to 90 days overdue	67.3	44.7
Over 90 days overdue	29.2	14.0
Total trade receivables	**221.3**	**156.1**
Write-down to net-realizable value	(3.0)	(1.4)
Total trade receivables - net	**218.3**	**154.7**

Movements on the Group trade receivables impaired to net-realizable value are as follows:

Movement of write-down to net-realizable value	2022	2021
At 1 January	**1.4**	**1.8**
Provision for receivables impairment	1.4	1.2
Receivables written off during the year as uncollectible	(0.1)	(0.7)
Business combinations, note 4	0.3	0.3
Reclassification to production contracts and unused amounts reversed	-	(1.2)
At 31 December	**3.0**	**1.4**

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 impairment to net-realizable value and reversals have been included in selling and marketing expenses in the Consolidated Statement of Income. Due to the insignificant amount of write-downs, these are not shown separately in the Consolidated Statement of Income.

The other receivables and prepayments do not contain impaired assets. Information about the Group's exposure to credit and market risks is included in note 28.

The carrying amounts of the Group's trade receivables (current portion) are denominated in the following currencies:

Trade receivables in currencies	2022	2021
EUR	106.1	81.1
USD	85.3	51.4
GBP	4.3	5.2
BRL	6.6	5.8
Other currencies	19.0	12.6
Total trade receivables	**221.3**	**156.1**
Write-down to net-realizable value	(3.0)	(1.4)
Total trade receivables - net	**218.3**	**154.7**

21 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:

Deferred income taxes	2022	2021
At 1 January	**(74.0)**	**(71.6)**
Exchange differences and changes within the Group	0.4	(0.5)
Consolidated Statement of Income charge (excluding tax rate change)	16.0	7.6
Effect of changes in tax rates	(0.3)	(1.4)
Business combinations, note 4	(1.4)	(8.3)
Recognized in other comprehensive income	0.2	0.2
At 31 December	**(59.1)**	**(74.0)**

Deferred income taxes recognized in the Consolidated Statement of Financial Position are as follows:

Deferred income taxes	2022	2021
Deferred income tax assets	31.6	18.1
Deferred income tax liabilities	(90.7)	(92.1)
Total	**(59.1)**	**(74.0)**

The recoverability of deferred income tax assets recognized for tax loss carry forwards has been tested based on future profits expected in managements internal forecasts; in 2022 EUR 1.1 million tax losses were impaired (2021: an impairment of EUR 0.1 million). Sensitivity tests on impairment of tax losses were performed using the assumption of decreasing the forecasted profit before tax by 5%. The sensitivity test showed that the conclusions would not have been different if significant adverse changes had been assumed.

The Group has no unrecognized deferred tax liabilities.

Available tax losses will expire according to below schedule:

Tax losses	2022 Total tax losses	2022 Of which not capitalized	2021 Total tax losses	2021 Of which not capitalized
Less than 6 years	39.8	13.8	34.4	8.7
Between 6 and 10 years	34.4	6.3	28.1	7.5
More than 10 years	1.9	1.4	1.5	1.4
Indefinite	34.1	15.8	25.2	15.8
Total	**110.2**	**37.3**	**89.2**	**33.4**

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Movement in deferred tax balances	At 1 January 2022	Recognized in income statement	Other[1]	At 31 December 2022	Deferred Tax Assets	Deferred Tax Liabilities
Property, plant and equipment	(9.7)	(0.2)	(3.0)	(12.9)	1.0	(13.9)
Right of use assets	0.0	0.1	0.1	0.2	10.1	(9.9)
Intangible assets	(93.5)	(0.9)	8.9	(85.5)	10.7	(96.2)
Other receivables	0.6	0.7	(0.0)	1.3	5.2	(3.9)
Other financial assets	0.2	(0.4)	(0.0)	(0.2)	0.7	(0.9)
Inventories	5.4	5.9	(7.2)	4.1	8.1	(4.0)
Non-current liabilities	0.7	0.8	0.6	2.1	2.3	(0.2)
Provisions	1.3	0.4	0.0	1.7	2.2	(0.5)
Current liabilities	8.9	4.8	(0.1)	13.6	14.0	(0.4)
Subtotal	**(86.1)**	**11.2**	**(0.7)**	**(75.6)**	**54.3**	**(129.9)**
Subtotal tax losses	12.1	4.8	(0.4)	16.5	23.9	(7.4)
Deferred tax assets (liabilities) before set-off	**(74.0)**	**16.0**	**(1.1)**	**(59.1)**	**78.2**	**(137.3)**
Set-off of tax				-	(46.6)	46.6
Net deferred tax assets (liabilities)				**(59.1)**	**31.6**	**(90.7)**

Movement in deferred tax balances	At 1 January 2021	Recognized in income statement	Other[1]	At 31 December 2021	Deferred Tax Assets	Deferred Tax Liabilities
Property, plant and equipment	(10.0)	0.7	(0.4)	(9.7)	0.8	(10.5)
Right of use assets	0.1	(0.1)	-	0.0	8.8	(8.8)
Intangible assets	(85.3)	(0.1)	(8.1)	(93.5)	0.2	(93.7)
Other receivables	(0.1)	0.7	0.0	0.6	4.4	(3.8)
Other financial assets	0.0	0.1	0.1	0.2	0.5	(0.3)
Inventories	4.1	2.8	(1.5)	5.4	6.0	(0.6)
Non-current liabilities	1.8	(0.5)	(0.6)	0.7	1.4	(0.7)
Provisions	0.8	0.4	0.1	1.3	2.0	(0.7)
Current liabilities	6.0	3.0	(0.1)	8.9	10.3	(1.4)
Subtotal	**(82.6)**	**7.0**	**(10.5)**	**(86.1)**	**34.4**	**(120.5)**
Subtotal tax losses	11.0	0.6	0.5	12.1	18.4	(6.3)
Deferred tax assets (liabilities) before set-off	**(71.6)**	**7.6**	**(10.0)**	**(74.0)**	**52.8**	**(126.8)**
Set-off of tax				-	(34.7)	34.7
Net deferred tax assets (liabilities)				**(74.0)**	**18.1**	**(92.1)**

[1] Other includes the effect of tax rate changes and movements of assets and liabilities recognized in OCI, which includes foreign currency translation differences, acquisitions and divestments.

22 Inventories

Inventories	2022	2021
Raw materials	34.8	54.6
Semi-finished goods	338.7	193.8
Finished goods	72.0	58.1
Gross inventories	**445.5**	**306.5**
Allowance for obsolescence and/or net realizable value	(41.9)	(33.1)
Net inventories	**403.6**	**273.4**

Inventories in 2022 increased by EUR 80.1 million due to the acquisition of Wenger and Sleegers. Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

The cost of inventories recognized as an expense and included in cost of sales amounted to EUR 834.5 million (2021: EUR 666.4 million).

In 2022 the write-down of inventories to net-realizable value amounted to EUR 9.0 million (2021: EUR 6.5 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.

23 Equity

Share capital	Ordinary shares (thousands)	Treasury shares (thousands)	Outstanding number of shares (thousands)
At 1 January 2022	**771,008**	**(15,263)**	**755,745**
Treasury shares - purchased	-	(4,602)	(4,602)
Treasury shares - sold	-	1,572	1,572
At 31 December 2022	**771,008**	**(18,293)**	**752,715**
	100.00%	2.37%	97.63%
At 1 January 2021	**771,008**	**(18,768)**	**752,240**
Treasury shares - purchased	-	-	-
Treasury shares - sold	-	3,505	3,505
At 31 December 2021	**771,008**	**(15,263)**	**755,745**
	100.00%	1.98%	98.02%

Class of share capital	2022	2021
Nominal value	6.7	6.7
Share premium reserve	426.9	443.0
Reserve for share-based payments	13.3	7.3
Total share premium reserve	**440.2**	**450.3**

Share capital

The total authorized number of ordinary shares on the Nasdaq and Euronext exchanges is 771.0 million (31 December 2021: 771.0 million) with a nominal 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 and Euronext 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 2022, a dividend of EUR 38.7 million (EUR 5.12 cents per share) was declared and paid to the shareholders for the operational year 2021. This corresponds to approximately 40% of net result for the operational year 2021 (in 2021, a dividend of EUR 41.0 million (EUR 5.45 cents per share) was declared and paid for the operational year 2020).

After the reporting date the Board of Directors will propose to the 2023 Annual General Meeting that EUR 1.56 cents dividend per outstanding share will be paid for the operational year 2022, corresponding to approximately 20% of net results.

Treasury shares

From time to time the Company purchases its own shares in the market. Treasury shares purchased by the Company are intended to be used for issuing stock options and as payment for potential future acquisitions. Buy and sell decisions are taken by the Board of Directors. Based on a motion approved in the Annual General Meeting of shareholders on 16 March 2022, the Board of Directors can purchase up to 10% of the Company's own shares. Requirements pursuant to Article 55 of the Icelandic Companies Act No. 2/1995 need to be taken into consideration when own shares are purchased on the basis of this authorization. This authorization is effective for 18 months following the motions approval.

In 2022, Marel purchased 4.6 million treasury shares for a total amount of EUR 19.8 million. Marel used 0.6 million treasury shares (EUR 0.5 million) to fulfill obligations of stock option agreements to its employees and used 1.0 million treasury shares (EUR 4.2 million) as part of the purchase consideration for the acquisition of Wenger. At the end of 2022 Marel held 18.3 million treasury shares.

In 2021, Marel used 1.7 million treasury shares (EUR 4.2 million) to fulfill obligations of stock option agreements to its employees. Marel used 1.8 million treasury shares (EUR 9.9 million) as part of the purchase consideration for the acquisition of Valka. At the end of 2021 Marel held 15.3 million treasury shares.

As part of the acquisition of Wenger, Marel awarded 0.9 million shares to the Wenger employees conditional upon completing one year of service from the date of acquisition. The shares will be delivered in June 2023. The fair value of the shares awarded to Wenger employees is based on the listed share price of the Company at 9 June 2022 of EUR 4.37 per share and a one year vesting period.

Stock options

Stock options are granted to management and selected employees. The exercise prices of options granted are originally the same as the market price at the date of each granting except for options granted in June 2019, when the exercise price was the same as the final offer price in the listing on Euronext. The exercise prices are adjusted afterwards according to dividend per share when paid, i.e. the exercise prices are lowered by the same amount as the paid dividend per share (cent against cent).

The option holders in Marel's senior leadership are required to hold shares, corresponding to the net profit gained from the options (after tax) until the following holding requirements are reached, measured in total share value owned as a multiple of annual base salary: CEO three times, other members of the Executive Board two times, and other members in Marel's senior leadership, as decided by the Executive Board, one time.

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:

Movements of stock options	Average exercise price per share	Stock options (thousands)
At 1 January 2022	**EUR 4.005**	**18,419**
Granted	EUR 5.477	8,171
Exercised	EUR 2.459	(1,412)
Forfeited	EUR 4.720	(2,061)
At 31 December 2022	**EUR 4.516**	**23,117**
Exercisable stock options at 31 December 2022		**6,220**
At 1 January 2021	**EUR 3.273**	**18,301**
Granted	EUR 5.646	4,831
Exercised	EUR 2.475	(4,264)
Forfeited	EUR 4.236	(449)
At 31 December 2021	**EUR 4.005**	**18,419**
Exercisable stock options at 31 December 2021		**902**

Outstanding stock options, if exercised, represent 3.00% (2021: 2.39%) of the total issued shares.

Stock options granted in the year Stock options expire in year	2019 2023	2020 2024	2021 2025	2022 2026
The exercise price per share after:[1]				
13 February 2023	EUR 3.031	-	-	-
13 February 2023	EUR 3.536	-	-	-
24 April 2023	-	EUR 3.694	-	-
5 February 2024	-	-	EUR 5.594	-
9 February 2025	-	-	-	EUR 5.489
3 May 2025	-	-	-	EUR 4.950

[1] Exercise prices after dividend payment in 2019; EUR 0.0557 per share, after dividend payment in 2020; EUR 0.0579, after dividend payment in 2021; EUR 0.0545 and after dividend payment in 2022; EUR 0.0512.

In 2022 the following stock options were exercised.

	Shares (thousands)	Exercise price per share (EUR)
Stock options granted 2015	200	1.351
Stock options granted 2016	252	1.727
Stock options granted 2018	450	2.713
Stock options granted 2019	510	3.031
Total	**1,412**	

In 2021 the following stock options were exercised.

	Shares (thousands)	Exercise price per share (EUR)
Stock options granted 2014	135	0.775
Stock options granted 2014	45	0.824
Stock options granted 2015	60	1.331
Stock options granted 2015	20	1.377
Stock options granted 2016	468	1.743
Stock options granted 2016	36	1.789
Stock options granted 2017	300	2.569
Stock options granted 2017	300	2.623
Stock options granted 2018	2,900	2.713
Total	**4,264**	

The fair value of the employee stock options granted is measured using the Black-Scholes model. Variables used in the Black-Scholes calculation are shown in the table below.

	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[1]
Option plan February 2019						
100% exercisable > 13 February 2022	3.250	3.0	0.00%	2.00%	20.00%	1
Option plan June 2019						
100% exercisable > 7 August 2022	3.700	3.0	0.00%	2.00%	20.00%	10
Option plan April 2020						
100% exercisable > 24 April 2023	3.800	3.0	0.00%	-0.70%	23.32%	16
Option plan February 2021						
100% exercisable > 5 February 2024	5.700	3.0	0.00%	-0.73%	24.51%	25
Option plan February 2022						
100% exercisable > 9 February 2025	5.540	3.0	0.00%	-0.16%	24.63%	38
Option plan May 2022						
100% exercisable > 3 May 2025	4.950	3.0	0.00%	0.48%	25.49%	41

[1] Based on last possible exercise dates in each stock option grant.

Share premium reserve

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

Other reserves

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

- hedge reserve: comprises revaluations on derivatives, on which hedge accounting is applied. The value relates to derivatives for the Group, the interest rate swap contracts and the foreign exchange contracts; and
- 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.

Other reserves	Hedge reserve	Translation reserve	Total other reserves
Balance at 1 January 2022	**0.6**	**(22.7)**	**(22.1)**
Total other comprehensive income	(0.6)	(10.7)	(11.3)
Balance at 31 December 2022	**(0.0)**	**(33.4)**	**(33.4)**

Other reserves	Hedge reserve	Translation reserve	Total other reserves
Balance at 1 January 2021	**0.9**	**(28.4)**	**(27.5)**
Total other comprehensive income	(0.3)	5.7	5.4
Balance at 31 December 2021	**0.6**	**(22.7)**	**(22.1)**

Other equity

In 2021, other equity included the impact of the option to acquire the remaining shares of non-controlling interests. In Q1 2022, following the acquisition of the remaining shares of Curio ahead of the timing agreed in the put option, the non-current liability recorded for the option was released through other equity.

Limitation in the distribution of Shareholders' equity

As at 31 December 2022, 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 102.8 million as at 31 December 2022 (31 December 2021: EUR 88.1 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 provision of the Icelandic Financial Statement Act No. 3/2006 does not prevent Marel from making dividend payments to its shareholders as 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 companies. The net result attributable to NCI amounted to EUR 0.0 million for the year 2022 (31 December 2021: loss of EUR 0.6 million).

In 2022, Marel acquired the remaining shares of Curio ehf. and MPS France.

24 Borrowings and lease liabilities

Marel has the following main funding facilities in place:

Schuldschein promissory notes

On 7 December 2018 Marel finalized an issue of Schuldschein promissory notes for EUR 140.0 million. The investors were a mixture of Central European and Asian commercial banks. The notes were split in 5 and 7 year terms and a mixture of fixed and floating rates:

- EUR 15.5 million at 1.366% fixed interest for 5 years;
- EUR 8.5 million at 1.83% fixed interest for 7 years;
- EUR 106.0 million with floating EURIBOR rate and 1.1% margin for 5 years; and
- EUR 10.0 million with floating EURIBOR rate and 1.3% margin for 7 years.

Syndicated revolving credit facility

On 5 February 2020 Marel signed a syndicated revolving credit facility of EUR 700.0 million with seven leading international banks: ABN AMRO, BNP Paribas, Danske Bank, HSBC, ING Bank, Rabobank and UniCredit. The facility is based on investment grade Loan Market Association documentation. The key elements of the syndicated revolving credit facility are:

- the term of the EUR 700.0 million syndicated revolving credit facility is for five years with two one-year extension options with final maturity in February 2027 if utilized;
- initial interest terms were EURIBOR/LIBOR +80bp and will vary in line with Marel's leverage ratio (Net debt/EBITDA) and the facility utilization level; and
- the credit facility includes an incentive structure based on a set of sustainability KPIs. Based on the extent to which the KPIs are met, Marel will either receive a margin reduction or increase.

EUR 150.0 million multi-currency bridge facility

On 27 April 2022, Marel signed a EUR 150.0 million multi-currency bridge facility. The facility was provided by BNP PARIBAS SA/NV and had a 12 month term and two six month extension options at Marel's discretion. The facility was largely based on the existing syndicated revolving facility and had an initial interest rate of EURIBOR/SOFR + 50 bps margin. The bridge facility has been repaid in November 2022.

Syndicated USD 300.0 million term loan

On 2 November 2022, Marel signed a USD 300.0 million term loan with the same group of banks as the EUR 700.0 million revolving facility. The liquidity provided by the term loan was used to repay the EUR 150.0 million multi-currency bridge facility and to provide additional liquidity headroom. The key elements of the term loan are:

- the term of the USD 300.0 million loan is for three years with two uncommited one-year extension options;
- interest terms are SOFR +250bp and will vary in line with Marel's leverage ratio (Net debt/EBITDA).

All facilities include a 0% interest floor on the relevant base rates. At inception of the facilities, the 0% floors did not have an intrinsic value and have not been separated from the original contract in the Consolidated Statement of Financial Position.

The Group has a financing structure which can accommodate the Group's financing requirements until 2027 and will give Marel strategic and operational flexibility to support its 2026 strategic vision for further growth and value creation.

Borrowings and lease liabilities

Borrowings and lease liabilities	2022	2021
Borrowings	729.8	234.9
Lease liabilities	30.3	30.9
Non-current	**760.1**	**265.8**
Borrowings	121.5	0.0
Lease liabilities	10.8	10.5
Current	**132.3**	**10.5**
Total	**892.4**	**276.3**
Borrowings	851.3	234.9
Lease liabilities	41.1	41.4
Total	**892.4**	**276.3**

As of 31 December 2022, interest bearing debt amounted to EUR 895.1 million excluding capitalized finance costs and including lease liabilities (31 December 2021: EUR 277.9 million). The increase in interest bearing debt is related to acquisitions in 2022. Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

The Group loan agreements contain restrictive covenants, relating to interest cover and leverage. At 31 December 2022 and 31 December 2021 the Group complies with all restrictive covenants.

As safety headroom for temporary swings in cash flow and operational performance as well as volatility in FX rates, Marel and the banking group agreed to a temporary increased Net debt / EBITDA leverage headroom on the EUR 700.0 million revolving facility.

The Group has the following headroom in committed facilities:

Available headroom	2022	2021
Expiring within one year	-	-
Expiring beyond one year	243.8	589.4
Total	**243.8**	**589.4**

Borrowings and lease liabilities in currency recorded in EUR at 31 December 2022	Borrowings	Capitalized finance charges	Lease liabilities	Total
Liabilities in EUR	510.1	(1.3)	14.0	522.8
Liabilities in USD	343.0	(1.4)	8.9	350.5
Liabilities in other currencies	0.9	-	18.2	19.1
Total	**854.0**	**(2.7)**	**41.1**	**892.4**
Current maturities	(123.2)	1.7	(10.8)	(132.3)
Non-current maturities	**730.8**	**(1.0)**	**30.3**	**760.1**

Borrowings and lease liabilities in currency recorded in EUR at 31 December 2021	Borrowings	Capitalized finance charges	Lease liabilities	Total
Liabilities in EUR	236.5	(1.3)	17.3	252.5
Liabilities in USD	-	(0.3)	6.3	6.0
Liabilities in other currencies	-	-	17.8	17.8
Total	**236.5**	**(1.6)**	**41.4**	**276.3**
Current maturities	(0.7)	0.7	(10.5)	(10.5)
Non-current maturities	**235.8**	**(0.9)**	**30.9**	**265.8**

Annual maturity of non-current borrowings and lease liabilities at 31 December 2022	Borrowings	Capitalized finance charges	Lease liabilities	Total
Between 1 and 2 years	1.7	(0.6)	10.4	11.5
Between 2 and 3 years	722.8	(0.4)	6.5	728.9
Between 3 and 4 years	1.3	-	4.0	5.3
Between 4 and 5 years	1.1	-	4.9	6.0
After 5 years	3.9	-	4.5	8.4
Total	**730.8**	**(1.0)**	**30.3**	**760.1**

Annual maturity of non-current borrowings and lease liabilities at 31 December 2021	Borrowings	Capitalized finance charges	Lease liabilities	Total
Between 1 and 2 years	120.8	(0.8)	10.7	130.7
Between 2 and 3 years	-	(0.1)	6.0	5.9
Between 3 and 4 years	113.5	-	4.1	117.6
Between 4 and 5 years	0.2	-	4.2	4.4
After 5 years	1.3	-	5.9	7.2
Total	**235.8**	**(0.9)**	**30.9**	**265.8**

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Borrowings and lease liabilities	Interest rate swap and forward exchange contracts – assets	Interest rate swap and forward exchange contracts – liabilities	Share capital and share premium reserve	Other reserves	Other equity	Retained earnings	NCI	Total
At 1 January 2022	**276.3**	**(1.1)**	**1.2**	**457.0**	**(22.1)**	**(13.6)**	**593.8**	**8.0**	**1,299.5**
Changes from financing cash flows									
Net proceeds from loans and borrowings	1,358.0								1,358.0
Purchase of treasury shares				(19.8)					(19.8)
Sale of treasury shares and options exercised				0.6					0.6
Repayment of borrowings	(763.6)								(763.6)
Payment of lease liabilities	(14.2)								(14.2)
Dividend paid							(38.7)	-	(38.7)
Acquisition of non-controlling interests								(16.4)	(16.4)
Total changes from financing cash flows	**580.2**	**-**	**-**	**(19.2)**	**-**	**-**	**(38.7)**	**(16.4)**	**505.9**
Changes arising from obtaining or losing control of subsidiaries or other businesses	**13.2**								**13.2**
The effect of changes in foreign exchange rates	**9.9**								**9.9**
Changes in fair value		**(2.2)**	**2.3**						**0.1**
Other changes									
Liability related	(0.8)								(0.8)
New leases	12.8								12.8
Borrowing costs expensed	0.8								0.8
Total liability related other changes	**12.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12.8**
Total equity related other changes				9.1	(11.3)	13.6	59.5	8.4	**79.3**
At 31 December 2022	**892.4**	**(3.3)**	**3.5**	**446.9**	**(33.4)**	**-**	**614.6**	**-**	**1,920.7**

	Borrowings and lease liabilities	Interest rate swap and forward exchange contracts – assets	Interest rate swap and forward exchange contracts – liabilities	Share capital and share premium reserve	Other reserves	Other equity	Retained earnings	NCI	Total
At 1 January 2021	**283.8**	**(1.9)**	**3.7**	**449.5**	**(27.5)**	**-**	**536.4**	**0.3**	**1,244.3**
Changes from financing cash flows									
Net proceeds from loans and borrowings	52.2								52.2
Sale of treasury shares and options exercised				0.7					0.7
Repayment of borrowings	(62.9)								(62.9)
Payment of lease liabilities	(13.1)								(13.1)
Dividend paid							(41.0)	(0.2)	(41.2)
Total changes from financing cash flows	**(23.8)**	**-**	**-**	**0.7**	**-**	**-**	**(41.0)**	**(0.2)**	**(64.3)**
Changes arising from obtaining or losing control of subsidiaries or other businesses	**10.5**								**10.5**
The effect of changes in foreign exchange rates	**1.9**								**1.9**
Changes in fair value		0.8	(2.5)						**(1.7)**
Other changes									
Liability related	(9.7)[1]								(9.7)
New leases	14.2								14.2
Borrowing costs expensed	(0.6)								(0.6)
Total liability related other changes	**3.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.9**
Total equity related other changes				6.8	5.4	(13.6)	98.4	7.9	104.9
At 31 December 2021	**276.3**	**(1.1)**	**1.2**	**457.0**	**(22.1)**	**(13.6)**	**593.8**	**8.0**	**1,299.5**

[1] The liability related other changes in 2021 mainly relate to the impact of reassessing remaining estimated lease terms.

25 Provisions

	Guarantee commitments	Other long-term employee benefits	Other provisions	Total
Balance at 1 January 2022	**6.6**	**3.4**	**3.5**	**13.5**
Additions	2.9	1.0	10.2	14.1
Business combinations, note 4	1.3	-	-	1.3
Effect of movements in exchange rates	(0.1)	0.1	(0.1)	(0.1)
Used	(0.7)	(0.3)	(5.3)	(6.3)
Released	(0.4)	(0.7)	(2.5)	(3.6)
Balance at 31 December 2022	**9.6**	**3.5**	**5.8**	**18.9**

	Guarantee commitments	Other long-term employee benefits	Other provisions	Total
Balance at 1 January 2021	**6.1**	**3.9**	**4.6**	**14.6**
Additions	2.4	0.2	6.2	8.8
Business combinations, note 4	-	-	0.5	0.5
Effect of movements in exchange rates	0.2	0.3	0.0	0.5
Used	(1.3)	(0.3)	(7.5)	(9.1)
Released	(0.8)	(0.7)	(0.3)	(1.8)
Balance at 31 December 2021	**6.6**	**3.4**	**3.5**	**13.5**

Analysis of provisions	**2022**	**2021**
Non-current	6.9	4.0
Current	12.0	9.5
Total	**18.9**	**13.5**

Guarantee commitments

A provision for guarantees is formed for certain products and undertakes to repair or replace items that fail to perform satisfactorily. The majority of the liability is expected to be settled within one to three years.

Other long-term employee benefits

The provisions for other long-term employee benefits relate mainly to length-of-service and end-of-service payments. The majority of the liability is expected to be settled after five years.

Other provisions

Other provisions mainly include a restructuring provision due to the 5% headcount reduction announced in Q2 2022. The majority of the liability is expected to be settled in the next year.

26 Post-employment benefits

The Group maintains various pension plans covering the majority of its employees.

The Company's pension costs for all employees for 2022 were EUR 40.0 million (2021: EUR 32.5 million). This includes defined contribution plans for EUR 23.4 million (2021: EUR 17.8 million), as well as a pension plan based on a multi-employer union plan for EUR 16.6 million (2021: EUR 14.7 million).

The Company's employees in the Netherlands, 1,935 (2021: 1,801), 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; and
- the affiliated businesses are under no obligation whatsoever to pay off any deficits the PME may incur, nor do they have any claim to any potential surpluses.

The multi-employer plan covers approximately 1,400 companies and 170,000 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. 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 increased to 111.7% as per 31 December 2022 (31 December 2021: 103.2%). The coverage ratio is below the required equity of 118.0%. The Recovery Plan PME ("Herstelplan PME") indicates that the coverage ratio will increase within 10 years to the minimum required equity of 118.0%.

In 2023 the pension premium will be 28.0% of the total pensionable salaries (2022: 28.0%), in accordance with the articles of association of the Pension Fund. The employee contribution will be 10.9% (2022: 10.9%); the employer contribution will be 17.1% (2022: 17.1%). 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.

27 Trade and other payables

Trade and other payables	**2022**	**2021**
Trade payables	129.1	117.1
Accruals	10.3	11.0
Personnel payables	81.8	65.5
Other payables	103.1	88.5
Total	**324.3**	**282.1**
Less non-current portion	(7.5)	(22.7)
Current portion of trade and other payables	**316.8**	**259.4**

Trade and other payables in 2022 increased by EUR 16.6 million due to the acquisition of Wenger and Sleegers. Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

Information about the Group's exposure to currency and liquidity risks is included in note 28.

28 Financial instruments and risks

Financial risk factors

Information is presented below 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 the Consolidated Financial Statements.

Risk management framework

The main financial risks faced by Marel relate to market risk, credit risk and liquidity risk. Risk management is carried out by the 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 cooperation 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 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 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 and (b) interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Foreign exchange risk

The Group operates internationally and is exposed to currency risk arising from mainly the USD, GBP, ISK and BRL, primarily with respect to the EUR, as the EUR is the Group's reporting currency. 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. Generally Marel maintains a good natural hedge in its operations with a good match between revenues and costs in most currencies although less than 1% of revenues are denominated in ISK, while around 6% of costs are in ISK. In line with Marel's risk management policy, the Group hedges up to 80% of its estimated foreign currency exposure in ISK relating to forecasted transactions over the following 12 months. No other currency exposure is hedged.

The Group uses forward exchange contracts to hedge its exposure to fluctuations in foreign exchange rates. At year end, these instruments had remaining maturities of less than one year. When necessary, forward exchange contracts are rolled over at maturity.

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.

The year end and average rates used for the main currencies mentioned above are:

	2022		2021	
	Year end rate	Average rate	Year end rate	Average rate
1 euro =				
USD	1.07	1.05	1.14	1.18
GBP	0.89	0.85	0.84	0.86
ISK	152.00	142.19	147.45	150.22
BRL	5.64	5.44	6.34	6.38

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 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 if 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.

	2022		2021	
	Profit or (loss) impact	Equity impact	Profit or (loss) impact	Equity impact
USD	(5.3)	(20.8)	(5.0)	(9.3)
ISK	(1.5)	(4.5)	0.9	(1.5)
GBP	0.0	(2.3)	(0.3)	(2.5)
BRL	(1.6)	(3.6)	(0.4)	(2.7)

(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 rates 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 46% (2021: 33%) of the core debt has floating interest rates and the rest is fixed by means of fixed tranches or hedged floating interest rates. As at year end 2022 a total of EUR 334.6 million (2021: EUR 70.0 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 2.8% (2021: 0.4%).

Marel applies cash flow hedge accounting to hedge the variability in the interest cash outflows of the 3-6 month EURIBOR/SOFR base rates.

Throughout the year 2022, as well as per year end, the cash flow hedge accounting relationships were effective.

The amounts deferred in equity at year end are expected to affect interest costs within the coming 3 years.

At year end 2022, if EURIBOR/SOFR 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 1.3 million (2021: EUR 0.1 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.

Managing interest rate benchmark reform and associated risks

In 2021 the Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 became effective and was adopted by Marel.

Marel finalized implementing the IBOR changes into it's main credit facilities in Q1 2022. At the time of transition, no drawdowns were indexed to sterling LIBOR or US dollar LIBOR.

Subsequent USD borrowings in 2022 are all indexed to SOFR.

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:

	2022	2021
Trade receivables - net	218.3	154.7
Derivative financial instruments	3.3	1.1
Other receivables and prepayments	102.0	66.7
Cash and cash equivalents	75.7	77.1
Total	**399.3**	**299.6**

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 expected credit losses in respect of trade and other receivables. No significant credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by its customers. For further information refer to note 20.

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. The majority of cash and cash equivalents are held with bank and financial institution counterparties, which have an investment grade rating, based on Standard & Poor's ratings as at 31 December 2022. Marel holds the majority of its cash and cash equivalents with financial institutions that are lending partners to the Group to minimize further credit risk.

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.

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 a EUR 700.0 million syndicated revolving credit facility in place (31 December 2021: EUR 700.0 million), This credit facility can be used both as a revolver and to issue guarantees for down payments. As per 31 December 2022, the Group had drawn EUR 421.5 million on the syndicated revolving credit facility (31 December 2021: EUR 95.0 million), and issued guarantees for EUR 34.7 million (31 December 2021: EUR 15.6 million), therefore the total usage is EUR 456.2 million (31 December 2021: EUR 110.6 million), leaving a headroom of EUR 243.8 million (31 December 2021: EUR 589.4 million). All facilities are subject to operational and Consolidated Statement of Financial

Position covenants (interest cover and leverage). At 31 December 2022 Marel complies with all covenants.

At 31 December 2022, net cash and cash equivalents were EUR 75.7 million (31 December 2021: EUR 77.1 million).

Marel has a strong cash position and sufficient headroom in its committed facilities and therefore, does not foresee additional liquidity risks.

Cash flow forecasts are done at the local level and monitored by Group Treasury. Group liquidity reports are reviewed 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 2022	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	123.2	726.9	3.9
Lease liabilities	10.8	25.8	4.5
Interest on borrowings and lease liabilities	44.7	65.3	0.1
Trade and other payables	316.8	7.5	-
Interest rate swaps	(2.4)	(1.8)	-
Forward exchange contracts			
Outflow	3.5	-	-
Inflow	-	-	-
Total	**496.6**	**823.7**	**8.5**

At 31 December 2021	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	0.7	234.5	1.3
Lease liabilities	10.5	25.0	5.9
Interest on borrowings and lease liabilities	3.8	3.6	-
Trade and other payables	259.4	22.7	-
Interest rate swaps	0.8	0.4	-
Forward Exchange contracts			
Outflow	-	-	-
Inflow	(1.1)	-	-
Total	**274.1**	**286.2**	**7.2**

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.

Management monitors the Group's leverage, defined as net debt divided by EBITDA. The Board also monitors the level of dividends to ordinary shareholders.

The Group 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 its 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, cyber security, 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 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 798.0 million for 2022 (2021: EUR 738.0 million) for the whole Group.

The Group insurance value of buildings amounts to EUR 194.0 million (2021: EUR 185.0 million), production machinery and equipment including software and office equipment amount to EUR 197.0 million (2021: EUR 198.0 million) and inventories to EUR 315.0 million (2021: EUR 230.0 million). Currently there are no major differences between appraisal value and insured value.

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 approximate their carrying amount based on the nature of these borrowings (including maturity and interest conditions).

The fair value of the lease liabilities equals their carrying amount, as the impact of discounting, based on the average interest rate of the relevant currency and applicable average credit spreads of the company's external funding sources, is not significant.

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 categorized 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 recognizes 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:

Fair value of financial assets and liabilities	**Cash flow-hedging instruments**	**Cash & receivables**	**Other financial assets / liabilities**	**Total carrying amount**	**Fair Value**
2022					
Cash and cash equivalents	-	75.7	-	75.7	75.7
Trade receivables, other receivables and prepayments	-	320.3	-	320.3	320.3
Other non-current financial assets	-	-	3.7	3.7	3.7
Interest rate swaps	3.3	-	-	3.3	3.3
Subtotal financial assets	**3.3**	**396.0**	**3.7**	**403.0**	**403.0**
Forward exchange contracts	(3.5)	-	-	(3.5)	(3.5)
Borrowings	-	-	(851.3)	(851.3)	(851.3)
Lease liabilities	-	-	(41.1)	(41.1)	(41.1)
Trade and other payables	-	-	(324.3)	(324.3)	(324.3)
Subtotal financial liabilities	**(3.5)**	**-**	**(1,216.7)**	**(1,220.2)**	**(1,220.2)**
Total	**(0.2)**	**396.0**	**(1,213.0)**	**(817.2)**	**(817.2)**

Fair value of financial assets and liabilities	**Cash flow-hedging instruments**	**Cash & receivables**	**Other financial liabilities**	**Total carrying amount**	**Fair Value**
2021					
Cash and cash equivalents	-	77.1	-	77.1	77.1
Trade receivables, other receivables and prepayments	-	221.4	-	221.4	221.4
Forward exchange contracts	1.1	-	-	1.1	1.1
Subtotal financial assets	**1.1**	**298.5**	**-**	**299.6**	**299.6**
Interest rate swaps	(1.2)	-	-	(1.2)	(1.2)
Borrowings	-	-	(234.9)	(234.9)	(234.9)
Lease liabilities	-	-	(41.4)	(41.4)	(41.4)
Trade and other payables	-	-	(282.1)	(282.1)	(282.1)
Subtotal financial liabilities	**(1.2)**	**-**	**(558.4)**	**(559.6)**	**(559.6)**
Total	**(0.1)**	**298.5**	**(558.4)**	**(260.0)**	**(260.0)**

The table below analyzes 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 held for risk management	Level 1	Level 2	Level 3	Total
At 31 December 2022	-	(0.2)	-	(0.2)
At 31 December 2021	-	(0.1)	-	(0.1)

No financial instruments were transferred from Level 1 to Level 2 or from Level 2 to Level 3 of the fair value hierarchy.

Foreign exchange contracts

The purpose of foreign exchange contracts is to minimize the risk of volatility of future cash flows. These may result from a recognized asset or liability or a forecasted transaction that is considered highly probable (firm commitment). The Group designates the spot element of forward exchange contracts to hedge its currency exposure and applies a hedge ratio of 1:1. Changes in fair value are recognized in other comprehensive income (Hedging reserve), and material ineffectiveness (mainly as a result of changes in timing of the hedged transactions) will be recognized in the Consolidated Statement of Income. As soon as the forecasted transaction is realized (the underlying hedged item materializes), the amount recognized in other comprehensive income will be reclassified to the Consolidated Statement of Income. In case the hedged future transaction is a non-financial asset or liability, the gain or loss recognized in other comprehensive income will be included in the cost of acquisition of the asset or liability.

In 2022, Marel hedged ISK 10.3 billion of its projected net cash flow in ISK against the EUR by means of average rate currency forward contracts at an average exchange rate of ISK 146.4 per EUR for the 12 months of 2023. Each month, the relevant hedges for that month are settled and recognized in the Consolidated Statement of Income. Cash flow hedge accounting is applied for these hedges. As a result of similar hedges concluded in 2021 for the year 2022, EUR 4.0 million positive was recognized in the 2022 operating profit in accordance with the realization of the expected cash flows. There was no ineffectiveness in relation to these hedges.

Forward currency contracts	2022	2021
Nominal amount hedged item	67.8	50.0
Carrying amount assets / (liabilities)	(3.5)	1.1
Line item Consolidated Statement of Financial Position	Derivative financial instruments	Derivative financial instruments
Change in the value of the outstanding hedging instruments	(3.5)	1.1
Reclassified from hedging reserve to income statement	(4.0)	(4.0)
Line item Consolidated Statement of Income[1]	Expenses	Expenses

[1] In 2022, cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses were lowered by EUR 4.0 million (2021: 4.0 million).

For movements in hedge or translation reserve, refer to note 23.

Interest rate swaps

To protect Marel from fluctuations in base rates and in accordance with the interest hedge policy, Marel has entered into interest rate swaps 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 Group accounts for fixed rate financial assets and liabilities at fair value through profit or loss, and the Group designates interest rate swaps as hedging instruments and applies cash flow hedge accounting if a hedge relationship exists.

The notional principal amount of the outstanding active interest rate swap contracts at 31 December 2022 was EUR 310.6 million (31 December 2021: EUR 234.0 million).

At 31 December 2022	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	50.0	2025	2.7
Interest rate SWAP	EUR	50.0	2025	2.7
Interest rate SWAP	USD	75.0	2025	4.1
Interest rate SWAP	USD	75.0	2025	4.1

At 31 December 2021	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	80.0	2022	0.4
Interest rate SWAP	EUR	40.0	2022	0.4
Interest rate SWAP	USD	50.0	2022	2.3

29 Contingencies

Contingent liabilities

At 31 December 2022 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 54.3 million (31 December 2021: EUR 33.8 million) to third parties.

Legal proceedings

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

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

Environmental remediation

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

30 Related party transactions

At 31 December 2022 and 31 December 2021 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 years ended 31 December 2022 and 2021.

The Board of Directors' remuneration is shown in the table below. The Board of Directors is not granted stock options.

Board of Directors' fee for the year and shares at year end (in thousands)	2022 Board fee	2022 Pension contribution[1]	2022 Shares at year end	2021 Board fee	2021 Pension contribution[1]	2021 Shares at year end
Arnar Thor Masson, Chairman	159	18	250	139	16	-
Olafur S. Gudmundsson, Vice-Chairman	84	10	1,705	75	9	1,705
Ann Elizabeth Savage, Board Member	60	7	-	59	7	-
Astvaldur Johannsson, Board Member	60	7	5	57	7	-
Lillie Li Valeur, Board Member	63	7	-	55	6	-
Svafa Grönfeldt, Board Member (from 17-03-2021)	71	8	-	54	6	-
Ton van der Laan, Board Member	60	7	-	57	7	-
Asthildur Margret Otharsdottir, Chairman (until 17-03-2021)	-	-	-	36	4	32
Total Board of Directors	**557**	**64**	**1,960**	**532**	**62**	**1,737**

1 Pension contributions for all board members are part of a defined contribution plan.

In 2021 Marel identified nine executives who had a material significance for Marel's operations. The Executive Team consisted of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Strategy Officer and Executive Vice President ("EVP") of Strategic Business Units, EVP Marel Poultry, EVP Marel Meat, EVP Marel Fish, EVP Global Markets and Service, EVP Global Supply Chain, and EVP Innovation.

As announced on 2 November 2022, Marel formalized an Executive Board that consists of six members: CEO, Chief Business Officer and Deputy CEO (CBO and Deputy CEO), Chief Operating Officer (COO), CFO, Chief Human Resource Officer (CHRO) and Chief Strategy Officer (CSO, vacant). Other Executive Team members refers to Executive Team members that are not part of the Executive Board formed on 2 November 2022 as well as former Executive Team members.

The Marel Executives remuneration is shown in the tables below.

Marel Executives remuneration 2022 (in thousands)	Total fixed remuneration	Short-term bonus	Stock options awarded[2]	Total variable remuneration	Extra-ordinary items	Pension contribution[3]	Total remuneration	Shares at year end[4]
Arni Oddur Thordarson, CEO	**787**	-	426	**426**	-	101	**1,314**	230
Other Executive Board members	**1,338**	-	547	**547**	17	165	**2,067**	1,597
Other Executive Team members[1]	**1,573**	**-**	653	**653**	324	133	**2,683**	454
Total Marel Executives	**3,698**	**-**	**1,626**	**1,626**	**341**	**399**	**6,064**	**2,281**

Executive Team remuneration 2021 (in thousands)	Total fixed remuneration	Short-term bonus	Stock options awarded[2]	Total variable remuneration	Extra-ordinary items	Pension contribution[3]	Total remuneration	Shares at year end[4]
Arni Oddur Thordarson, CEO	**728**	207	363	**570**	-	123	**1,421**	238
Other Executive Team members	**2,699**	510	1,001	**1,511**	60	310	**4,580**	1,201
Total Executive Team	**3,427**	**717**	**1,364**	**2,081**	**60**	**433**	**6,001**	**1,439**

1 Until 2 November 2022.
2 The granted options during 2022 and 2021 are valued according to the model of Black-Scholes with the assumptions applied when granted. The options granted in 2022 and 2021 had a vesting period of 3 years. The calculated total cost for the 3 years is disclosed in this table.
3 Pension contributions for the Executive Team are part of a defined contribution plan.
4 Including financially related.

An overview of stock options held by Marel's Executives
is shown in the tables below.

	Main conditions of the stock option plan					Information regarding the financial year			
Stock options 2022 (number of shares in thousands)	**Award date**	**Last vesting date**	**Expiration date**	**Exercise price per share[1]**	**Stock options awarded**	**Stock options vested**	**Stock options exercised**	**Stock options forfeited**	**Stock options at year end**
Arni Oddur	12-2-2019	13-2-2022	13-2-2023	3.031	650	650	-	-	650
Thordarson, CEO	24-4-2020	24-4-2023	24-4-2024	3.694	580	-	-	-	580
	5-2-2021	5-2-2024	5-2-2025	5.594	400	-	-	-	400
	8-2-2022	9-2-2025	20-2-2026	5.489	460	-	-	-	460
Other Executive	4-8-2015	25-10-2020	28-2-2022	1.351	200	-	200	-	-
Board members	3-5-2016	28-4-2021	15-5-2022	1.727	180	-	180	-	-
	12-2-2019	13-2-2022	13-2-2023	3.031	1,100	1,100	-	-	1,100
	24-4-2020	24-4-2023	24-4-2024	3.694	640	-	-	-	640
	5-2-2021	5-2-2024	5-2-2025	5.594	430	-	-	-	430
	8-2-2022	9-2-2025	20-2-2026	5.489	510	-	-	-	510
	3-5-2022	3-5-2025	18-5-2026	4.950	84	-	-	-	84
Other Executive	3-5-2016	28-4-2021	15-5-2022	1.727	72	-	72	-	-
Team members	12-2-2018	13-2-2021	13-2-2022	2.713	450	-	450	-	-
	12-2-2019	13-2-2022	13-2-2023	3.031	1,500	1,500	510	-	990
	6-6-2019	7-8-2022	15-11-2023	3.536	250	250	-	-	250
	24-4-2020	24-4-2023	24-4-2024	3.694	1,200	-	-	600	600
	5-2-2021	5-2-2024	5-2-2025	5.594	675	-	-	315	360
	8-2-2022	9-2-2025	20-2-2026	5.489	705	-	-	330	375
Total Marel Executives	4-8-2015	25-10-2020	28-2-2022	1.351	200	-	200	-	-
	3-5-2016	28-4-2021	15-5-2022	1.727	252	-	252	-	-
	12-2-2018	13-2-2021	13-2-2022	2.713	450	-	450	-	-
	12-2-2019	13-2-2022	13-2-2023	3.031	3,250	3,250	510	-	2,740
	6-6-2019	7-8-2022	15-11-2023	3.536	250	250	-	-	250
	24-4-2020	24-4-2023	24-4-2024	3.694	2,420	-	-	600	1,820
	5-2-2021	5-2-2024	5-2-2025	5.594	1,505	-	-	315	1,190
	8-2-2022	9-2-2025	20-2-2026	5.489	1,675	-	-	330	1,345
	3-5-2022	3-5-2025	18-5-2026	4.950	84	-	-	-	84

[1] The exercise prices of options granted are originally the same as the market price at the date of each granting except for options granted in June 2019, the exercise price is the same as the final offer price in the listing on Euronext Amsterdam. The exercise prices are adjusted afterwards according to dividend per share when paid, i.e. the exercise prices are lowered by the same amount as the paid dividend per share (cent against cent).

Stock options 2021 (number of shares in thousands)	Main conditions of the stock option plan: Award date	Last vesting date	Expiration date	Exercise price per share[1]	Stock options awarded	Information regarding the financial year: Stock options vested	Stock options exercised	Stock options forfeited	Stock options at year end
Arni Oddur	3-5-2016	28-4-2021	28-4-2022	1.743	360	72	72	-	-
Thordarson, CEO	12-2-2018	13-2-2021	13-2-2022	2.713	650	650	650	-	-
	12-2-2019	13-2-2022	13-2-2023	3.082	650	-	-	-	650
	24-4-2020	24-4-2023	24-4-2024	3.746	580	-	-	-	580
	5-2-2021	5-2-2024	5-2-2025	5.646	400	-	-	-	400
Other Executive	2-12-2014	24-4-2020	28-4-2021	0.775	450	-	135	-	-
Team members	4-8-2015	25-10-2020	10-2-2022	1.351	400	-	40	-	200
	3-5-2016	28-4-2021	15-5-2022	1.771	540	108	180	-	252
	5-3-2017	6-3-2020	15-5-2021	2.569	300	-	300	-	-
	12-2-2018	13-2-2021	13-2-2022	2.713	1,350	1,350	975	-	375
	12-2-2019	13-2-2022	13-2-2023	3.082	1,600	-	-	-	1,600
	6-6-2019	7-8-2022	15-11-2023	3.588	250	-	-	-	250
	24-4-2020	24-4-2023	24-4-2024	3.746	1,840	-	-	-	1,840
	5-2-2021	5-2-2024	5-2-2025	5.646	1,105	-	-	-	1,105
Former Executive	2-12-2014	24-4-2020	28-4-2021	0.824	225	-	45	-	-
Team members	4-8-2015	25-10-2020	28-10-2021	1.354	200	-	40	-	-
	3-5-2016	28-4-2021	28-4-2022	1.750	360	72	252	-	-
	5-3-2017	6-3-2020	15-5-2021	2.623	300	-	300	-	-
	12-2-2018	13-2-2021	13-2-2022	2.713	900	900	825	-	75
	12-2-2019	13-2-2022	13-2-2023	3.082	1,000	-	-	-	1,000
Total Executive Team	2-12-2014	24-4-2020	28-4-2021	0.775	675	-	180	-	-
	4-8-2015	25-10-2020	10-2-2022	1.351	600	-	80	-	200
	3-5-2016	28-4-2021	15-5-2022	1.771	1,260	252	504	-	252
	5-3-2017	6-3-2020	15-5-2021	2.569	600	-	600	-	-
	12-2-2018	13-2-2021	13-2-2022	2.713	2,900	2,900	2,450	-	450
	12-2-2019	13-2-2022	13-2-2023	3.082	3,250	-	-	-	3,250
	6-6-2019	7-8-2022	15-11-2023	3.588	250	-	-	-	250
	24-4-2020	24-4-2023	24-4-2024	3.746	2,420	-	-	-	2,420
	5-2-2021	5-2-2024	5-2-2025	5.646	1,505	-	-	-	1,505

[1] As per 31 December 2021, with the exception of actual exercise prices of stock options granted 2014-2018 and exercised in 2021. The exercise prices of options granted are originally the same as the market price at the date of each granting except for options granted in June 2019, the exercise price is the same as the final offer price in the listing on Euronext Amsterdam. The exercise prices are adjusted afterwards according to dividend per share when paid, i.e. the exercise prices are lowered by the same amount as the paid dividend per share (cent against cent). The exercise prices of options granted 2015-2016 are subject to a hurdle rate. For options from 2015 it is 3% annually and 2% for options from 2016. Exercise prices in other outstanding options are not affected by a hurdle rate.

31 Subsequent events

No significant events have taken place since the reporting date, 31 December 2022.

32 Subsidiaries

The following lists presents the material subsidiaries as per 31 December 2022 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%
Marel Salmon A/S	Denmark	100%
Marel A/S	Denmark	100%
Marel France S.A.R.L.	France	100%
Marel TREIF GmbH[1]	Germany	100%
MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG	Germany	100%
Marel Iceland ehf.	Iceland	100%
Valka ehf.	Iceland	100%
Marel Holding B.V.[1]	Netherlands	100%
MPS Holding III B.V.[1]	Netherlands	100%
Marel Meat B.V.[1]	Netherlands	100%
Marel Poultry B.V.[1]	Netherlands	100%
Marel Further Processing B.V.[1]	Netherlands	100%
Marel Red Meat B.V.[1]	Netherlands	100%
Marel Meat Service B.V.[1]	Netherlands	100%
Marel Norge AS	Norway	100%
Marel Slovakia s.r.o.	Slovakia	100%
Marel GB Ltd.	UK	100%
Marel Inc.	USA	100%
TREIF USA Inc.	USA	100%
ExtruTech USA LLC	USA	100%
Wenger Manufacturing LLC	USA	100%

[1] General guarantees as referred to in section 403 of Book 2 of the Dutch Civil Code and article 264 (3) No.2 and 264b of the German Commercial Code, have been given by the Company on behalf of several group companies in the Netherlands and Germany.

Appendices

1 Marel hf. 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.

Corporate Governance Framework and Compliance

Marel's corporate governance consists of a framework of principles and rules, based on applicable laws, including its Articles of Association and the Guidelines on Corporate Governance issued in July 2021 by the Iceland Chamber of Commerce, Nasdaq OMX Nordic Iceland and the Confederation of Icelandic Employers, which are accessible on the website of the Iceland Chamber of Commerce.

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

Article 1.3

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

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

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

Of the Guidelines stating that Shareholders' meetings should determine the role of the Nomination Committee and the manner in which its operation shall be carried out. Marel's Nomination Committee is a sub-committee of the Board of Directors and therefore the Board determines its role and the manner in which its operation is carried out. This is in line with the Dutch corporate governance code.

Article 1.5.10

Of the Guidelines concerning the Nomination Committee's request for proposals from shareholders before the company's AGM: The Nomination Committee consults with the company's major shareholders on the nomination process as well as engaging professional firms, but does not formally request proposals from shareholders. Information on how to contact the Nomination Committee is however publicly available on the Committee's website and candidates can make themselves available through this channel. This is in line with the Dutch corporate governance code.

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. Significant risks are discussed in the 2022 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 Director of Internal Audit 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 Consolidated Financial Statements in accordance with generally recognized 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 16 March 2022. Auditors on KPMG's behalf are Saemundur Valdimarsson and Audur Thorisdottir, both Certified Public Accountants (CPAs). They have audited and endorsed Marel's Consolidated Financial Statements for the year 2022.

In 2027 the provisions of EU Regulation no. 537/2014, on specific requirements regarding statutory audit of public-interest entities, concerning the maximum duration of audit engagements, will enter into force for Marel, cf. Article 55(2) of the Icelandic Act on Auditors no. 94/2019. The Board of Directors will organize a tender process in due time, in line with the requirements of Article 16 of EU Regulation no. 537/2014.

Composition and Activities of the Board of Directors, its Sub-committees, the CEO and Executive Team

The company's management structure, from 2 November 2022, consists of the Board of Directors and the Executive Board (previously the Executive Team), led by the Chief Executive Officer.

Board of Directors

The Board of Directors has supreme authority in company affairs between shareholders' meetings. It is elected by shareholders at the AGM 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 16 March 2022. In line with Icelandic law, the Board of Directors convenes immediately following the AGM in which it is elected to allocate responsibilities between the board members. The Board of Directors elects a Chairman and Vice Chairman, as well as the Chairmen and members of its sub-committees.

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 Executive Board. 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 strategy sessions and an operational planning meeting for the coming year. The Board of Directors meets regularly without management and once a year there is a meeting to structure the board's agenda and conduct a self-assessment. Additional meetings are convened as needed. The Board of Directors has a number of on-site visits to company locations and to customers during the year. 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 20 times in 2022, with an average attendance of 94%. Thereof, there were 10 regular meetings, with 100% attendance, and 10 ad hoc meetings with average attendance of 87%.

The Board of Directors has assessed which directors are independent according to the Icelandic Guidelines on Corporate Governance. All seven directors: Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Olafur S. Gudmundsson, Svafa Grönfeldt and Ton van der Laan, are considered independent of the company. Furthermore, six of the Board members, Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Svafa Grönfeldt and Ton van der Laan, are considered independent of the company's major shareholders. According to the Guidelines, the tenure of a director does not affect the independency assessment.

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 2022 consistent with the company's established goals. The

Board discusses the results of the evaluation and decides on any actions to be taken.

See marel.com for profiles of the Board members, the rules of procedure for the Board of Directors and for the Board's sub-committees.

Sub-committees

A share of the Board's work is carried out in its sub-committees: the Remuneration Committee, the Audit Committee and the 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 Committee

The Remuneration Committee is composed of three 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 for management is conducted.

The current Board decided to appoint three members to the Remuneration Committee as of March 2022: Arnar Thor Masson (Chair), Lillie Li Valeur and Olafur S. Gudmundsson.

The Remuneration Committee convened four times in 2022, attendance was 100%.

Audit Committee

The Audit Committee is composed of three or four Board members 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.

Members of the Audit Committee since March 2022 are: Svafa Grönfeldt (Chair), Astvaldur Johannsson, Ann Elizabeth Savage and Ton van der Laan. All members are independent of the company, its auditors and of large shareholders.

The Audit Committee convened seven times in 2022, with an average attendance of 93%.

Nomination Committee

The Nomination Committee is composed of three members elected by the Board. 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 fulfil these requirements. The majority of the members of the Nomination Committee shall be independent 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 March 2022 are: Lillie Li Valeur (Chair), Arnar Thor Masson and Olafur S. Gudmundsson.

The Nomination Committee convened five times in 2022, attendance was 100%.

2022		Board of Directors: Regular[1] meetings, 10 meetings, Attendance (%)	Board of Directors: Ad hoc meetings, 10 meetings, Attendance (%)	Board of Directors: All Board meetings, 20 meetings, Attendance (%)	Audit Committee	Audit Committee: 7 meetings, Attendance (%)	Nomination Committee	Nomination Committee: 5 meetings, Attendance (%)	Remuneration Committee	Remuneration Committee: 4 meetings, Attendance (%)
Arnar Thor Masson	Chairman	100%	100%	100%			√	100%	Chair	100%
Olafur S. Gudmundsson	Vice-Chairman	100%	70%	85%			√	100%	√	100%
Ann Elizabeth Savage	Director	100%	80%	90%	√	86%				
Astvaldur Johannsson	Director	100%	90%	95%	√	86%				
Lillie Li Valeur	Director	100%	90%	95%			Chair	100%	√	100%
Svafa Grönfeldt	Director	100%	80%	90%	Chair	100%				
Ton van der Laan	Director	100%	100%	100%	√	100%				
Average attendance		**100%**	**87%**	**94%**		**93%**		**100%**		**100%**

[1] Regular Board meetings are scheduled at least one year in advance while ad hoc Board meetings are often scheduled with short notice and cannot always be scheduled in time zones that are convenient for all Board Directors, who reside in 4 different time zones.

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 230,409 shares in Marel. He is a major shareholder of Eyrir Invest, which on 2 February 2022, held 190,366,838 shares in Marel hf. (24.7% 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 Board.
3. 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.
4. At least once a year, the CEO shall evaluate the work and results of the Executive Board that he heads according to previously established criteria. The CEO shall discuss the results of his evaluation with each member of the Executive Board 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 Board 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 Board

On 2 November 2022, Marel introduced organizational changes whereby an Executive Board of six members was formalized. The Executive Board supports the CEO in his role and responsibility for daily operations of the company in line with the directives of Marel's Board of Directors. The company's Executive Board is composed of the following:

- Chief Executive Officer (CEO): Arni Oddur Thordarson
- Chief Business Officer (CBO) and Deputy CEO: Arni Sigurdsson
- Chief Operating Officer (COO): Linda Jonsdottir
- Chief Financial Officer (CFO): Stacey Katz
- Chief Human Resource Officer (CHRO): David Freyr Oddsson
- Chief Strategy Officer (CSO): Vacancy

At the beginning of 2022, Marel's Executive Team was composed of 9 executives: Arni Oddur Thordarson, CEO, Linda Jonsdottir, CFO, Arni Sigurdsson, Chief Strategy Officer and EVP of Strategic Business Units, Roger Claessens, EVP Marel Poultry, David Wilson, EVP Marel Meat, Gudbjorg Heida Gudmundsdottir, EVP Marel Fish, Ulrika Lindberg, EVP Global Markets and Service, Anna Kristin Palsdottir, EVP Innovation and Folkert Bölger, EVP Global Supply Chain.

On 7 March 2022, Linda Jonsdottir was appointed COO, Stacey Katz was appointed CFO and Folkert Bölger stepped down from his position as EVP Global Supply Chain with the responsibility for Global Supply Chain being assumed by the newly appointed COO.

On 2 November, it was announced that David Wilson, EVP Marel Meat would be stepping down and leaving Marel, with Roger Claessens stepping in as interim EVP Marel Meat until a new appointment would be announced. It was moreover announced that other current executives from the Executive Team, who are not members of the Executive Board, will continue as part of Marel's senior leadership.

Diversity

Marel's Diversity and Inclusion policy, accessible on marel.com, guides and ensures commitment to fostering, cultivating and preserving a culture of diversity and inclusion within the company. The policy applies to all employees and governance bodies, including the Board of Directors, its sub-committees and the Executive Board. Training on Diversity and Inclusion has been offered to all Marel employees worldwide in 2022, with around 52% participation from the global workforce at year end.

The Nomination Committee has the role of reviewing and evaluating the structure and composition of the Board of Directors, in order to ensure balance of skills, knowledge, experience, diversity, tenure and independence. The Board as a whole should also encompass desirable diversity in aspects such as nationality, gender, age, education and different perspectives. Marel's Board of Director's skills matrix is used in the yearly evaluation and nomination process, see further in the Nomination Committee's report.

The Board of Directors and the CEO are responsible for reviewing and evaluating the structure and composition of the Executive Board, based on the same principles of diversity as apply to the Board of Directors in addition to Marel's diversity and inclusion policy. Gender diversity (female/male ratio) within the Board of Directors remained stable at 43% (2021: 43%). Gender diversity of the Executive Team rose to 56% in March 2022 (2021: 44%). Gender diversity of the Executive Board as of November 2022 is at 40%, with one vacancy. Gender diversity of the total company rose to 18% (2021: 17%).

Code of Conduct and Social Responsibility

Values and Social Responsibility

Marel's company values are its shared ideals and standards, providing direction in its every day 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.

Marel places great emphasis on corporate and social responsibility with detailed information available in Marel's 2022 ESG report.

Code of Conduct

Marel's Board of Directors initially approved a Code of Conduct with a global application in October 2012, which was thoroughly revised and updated in 2021. 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.

See marel.com for the company's Code of Conduct.

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 as needed. The AGM is advertised publicly with at least three weeks' notice in accordance with Icelandic law and the company's Articles of Association.

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 (inside information) and on other sensitive business information, which could compromise the company's competitive position. Further information on communication with shareholders can be found in the company's Investor Relations Policy on marel.com.

2 Quarterly results (unaudited)

	2022 Q1	2022 Q2	2022 Q3	2022 Q4	Total
Revenue	371.6	397.3	450.6	489.2	1,708.7
Cost of sales	(237.9)	(265.5)	(301.9)	(325.1)	(1,130.4)
Gross profit	**133.7**	**131.8**	**148.7**	**164.1**	**578.3**
Selling and marketing expenses	(54.1)	(58.6)	(63.5)	(60.0)	(236.2)
General and administrative expenses	(30.5)	(33.6)	(36.9)	(38.2)	(139.2)
Research and development expenses	(24.1)	(24.8)	(29.2)	(27.8)	(105.9)
Result from operations (EBIT)	**25.0**	**14.8**	**19.1**	**38.1**	**97.0**
Net finance costs	3.4	(1.9)	1.1	(15.6)	(13.0)
Share of result of associates	(0.8)	(0.8)	(0.1)	(0.2)	(1.9)
Impairment loss of associates	-	-	(7.0)	-	(7.0)
Result before income tax	**27.6**	**12.1**	**13.1**	**22.3**	**75.1**
Income tax	(5.9)	(2.5)	(4.2)	(3.8)	(16.4)
Net result for the period	**21.7**	**9.6**	**8.9**	**18.5**	**58.7**
Result before depreciation & amortization (EBITDA)	**41.6**	**33.4**	**40.7**	**62.9**	**178.6**

	2021 Q1	2021 Q2	2021 Q3	2021 Q4	Total
Revenue	334.0	327.5	331.9	367.4	1,360.8
Cost of sales	(212.2)	(210.0)	(209.0)	(235.8)	(867.0)
Gross profit	**121.8**	**117.5**	**122.9**	**131.6**	**493.8**
Selling and marketing expenses	(42.6)	(42.3)	(47.2)	(48.3)	(180.4)
General and administrative expenses	(26.9)	(20.4)	(22.9)	(26.0)	(96.2)
Research and development expenses	(22.2)	(21.8)	(21.4)	(21.5)	(86.9)
Result from operations (EBIT)	**30.1**	**33.0**	**31.4**	**35.8**	**130.3**
Net finance costs	(4.4)	(1.9)	(2.1)	(0.3)	(8.7)
Share of result of associates	(0.1)	(0.4)	0.0	(0.4)	(0.9)
Result before income tax	**25.6**	**30.7**	**29.3**	**35.1**	**120.7**
Income tax	(4.4)	(7.4)	(6.1)	(6.6)	(24.5)
Net result for the period	**21.2**	**23.3**	**23.2**	**28.5**	**96.2**
Result before depreciation & amortization (EBITDA)	**47.3**	**49.8**	**48.0**	**53.8**	**198.9**

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 5.

	2022 Q1	2022 Q2	2022 Q3	2022 Q4	Total
Revenue	371.6	397.3	450.6	489.2	1,708.7
Cost of sales	(237.6)	(264.2)	(288.6)	(313.4)	(1,103.8)
Gross profit	**134.0**	**133.1**	**162.0**	**175.8**	**604.9**
Selling and marketing expenses	(51.3)	(55.3)	(57.0)	(54.3)	(217.9)
General and administrative expenses	(28.6)	(29.7)	(32.2)	(35.6)	(126.1)
Research and development expenses	(22.8)	(23.1)	(26.6)	(25.0)	(97.5)
Adjusted result from operations[1]	**31.3**	**25.0**	**46.2**	**60.9**	**163.4**
Non-IFRS adjustments	(6.3)	(10.2)	(27.1)	(22.8)	(66.4)
Result from operations (EBIT)	**25.0**	**14.8**	**19.1**	**38.1**	**97.0**

	2021 Q1	2021 Q2	2021 Q3	2021 Q4	Total
Revenue	334.0	327.5	331.9	367.4	1,360.8
Cost of sales	(209.6)	(208.9)	(208.7)	(235.5)	(862.7)
Gross profit	**124.4**	**118.6**	**123.2**	**131.9**	**498.1**
Selling and marketing expenses	(40.0)	(39.8)	(44.6)	(45.6)	(170.0)
General and administrative expenses	(25.7)	(20.2)	(22.8)	(25.0)	(93.7)
Research and development expenses	(20.7)	(20.0)	(19.8)	(20.3)	(80.8)
Adjusted result from operations[1]	**38.0**	**38.6**	**36.0**	**41.0**	**153.6**
Non-IFRS adjustments	(7.9)	(5.6)	(4.6)	(5.2)	(23.3)
Result from operations (EBIT)	**30.1**	**33.0**	**31.4**	**35.8**	**130.3**

[1] Result from operations is adjusted for PPA related costs, including depreciation and amortization, and acquisition related expenses. In Q3 and Q4 2022, result from operations is adjusted for restructuring costs due to the 5% headcount reduction.

3 Definitions and abbreviations

AGM

Annual General Meeting

CGU

Cash Generating Units

EBIT

Earnings before interest and tax

EBITDA

Earnings before interest, tax, depreciation and amortization

ECL

Expected credit loss

ESEF Regulation

European Single Electronic Format Regulation

ESG

Environmental, Social and Governance

EURIBOR

Euro interbank offered rates

EVP

Executive Vice President

FTE

Full-time equivalent

FX

Foreign exchange

IAS

International Accounting Standards

IBOR

Interbank Offered Rate

IFRIC

International Financial Reporting Interpretation Committee

IFRS

International Financial Reporting Standards

iXBRL

Inline eXtensible Business Reporting Language

KPI

Key performance indicator

LIBOR

London Interbank Offered Rate

NCI

Non-controlling interest

OCI

Other comprehensive income

PPA

Purchase Price Allocation

SBTi

Science Based Targets initiative

SOFR

Secured Overnight Financing Rate

TCFD

Task Force on Climate-related Financial Disclosures

WACC

Weighted average cost of capital

XHTML

EXtensible HyperText Markup Language

Marel Nasdaq ESG Metrics

	Environmental	2022	2021	
E1	**Direct & Indirect GHG emissions (Tonnes CO_2e)**	**393.452**	**445.691**	
E1.1	Scope 1: Direct GHG emissions	7.314	7.563	
	Heat - Natural gas (scope 1)	3.193	3.252	
	Company cars (scope 1)	4.121	4.311	
E1.2	Scope 2: Indirect GHG emissions (market-based electricity + district heating)	4.250	7.328	
	Heat - district heating (scope 2)	260	267	
	Electrcity - market based (scope 2)	3.990	7.061	
E1.2	Scope 2: Indirect GHG emissions (location-based electricity + district heating)	*7.593*	*8.755*	
	Electrcity - location based (scope 2)	7.333	*8.487*	
E1.3	Scope 3: Other indirect GHG emissions	381.888	430.801	
	Waste from operations (scope 3)	289	308	
	Business air travel (scope 3)	6.341	3.430	
	Purchased goods and sercvices (scope 3)	81.014	109.529	
	Use of sold products (scope 3)	294.244	317.534	
E2	**Emission intensity** (Tonnes CO_2e per EUR 1,000 of revenues)	**0,25**	**0,33**	*
E2	**Emission intensity** (Tonnes CO_2e per m2)	**1,19**	**1,30**	*
E2	**Emission intensity** (Tonnes CO_2e per average FTE)	**51,1**	**63,0**	*
E3	**Energy usage** (GWH)	**62,61**	**73,18**	
E3.1	Directly consumed (GWH)	30,77	36,00	
	Heat - Natural gas (GWH)	17,50	17,75	
	Fuel (GWH)	13,27	18,25	
E3.2	Indirectly consumed (GWH)	31,84	37,18	
	Electricity (GWH)	30,26	35,56	
	Heat - district heating (GWH)	1,58	1,62	
E4	**Energy intensity** (MWH per FTE)	**8,1**	**10,4**	
E5	**Energy mix** - renewable electricity	**71%**	**53%**	*
E6	**Water usage (m3)**	**40.190**	**43.659**	
E7	**Environmental operations**	**Yes**	**Yes**	
E7.1	Formal environmental policy	Yes	Yes	
E7.2	Specific waste, water, energy, and/or recycling policies	Yes	Yes	
E7.3	Recognized energy management system	Yes	Yes	
E8	**Climate related risk oversight by the Board/Management**	**Yes**	**Yes**	
E9	**Sustainability issue oversight by the Board/Management**	**Yes**	**Yes**	
E10	**Climate oversight/management**	**Yes**	**Yes**	

	Social	2022	2021	
S1	**CEO pay ratio**	**14.2:1**	**17.2:1**	*
S1.2	Reported in regulatory filings	Yes	Yes	
S2	**Gender pay ratio** (men/women)	**4,1%**	**4,5%**	
S3	**Employee turnover ratio**	**13,3%**	**11,4%**	
S4	**Overall female ratio**	**17,9%**	**17,4%**	
S5	**Contingent worker ratio**	**6,2%**	**7,9%**	
S6	**Non-discrimination policy**	**Yes**	**Yes**	
S7	**Injury rate**	**0,67**	**0,78**	
S8	**Global health & safety policy**	**Yes**	**Yes**	
S9	**Child & forced labor policy**	**Yes**	**Yes**	
S9.2	Policy covers suppliers and vendors	Yes	Yes	
S10	**Human rights policy**	**Yes**	**Yes**	
S10.2	Policy covers suppliers and vendors	Yes	Yes	

Marel Nasdaq ESG Metrics

	Governance	2022	2021
G1	**Board diversity** (women/men ratio)	**43/57**	**43/57**
G1.2	Board committee chairs (women/men ratio)	67/33	67/33
G2	**Independent board directors**	**Yes 100%**	**Yes 100%**
G2.1	CEO prohibited from serving as board chair	Yes	Yes
G3	**ESG incentivized pay**	**Yes**	**Yes**
G4	**Collective bargaining**	**Yes**	**Yes**
G5	**Supplier code of conduct**	**Yes**	**Yes**
G6	**Ethics & anti-corruption**	**Yes**	**Yes**
G7	**Data privacy**	**Yes**	**Yes**
G7.2	Compliance with GDPR	Yes	Yes
G8	**ESG reporting** (published and filed)	**Yes**	**Yes**
G9	**Disclosure practices**	**Yes**	**Yes**
G9.2	Specific focus on UN Sustainable Development Goals	2, 9, 12	2, 9, 12
G10	**External validation assurance**	**Partial**[1]	**Partial**[1]

[1)] Environmental KPIs are determined with the support of Sustainalize, an ERM Group company.

Please see the explanatory note to the 2022 sustainability disclosure for further explanation including for restated metrics.*

Sustainability

Marel's 2022 climate-related financial disclosures (TCFD) status update

Marel's TCFD journey

Marel committed to integrating the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2020 and has started climate risk reporting in 2021. As a founding member of the Nordic CEOs for a Sustainable Future, Marel supports the implementation of the recommendations by the TCFD. Now in its second year, Marel has built greater awareness internally and among its stakeholders, to understand the impact of climate on the company, its operations, customers and the overall value chain.

Key changes to 2022 analysis, methodology and approach:

- Extended coverage by including physical climate risks in our analysis for the first time in 2022. We aim to better understand the impacts of changes in physical environment on Marel's operations under different climate scenarios.
- Incorporated latest available climate science data to align analysis with efforts to limit global warming to 1.5°C.
- Increased scope 3 coverage supported through validated science-based targets.
- Enhanced target setting supported by Marel's first corporate sustainability program implemented in 2022.
- Improved climate scenario analysis by aligning scenarios with The Network for Greening the Financial System.

Main findings from 2022 analysis:

- Earlier identified risks and opportunities are still relevant, although the estimated timing and likelihood has been accelerated and brought forward in light of the importance of climate change to Marel and it's stakeholders. Marel's analysis is showing the likely magnitude of impact under a 1.5°C and 2.5°C scenario.
- Impacts of climate change, such as flooding, heat waves and droughts have become more noticeable and therefore undeniable, making the assessment of physical risk causes a necessity going forward.
- Heightened momentum around climate-related financial disclosures supported by internal and external stakeholders, reporting regulations and standards. Implementation of the TCFD recommendations supports Marel's overall sustainability ambitions and strengthens our double materiality assessment that is ongoing at the time of publishing this report.

Summary table

	2022 achievements	Short-term priorities	Longer-term goals
Governance	• Increased internal awareness on climate related risks and opportunities throughout the organization, engaging with internal and external stakeholders. This includes half-yearly board strategy sessions, audit committee briefings, quarterly business review meetings with the Executive Board and global training sessions for ESG KPI owners. • Close collaboration with Internal Audit on further aligning climate risk processes and non-financial disclosure	• Increased structural attention on climate related impacts within the Board of Directors including structured decision-making and follow up on identified climate issues	• Further integrate the impact of climate change in corporate governance and oversight
Strategy	• Revisited climate scenarios and models used in 2021 to test for relevance and latest climate science recommendations • Analyzed physical risks for the first time • Further strengthened the process and ESG data quality by moving to an internal quarterly reporting process for ESG • Fully mapped out all material categories under scope 3	• Further assess potential business implications of climate related risks and opportunities on Marel's operations • Further align the findings and recommendations from climate related risks and opportunities with the business strategy and financial planning	• Further integrate climate impact into Marel's strategy and operations by improving the view on climate risks and opportunities and aiming to minimize climate impact with the majority of Marel's equipment solutions
Risk management	• Sustainability is one of five risk categories at Marel • Identified and prioritized the most material risks and opportunities to future-proof Marel • Strengthened process around supplier engagement including environmental compliance supported by a new Responsible Sourcing team	• Integrate climate risk into Marel's overall risk framework • Continue initial analysis on climate related risk causes and opportunity triggers with the aim to externally disclose the most material ones	• Further integrate climate risk into the overall risk management framework
Metric & Targets	• Launch of first Sustainability Program, including three environmental 2026 targets related to: carbon emissions, recycling of waste and the use of renewable electricity • 2030 decarbonization near-term targets for scope 1, 2, and 3 approved by SBTi in November 2022 • Extended scope of the innovation scorecard to further elevate sustainability in new product developments	• Embed periodic reporting on material risks and opportunities • Improve disclosure on Marel's Scope 3 greenhouse gas emissions (GHG) and targets to reduce GHG • Further improve Marel's innovation scorecard to elevate sustainability in new developments	• Disclose and report on forward-looking climate related metrics and actual performance against goals

Timeline of climate action

2015
Joined the **UN Global Compact** as a signatory

2016
Approved a **CSR guidance policy** as compass for sustainable development

2017
Joined the **UN Global Compact** as a participant

Launched the Sustainability Scorecard to the product development process

Launched the Sustainability Scorecard to guide the product development process

2018
Founding member of the **Nordic CEOs for a Sustainable Future** coalition

2019
Certified as a **NASDAQ ESG transparency partner**

Introduced a **Sustainable procurement pillar**

Conducted **first full life cycle analysis**

2020
Integrating sustainability and finance by securing a new EUR **700m sustainability linked syndicated credit facility**

Conducted a comprehensive **materiality analysis with over 160 stakeholders**

Established a **Sustainability Team as part of the CEO's office**

Established a **Sustainability and ESG Committee**

Established a **Responsible Supply Chain risk management**

Finalized **life cycle analysis** of four core retail and food service solutions

Adopted a **Green Energy Procurement Policy**

Announced commitment to integrate the recommendations by the **TCFD**

Announced commitment to the **Science-Based Targets initiative**

Announced commitment to be **carbon neutral** well before 2050

2021
Launches **supplier sustainability program** involving EcoVadis

Life cycle analysis of seven core retail and food service solutions

100% of all new innovations passed **Marel's sustainability innovation scorecard**

Increased renewable electricity for Marel's manufacturing facilities to 61% (from 53% in 2020)

Commitment to becoming **net zero by 2040**

First climate stress testing to assess potential impacts on Marel's business under two scenarios

Gained further insights into product related purchased goods emissions (**scope 3**)

Sustainability included as one of five key risks for Marel

Launch of **Marel's first sustainability program**, including environmental targets related to carbon emissions, recycling of waste, and use of renewable electricity

2022
Reporting on Marel's first **Sustainability Program**

Validated **science-based targets**

Established **Responsible Sourcing team**

Circularity integrated as part of the **Sustainability Innovation Scorecard 2.0**

2026
Expected completion of first **Sustainability Program**

2030
Expected delivery on our **science-based target commitment**

2040
Goal to reach **Net zero** by 2040

Governance

Responsible governance is set with a clear objective of ingraining environmental, social, and governance (ESG) guidelines into all of Marel's business planning and operations. Throughout 2022 the company continued to increase internal awareness on climate-related risks and opportunities throughout the organization, engaging with internal and external stakeholders. A short-term priority is to increase structural attention to climate-related impacts within the Board of Directors including structured decision making and follow up on identified climate issues.

Board-level oversight of climate-related issues within Marel:
The Board reviews and agrees on Marel's sustainability roadmap that includes climate-related issues such as Marel's net zero commitment, setting science-based targets and climate-related disclosure. The Board of Directors oversees implementation and reviews performance of objectives, such as the sustainability program, the sustainability linked financing, and the ESG short-term incentive plans for management remuneration introduced in 2021 which includes an emission intensity target for scope 1, scope 2 and scope 3 (business travel and waste categories).

Marel's sustainability ambitions and climate-related actions are becoming more integrated into its business strategy. Regular Board meetings where climate related topics are discussed are held over the course of the year, including quarterly meetings coinciding with the publication of financial results, two strategy sessions, and an operational planning meeting for the coming year. The board is informed through the Sustainability Team and the CEO.

Management's role in assessing and managing climate-related risks and opportunities:
The Sustainability Team was established in 2020 within the corporate CEO's office to set the sustainability strategy, coordinate and monitor ESG targets and metrics, and support Marel to navigate the climate-related opportunities and risks. The CEO and CFO quarterly receive an update on key sustainability KPIs in the business review meetings.

Throughout the value chain, Marel encourages and promotes the most efficient use of resources to minimize environmental impact and prioritize environmental protection in food processing. Sustainability is at the heart of everything we do and part of our DNA. This translates into climate-related actions and targets for which Marel's Executive Board is accountable for. The CEO is responsible for the work and results of the Executive Board as described in Marel's Corporate Governance Statement.

The Sustainability and ESG Committee, a sub-committee of the Executive Board, is responsible for tracking the developments in climate risk management. The interdisciplinary committee makes recommendations to the Executive Board for proactive board oversight and governance on climate-related risks and opportunities.

Sustainability governance structure

Strategy

Climate change related risks and opportunities are critical for Marel to manage, both internally and for its customers. To manage climate-related risks and opportunities in the food value chain, Marel needs to assist customers with using fewer natural resources, while minimizing the CO2 footprint during food production.

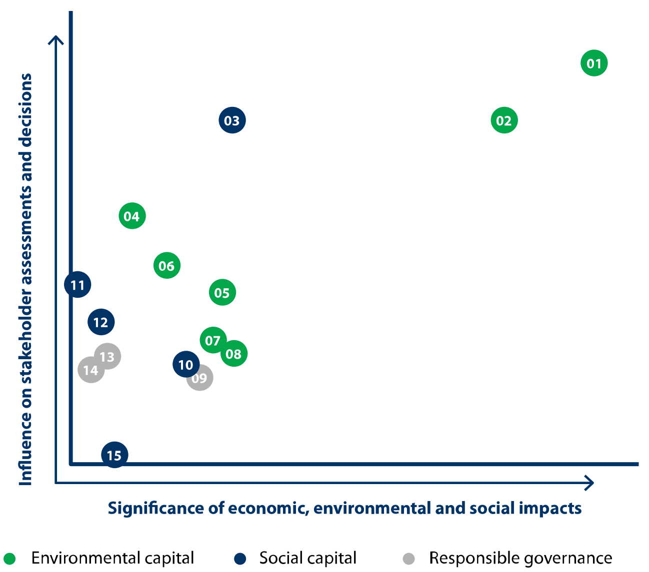
ESG materiality matrix

In order for Marel to build resilience against the impacts of climate change and capture value from the opportunities that arise from climate change, Marel needs to understand the view of its internal and external stakeholders.

Through conversations with key internal and external stakeholders in 2020, Marel has gained significant insights and identified 15 material topics. This stakeholder group included more than 160 individual stakeholders representing most affected stakeholders (customers, suppliers, employees), and to a lesser extent users of sustainability reporting (investors, NGOs).

The identified 15 key material topics remain valid for 2022 and will be reviewed during 2023 in light of their financial and impact materiality to provide a double materiality perspective going forward. In light of a post-Covid environment we are likely to see a higher focus on climate change, as well as supply chain disruptions and talent attraction and retention moving up on the materiality spectrum. In 2023 Marel will engage with stakeholders to understand how they may be impacted by climate-related risks and opportunities, drawing in internal and external experts as needed. The outcome of this analysis will be communicated alongside Marel's full-year 2023 Consolidated Financial Statements.

Top 15 ESG topics based on a comprehensive stakeholder materiality analysis[1]



Rank	Material topics
1	Food waste reduction
2	Traceability & food safety
3	Animal wellbeing
4	Circular products & solutions
5	Environmental & safety impact
6	Emission, energy use & water
7	Sustainable protein
8	Sustainable innovation
9	Localized customer service
10	Responsible supply chain
11	Occupational health & safety
12	Talent attraction and retention
13	Flexibility & economic performance
14	Compliance & risk management
15	Diversity & inclusion

Notes: Company information. [1] Stakeholder materiality analysis conducted among more than 160 individual stakeholders in 2020. Conclusions on the main top 15 ESG topics is considered valid for 2022 and reflective of current materiality when it comes to the main ESG topics relevant for Marel (x-axis) and its stakeholders (y-axis).

Climate-related risk and opportunity triggers

During 2021, an assessment exercise was conducted based on the long-list TCFD model whereby 25 risk causes and 17 opportunity triggers were examined in light of likelihood and impact. Those risk causes and opportunity triggers were then further assessed in a double heat map.

Transition risks include policy and legal risks, risks arising from changing demand, availability of resources, and shift in consumer preferences, among others. Marel has also identified certain physical acute and chronic risks from rising temperatures and impacts on marine ecosystems.

Material opportunities and risks from climate change

Selected risk causes and opportunity triggers deemed most relevant for Marel.

Identifier	Primary climate-related risk driver	Time horizon[1]	Likelihood	Magnitude of impact: 1.5°C scenario	Magnitude of impact: 2.5°C scenario	Likely potential financial impact[2]
Policy and Legal (Transition risk)	Emerging regulations on limitation of greenhouse gas emissions	Short-term	Likely	High	Low	Increased operating/compliance costs
Market (Transition risk)	Increased cost of raw materials	Short-term	Likely	High	Medium	Reduced profitability
Chronic (Physical risk)	Rising temperature	Long-term	Likely	Low	High	Increased operating costs
Energy sources (Opportunity)	Use of new technologies	Medium-term	Very likely	High	Medium	Increased revenues and increased profits
Products and services (Opportunity)	Development of new products or services through R&D and innovation	Medium-term	Very likely	High	Medium	Increased revenues and increased profitability
Market (Opportunity)	Access to new markets	Medium-term	Likely	High	Medium	Higher revenues

Notes: Company information. [1] Short-term <3yrs, Medium-term 3-10yrs, Long-term >10yrs. [2] Potential financial impact both positive and negative cannot yet be fully assessed and is likely to be integrated into Marel's day-to-day operations. Mitigating actions are being assessed and will be used going forward to align with Marel's business strategy to minimize negative effects and maximize the opportunities, where possible, from climate change on Marel's operation.

Climate scenario analysis

Scenarios help Marel test its business resilience against a range of plausible climate futures in the face of broad uncertainty. Climate scenarios are not about predicting the future, but instead can help Marel identify and evaluate the likely climate-related risks and opportunities.

In 2021 Marel analyzed climate-related risks and opportunity triggers to estimate the impact on the company's value chain for the first time by conducting a qualitative assessment. This assessment paired the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathways (RCPs) with Shared Socioeconomic Pathways (SSPs). Please refer to [2021 TCFD disclosure for further information](#).

In 2022 Marel transitioned from using RCP/SSP scenarios to The Network for Greening the Financial System ([NGFS](#)) climate scenarios. The NGFS is a group of central banks and supervisors committed to sharing best practices and contributing to the development of climate and environment-related risk management to support the transition toward a sustainable economy. The scenarios by the NGFS are built on the same Integrated Assessment Models as the RCP/SSP pathways. This enabled Marel to retain the know-how obtained from the climate scenario analysis conducted in 2021, while offering higher quality data and reflecting latest economic and climate data covering a range of physical as well as transition risks.

To align with the TCFD's recommendations of analyzing a below 2°C and above 2°C scenario, Marel has chosen two from the designed six scenarios developed by the NGFS: the 'Divergent Net Zero' and the 'Nationally Determined Contributions' (NDCs) scenarios. These scenarios share similar socioeconomic assumptions. They assume a continuation of current economic and population trends, though accounting for socio-economic changes caused by the Covid pandemic. These two scenarios offer portraits of two opposite worlds. The 'Divergent Net Zero' carries high transitionary risks while the 'NDCs' scenario has high physical risks. This allowed Marel to analyze the most relevant, material risks and opportunities in seemingly different futures to assess Marel's resilience (please see table summary above).

Divergent Net Zero scenario: This scenario differentiates itself from the Net Zero 2050 by assuming that climate policies are more stringent in the transportation and building sector. This mimics a situation where the failure to coordinate stringent policy across sectors results in higher costs. The emissions are in line with the climate goal, giving at least a 50% chance of limiting global warming to below 1.5°C. This leads to considerably higher transition risks, but overall physical risks are low.

Nationally Determined Contributions (NDCs) scenario: This scenario assumes that the moderate and heterogenous climate ambition reflected in the NDCs at the beginning of 2021 continues over the 21st century (low transition risks). Emissions decline but nonetheless to 2.5°C of warming. This is associated with moderate to severe physical risks. Transition risks are relatively low.

Through the lenses of the above-mentioned scenarios, material risks and opportunities have been analyzed to estimate their likelihood and impact on Marel's business. Refer to the 'Material opportunities and risks' table for different impacts of each risk and opportunity in two different scenarios. As part of our commitment towards TCFD, Marel aims to review its climate impact assessment annually in line with global efforts toward limiting global warming.

Risk management

Taking risks is an integral part of any business activity. By carefully balancing Marel's objectives against the risks the company is prepared to take, Marel strives to conduct business operations in a socially responsible and sustainable manner. In 2020, Marel started incorporating climate risk as part of its internal control framework. Sustainability is one of five risk categories.

The process for identifying and assessing climate related risks is integrated into Marel's overall risk management process.

The Board of Directors oversees the risk management process, approving the risk appetite and evaluating the key risks on an annual basis, or more frequently in the event of unexpected changes to the risk environment. This serves to ensure that risk exposure remains consistent with Marel's strategy, business and regulatory environment, and stakeholder requirements.
Marel's climate risk assessment is part of a robust risk management process that consists of five steps:

1. Risk appetite sets out the amount of risk the company is willing to accept in pursuit of value.
2. Risk assessment involves mechanisms and analysis to identify risks. Risks are ranked by the likelihood of their occurrence and the magnitude of their impact.
3. Risk treatment is the process of selecting and implementing measures to minimize the probability of identified risks materializing and to alleviate their potential effects.
4. Monitoring is the process of evaluating the effectiveness of actions taken to mitigate the identified key risks. Mitigation efforts can be deployed at business unit level or companywide, depending on the nature of risk and estimated impact.
5. Communication involves informing the Board, top management, risk managers, and other stakeholders on risk on a recurring basis. This serves to ensure that risk exposure and management remains consistent with Marel's strategy, business and regulatory environment, and stakeholder requirements.

Marel has five key risk categories:
Strategic, operations, financial reporting, compliance, and sustainability. The sustainability risk encompasses climate risk, referring to the risk arising from the interaction between hazard, vulnerability, and exposure related to climate change impacts

Risk categories

Strategic	Strategic risk	Risk that affects Marel's strategic ambitions, including economic and political developments
	Business risk	Risk related to customers, competition, government policy, etc.
	Reputational 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
Operations	Operational risk	Risk related to inadequate internal processes, people, and systems
Financial reporting	Financial reporting risk	Risk related to treasury and accounting, including finance, market, and credit risk
	Market risk	Risk related to financial markets, including FX and interest rate risks
	Credit risk	Risk that relates to credit quality of our customers and other business partners
Complicance	Compliance risk	Risk arising from failure to comply with laws and regulations, including internal standards and policies
Sustainability	Climate risk	Risk arising from the interaction between hazard, vulnerability, and exposure related to climate change impacts

As described in the 2021 Annual Report Risk Management chapter, management has identified certain key risks to our business. Of these, five key risks were identified and are described in more detail here.

Metrics and targets

Marel is on an ongoing journey tracking and reporting its carbon footprint in line with the Greenhouse Gas (GHG) Protocol. As of 2022, Marel reported on its emissions in scope 1, 2, and 3 (calculated in line with the GHG Protocol methodology) and several emission intensity metrics.

The GHG emissions inventory covers all relevant GHG emissions, from all relevant sources and subsidiaries. A breakdown of energy consumption and category breakdown of scope 1, 2 and 3 has been reported on in 2022. The GHG inventory is composed exclusively of fossil-based emissions, and no biogenic emissions have been reported alongside the GHG inventory.

Marel's GHG inventory (2022)

GHG emissions[1]

Emissions category (in tCO_2e)	2022	2021	Δ YoY in %
Scope 1: heat - natural gas	3,193	3,252	-2%
Scope 1: company cars	4,121	4,311	-4%
Scope 2: heat - district heating	260	267	-3%
Scope 2: electricity (market-based)	3,990	7,061	-43%
Scope 2: electricity (location-based)	7,333	8,487	-14%
Scope 3: waste	289	308	-6%
Scope 3: business travel by air	6,341	3,430	85%
Scope 3: purchased goods and services	81,014	109,529	-26%
Scope 3: use of sold products	294,244	317,534	-7%
Total tCO_2e	393,452	445,691	-12%

Carbon emission intensity

tCO_2e per average FTE	51.1	63.0	-19%
tCO_2e per EUR 1,000 of revenues	0.25	0.33	-24%

Energy consumption

In GWh	2022	2021	Δ YoY in %
Total energy consumption (scope 1+2)	62.61	73.18	-14%
Electricity consumption	30.26	35.56	-15%
There of from renewable energy	21.59	18.70	15%
There of from non-renewable energy	8.67	16.86	-49%
Natural gas	17.50	17.75	-1%
Heat – district heating	1.58	1.62	-2%
Fuel	13.27	18.25	-27%

Waste

Total waste generated (in tonnes)	4,651.6	5,047.5	-8%
There of recycled	3,299.3	3,326.2	-1%
Reporting manufacturing sites covered	15	15	n/a

Water

Total water consumption (in m^3)	40,190	43,659	-8%
Reporting sites covered	15	15	n/a

Notes: [1] Please see the ESG Explanatory Note and Nasdaq ESG metrics for further details. Scope 3 for 2021 and 2022 has been adjusted based on expanded scope 3 categories validated by the Science Based Targets initiative.

The SBTi has assessed Marel's submission and approved the following targets in November 2022:

- Marel commits to reduce absolute scope 1 and 2 GHG emissions 42% by 2030 from the 2021 base year.
- Marel commits to reduce absolute scope 3 GHG emissions from purchased goods and services, waste generated in operations, business travel, and use of sold products 25% by 2030 from the 2021 base year.

The SBTi's Target Validation Team has classified Marel's scope 1 and 2 target ambition and has determined that it is in line with a 1.5°C trajectory. An approach to classify the ambition of scope 3 targets is still in development by SBTi.

Marel's 2022 carbon footprint

The following core initiatives have already been started to ensure we are on track towards our 2030 targets:

- Continuously improve supply chain sustainability and engage with suppliers to define improvements to reduce greenhouse gas emissions from Marel's products during production, the use phase, and end-of-life. Design systems and solutions with the environment in mind. Since 2018, Marel has conducted life cycle analysis on a number of its key products to better understand the full environmental impact associated with its solutions. Since 2017, Marel has employed a Sustainability Innovation Scorecard, a process framework to evaluate new products from a sustainability standpoint. With the newly introduced Sustainability Scorecard 2.0 in 2022 circular design has been added as a new category.
- Keep focus on sustainable purposeful travel. During 2021, Marel introduced a new Global Travel Policy with the emphasis on well-planned and purposeful travel. Employee well-being and reducing Marel's carbon footprint are priorities and the basis for how Marel will travel in the future.
- Further improve Marel's waste management system. In several manufacturing locations, Marel is already conducting waste scans and setting up continuous improvement plans.

Sustainability Program

As part of Marel's sustainability program, Marel is committed to becoming net zero by 2040. In 2021, Marel launched its 2026 medium-term sustainability program to support its 2040 long-term climate ambitions. The program includes three environmental targets, focusing on reaching net zero carbon emissions, waste reduction and increasing the use of renewable electricity. The sustainability program includes targets on not just environmental but also on social and governance parameters. Examples of our mitigation actions can be read in the 2022 ESG Report [add link] and on Marel's website.

Marel's progress on meeting the 2026 and 2030 targets:

Environmental

Focused on	2026 target[1]	2030 target[2]	2040 target	Our progress made in 2022
Reach net zero carbon emissions	**20%** carbon emissions[1] reductions	Reduce absolute Scope 1 and 2 GHG emissions by **42%** Reduce absolute Scope 3 GHG emissions by **25%**	**Net zero** commitment (across the value chain)	Reduction of **34%** vs 2019 baseline Absolute reduction of **12%** vs 2021 baseline Full carbon emission Scope 3 GHG mapping **Validated science-based target**
Waste reduction	Increase waste recycling to **90%**			Recycling of waste at **71%**
Use of renewable electricity	Powering **>85%** manufacturing facilities on renewable electricity			Powering **81%** of manufacturing facilities on renewable electricity (2021: 61%)

Notes: 1 Sustainability program 2022-2026. Includes Scope 1, Scope 2 and business air travel from Scope 3 emission intensity from a 2019 base year. 2 Validated science-based target, from a 2021 base year.

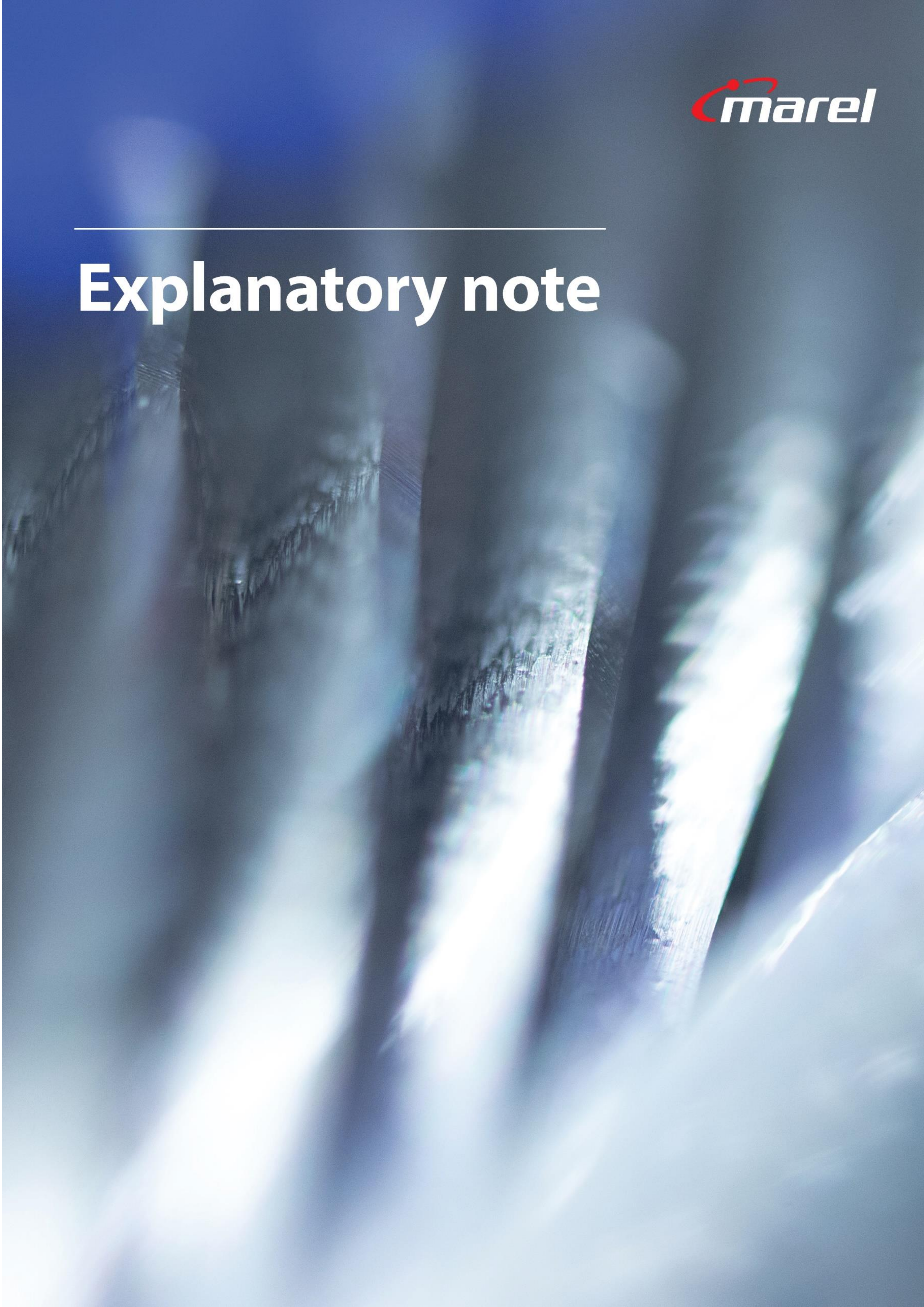
Forward looking statement

This report has been produced by Marel's Sustainability team reflecting current views and estimates. The next update will be published alongside Marel's full-year 2023 Consolidated Financial Statements in February 2024. For questions and feedback please contact: Sustainability@marel.com.

FORWARD-LOOKING STATEMENTS

Statements in this report that are not based on historical facts are forward-looking statements. Although such statements are based on management's current estimates and expectations, forward-looking statements are inherently uncertain. We therefore caution the reader that there are a variety of factors that could cause business conditions and results to differ materially from what is contained in our forward-looking statements, and that we do not undertake to update any forward-looking statements. All forward-looking statements are qualified in their entirety by this cautionary statement.

Explanatory note



Reporting scope and principles

Marel follows the Nasdaq ESG reporting guidelines and has been a Nasdaq ESG transparency partner since 2019. The Nasdaq ESG guidelines are aligned in most cases with the Global Reporting Initiative, the UN Global Compact, the Task Force on Climate Related Financial Disclosures and the Sustainability Accounting Standards Board. This approach offers flexibility to represent Marel's sustainability performance as best as possible until the global sustainability reporting landscape transitions towards homogenization of the various standards. Entities that Marel has financial control over are included in its ESG data. Marel does not account for sustainability performance from the operations it owns an interest in but has no control. Acquisitions are included in environmental and social metrics to the extent that the integration process has been finalized. Marel aims for a one year time frame to include newly acquired entities into its sustainability disclosures.

Marel's ESG data covers the reporting year from January until December, with the exception of the emission data from business air travel (scope 3) where we have opted to report the December until November period to provide full year information as December data is only available after publication of Marel's ESG disclosure. As we become more mature in our ESG data journey we have more and better data quality available for 2022 compared to prior years, capturing all manufacturing and office locations. In selective office locations data constraints remain in 2022, though these have been accounted for by using regional benchmarks. The environmental metrics have been calculated in close consultation with our sustainability advisor Sustainalize, part of the ERM Group.

There was a large decrease in Marel's scope 2 market-based electricity emissions in the year. This decrease has been achieved by signing several green energy contracts for some of Marel's largest manufacturing locations in Europe. 2022 is the first time we are reporting on carbon emissions from two significant scope 3 categories (i) purchased goods and services and (ii) use of sold products. This will support Marel in further engaging in its value chain and promoting environmental responsibility not just in own operations but also amongst our suppliers and customers.

In accordance with the Science Based Targets Initiative, 2021 greenhouse gas inventory was updated along with 2022 to take into account changes in company structure and coverage. This was done to improve consistency between figures for transparent reporting on science-based targets.

Definitions and abbreviations

Average full-time employee
Average of employees at end of each month.

CEO pay ratio
CEO total compensation to median Icelandic FTE compensation. CEO long-term incentives based on Black-Scholes. CEO pay ratio has been restated for 2021, from 18.2:1 to 17.6:1. Restatement was done due to improved 2021 data quality.

Contingent workers ratio
Percentage of total headcount held by contingent workers. Contingent workers are workers not on Marel payroll. Also referred to as Third Party Workers.

CSR
Corporate Social Responsibility

Emissions from purchased goods and services
This emission category includes upstream emissions from the production of all the products purchased by Marel in a reporting year.

Emissions from use of sold products
This emission category includes emissions from the use of all the equipment and parts sold by Marel in a reporting year.

Emission intensity
Emission intensity is represented by three metrics, (i) Volume of carbon emissions per 1,000 Euros of revenue, expressed in tonnes CO_2e (carbon dioxide equivalent), (ii) emissions per square meter of all Marel facilities globally and, (iii) emissions per average full-time employee. The emission intensity metrics have been restated for 2021 to account for the expanded scope 3 disclosure in 2022, the metrics were also converted from Kg CO_2e to tonnes CO_2e.

Employee turnover ratio
Percentage of employee turnover per average employee headcount.

Energy intensity
Total energy usage in megawatt hours (MWH) per average full time employee.

Energy usage (Direct)
Total amount of energy directly consumed by Marel in gigawatt hours (GWH). This includes combustion of gasses, petrol and diesel.

Energy usage (Indirect)
Total amount of energy indirectly consumed by Marel in gigawatt hours (GWH). This includes purchased electricity and heat.

ESG
Environmental, Social, and Governance

Overall female ratio
Percentage of total enterprise headcount held by women.

Gender pay ratio
Male median annual base salary to female median annual base salary of employees at Marel at year-end. Salaries of part-time employees are annualized to full-time.

GHG Protocol
Greenhouse Gas Protocol

GDPR
General Data Protection Regulation

Headcount
Person with an employment agreement for an (un)limited period, either full-time or part-time and being paid directly by Marel. The words employee and headcount are used interchangeably.

HSE
Health, safety, and the environment

Independent Board Directors
The Board of Directors has assessed which directors are independent according to the Icelandic Guidelines on Corporate Governance. All seven directors: Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Olafur S. Gudmundsson, Svafa Grönfeldt and Ton van der Laan, are considered independent of the company. Furthermore, six of the Board members, Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Svafa Grönfeldt and Ton van der Laan, are considered independent of the company's major shareholders. According to the Guidelines, the tenure of a director does not affect the independency assessment.

Injury rate

Total reportable incident rate (TRIR) measured as total reportable injuries (fatality, lost time incident or restricted work) per 100 employees. A metric for measuring safety in terms of hours worked by all employees within a given year.

Market-based and location-based

Marel reports both a market-based and location-based scope 2 emissions figure, in line with the recommendation of the GHG protocol. The market-based figure reflects emissions resulting from the specific electricity mix and other contractual instruments that Marel has purposefully purchased. The location-based approach reflects the average emissions intensity of grids on which energy consumption occurs, using mostly grid-average emission factor data. In instances where the energy mix is unknown the location-based approach is used to calculate the carbon emissions based on the average kgCO2e/kWh that applies in the country of that facility. These country specific energy mixes are derived from the International Energy Agency.

Non-renewable energy

Includes natural gas, coal, oil, and nuclear.

Renewable energy

Includes hydro, solar, wind, and biomass. Renewable energy number has been updated for 2021 due to the availability of better quality data.

SBTi

Science Based Target initiative. Science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals. Marel's near-term target has been validated by the SBTi in 2022.

Scope 1, 2 & 3

We report our scope 1, 2 and 3 emissions according to the Greenhouse Gas Protocol.

Scope 1

All direct GHG emissions that occur from sources directly controlled by the company. Marel's scope 1 is composed of the emissions from the combustion of natural gas in controlled boilers and the emissions from fuel combustion in vehicles operated by Marel such as company cars. Leased vehicles are operational leases and are reported under scope 1 based on their tank-to-wheel emissions.

Scope 2

All Indirect GHG emissions that are associated with the purchase of electricity, steam, heat, or cooling. For Marel, scope 2 is composed of the emissions resulting from generating electricity purchased or used by Marel in offices and manufacturing facilities. Additionally, the emissions resulting from generating district heating is included in scope 2.

Scope 1 and 2 data

Data is collected from all entities on a quarterly basis and consolidated at the corporate level. Appropriate emission factors are applied to consumption data to calculate CO_2e emissions. In cases where data is not (timely) available, we extrapolate emissions based on previous year consumption and local benchmarking.

Scope 3

All indirect emissions (not included in scope 2) that occur in Marel's value chain including both upstream and downstream emissions. Marel currently reports on business travel by air (downstream), waste generated in operations (downstream) from its manufacturing facilities, purchased goods and services and use of sold products.

Scope 3 data

Data is collected on scope 3 emission categories on a quarterly basis. Emissions from purchased goods and services and use of sold products make up a large part of Marel's reported emissions in 2022.

Purchased goods and services
Emissions from purchased goods and services are calculated by analyzing purchase orders and invoiced spend data as retrieved from Marel's manufacturing locations for purchased goods and services related to the production of products and spare parts. As such this includes raw materials, components, and/or outsourcing of production processes.

The purchase order data analyzed includes the material type, volume and weight purchased. The material type is used to assign corresponding emission factors from the Ecoinvent database. This allows for automated calculation of total emission on the basis of the sum of all orders placed with suppliers by manufacturing sites. Where data quality is lacking to use purchase order data, invoiced spend data is used to determine the value of residual goods & services that could not be calculated. This is used to estimate remaining emissions based on extrapolation which is added to the total calculation.

Use of sold products
Emissions from use of sold products are calculated by analyzing electrical power of machines installed by Marel at customer sites in different geographical locations. Emissions are calculated by estimating an average usage time of the machines, multiplied by the electricity consumption which is then multiplied by the emission factor for the applicable geographic location as derived from International Financial Institutions (IFI) default grid factors database.

Waste generated from operations
This category accounts for total carbon footprint of the waste Marel generates with its operations. Manufacturing locations track whether a batch of waste is recycled or incinerated/landfilled. The total amount of waste per category is multiplied with emission factors to calculate the emissions. The final number is the sum of all categories and is reported in tonnes CO_2e.

Business travel by air
Carbon emissions from air travel are provided to Marel directly from the external travel agency. These are based on all the short, medium, and long-haul flights taken over the year.

Marel is constantly working on improving data quality across scope 3 categories by putting stronger processes in place to reduce dependency on assumptions and extrapolations. The reported scope 3 emissions in 2022 may require restatement if improvements in data quality provides deeper insights into the reported figures.

TCFD
Task Force on Climate-Related Financial Disclosures. Marel's 2022 climate-related report will be published at the same time as Consolidated Financial Statements in February 2023.