Annual report 2020

Every connection counts

Content

Chairman's Statement

A year like no other

Chairman of the Board

Asthildur Otharsdottir

We all know 2020 has been a year like no other. Although the world had to shut its doors and shift into a lower gear, consumers everywhere still needed safe and affordable, high quality food on their plates every day. The Board of Directors is rightly proud of the way the Marel team, all over the world, has handled these extraordinary circumstances, recognizing our critical role in the food value chain and making sure we fulfil that role. The progress made during the year is testament to Marel's clear purpose, values and resilient business model.

The global pandemic understandably impacted Marel's financial results in 2020, resulting in both earnings and order intake below targets, and we are still navigating its uncertainty and challenges. While we did not reach all the goals set at the beginning of the year, Marel has delivered a robust performance, innovating at pace to create new ways to ensure continuity for customers and redefining how we work.

Management exhibited clear leadership, prioritizing employee safety and wellbeing while supporting our customers in 140 countries all over the world, whose operations were also affected by the pandemic. At the same time, important actions were taken to ensure business continuity and protect the financial health of the business. Marel performed well relative to peers and significant progress was made on key strategic projects, including innovation, ESG, M&A and continued strengthening of the foundation for future growth. We are proud we did not require subsidies, furloughs or other government support, nor have we entered into lay-offs in response to the pandemic. In cases where government subsidies were provided automatically, Marel returned the amount received or where appropriate donated this to charity.

Food systems are central to the global sustainability agenda – awareness heightened by the pandemic

One of the greatest challenges of our time is to deliver sustainable, healthy food to the fast-growing population, within the limits of our planet. The global pandemic has only shed further light on the vulnerability of global food systems and how the failure of these systems threaten the health of societies, our planet, and economic progress.

Almost 2 billion people lack access to safe, nutritious and sufficient food, while more than 1 billion tons of food – nearly one-third of what is produced globally each year – goes to waste. Food loss and food waste is estimated to cost the global economy over EUR 750 billion annually and account for 8% of greenhouse gas emissions.

There is increasing awareness of how global food systems are central to the entire sustainable development agenda, and of the acute need to transform these.

Limiting the impact of climate change will require major shifts in how we farm our land, process our food, what we eat and how much we waste. It demands new ideas and multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources. In 2020, we experienced the greatest global public health effort in history, driven by a shared effort of both the public and private sectors working together in new ways across borders and continents. Transforming the world's food systems will also demand a global and ambitious response, driven by innovation, changes in consumer behavior and creative policy making.

The power of innovation – lowering emissions and food waste

Each year, Marel invests around 6% of revenues in innovation, to contribute to transforming the way food is processed. Innovation is at the heart of our strategy, fuelling organic growth and securing competitive advantage as the leading global provider of high-tech food processing solutions, software and services. This gives us a competitive advantage across our core poultry, meat and fish industries, and increasingly other foods. Automation, sustainability and digitalisation were the key drivers in the innovations Marel brought to market in 2020.

Innovation aimed at minimizing waste and environmental impact, while maximizing quality, in food processing remains Marel's most important contribution to global sustainability. Since 2017, our innovations are systematically scored on sustainability throughout the product development process.

Sustainability is at the heart of everything we do

Alongside enabling our customers to drive sustainability, Marel is committed to meeting the highest standards of ESG. During the year, we made good progress on our sustainability journey and sharpened the focus in several areas, including our governance structure – ensuring that ESG is not a stand-alone topic but ingrained and embedded in Marel's strategy and all our operations. Further exemplifying our commitments and prioritisation, the Board added ESG targets to the short-term incentive programs from 2021, including targets on climate, diversity and inclusion, and sustainable innovation, as explained in the Remuneration Report for 2020.

We take great pride in having committed to the Science-Based Targets Initiative, designed to increase corporate ambition on climate action by mobilizing companies to set emission reduction targets consistent with the goals of the Paris Agreement. Marel intends to reach carbon neutrality well before 2050 and, once they are validated, we will disclose our emission reduction targets within the next two years. This marks an important next step in Marel's sustainability journey and our responsibility as a corporate citizen. To improve the disclosure of climate-related risks and opportunities, we have also committed to integrating the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) into our climate-risk reporting.

Marel continues to be a United Nations Global Compact participant, reporting on our progress in 2020 in accordance with the NASDAQ ESG Guidelines Initiative, the Euronext guidance on ESG reporting and the Sustainability Accounting Standards Board (SASB). This year's ESG Report shows positive developments on many fronts, including diversity and inclusion, where a major milestone was reached with the gender equality of Marel's Executive Team.

The UN's Sustainable Development Goals Zero Hunger, Innovation and Responsible Consumption & Production continue to direct our efforts to make a real difference. We were pleased to be able to partner with the Red Cross last year in donating EUR 1 million to improve food security of the most vulnerable communities in South Sudan. It was heartwarming to see how proud Marel employees were of this gesture of outreach to support those in need. Every meal counts.

Uniquely positioned for growth

Marel operates in a sizeable and attractive EUR 12 billion market with a positive outlook, supported by long-term secular growth trends in population, urbanization and the increasing middle class. We continue to expect annual average industry growth of around 4-6% in the medium and long term.

Events of recent years, including greater economic uncertainty, the global pandemic and specific factors such as the African Swine Fever, have temporarily constrained industry growth to marginally below that level. Now, the opportunities we see arising following this backdrop give us confidence that a period of above-average growth lies ahead.

Investing in future growth

Marel's global reach and superior technological capabilities give us a great advantage. The speed of digital transformation in our industry is accelerating. We see demand growth driven by the rising need for automation, structural changes in consumer behaviour, an increasingly demand-driven food value chain and growing focus on sustainable processing. Marel's significant investments in its business and infrastructure in the past years have uniquely positioned us to capture the many opportunities ahead. Furthermore, we will accelerate and increase our investments in the digital platform, while expanding our global coverage and extensive local presence with particular focus on China & Oceania and Latin America.

Committed to the 2017-2026 growth strategy

We remain committed to the ambitious 10-year growth targets we announced in 2017, of an average annual increase in revenues of 12% and earnings per share growing faster than revenues. Growth will be balanced between organic and acquired, achieved by capitalizing on investments in innovation and market reach, complemented by strategic acquisitions and partnerships. There are ample consolidation opportunities in our market. Last year, Marel acquired the German cutting technology provider TREIF, a great strategic fit that strengthens standard equipment sales in Marel Meat and provides technical synergies with other industries.

Strong financial position to facilitate future strategic moves

During the year, Marel acquired 14.3 million treasury shares for EUR 55.9 million. In line with our capital allocation and dividend policy, the Board of Directors has proposed to the upcoming 2021 Annual General Meeting that a dividend of 5.45 euro cents per outstanding share be paid to shareholders, corresponding to approximately 40% of 2020 profit.

In the recent slower growth environment, leverage has remained well below the targeted capital structure of 2-3x Net Debt / EBITDA, in spite of dividends at the top end of our stated 20-40% of net profits range and a share buyback program. Although we continue to expect to gravitate towards the lower end of that stated leverage range on average through the investment cycle, a step up from current levels could reasonably be anticipated as we set about capitalising on the opportunities set before us.

A parting note of gratitude

On behalf of the Board of Directors, I would like to thank team Marel for their hard work, creativity and commitment in 2020 as we navigated the uncertainty and challenges of the global pandemic. We would also like to extend our appreciation to Marel's shareholders for their continued support.

To close on a more personal note, I will be stepping down from the Board at the upcoming Annual General Meeting after serving for 11 years, seven as chairman. At such a turning point, the mind inevitably wanders back in time, over what has been a truly amazing journey.

During this period, Marel's revenues have grown by around 2.3 times and its profitability improved significantly. Marel has acquired eight companies encompassing extensive technological know-how, each sharing Marel's vision and strengthening its full-line product offering and global reach. The euro listing in Amsterdam in 2019 was an important milestone, providing an international platform and facilitating increased investor attention and fair trading. The result was a rise in the international investor base from 3% to around 35% of share capital.

I am immensely proud of all the important advancements on the ESG front and grateful to all those who have carried the torch and guided the way. The increased importance of ESG to our shareholders has become steadily more evident in each of my annual conversations with large investors. As I said in 2014, at my first Annual General Meeting as chairman, sustainability is good business and corporate responsibility is good business. I am convinced that our uncompromising commitment to long-term value creation is reflected in the strong 27% compounded annual increase in Marel's share price since 2010.

Now that it is time to part, I want to sincerely thank my fellow board members and management for their support, mutual trust and for always having Marel's best interests at heart. Above all, I am grateful to all of the thousands of Marel people, all over the world, many of whom I have I have been fortunate enough to meet and get to know. Your passion has been truly inspiring.

It has been a privilege and a pleasure to serve Marel's shareholders, to take part in Marel's achievements and witness the many milestones reached in the past years. Marel will always have a special place in my heart.

Chairman of the Board
Asthildur Otharsdottir

CEO's review

A year of unity, resilient operations and strategic moves

Chief Executive Officer
Arni Oddur Thordarson

The year 2020 was a year of unity, resilient operations and strategic moves. I would like to thank team Marel, our customers, suppliers and partners, for all their dedication and commitment to ensure that one of the most important value chains in the world remains operational.

While prioritizing the safety and well-being of our employees and our customers, we have met every obstacle with optimism to secure consumers around the world daily access to quality food that is safe, affordable and sustainably produced.

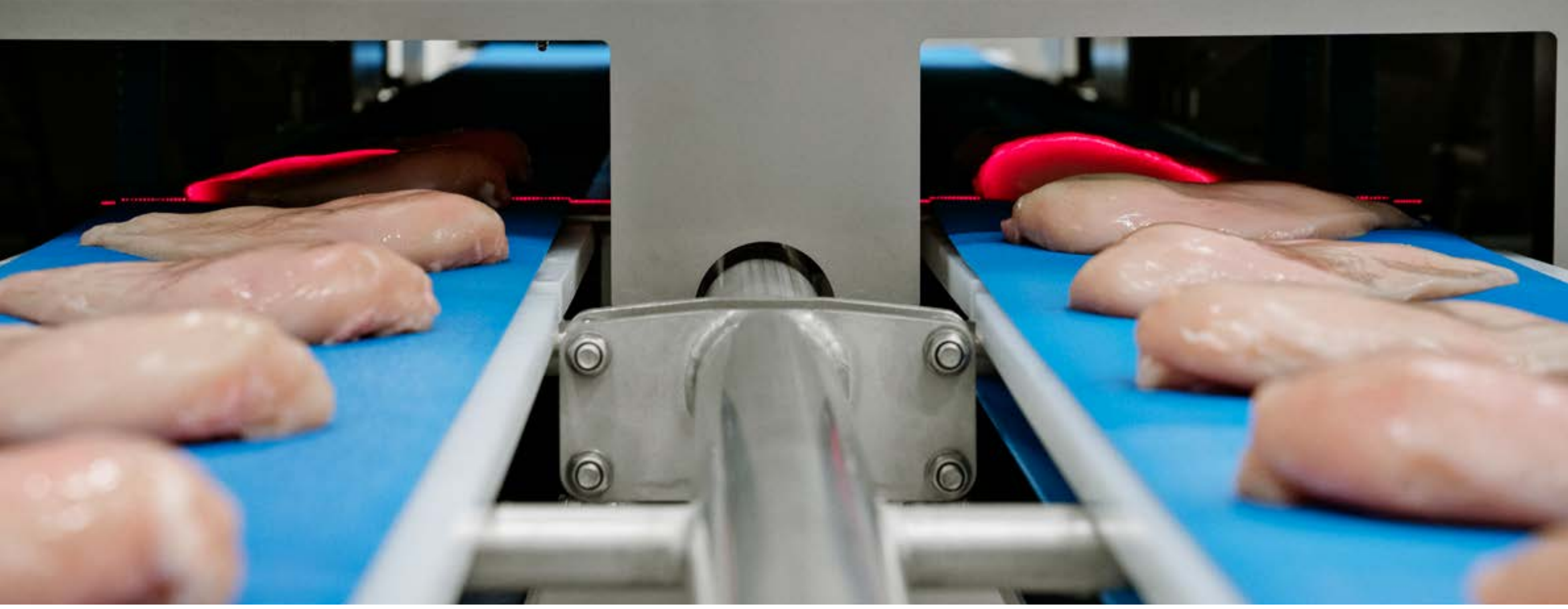
Overall, we are satisfied with the full-year operating performance with order intake at par with last year's level, although revenues and operational profits are 4% down between years. Operating cash flow is robust, supporting further investments in innovation, global reach and infrastructure, and enabling Marel to take further strategic moves in line with our growth strategy. We will continue to deploy the capital for further growth and value creation, while at the same time paying dividends in line with policy.

Resilient business model in challenging times

Looking back, the past year was truly a testimony to and stress test of our vision, business model and operational resilience. Systematic and continued investments in Marel's global reach, digital platform and infrastructure have been instrumental in positioning the company to successfully navigate in a global environment colored by the pandemic, geopolitical uncertainty, trade constraints and changing consumer behavior.

We are a leading global provider of solutions and services to the poultry, meat and fish processing industries. Our revenue streams consist of sales of standard equipment, major projects, and recurring sales of parts, services and software licenses. Systematically, we are vertically integrating our full-line offering from live animal handling to dispatch of final products from processors to various market channels.

We are a growth company built around our dedicated employees' passion for innovation, customer focus and pioneering solutions. Our customer base is large and diversified, ranging from small, family-owned processors to leading international food companies. These processors are serving food retailers, ranging from smaller local shops to global supermarket chains, and the hospitality industry, from fast-food to fine dining. Today, e-commerce undertakings offer home deliveries from both retailers and fast-food services, and is a rapidly expanding distribution channel that requires automation, agility in operation and traceability – all areas where Marel has an array of solutions and services to provide.



Our global reach

Marel's digital platform and global reach with a local presence, , have proven to be decisive factors in supporting our customers in 2020.

Our global reach consists of our unique sales and service network, organized through six regional leadership teams around the world. We have the largest installed base in our industry with active customer accounts in 140 countries, served by around 2,200 sales and service employees across the regions. The six-region structure, with local teams in more than 30 countries, proved to be highly resilient and instrumental to our ability to engage with, service, and support our customers during the pandemic and its travel restrictions.

By operating locally and in close collaboration with our customers we can stay at the forefront of market trends and remain the partner of choice. We understand our customers' business, their market, and their needs. Bringing in-depth local insights to our global innovation and support teams ensures that we can deliver best-fit, pioneering solutions.

In terms of market coverage, we are relatively well positioned in Europe, US and Latin America, and significantly stepping up front-line sales and service coverage in China and Asia. We are taking big steps, investing in new Customer Centers in both Campinas in Brazil and Shanghai in China, which will be fully equipped with demonstration and testing capabilities for our solutions. New sales and service offices in these two locations, close to many of our current and potential customers, the local talent pool and distribution hubs for spare-parts, will also play a crucial role going forward.

Our digital solutions

We demonstrated our agility in continuously developing our digital and remote service offerings in partnership with our customers throughout 2020. Marel's long history of combining software and mechanics has helped us becoming a leading innovator of solutions to meet the world's food processing challenges.

It has been encouraging to see how quickly team Marel adapted to new realities - using remote support from global teams instead of flying in and out - and how successful we became at installing solutions and servicing our customers. We delivered a major portion of our services remotely, by using advanced extended reality (XR) and remote tools for installing and maintaining our products, and optimizing our installed base. We had already begun using extended reality (XR) to walk customers through their new lines in a virtual environment, months before the real installation, and further refined this technique in 2020.

Going forward, we will see customer digital solutions that are standardized and easy to install, upgrade and operate, become a greater share of our recurring revenue streams. Those solutions improve agility in operation, reduce waste and help create added value, as processors determine the portions, sizes and shape of the customer product that is demanded in each instance, safely and contamination-free, with full traceability. This is a key tool in the customer's journey towards a more demand-driven and sustainable value chain.

Three key transformative decisions in early 2020

At the onset of the pandemic, we set our primary focus on the safety and wellbeing of our people. Three transformative decisions were made to increase operational and strategic flexibility: we refinanced our balance sheet with our banking group, solidified our supplier relationships, and cancelled all physical trade show activity in early 2020.

Sustainability-linked financing

The refinancing was secured in January, with all senior financing at favorable margins, terms and conditions. Furthermore, the financing has a sustainability link, with incentives to further embed and align to our ESG journey. Refinancing at this point in time increased significantly our operational and strategic flexibility. It simply gave us further courage to act on opportunities that were within our strategic journey and operational model in challenging times.

Solidified supplier relationships

One of our key achievements in 2020 was reducing customer order lead times, to improve delivery performance. Combining streamlined manufacturing across 15 sites with the co-location strategy we implemented in 2017 has made it possible to spread the production load strategically across locations.

In February, we began to engage deeper with our suppliers and map suppliers of our suppliers. We used our strong financial position to stress test the system and ramp up inventories of critical and fast-moving parts which are used both in manufacturing and as replacements. We furthermore increased production of standard equipment for inventory stock of products to increase automation and agility in consumer-ready products markets for our customers.

During the pandemic, this co-location strategy, together with strategic stock build-up of spare parts, critical parts for manufacturing, and standard equipment, has enabled us to ensure continuity of supply at high delivery performance.

New ways to engage with customers

By canceling all physical trade show activity, we not only cut costs, we also had to imagine new solutions for this new reality we faced. In only three weeks, we developed our innovative online platform Marel Live as a way to continue connecting, sharing, and transforming activities with our customers around the world. In April, we were able to move upcoming trade expos and ShowHows from onsite to online, allowing guests worldwide to experience Marel events from the safety of their home or office.

We also further developed a complete extended reality (XR) customer production facility with full 3D models of our equipment. In this virtual environment, customers can 'walk around' as avatars, see Marel equipment in full detail, and engage in real-time conversations with Marel experts and other visitors. Thus, even in the middle of a pandemic, we've created opportunities to build even stronger relationships with our customers all around the world.

Continued innovation and growth

Our innovation activities were fully on track in 2020, as COVID-19 accelerated existing trends for higher automation, traceability and channel flexibility for more sustainable production. In the face of unprecedented restrictions and altered ways of working, more than 1,000 Marel innovation experts collaborated with our partners to bring over 30 breakthrough innovations to the market in 2020.

Cutting-edge technology from TREIF

The acquisition of German cutting technology provider TREIF was finalized in October 2020. TREIF is a great strategic and complementary fit with Marel, strengthening the full-line offering. We welcome the talented and passionate 500 TREIF team members that have been focusing on delivering best-in-class solutions in portioning and slicing. The vast majority of the team is located in Oberlahr, Germany, where innovation, manufacturing and sourcing is managed. The main customer center is there as well, while sales and service offices are located in the US and several countries in Europe.

Joining forces with TREIF makes us a stronger team. The aim is to leverage Marel's extensive global reach to further expand standard equipment sales and aftermarket potential. The acquisition doubled standard equipment sales in the meat industry, as the majority of TREIF's revenues comes from the meat sector. TREIF's customer reach is highly complementary to ours, providing good potential for cross- and up-selling. We are also excited about opportunities to cross- and up-sell some of our revolutionary SensorX's, Deboflexes and Streamline solutions recently launched on the market that will further transform the meat industry. We have already identified how to cascade the technology into our poultry and fish industries and accelerate the innovation roadmap. Finally, TREIF provides us with access to new retail customer channels and an entry point to new adjacent industries, such as bread and cheese market, offering up-selling potential for Marel products.

Bolt-on acquisitions and subsequent events

Curio became fully integrated into our financial accounts in the Fish segment as of January 2021 when ownership increased from 39.4% to 50% with an option to acquire the remaining 50% in three years. With the acquisition, Marel has a full-line offering of solutions for wild whitefish Industry.

Subsequent events in the beginning of 2021 were the acquisition of Stranda and PMJ. In January, Marel announced the acquisition of a 40% stake in Stranda Prolog, a Norwegian provider of salmon processing solutions. Stranda has 100 employees and EUR 25 million in annual revenues. Also in January, Marel announced the acquisition of PMJ, to strengthen its position in the duck market as a third pillar in poultry processing alongside broilers and turkey. Around 70% of the duck volume is in China, and in our view, on a fast track with respect to automation as both farming and shopping are undergoing a transformation. PMJ has 40 employees and annual revenues of around EUR 5 millon.

Orders received on par and healthy order book

Orders received in 2020 were EUR 1,234 million, on par with last year, and the order book was healthy at year-end. Several large projects were secured throughout the year in different geographies and industries. The largest one was the agreement with the innovative and forward-thinking family-run company Bell & Evans, for which we are building a state-of-the-art greenfield poultry processing plant with high focus on animal wellbeing, quality products and sustainability for the US retail and prepared food markets.

The large project business did decline year-on-year, however, but was compensated for by increased sales and deliveries in spare part business and standard equipment business. The primary focus was on retail consumer-ready products that gained increased momentum gradually throughout the year. Overall, parts orders go through the system quickly and recurring revenues from aftermarket business reached 40% of total revenues in 2020, driven by spare parts growth, while the service portion declined between years due to travel restrictions of our field service engineers to customer sites and lack of mobility of the teams. The ability to offer remote support was paramount during this period. The local teams with virtual and remote global support from industry experts have shown great solution-driven leadership in installation and aftermarket services.

Pipeline trending upwards

Marel's competitive position remains strong with the pipeline trending upwards, particularly in automated and agile solutions in secondary processing, where our customers are focusing on the consumer-ready retail segment and prepared foods. Interest in greenfield projects in Latin America and China is starting to pick up. At the beginning of 2021, Marel secured an extensive agreement with one of the most forward-thinking customers in the pork industry in China. While we remain generally positive with the increased pipeline building up, we need to be conscious of the fact that the timing for converting pipeline to committed orders remains uncertain.

40% of revenues from aftermarket

Revenues totaled EUR 1,238 million in 2020, down 3.6% compared to 2019. Adjusted EBIT in 2020 was 13.5%, the same level as last year. TREIF was included in the consolidation financial statements in Q4 2020, positively contributing to both orders received, revenues and margins.

Gross profit was at the level of 37.4% for the full year, compared with 2023 targets of 40%. Despite the fact that all our manufacturing hubs were operational throughout the year, logistical challenges and lower utilization levels due to absenteeism in manufacturing resulted in less efficiency, and led to lower margins on projects due to higher cost and more complex execution associated with the pandemic. While spare parts positively contributed to margins, travel restrictions and decreased mobility of service teams had a direct negative impact of around 2% on revenues and margins.

Profitability

Lower operational cost compensated for lower gross margins. Some are structural actions, others new ways of working under COVID-19. Even so, profitability was supported by lower operating expenses. Marel took actions earlier in the year that will deliver EUR 8 million in annualized savings, with around EUR 4 million in non-recurring cost. Additionally, sales and marketing costs were lower, which can be directly associated with less travelling and fewer tradeshows. While some of that cost will creep back once the pandemic fades, the management is focused on capturing the long-term benefits from increased synergies and new ways of working. Furthermore, the new ways of working have had a positive impact on Marel´s CO2 footprint, with sales and marketing, installations, aftermarket service and customer training moving online and significantly reducing fly-in fly-out – all very much in line with our sustainability goals.

Strong cash flow

Cash flow continued robust, enabling continued investments in our platform and infrastructure, as well as acquisitions. Operating cash flow was EUR 218 million, with a cash conversion rate of 130% compared with adjusted EBIT. Cash conversion is very good in our business model, above that of peers and most industrial companies, explained by our customers pre-financing large projects and our ability to run short-cycle standard equipment, as well recurring aftermarket orders, faster through the order book.

Committed to growth targets

We are committed to our mid-term 2023 targets, as well as our 2017-2026 long-term growth targets. To achieve the EBIT margin increase in the 2023 targets, we are working on a number of improvement projects to stimulate further organic growth and reach a sustained lower cost base. Having said that, we need to be mindful of the fact that in times of such transformation and on top of economic uncertainties, there will be fluctuations quarter by quarter. Logistical and mobility challenges in early 2021 are probably greater than ever, with more restrictive lock-downs than we experienced in 2020, while the outlook for markets like the US, Europe and China is improving with further penetration of vaccines.

Helping our customers navigate through 2020

Typical food processing challenges—such as labor scarcity, employee health and safety needs, shifting market demands and production flow requirements —reached new heights in 2020. Some customers saw demand disappear overnight. Others faced such an abrupt spike in demand that avoiding disruptions and stoppages became critical. Furthermore, social distancing due to COVID-19 changed the nature of interaction between suppliers and customers.

Suddenly, the big question was: how are we going to help and support our customers in these unprecedented circumstances? In this rapidly evolving market, companies need to be highly adaptable and able to diversify their product range to offer whole, portioned, frozen, fresh or ready-to-cook products. With its strong product portfolio of solutions, software and services, Marel is well positioned to lead the transformation of the food processing industry and support food processors' channel flexibility to market consumer-ready products.

Dynamic shifts in consumer demand

Consumer behavior is changing. 2020 saw a dynamic shift in demand from food services to retail, as well as more mindful shopping, both in terms of price and awareness of a healthy, sustainable diet. This accelerated an already growing need for greater automation and digitalization in food processing. With the use of robotics, increased tracking & tracing, and process control, Marel is uniquely positioned to support this changing food industry.

Food processors with the flexibility to pursue different consumer products have performed well in these turbulent times. With Marel solutions, we helped our customers in the food service, restaurant and quick service restaurant (QSR) market re-invent themselves. We supported them in tackling the situation flexibly and even adding value. Processors who already had the flexibility to service the retail market were at an advantage, but called on our support to increase production to the maximum.

Sustainability is our business

I am very proud of the significant steps we have taken on our ESG journey. As an important next step in Marel's sustainability journey, we've committed to the Science-Based Targets initiative to meet the goals of the Paris Agreement. Marel is aiming for carbon neutrality well before 2050.

Through an alliance of CEOs from leading Nordic businesses, we are taking pro-active action on climate and diversity, and deepening the conversation with governments on opportunities to accelerate the speed of change. Public and private co-operation in building a sustainable future has never been more important. We celebrate the fact that the Nordic countries want to join hands to advance sustainable development, innovation, and inclusivity across education and work sectors.

At Marel, our vision is to transform the way food is processed and we have set clear goals for how the company can have a positive impact on climate, diversity and inclusion by supporting sustainable food production globally. We have full gender diversity in both our Board of Directors and Executive Team. We also emphasize that our management teams in the regions are local ones that understand the local needs. Through these diversity actions we get greater access to talent and understand end consumers much better. The goals are ambitious, but with concerted efforts in partnership with our customers and suppliers ,we know that the future is bright.

Well positioned for future growth

Marel remains confident in the medium- and longer-term growth outlook for the industry. Events of recent years, including the broader economic uncertainty prompted by the global pandemic, and specific factors such as African swine fever, have temporarily constrained industry growth. Marel is uniquely positioned to support the food industry and to grow organically and through acquisitions.

The need for automation and digital solutions in the food value chain is driven by secular trends like population growth and urbanization. The pandemic has accelerated these trends, placing more focus on minimizing human intervention as a means to improve hygiene and prevent diseases, while increasing traceability and trust in the food value chains.

The speed of digital transformation in our industry is also accelerating. We see demand growth driven by the rising need for automation, structural changes in consumer behavior and channel disruption, together with a growing focus on sustainable processing. Investments already made in recent years have strongly positioned Marel to capitalize on the opportunities ahead. We now expect to accelerate and to increase our investments in the coming years in spare parts handling, the digital platform infrastructure, and enabling digital products to best serve our customers' needs.

Every connection counts

With virtual and remote global support from industry experts, our local teams have shown unparalleled solution-driven leadership in installation and aftermarket services, both reducing cost and the carbon footprint. The 'helpful helmet'; a safety helmet with integrated camera, microphone and headphones, made communication between engineers in different parts of the world very effective. Local engineers could use the helmet's camera to highlight any problem areas and get on-the-spot instructions from industry specialists, sometimes with a little help from augmented reality, too.

All our manufacturing sites have remained open throughout the pandemic, and our manufacturing team showed remarkable resilience to continue the tasks at hand. Working in small, color-coded teams, to minimize the risk of infection, they continued to manufacture, pack and ship equipment and parts to our customers worldwide.

Compliments also go to our procurement team. Right from the start of the COVID-19 pandemic, they strengthened the relationship with our suppliers, so that our production and delivery of equipment and spare parts was never compromised. As a result, we were able to continue to be a reliable partner for our customers.

To secure minimum pay for a defined period of time if employees could not, for one reason or the other, conduct their work due to COVID-19, we implemented a Global Pay Policy in April 2020. Marel did not make use of government support or participate in any furloughing schemes. If government support was mandatory due to local laws, an equivalent or greater amount was donated to charity by Marel.

Thank you!

For all of the past year's achievements, I am extremely proud and thankful to be part of our great team at Marel. I also want to extend my thanks tothe Executive Team, the Board of Directors and a special thanks to Asthildur, our Chairman of the Board now stepping down, for her strategic direction and excellent cooperation for the past 11 years. Indeed, 2020 was a challenging year for us all. Through unity, resilience, resourcefulness and strategic planning, we chose to face the pandemic together, continuing our journey of innovation and transforming food processing. Our connectivity is a source of solidarity and courage, and because of that we are stronger than ever.

Chief Executive Officer
Arni Oddur Thordarson

Who we are

Connecting through courage

2020 was a challenging year for us all. Through unity, resilience, resourcefulness and strategic planning, we chose to face the pandemic together, continuing our journey of innovation and transforming food processing. Our connectivity is a source of solidarity and courage, and because of that we are stronger than ever.

United under a clear vision

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

The food processing industry has grown and evolved considerably since our humble beginnings. Throughout the many changes – and challenges – over the years, our vision remains a constant.

We continue on this journey by investing heavily in innovation and emerging technologies, while always considering the sustainable use of precious resources. Since day one, our data-driven approach has kept us at the forefront of sustainable food processing technology.

We know that transforming the future of food processing would not be possible without our customers, investors, suppliers, employees, and partners around the globe. Our extensive global reach and local presence in all regions help us build strong long-term partnerships as a provider of solutions and aftermarket services.

2020 in brief

Financials highlights

Revenues in EUR
1,238m

Adjusted EBIT margin
13.5%

Orders received in EUR
1,234m

Order book in EUR
416m

Who we are

Marel is a leading global provider of advanced processing equipment, systems, software, and services to the poultry, meat, and fish industries. Established in 1983, we have around 6,800 employees and a presence in over 30 countries across six continents. In 2020, we delivered EUR 1,238 million in revenues with 40% of that coming from aftermarket services.

In partnership with our customers, we innovate and create products that set new benchmarks in food processing solutions. By continuously transforming food processing, we enable our customers to increase yield and throughput, ensure food safety and traceability, and improve sustainability in food production.

Listed on Nasdaq Iceland
since 1992

Listed on Euronext Amsterdam
since 2019

Global team defined by three core values

Our core values summarize what we stand for. They represent our way of working, showcasing the ideals that are important to each and every employee.

Unity

Every person counts

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

Excellence

Every day counts

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

Innovation

Every idea counts

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

One company serving three industries

Our teams build on the knowledge, expertise, and decades of experience accumulated across the company to serve our three core industries: poultry, meat, and fish. Our global reach, innovative product offering, and digital solutions are key differentiating factors in supporting our customers worldwide and being a trustworthy maintenance partner.

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 process steps and processing capacities for broilers, turkeys, and ducks.

Meat

Marel supplies advanced equipment and systems to the red meat industry, with a focus on slaughtering, 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.

Fish

Marel is the leading global supplier of advanced standalone equipment and integrated systems to the fish industry. We provide innovative equipment, systems, and software for processing whitefish and salmon, both farmed and wild, onboard and ashore. With the acquisition of Curio in 2019 and Stranda Prolog in January 2021, we are one step closer to becoming a full-line supplier to the fish industry.

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 69 million in 2020. This is essential to the creation of transformative solutions for the food processing industry and securing our competitive advantage, which in turn deliver organic growth to the company.

Bringing over 30 new solutions to the market in 2020 alone, it's safe to say that innovation is in our DNA. With each stride we take, we create a more seamless operating flow with equipment and digital solutions that boost production capacity and efficiency.

Sustainability

Food processors need highly innovative solutions that meet the needs of present generations without compromising the future of coming generations.

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 of our solutions are designed to maximize yield and minimize the use of resources such as energy and water. This creates long-term value for our customers while simultaneously aligning their operations with environmental principles.

Being a responsible corporate citizen is a top priority for Marel. We're a pioneer in our industry, having committed to the UN Sustainable Development Goals (SDGs) and Global Compact's call to the private sector for corporate responsibility, transparency, and working toward becoming a part of the solution. In addition, we've formally committed to the Science-Based Targets initiative (SBTi) to meet the goals of the Paris Agreement, and have set a defined path to achieve carbon neutrality well ahead of 2050.

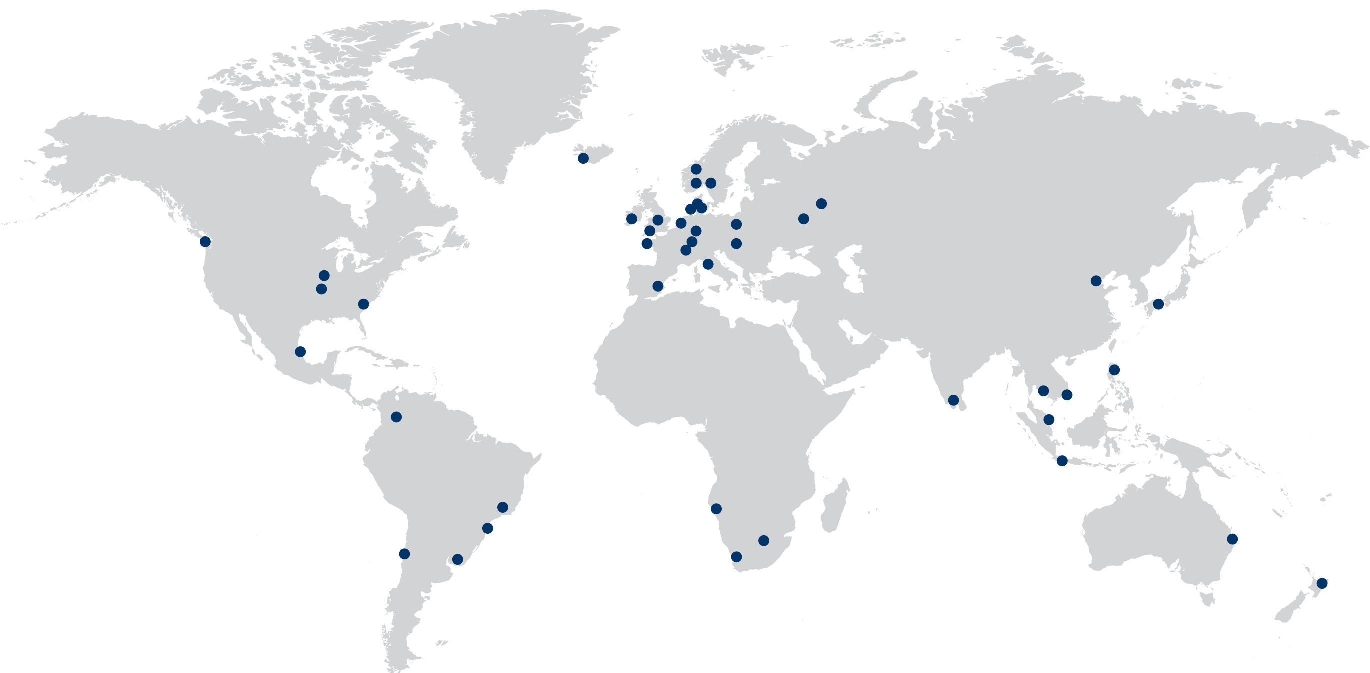
2
Zero hunger

9
Industry, innovations and infrastructure

12
Responsible consumption and production

Global sales and service network

Our extensive global sales and service network spans more than 30 countries and six continents.



Business model

Connecting through balance

Marel is a pure-play supplier of advanced and high-end processing equipment, full-line solutions, software, and services to the poultry, meat, and fish industries. Our business model is well balanced among industry segments, business mix, and geographical operations.

Business model

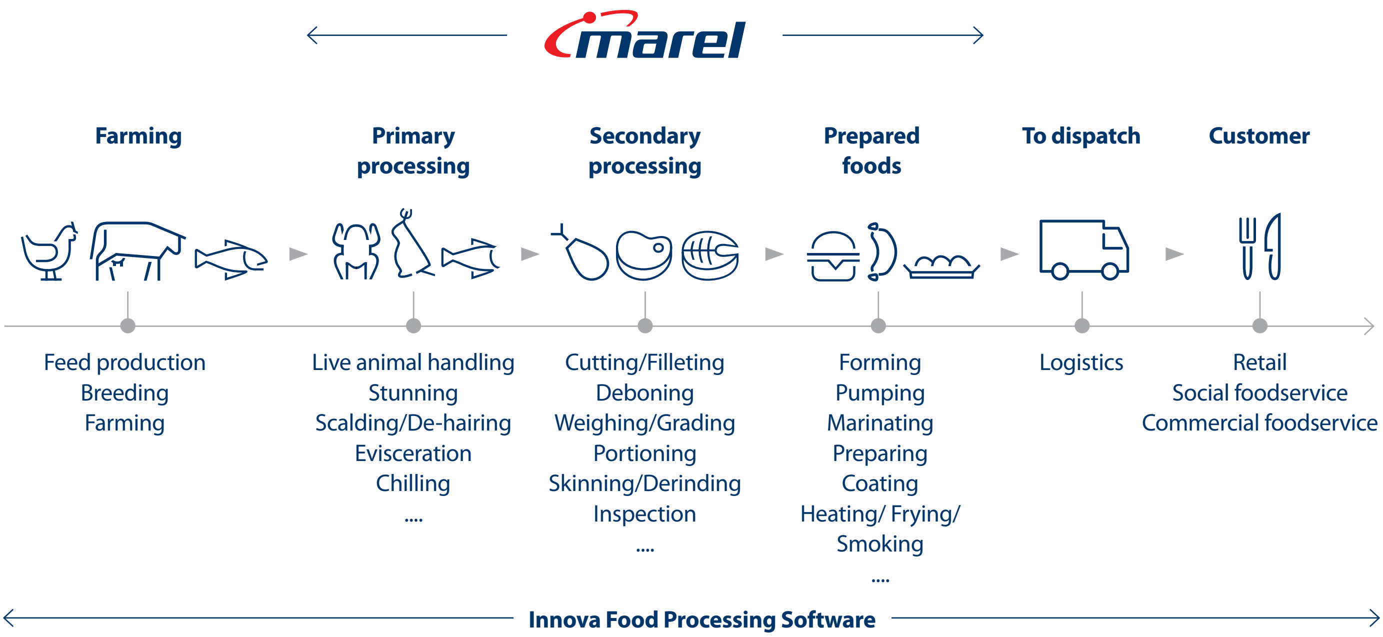
Today, Marel is the leader in data-driven approaches to food processing, one of the most important value chains in the world. Our expertise in this segment is centered on helping customers produce affordable, safe, quality food in an efficient and sustainable way using the latest technologies.

A leading pure-play supplier

Marel's innovative, technology-based approach has placed us at the forefront of food processing for the poultry, meat, and fish industries. We work in close partnership with processors that are looking to increase their overall level of automation, for higher yield, better food safety, and traceability throughout the value chain.

Software and digital solutions

Since day one, we've bundled software and equipment together to increase precision. With around 2,500 installations worldwide, our proprietary software Innova enables both comprehensive device control and efficient factory and process management. Originally designed to optimize production on our high-tech lines, our software can also integrate with and optimize third-party equipment.



A technological leader

Marel is committed to developing industry-leading technology in partnership with our customers. Annually, we invest approximately 6% of revenues in research and development. This is essential to the creation of transformative solutions for the food processing industry and secure our competitive advantage, which in turn deliver organic growth to the company. Bringing over 30 new solutions to the market in 2020 alone, it's safe to say that innovation is in our DNA. With each stride we take, we create a more seamless operating flow through integrations that boost production capacity and efficiency.

Global reach

We have a dedicated global team of about 6,800 employees in over 30 countries. Through the years, we've built a unique sales and service network of more than 700 sales employees and 1,500 service employees who support customers in over 140 countries.

A large and diversified global customer base

Marel's customers include the world's leading poultry, meat, and fish processors, and our strong brand and unique product and service offering has underpinned customer loyalty to our solutions. Our long-standing partnerships are solid, built on teamwork and common goals across industries and borders.

Standard and modular building blocks

Marel's full-line approach is made up of standard equipment and modular solutions that allow for the most flexible set-up possible. This approach increases operational efficiency with installation and aftermarket services, and minimizes the risk of errors. Standard equipment and modular solutions are the building blocks for greenfield projects and large projects and can be the entry point for new customers.

Focus on three key industry segments

At Marel, we focus our efforts on three main industries: poultry, meat, and fish. We aim to be at the forefront of supplying advanced and high-end processing equipment, full-line solutions, software, and services that transform our industry. Our teams analyze trends and anticipate processing challenges, enabling us to stay on top of market developments in the food processing industry and changes in consumer behavior.

The need for automation and digital solutions in the food value chain is driven by secular trends like population growth, urbanization, and demographics. Marel is uniquely positioned to support the food industry with the use of robotics and excellent traceability and process control.

Poultry

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

Meat

Marel supplies advanced equipment and systems to the red meat industry, with a focus on slaughtering, cut-up, and deboning solutions for processors supplying products to retail and foodservice. Following the acquisitions of MPS, Sulmaq, MAJA, and TREIF, Marel is now a full-line supplier from farm gate to finished pack.

Fish

Marel is the leading global supplier of advanced standalone equipment and integrated systems to the fish industry. We provide innovative equipment, systems, and software for processing whitefish and salmon, both farmed and wild, onboard and ashore. With the acquisition of Curio in 2019 and Stranda Prolog in January 2021, Marel is one step closer to becoming a full-line supplier to the fish industry.

Partnership with customers

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

We expect automation in food processing to increase steadily, especially in emerging markets. This uptick means that we can expect higher growth in advanced and high-end segments of the food processing equipment industry. We're leading this trend in close collaboration with our customers. From idea to prototype, we're proud to work with pioneering food processors who are willing to test out new equipment and new ideas inside their plants.

We also strive to maintain long-term relationships with our customers, with the goal of becoming a trusted maintenance partner. This approach leads to higher margins and better value for our customers – and us.

Balanced revenue stream across business mix and geographies

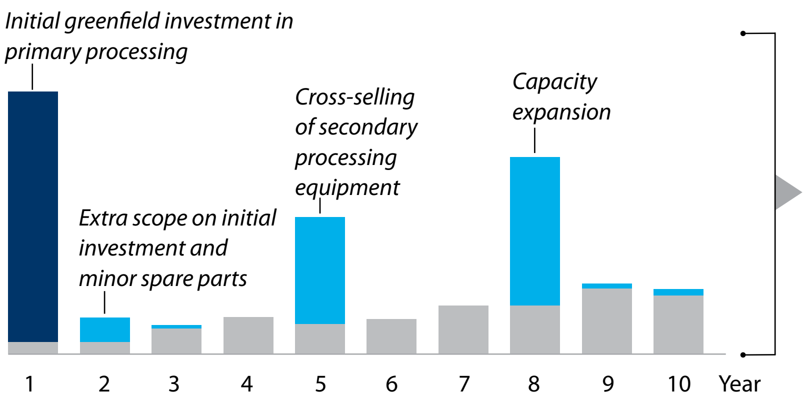
Marel's presence across geographies and in multiple protein segments minimizes cyclicality and eases market fluctuations. It optimally positions us to transfer technical know-how, solutions, and expertise across industries – and geographies. We build upon technological advances we've made in one industry by implementing them in another.

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

The below illustration of a typical 10 year relationship with a customer is a prime example of how we do business. It's also a good reflection of our revenue mix: Greenfield and large projects, equipment, and aftermarket each account for around one-third of our revenues.

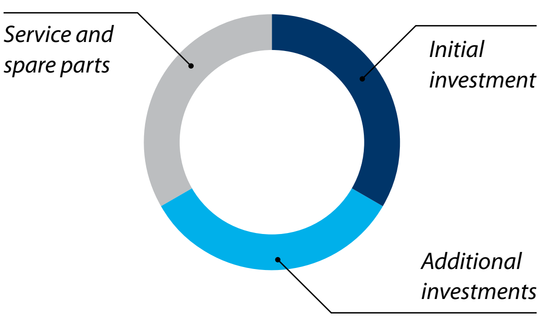
- The customer begins operation in primary processing.
- Additional investments, which usually include capacity extensions or added processing capabilities, take place throughout the relationship.
- Aftermarket revenues from spare parts and service begin around year three.

An illustration of a long-term customer relationship



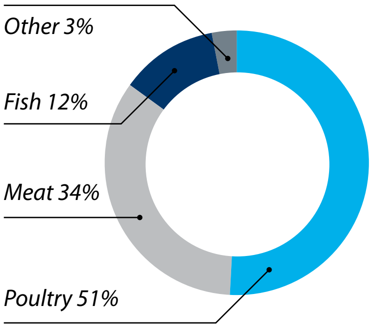
Balanced business mix

10 year revenue profile from a customer

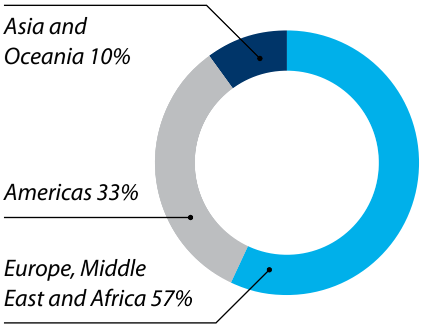


Focus on three key segments

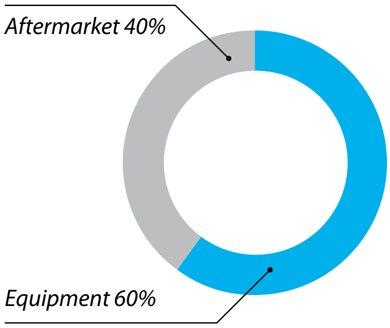
Revenues by business segment



Revenues by geographical location



Revenues by business mix



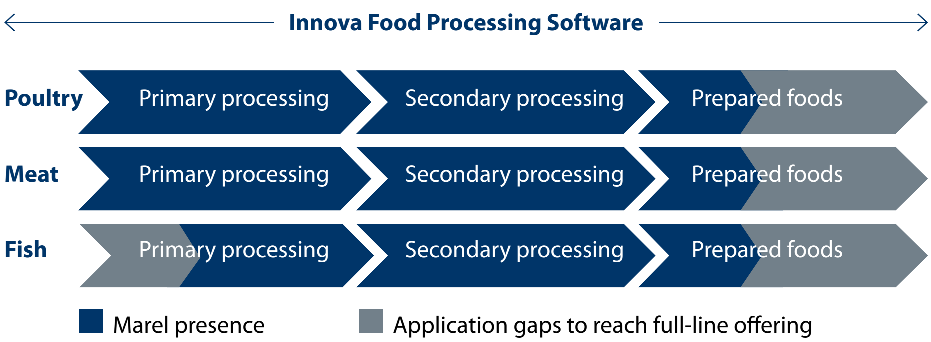
Strategy

Connecting through growth

True to our ambitious growth strategy, we continued to expand our full-line solutions, software and services for the poultry, meat and fish industries. By further integrating software and equipment, we improved automation, traceability and process control, leading to better efficiency in the food value chain. Our recent addition of German cutting technology leader TREIF increased our portfolio of standard equipment and strengthened our full-line product offering and accelerated our innovation roadmap.

Our strategic objective

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



Note: With the acquisition of Curio, Marel is now a full-line provider for whitefish.

A pure-play provider

Through strong organic growth and strategic acquisitions, Marel has fortified its position as a pure-play provider of advanced, automated systems and full-line solutions, software, and services to the poultry, meat, and fish processing industries.

Our product portfolio includes standalone equipment, individual systems, and full production lines, all controlled and integrated with our overarching Innova software. Innova provides our customers with process control, real-time traceability, and unmatched throughput and yield monitoring. Based on our unique global reach, Marel is a trusted partner for preventive maintenance, repairs, spare parts, and other aftermarket services.

Marel remains committed to expanding its product offering through innovation, strategic partnerships, and acquisitions. Over the past few years, strong cash flow has made it possible to support organic growth through increased investments in innovation. We've also dedicated resources to strengthening our global sales and service network, advancing our manufacturing facilities, and updating our digital platform across geographies. Strong cash flow has also allowed Marel to undertake strategic acquisitions.

Investing in growth

For the 2017-2026 period, Marel has set a target of 12% average annual increase in revenues, which we will reach through a balanced mix of organic and acquired growth. To that end, our sizable investments in innovation, coupled with strategic partnerships and acquisitions, propel expansion and market penetration. By focusing on these complementary investments, we're able to fill gaps in the value chain and augment our full-line product offering.

Organic growth

The market for food processing solutions is expected to grow by an average of 4-6% annually in the long term. Supported by significant investment in innovation, greater market penetration, and an extensive product portfolio, we aim to grow at a faster rate than the expected market growth.

Ongoing investment in our global reach, digital solutions, and the scalability of our platform supports continued organic growth and facilitates acquired growth.

Strategic partnerships

We now expect to accelerate and to increase our investments in the coming years in our digital platform infrastructure, enabling digital products, to best serve our customers' needs. Our focus is on expanding our scale and our reach, and on further extending our leadership in providing solutions for our customers based on agility and automation.

Through strategic partnerships, we're able to fill application gaps in the value chain, increase our competitive advantage, and accelerate new development. To ensure value creation through partnerships, we work with partners that are best in class in their field, setting clear objectives for exchange of value that are beneficial for both parties.

Acquired growth

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

Ready for the consolidation wave

Marel's considerable investments in global reach and digital solutions throughout the years make us an attractive partner in the ongoing consolidation wave within our industry. Indeed, in an increasingly globalized world with changing consumer trends, our local presence on every continent has proven to be a key differentiating factor. This has been especially true in times of intensifying geopolitics and trade constraints, and even more so in light of the challenges arising from travel restrictions and social distancing due to the pandemic.

Marel is in an excellent position to further transform the food industry in good partnership with our long-standing customers. We'll continue to systemically invest in innovation and infrastructure at levels well above the industry standard, and use acquisitions and strategic partnerships to accelerate our journey.

Low leverage, strong cash flow, and disciplined capital allocation are key to this strategy. In addition, our listing of shares in EUR on Euronext Amsterdam provides the platform and acquisition currency to pursue the 2017-2026 growth strategy. This makes Marel's shares an attractive currency in M&A projects and enables sellers' to take part in Marel's future growth journey as shareholders.

Acquisition target profile

We look to partner with companies that share our passion for innovation, have a good portfolio of standard equipment and modules, and have strong technical capabilities that can enhance our product offering and be cascaded into other industries.

Often these are second- and third-generation family-owned niche companies with revenues of EUR 30-200 million and around 100-800 employees, that are looking to future-proof their business or prepare for succession planning to ensure the best home for their legacy. TREIF is a great example of our strategy in action.

Mergers and acquisitions

2006
SCANVAEGT
EUR 92m[1]
Strengthens our market position in secondary processing

2008
STORK
EUR 370m
Expands into primary and further processing in the poultry markets

2016
MPS meat processing systems
EUR 158m
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[2]

Cedar Creek COMPANY
EUR 3m
Software/ hardware for meat processing

25% ownership
Worximity
Cloud-based SaaS provider

2020
TREIF
EUR 80m
Strengthens secondary processing

2021
PMJ
EUR 5m
Duck processing solutions provider

40% ownership
Stranda PROLOG
EUR 25m
Primary salmon processing solutions[3]

Experienced and disciplined in M&A

Clear M&A strategy and approach
- Strengthen full-line offering
- Further market penetration
- Leverage digital platform and global reach

One Marel approach
- Integrating companies under the Marel brand to deliver on strategy
- Discipline and focus on companies with shared vision

Marel's financial targets
- 5-7% average annual acquired revenue growth
- Disciplined capital allocation

Strategic investments [1] Revenues at the time of acquisition, last reported FY revenues as per previous public disclosures. [2] 50% ownership as of beginning of 2021. [3] 40% ownership as of 29 Jan 2021, accounted for as investment in associate in 2020.

Mergers and acquisitions

Acquisition of German food cutting technology provider TREIF

In October 2020, Marel acquired German food cutting technology provider TREIF and began working on the integration strategy immediately. TREIF shares our vision and passion for innovation. Its product offering is highly complementary to Marel and will strengthen the full-line offering and increase standard equipment sales for the meat industry. The transaction also provides access to new retail customer channels and an entry point to new adjacent industries to cross-sell and upsell Marel products. With TREIF's large installed base, there is also significant potential to leverage aftermarket revenues with Marel's extensive global reach and local services in all regions.

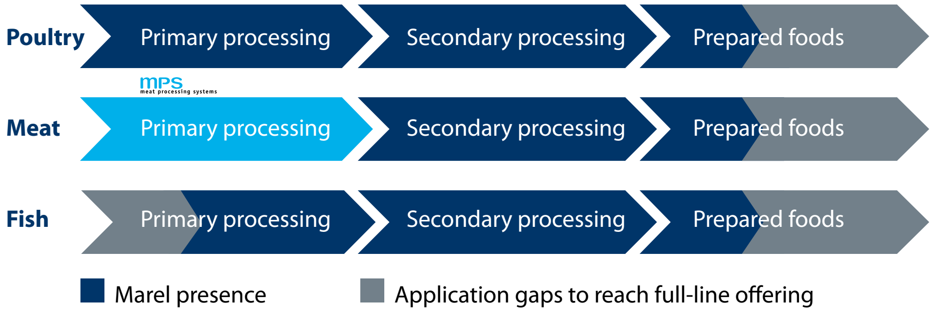
***"Together, we are better positioned to meet customer needs in terms of automation, flexibility, and time to market for consumer-ready products. TREIF's leading cutting technology is highly complementary to Marel's existing product portfolio and will enable us to cascade this technological know-how into other industries and accelerate the innovation roadmap,"* says Arni Oddur Thordarson, CEO of Marel.**

Following the acquisition, Marel is integrating TREIF's workforce of around 500 employees into the Marel team. With around EUR 80 million in revenues at the time of sale, TREIF built a reputation for its strong focus on innovation and cutting-edge technology, backed by an experienced and committed team and long-standing partnerships with customers. Marel is proud to continue this legacy.

***"I am confident that we have found a great home for TREIF's legacy and secured the long-term success of our leading technology, our customers, and our committed employees,"* says Uwe Reifenhauser, former owner and CEO of TREIF.**

A prime example: How Marel fills application gaps

Our acquisition of MPS in 2016 paved the way for entry into primary meat processing. As a result, Marel became a full-line provider to the meat industry, expanded its geographical presence and product portfolio, and integrated MPS's meat solutions.



Another prime example: How Marel expands its geographical presence

The acquisition of Sulmaq in 2017 increased Marel's market presence in Latin America, improving our foothold in the rapidly growing meat market in South and Central America. Building on Sulmaq's platform, we're forging strong customer relationships that increase sales of complementary equipment, and developing a committed workforce with robust engineering know-how. Additionally, Sulmaq has become an integral part of Marel's global supply chain by scaling up our operations in the region.

Mergers and acquisitions

Completing Sulmaq and MAJA integration projects

In 2020, we completed the integration projects for Sulmaq (acquired 2017) and MAJA (acquired 2018), which are now embedded in the Marel organization. The teams are now working together in an aligned way while preserving best practices. Joint sales and service efforts are taking place and are managed through common CRM and Service IT platforms.

With the primary integration efforts finalized, the focus can now shift toward continuous optimization as part of our day-to-day activities. The fundamentals are in place to capture the full benefit of the combined organizations and expand the added value to our customers, leveraging the global network and the combined expertise. With these milestones, we can truly conclude that we are stronger together.

"Integrations are a journey, especially for the acquired firm. The teams have worked according to excellent planning, which led to smooth integration in most functions," **says Fernando Roos, one of three former owners of Sulmaq and the current Sales Director for Marel in Latin America.**

Integration to capture synergies

Marel's growth aspirations come in significant part from acquisitions, and there is a strong need for a clear post-merger approach with the acquired companies. Marel looks for companies with complementary solutions, new market opportunities, and shared visions and strategies, which are therefore close to our core business.

We generally choose to capture synergies by integrating the acquired companies and making them an intrinsic part of our business. In each integration, this requires striking a careful balance between absorbing the new team into the Marel organization, while also preserving aspects that have made the company successful.

This post-merger approach starts with an integration strategy in the early stages of the acquisition process. The operational due diligence is used to test the feasibility of this strategy, in addition to the regular diligence checks. When a deal is closed, the in-house integration team can set-up an integration project with joint teams that start working on a plan. During the planning phase, the organizations can take time to get to know each other better and identify key similarities and differences. The resulting plan, spanning approximately one year, includes all initiatives that will enable the organization to work within Marel. Only urgent topics like financial reporting, insurance, and cybersecurity are in implementation from the closing date; the rest of the implementation starts when the integration plan is approved.

When finalizing the integration project, all employees will be connected to the Marel IT infrastructure, have access to the main collaboration platforms for Sales, Service, and HR, have clear reporting lines into the Marel organization, and will have a common way of working. Through this approach, we maintain our value of unity throughout Marel.

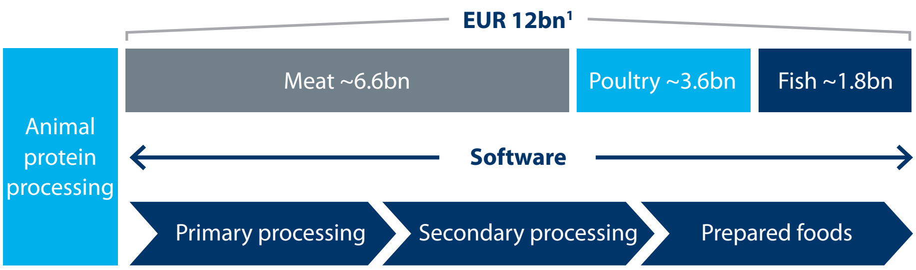
Industries

Connecting through agility

From yield and quality to throughput and speed, all our customers' KPIs depend on agility. Automation and digital solutions enable food producers to operate at full potential and adapt to unforeseen events or changing market demands, preventing stoppages and avoiding recalls. The same goes for Marel, particularly in 2020, when our ability to pivot our operating methods kept everything connected and running smoothly.

Sizeable and attractive end markets

Marel operates in a sizeable market with a positive outlook supported by long-term secular growth trends of population growth, urbanization and rise of the middle class. The consumer value of the global poultry, meat and fish market is currently estimated to be around EUR 1,200 billion. More specifically for Marel, the market for food processing equipment, systems, software and services for poultry, meat and fish is estimated to be around EUR 12 billion, a figure which is expected to grow annually on average by 4-6%.



Note: [1] Management estimates.

2020 in review

When Marel's crucial role in the food value chain was put to the test in 2020, the company's global reach and focus on innovation proved essential to continuity.

Helping our customers navigate 2020

Through the upheaval of COVID-19, Marel continued to fulfill its role in one of the most important value chains in the world; the food value chain. Our advanced software, remote service offering and drive for innovation served our customers particularly well in 2020, allowing processors to adapt swiftly to a rapidly changing market.

Rising to new challenges also created new opportunities, both in developing solutions and connecting with customers, and we'll continue building upon these innovations as we navigate the long-term impact of the pandemic.

Typical food processing challenges – such as labor scarcity, employee health and safety needs, shifting market demands and maintaining production flow – took on new proportions in 2020. Some customers saw demand disappear overnight. Others faced such an abrupt high demand that avoiding disruptions and stoppages became critical. Furthermore, social distancing due to Covid-19 changed the nature of interactions between suppliers and customers.

Suddenly, the big question was: how are we going to help and support our customers in these unprecedented circumstances? In this rapidly evolving market, companies need to be highly adaptable and able to diversify their product range by offering whole, portioned, frozen, fresh or ready-to-cook products. With the shift in market demand from food service to retail, processors that already had the flexibility to service the retail market were at an advantage, but called on our support to increase production to the maximum.

COVID-19 accelerates the need for automation

Consumer behavior is changing: 2020 saw a dynamic shift in demand from foodservice to retail, as well as more mindful shopping, both in terms of price and awareness of a healthy, sustainable diet. This accelerated an already growing need for greater automation and digitalization in food processing.

Social distancing requirements in 2020 exacerbated the challenge of limited access to skilled workers for food processors, and automation continues to help fill this gap. Marel has an automated replacement for nearly every manual operation in a processing plant, leading to improved return on investment (RoI), as well as increased consistency and yield.

Processors running smart factories have established market leadership through increased automation, throughput and yield. As a software supplier and innovator, we transform the way processors work by incorporating robotics, analytics software and other Industry 4.0 technologies. Real-time visualizations turn data into actionable insights that improve traceability from source to shelf.

This level of data transparency goes beyond removing bottlenecks, increasing yields and enhancing equipment performance. Actionable data is crucial for consumer confidence and B2B trust, and is the foundation of future-proof factories.

Agility and distribution channel flexibility are key

Food processors with the flexibility to pursue different consumer products have performed well in these turbulent times. With Marel solutions, we helped our customers in the food service, restaurant and quick service restaurant (QSR) market reinvent themselves. We supported them in tackling the situation flexibly and even adding value.

Our basic building blocks and advanced production technologies enabled modular modifications of the production process, such as by boosting filleting capacity or installing an additional packing station. We saw that even relatively modest changes implemented gradually could have a significant impact on our customers' ability to operate effectively in the changing environment, and help food service production facilities shift towards retail production.

As market conditions changed, it became inevitable that some of our customers would set out to convert their plants completely. When they turned to Marel for support we worked together to find the appropriate solutions and navigate the situation. We assisted some in optimizing their production process, and others in keeping production running throughout moments of stress. For some it was simply a case of ensuring we delivered crucial spare parts right on time, which we managed to sustain despite travel restrictions thanks largely to our strong global network.

Global reach

With a sharp decline in face-to-face meetings in 2020, we stayed in close contact with our customers via online meetings and old-fashioned phone calls. We could close orders and even support installations from home. Many Marel employees could continue their crucial activities from home relatively easily, including layout engineers, sales engineers, order engineers and demand planners. This form of glocalization enabled us to travel less while still achieving the same results, a sustainable process we will continue.

In addition to reducing our carbon footprint, these new ways of working have some great benefits for our customers. Even when one of our sales representatives could sit with a customer in the same room, the upsurge in online support and digital meetings led to even more profound conversations, as salespeople became more adept at calling in a Marel expert for additional information. This helped ensure there was no delay in getting the best knowledge and expertise to the customer each time.

A helpful helmet

Travel restrictions for our field service engineers compelled us to find creative and innovative ways to keep supporting our customers. Our global reach, with 2,200 sales and service people in over 30 countries was a key differentiating factor in our operational resilience as the pandemic took hold. Our solution-driven team quickly introduced the so-called 'helpful helmet'; a safety helmet with integrated camera, microphone and headphones. This made communication between engineers in different parts of the world very effective.

Product Technologists working from their Marel office or even from home could watch live images of the local engineers at work in a customer's processing plant thousands of miles away. Local engineers could use the helmet's camera to highlight any problem areas and get on-the-spot instructions from industry specialists, sometimes with a little help from augmented reality too.

Digital solutions

We demonstrated our agility in continuously developing our digital and remote service offering in partnership with our customers throughout 2020. We delivered a large part of our services remotely by using advanced extended reality (XR) and remote tools for installing and maintaining our products, and optimizing our installed base.

This agility also equipped us to support our customers in using new technologies. Marel stands out in providing software service remotely, especially when traveling is restricted. Using IoT (Internet of Things) technology, we diagnose processes in customer plants remotely, making maintenance work more predictable, efficient and sustainable.

Marel's long history of combining software and mechanics has helped make us a leading innovator of solutions to the world's food processing challenges. We also share our knowledge with customers to ensure they understand how to make the best use of data to optimize their processes and output. In turn, they share their requirements and ambitions with us, so that we can keep meeting their needs.

We'd already begun using extended reality (XR) to walk customers through their new lines in a virtual environment, months before the real world installation, and we further refined this technique in 2020. For one of our customers in the poultry industry, Bell & Evans, we designed their entire factory in 3D. This approach helped both the customer and Marel bring negotiations to a higher level, and prepare more thoroughly for installation.

Sustainability is our business

For Marel, sustainability is more than saving water and energy, it is our business. Our innovations are transforming food processing, improving processing efficiency, food quality and traceability. Our digital solutions provide better process management, traceability and a holistic view of the supply chain, thereby enabling our industry to become more demand-driven and ultimately reduce food waste.

Responsible resource management

Our solutions help food processors manage resources responsibly, reducing waste while also improving yields and creating economic value. From extremely precise cutting to linerless labeling, these advances scale up to enormous gains in sustainability, and value.

Marel technologies are designed to maximize raw material usage, harvesting every gram of useful protein. In poultry processing, for example, our breast cap filleting system, AMF-i HD, has been designed to get the highest yield from main products (fillets and tenderloins) and by-products. The same goes for our revamped feet processing system that adds value to what was once a low-value by-product.

Our software modules contribute positively to sustainability too, especially when it comes to traceability, food safety and getting the right products to the right places in the most efficient way via intralogistics systems.

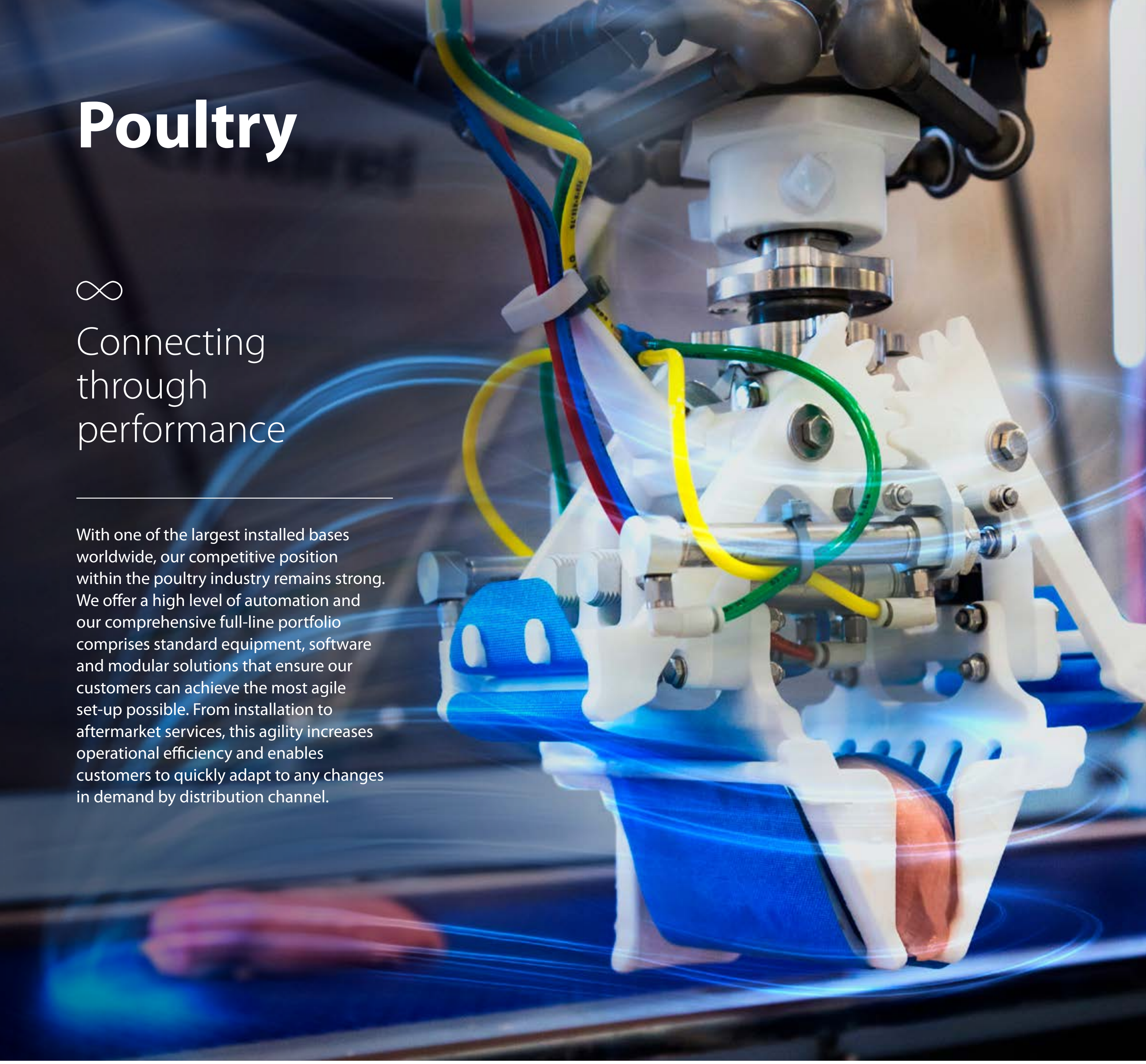
Sustainable design

When we create new products, we use new technologies such as VR to design, test and adjust innovations. By testing, demonstrating and collaborating with customers in a virtual environment, we avoid the need to build full-scale prototypes, our customers don't have to travel as much, we don't have to travel to visit plants as often, and our engineers can use VR to instruct someone locally to install or service machines.

Sustainability is a criteria for all our innovation processes. We build our machines to last, and design them so they're easy to clean, ensuring hygiene without wasting water. Our excellent service extends the lifetime of our machines even further.

Water treatment

Our water treatment systems reuse and treat water to reduce water waste. Our team of water treatment experts, based in Lichtenvoorde in the Netherlands, work with processors worldwide to determine the most sustainable system for their individual needs.
With considerable worldwide attention on optimizing water usage – from governments and innovative customers alike – we have continued growing our Water Treatment business, which is benefiting from close interaction with our customers in the meat and poultry industries in particular. Excellent examples of this are water treatment projects with poultry processor Cranswick in the UK, and one of China's largest beef processing companies.



Poultry

Connecting through performance

With one of the largest installed bases worldwide, our competitive position within the poultry industry remains strong. We offer a high level of automation and our comprehensive full-line portfolio comprises standard equipment, software and modular solutions that ensure our customers can achieve the most agile set-up possible. From installation to aftermarket services, this agility increases operational efficiency and enables customers to quickly adapt to any changes in demand by distribution channel.

Poultry industry

Poultry is one of Marel's three key protein industries. We are the worldwide market leader for poultry processing systems, with broiler, turkey and duck processors around the world using our systems and services. Marel's poultry division contributed EUR 635 million in revenues in 2020, or 51% of total revenues, translating to an EBIT margin of 18.3%.

The consumer value of the poultry market is estimated to be around EUR 400 billion. More pertinently for Marel, poultry processing equipment sales are estimated at around EUR 3.6 billion.

Poultry | Primary processing | Secondary processing | Prepared foods

Marel presence | Application gaps to reach full-line offering

Products

All of Marel's poultry product innovations are designed on the sustainable principle of maximum carcass balance with optimized yield. Our full-line approach to poultry processing solutions and our extensive product portfolio in the sector underpin our partnerships with customers. In 2020, we continued to develop new solutions that enable our customers to meet evolving market demands.

Feet processing

Everything counts, chicken feet too. We revamped the entire feet processing solution, including new solutions such as Paw Cutter, Selective Foot Unloader and advanced feet inspection capabilities. We enable customers to add value to feet, turning a by-product into an attractive, high-quality product that is in high demand in Asian markets.

Partnership with Tomra

In the poultry industry, 'wooden breast' is a well-known syndrome that affects broiler chickens, making the meat hard and unmarketable. Tomra has developed a wooden breast detector, the QV-P In-line Quality Measurement, and has been working in partnership with Marel to integrate it into breast filleting lines. The Tomra QV-P is installed at the same spot as Marel's SensorX bone detection solution, and the partners foresee both machines eventually being integrated into the processing line.

Fillet optimization

Marel is involved in ongoing research on how to optimize the breast fillet trajectory. In 2020, we made considerable progress with fillet inspection, by adding the IRIS FI visual inspection module to the fillet distribution solution that was launched in 2019.

We keep developing advanced techniques and adding more intelligence to the breast fillet line. The new AMF-i HD breast cap filleting system for heavier weights illustrates Marel's ability to adapt intelligently and flexibly to market trends. As broilers around the world get bigger, processing them requires a different approach.

Large projects

Poultry continued to strengthen its worldwide presence. Despite challenges, we completed a large number of significant projects around the world during the year.

Chinese successes

In 2020, Marel undertook numerous new projects in China. Poultry processors including Shandong Chaohe, Zhucheng Waimao, Shandong Yashixiang, Hefeng Muye, Changchun Yunken, Shandong Ronghua and Yixian Fenghe installed extensive high-capacity Marel processing lines. Some of these were greenfield projects, such as Shandong Yashixiang, equipping the entire factory with Marel systems and solutions to configure two lines, each with a 13,500 bph capacity.

Virtually all our customers in China invest in Marel's Nuova evisceration solutions, particularly with the giblet harvesting modules, as there is strong demand for gizzards, hearts and livers in the Chinese market. Besides the ACM-NT cut-up automation, almost every new Chinese processing plant has opted for a deboning setup with multiple AMF-i systems.

Calisa in Argentina

The Motta Group, one of Argentina's leading poultry companies, is investing more than USD 22 million in the expansion and modernization of its processing operations. The Calisa2 greenfield project in Racedo will install a whole state-of-the-art Marel system. The project is key to the Argentinian and South American poultry market and will be a production oasis, starting at 9,500 bph [158 bpm] and capable of 15,000 bph [250 bpm] within two years.

ATLAS successes

Marel developed the ATLAS live bird handling system with sustainability and animal wellbeing in mind. In 2020, ATLAS systems continued to strengthen their foothold in the European poultry processing industry.

Many customers invested in ATLAS systems combined with CAS SmoothFlow anesthetization. These included: two major processing conglomerates in Italy, AIA and Amadori; Banham and Cranswick in the UK; and Pujante in Spain. Portuguese processor Lusiaves decided to connect ATLAS with electrical stunning.

Breakthrough in Japan

The installation of a GP system at Miyazaki in 2020 constituted a breakthrough for Marel in the Japanese market, which is a divergent market with a very different approach to poultry processing.

Miyazaki's GP system proved to be a perfect fit for Japan's specific poultry processing conditions, and the investment helped spark greater interest from the market. Miyazaki will serve as our reference plant in Japan, ensuring we make the most of the growth potential.

Sustainability in the poultry industry

Every drop counts

We see that our customers are increasingly preoccupied with their ESG (Environmental, Social and Governance) footprint and are looking for ways to operate their processing plants more sustainably. This not only refers to energy and water savings and maximizing carcass balance, but also to less flying, which supports our vision of glocalization, utilizing the global reach of our local teams.

Water treatment is an important consideration when trying to reduce water use and improve product quality. In the US, replacing water chilling with air chilling is a hot topic, and Marel can make the chilling process even more sustainable by optimizing the energy demand in the chilling tunnels.

In the UK, Marel deployed an innovative water treatment project at Cranswick in 2020. *"Today, we're operating around 7 liters water per bird, which for us is fantastic. It is a very sharp drop in water consumption and it is certainly related to Marel's highly efficient poultry line. It's a value we didn't expect, but we want to bring down the water use even more,"* says Greame Watson, Group Engineering Director at Cranswick. *"About 50% of our wastewater has to be reused to make our water management process work. Marel's Curieau system, however, succeeds in processing around 65% of our daily effluent flow."*

The Cranswick installation demonstrates how responsible use and re-use of water make Marel's water treatment solutions extremely sustainable. Every drop counts.

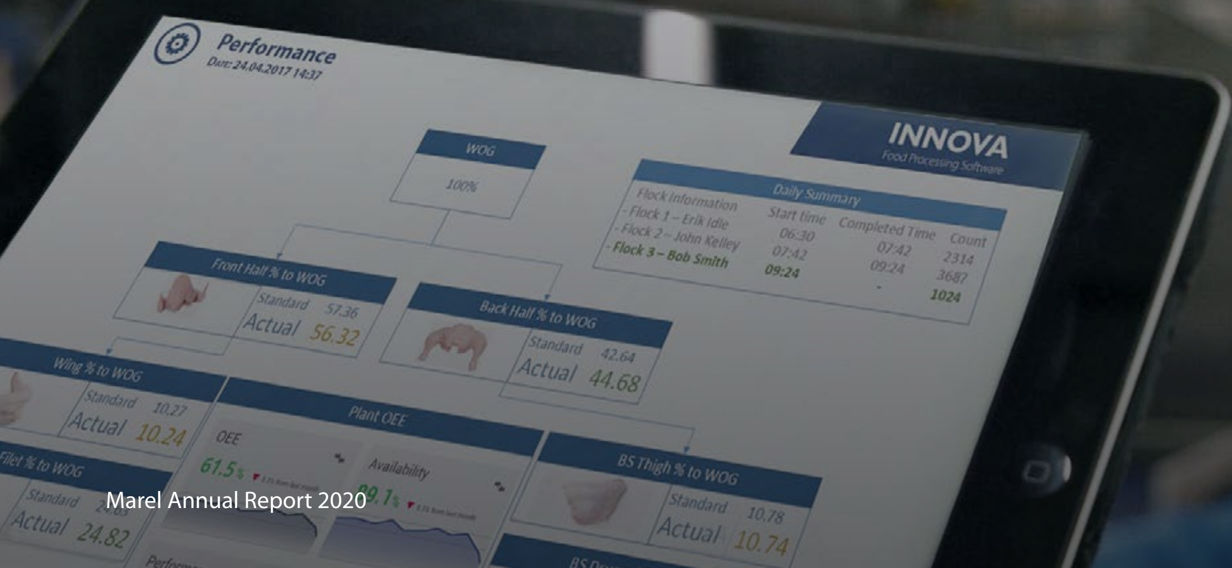
Customer story

Bell & Evans' state-of-the-art greenfield

The construction of Bell & Evans' state-of-the-art greenfield poultry processing plant in Fredericksburg, Pennsylvania, is one Marel's largest transactions to date. The two companies have remarkably similar values that definitely strengthen their partnership. They share the same vision for sustainability, animal wellbeing and food safety.

Marel will fully equip two processing lines at Bell & Evans, each with an initial capacity of 140 bpm, and eventually 175 bpm. As a first for Marel and the industry, Marel and the Bell & Evans team designed and fine-tuned the complete plant virtually – in a 3D building information modeling (BIM) environment – before any machine was put into production.

"It is through partnerships with companies like Bell & Evans that we realize our vision of transforming the way food is processed,"* says Roger Claessens, Executive Vice President Poultry. *"Bell & Evans is known to add maximum value to the entire chain by maintaining the highest production quality from egg to end product. The company recognizes that only a strong partnership with a full-line provider can raise the quality of poultry processing to the same high level. We're happy that Marel can contribute to this final link in their value chain."



Market trends and growth drivers

As of March 2020, we saw an increase in consumer home-cooking and in-house dining trends. At first, the existing products on supermarket shelves sufficed, but consumers soon got the flavor of trying new things and supermarkets faced higher demand for a greater diversity of products, with different marinades, different packaging, etc.

The dynamic customer demand in seasonal markets, which normally only exists in the summer barbecue season, went on for months and months. It seemed that winter would never arrive, as the food diversity trend continued. As a consequence, poultry processors are holding more SKUs (Stock Keeping Units), which means that their production processes got more and more diverse. This created plenty of opportunities for Marel.

At the same time, customers are asking for greater transparency in food safety and traceability. Marel can offer the right solutions for these demands, such as replacing water chilling (in the US) with an air chilling solution, which offers back-to-back traceability.

Global production and trade trends

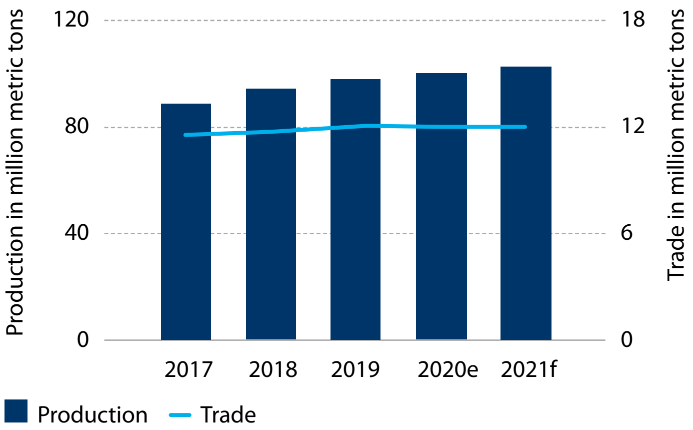
In 2020, global production of chicken meat surpassed 100 million tons for the first time as expected. In 2021, it is forecast to rise further by 1.4% while global trade in chicken meat is expected to grow by 1.7% and reach 12.1 million tons.

The US continues to lead the market, with an expected 20% of global production in 2021, followed by China with 15%. In accordance to last year's forecast, China overtook Brazil to become the second-largest producer in 2020.

Brazil, however, continues to be the world's leading exporter of chicken meat, accounting for 32% of global trade, while Japan continues to be the largest importer.

Global chicken production and trade

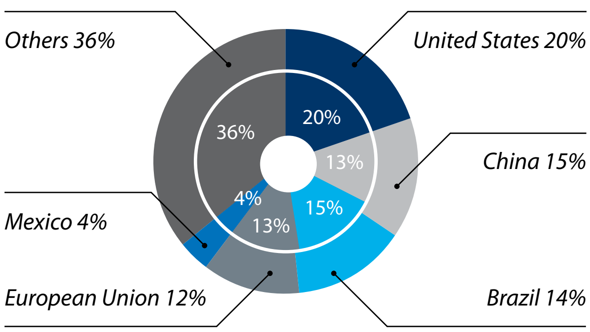
CAGR 2017-2021f: 2.4% for production and 2.4% for trade



Source: USDA Foreign Agricultural Service (2021, January update).
Chicken Meat Production and Trade. Retrieved from: https://apps.fas.usda.gov/.
Note: Figures for 2020 are estimated (e) while figures for 2021 are forecast (f).

Largest chicken producers

2021 forecast (outer) compared to 5 years ago (inner)



Source: USDA Foreign Agricultural Service (2021, January update).
Chicken Meat Production. Retrieved from: https://apps.fas.usda.gov/.

Meat

Connecting through relationships

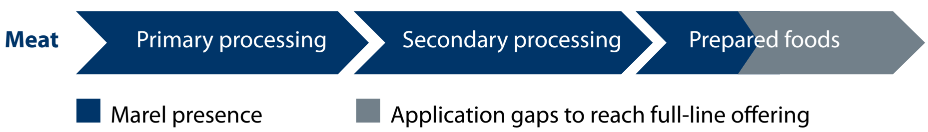
COVID-19 has accentuated the value of automation in food processing. Our advanced solutions bring new levels of automation to meat processing, ensuring food safety and a steady production flow while reducing risk and labor costs. Our long-standing relationships with our customers underpin our innovations and ensure we can help our customers build their success with our full-line product offering and tailor-made services.

Meat industry

Meat is one of Marel's three key protein industries. We are a leading global supplier of integrated systems and advanced standalone processing equipment for the red meat industry. Marel's Meat division contributed EUR 419 million in revenues in 2020, or 34% of total revenues, translating to an EBIT margin of 8.7%.

The consumer value of the meat market is estimated to be around EUR 600 billion. More pertinently for Marel, meat processing equipment sales are estimated at around EUR 6.6 billion.

With the acquisition of German food cutting technology provider TREIF in October 2020, Marel has strengthened its full-line product offering, increased standard equipment sales and will leverage its global sales and service network to synergize aftermarket potential. With around 500 employees and EUR 80 million in revenues, TREIF's product portfolio in cutting, portioning, dicing and slicing complements Marel's product portfolio very well. TREIF is included in the consolidated financial statements in 4Q20. Annual revenues prior to acquisition were about EUR 80 million, with EUR 13 million in EBITDA.



Products

We have continued to deliver on our 2020 innovation program for new robots and cutting/deboning solutions, even though testing conditions have been far from ideal since the onset of COVID-19.

Robotics solutions

The new M-Line Leaf Lard Remover (MLR) robot efficiently removes all leaf lard without damaging the diaphragm or tenderloin fillets. The accuracy of the robot is unrivaled and it helps reduce the need for physically demanding manual labor. As with our other robots in the M-Line series – for processes such as bung removal, belly opening, carcass splitting and neck cutting – the new leaf lard remover helps solve the challenge many processors face in finding local labor.

The unique SensorX Magna

The SensorX Magna trim inspection system for meat processing ensures trim is bone-free and keeps the fat-to-lean ratio on target. The system is unique for automatically rejecting bone before the grinding process starts, making bone removal a manageable, streamlined part of the grinding and mixing process. The system enables processors to maximize the value of their raw material and deliver higher quality products to their customers.

Product diversification was a defining theme of 2020 and one of the key benefits of eliminating bone before grinding is that it creates opportunities for processors to create new, higher quality products with different textures. It does this by enabling processors to produce much coarser-ground products than has previously been possible without the risk of any bone fragments. The SensorX Magna's high quality product output contributes to brand protection and enhancement, making the system especially attractive to fast food producers. We had four systems operating in the EU and US during 2020, all major producers in the fast food industry.

Agile portioning

For customers in need of high capacity portioning, we released I-Cut 610 dual-lane portioning solution in 2020. The portioner is easy for customers to integrate and operate, and uses the latest laser vision technology to ensure accuracy and optimum use of raw material. Unlike competing machines, the I-Cut 610 can run individual products or portions on each lane for added flexibility.

Large projects

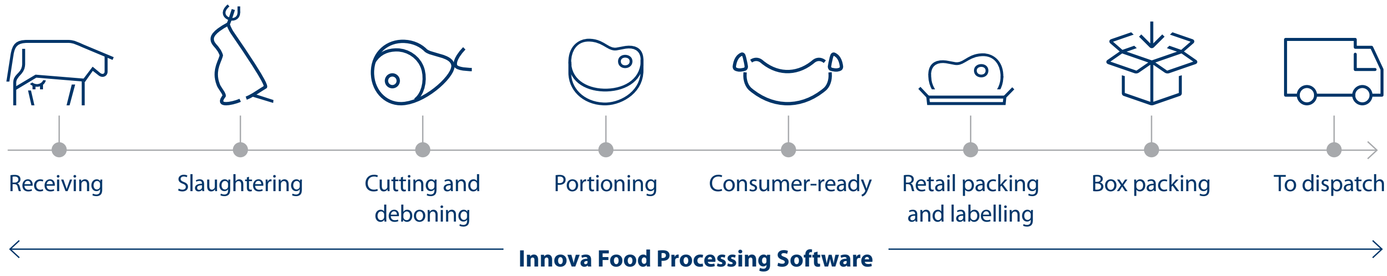
In 2020, our efforts resulted in a number of successful projects, including large and small standard equipment installations, and greenfield projects.

New standards in pork processing

The Frimesa plant in Assis Chateaubriand in Brazil will be the largest and the most advanced in Latin America. The plant is scheduled to start-up in January 2023 and is estimated to provide 5,000 direct jobs and up to 15,000 indirect jobs in the region, and process 1000 hogs per hour.

The Frimesa project covers primary processing with CO_2 stunning, slaughtering robots and fully automated chilling rooms; and secondary processing with automatic cutting systems and DeboFlex systems for shoulder and ham deboning. The project also includes a full pack of Maja skinning machines and membrane skinners, logistics for raw material boxes controlled by RFID and much more. From the incoming raw material to the secondary packaging, all processes are managed by Marel's Innova software, ensuring product traceability.

From live animal receipt to finished product dispatch



Raising the bar in animal welfare

The new slaughter hall at DanePork is designed to meet the latest hygiene requirements, COVID-19 social distancing and other requirements throughout the buildings, and animal welfare standards, including automated walkways for livestock.

Pigs will be unloaded from the supplier truck inside a closed space, allowing for very low-stress transportation to the stunning area. The Butina CO_2 stunner allows for maximum space inside the gondolas, holding groups of five pigs each.

The evisceration hall will be fully equipped with Marel's M-Line robotics kill floor automation program, including the newly designed Leaf Lard Remover robot.

New Zakrzewscy cattle facility

Zakrzewscy – one of Poland's largest beef processors – is building an entirely new state-of-the-art and processing facility for cattle, which will be fully equipped with integrated lines and solutions from Marel in an end-to-end process.

It is essential for Zakrzewscy to be able to monitor and manage the products and flow throughout processes, so they are operating their lines and systems in the deboning hall and value adding areas with Marel's Innova food processing software.

Most operator platforms are height adjustable, ensuring the maximum ergonomic standard and meeting the latest and strictest hygiene standards.

Sustainability in the meat industry

Sustainability continues to be a focus for the meat processing industry and for many of our customers, finding more sustainable solutions is increasingly about complying to strict regulations too. Marel's sustainability focus includes promoting animal wellbeing, maximizing raw material utilization and reducing the use of resources such as electricity and water.

In 2020, sustainability was also about employing new ways of working together and serving our customers. We traveled less but kept up the pace of innovation and the quality of service, a sustainable process we will continue.

Waste water treatment in China

We are working very closely with one of China's largest beef processing companies on installing state-of-the-art processing technologies and a complete water treatment system at their facility.

China has strict water environmental regulations, and the company selected Marel because of our vast experience in waste water treatment in food processing. The waste water from the plant is being treated in a sustainable way so that it can be discharged back into the natural water sources.

Customer story

Robotics and digital technology at Muyuan

Muyuan Group, the world's second-largest pig breeder, is building its business as a vertically integrated company covering the whole process from feed mills to processing facilities.

They are building sophisticated slaughter facilities close to the pig farms to help control and eliminate African Swine Fever (ASF) and other animal diseases. ASF has taken a significant toll on the Chinese pork industry since 2019, prompting the government to ban the long-distance transportation of live pigs, hence encouraging the industry to move these facilities away from cities.

Greater efficiency from new technology
Muyuan's pork processing factory in Neixiang, Henan Province, began production in October 2020 with Marel primary processing equipment throughout. Muyuan's meat factory in Zhengyang, 280 kilometers away, has followed suit with the same Marel lines as installed at the Neixiang facility.

The company has adopted Marel's most advanced primary meat processing lines to take best advantage of the innovative application of industry-leading electronic and digital technology. These lines include state-of-the-art M-Line slaughter robots – each robot with a capacity of 650 pigs per hour – that significantly improve production efficiency, lower production costs and reduce energy consumption.

Market trends and growth drivers

In March 2020, we started seeing the impact of the pandemic on the industry, with a rise in home-cooking and in-house dining trends. In this context, the addition of TREIF has helped meet this demand by further increasing our portfolio of standard equipment and strengthening our full-line product offering. The demand for automation intensified as the pandemic exacerbated challenges such as the availability of labor and ensuring food safety, in many cases leading to disruption in meat production. Subsequently, we saw increased interest from meat processors in robotics and digitalization.

Impact from African Swine Fever

African Swine Fever (ASF) continued to take a toll on the pork industry in 2020. Over 40% of China's hogs were culled in 2019 due to ASF, which has led to dependency on imports from mainly the US and Brazil. However, the pork livestock supply was recently estimated to be back to pre-ASF levels. The rapid growth of the Chinese import market, combined with lower supply and the growing popularity of higher value beef products consumed at home, bolstered the global beef industry. Location is key for the outlook with production recovery in China, and Marel is expanding its operations in the region, doubling our sales coverage and opening a new sales and service office in Shanghai in 2021.

Rising automation

The industry's demand for greater automation continued to grow, as producers continued to look for ways to reduce cost, avoid the physical strain of heavy manual processes, improve food quality and meet consumer demand for greater traceability.

Agile processing for different consumer channels

During 2020, the shift from food service to consumer-ready products has also changed the approach of many meat processors. Automation, adaptability and food safety are top of mind and Marel is a facilitator in this arena. Onboarding new, more automated and flexible solutions with full traceability helps processors to remain flexible, enabling them to compete in the volatile, yet highly competitive marketplace.

Global productions and trade trends

Beef and veal

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

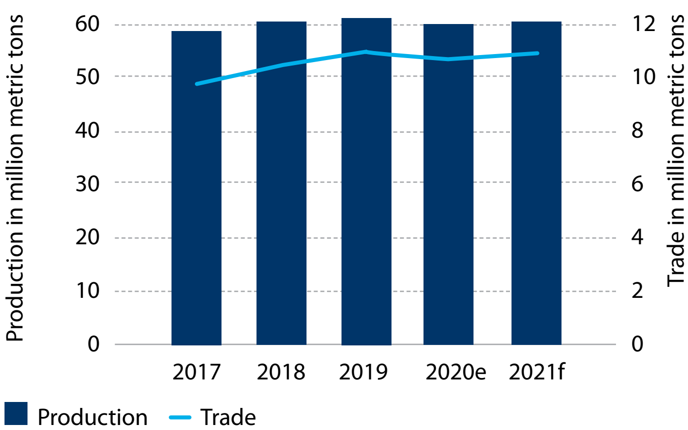
In 2020, global production of beef and veal is estimated to have shrunk by 2.5%. However, it is expected to bounce back in 2021. At the same time, exports are expected to grow by 2.5% and reach 10.8 million tons.

The US continues to lead production, accounting for an expected 20% of production in 2021, followed by Brazil with 17%.

Brazil continues to be the leading exporter. Its exports are expected to grow by 5.2% to reach 2.7 million tons in 2021. At the same time, China remains the leading importer, having more than tripled its imports since 2017.

Global beef and veal production and trade

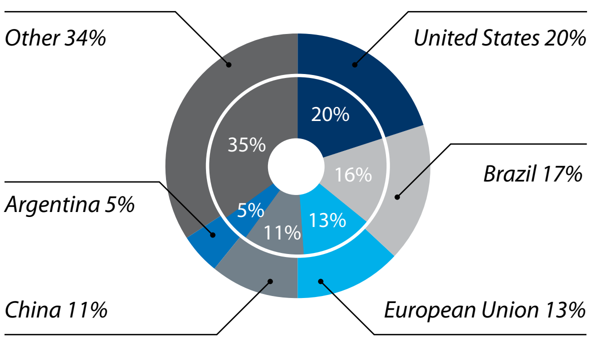
CAGR 2017-2021f: 0.8% for production and 3.1% for trade



Source: USDA Foreign Agricultural Service (2020, January 10).
Beef and Veal Production and Trade. Retrieved from: https://apps.fas.usda.gov/.
Note: Figures for 2020 are estimated (e) while figures for 2021 are forecast (f).

Largest beef and veal producers

2021 forecast (outer) compared to 5 years ago (inner)



Source: USDA Foreign Agricultural Service (2021, January edition).
Beef and Veal Production. Retrieved from: https://apps.fas.usda.gov/.

Pork

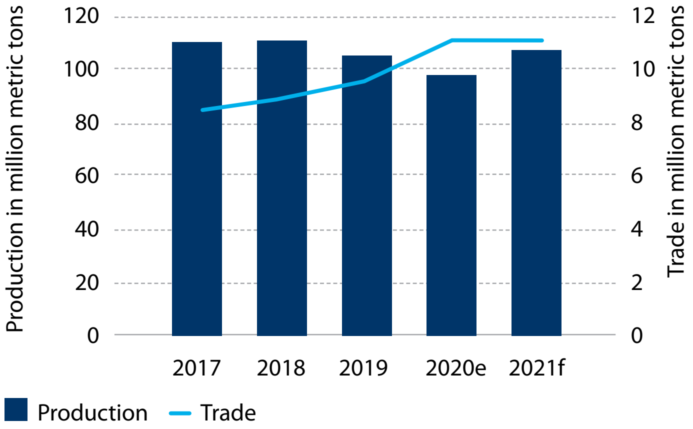
While global production of pork shrunk in 2020, the reduction was actually less than expected. In 2021, the production is expected to increase by 6.1% while exports are expected to shrink by 2.1% and end at 11.1 million tons.

China is expected to reclaim some of its lost market share in 2021 while it will still be about 20% of the level it was on in 2017 according to the forecast.

In 2021, the top three exporters - the EU, US and Canada - are all expected to lose marketshare while Brazil continues to grow.

Global pork production and trade

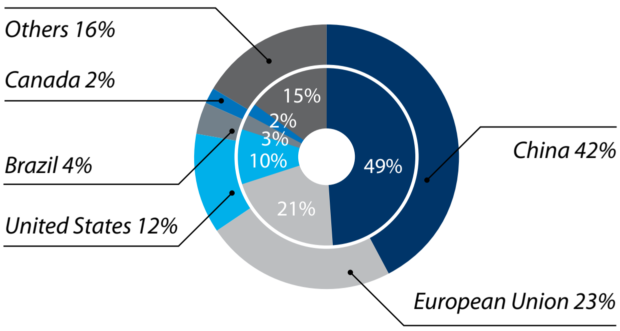
CAGR 2017-2021f: 1.9% for production and 8.2% for trade



Source: USDA Foreign Agricultural Service (2021, January edition). Pork Production and Trade. Retrieved from: https://apps.fas.usda.gov/.
Note: Figures for 2020 are estimated (e) while figures for 2021 are forecast (f).

Largest pork producers

2021 forecast (outer) compared to 5 years ago (inner)



Source: USDA Foreign Agricultural Service (2021, January edition). Pork Production. Retrieved from: https://apps.fas.usda.gov/.

Fish

Connecting through precision

Thanks to the precision of our cutting-edge innovations, our customers can make the most of each fish, thereby increasing yield and reducing waste. Our flexible solutions also make it easy to switch from food-service and high-end restaurant products to retail and consumer-ready products. This has allowed our customers to respond swiftly to the changes in consumer behavior and market demand caused by the pandemic.

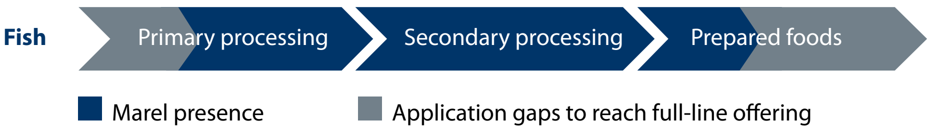
Fish industry

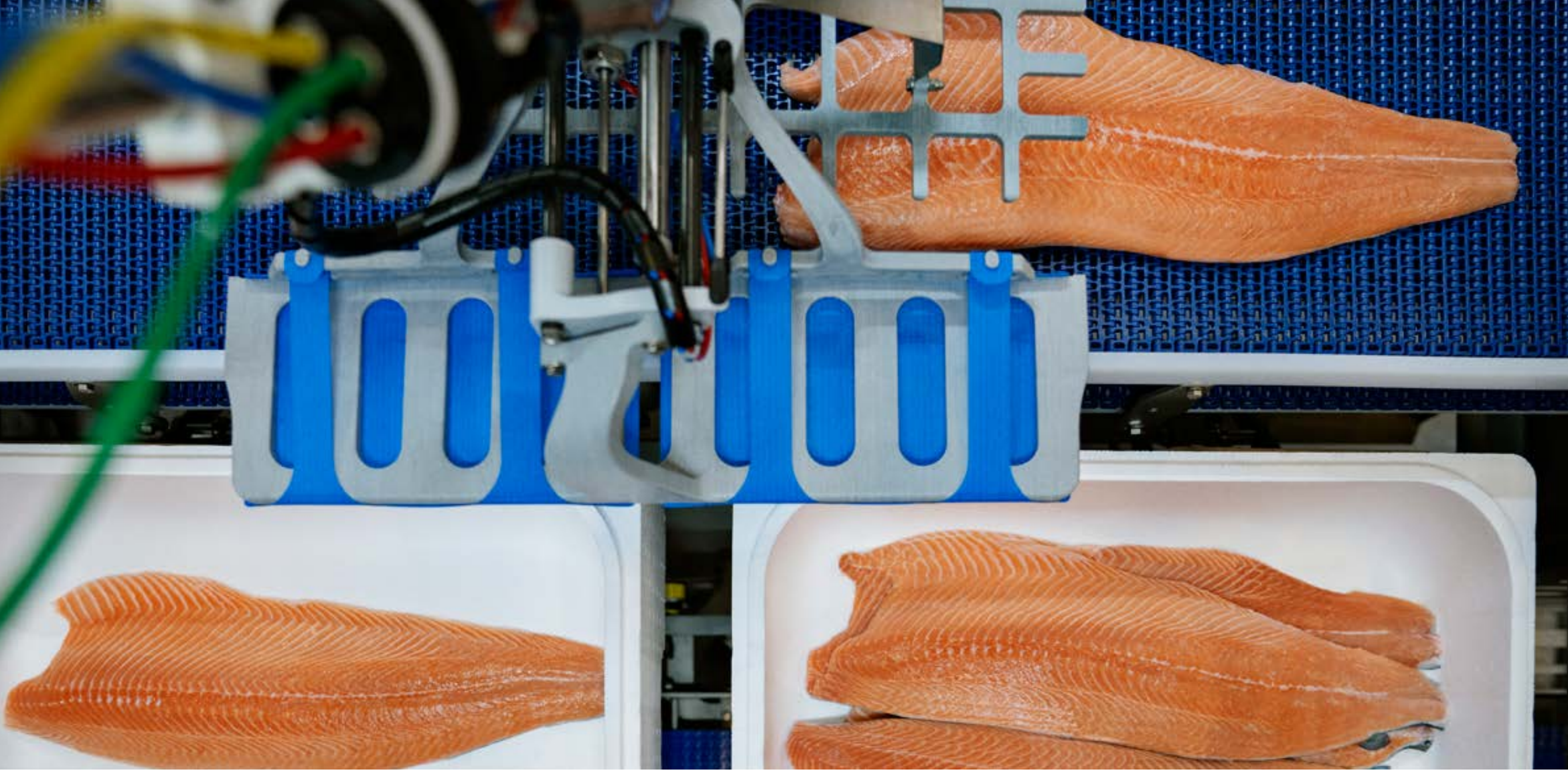
Fish is one of Marel's three key protein industries. We are a leading global supplier of integrated systems and advanced standalone processing equipment for whitefish and salmon, both farmed and wild, onboard and ashore. Marel's fish division contributed EUR 151 million in revenues in 2020, or 12% of total revenues, translating to an EBIT margin of 5.4%.

The consumer value of the fish market is estimated to be around EUR 200 billion. More pertinently for Marel, fish processing equipment sales are estimated at around EUR 1.8 billion.

Marel management continues to target medium and long-term EBIT margin expansion for the fish division, with an ongoing focus on reaching full-line offering across farmed and wild whitefish and salmon through innovation and M&A.

With the bolt-on acquisition of Icelandic fish processing equipment provider Curio, Marel has a full-line offering of solutions for the wild whitefish processing industry. Curio's product portfolio of deheading, filleting and skinning solutions complements Marel's existing product offering very well. Curio will be consolidated into Marel's financial results in 2021 and is expected to positively contribute to margins. As of 4 Jan 2021, ownership of Curio increased from 39.3% to 50% with an option to acquire the remaining 50% in three years.





Products

By improving processes, we improve end products. At Marel, we recognize that fish processors increase automation, yield, quality and safety by optimizing processing at every step in the plant. In 2020, we introduced new solutions that revolutionize processes in the fish sector.

Digital connectivity

With data-driven decisions, a new era of smart processing is underway. In 2020, we paved the way for digital connectivity utilizing powerful data gathering and analysis tools for maintenance. Shifting from preventive to predictive maintenance allows Marel to evaluate components' conditions and replace them in time, minimizing any unexpected disturbance during uptime.

Robotics significantly reduce giveaway

The RoboBatcher is the world's first and only intelligent robot solution for fish packing and is available for salmon and whitefish. By installing Marel's packing robot, processors reduce labor costs and giveaway. This state-of-the-art technology weighs and packs multiple products simultaneously. In addition, Marel's Innova software allows processors to fill orders with ease, while the intelligent robot solution offers a higher yield and increased throughput.

Whole-fish salmon grader

With the highly innovative and automated Whole Salmon Packing Grader, the protein flows seamlessly from slaughtering through to processing and dispatch. From infeed and quality control, the salmon is then sorted in the automatic packing grader according to quality and weight, then prepared in batches. The box system holds the boxes where the salmon is placed and iced. Marel's overarching Innova software powers all steps in the process.

Next-generation retail slice packs

The Retail Pack Slicer I-Slice 3400 is the next generation of retail slice packs for salmon. With accurate weighing and scanning of fillets, it calculates the best cutting profile automatically, with up to a 72° angle. High-quality slicing of fixed weight batches affords processors better agility to support distribution channel flexibility and customize the slice thickness for retail and foodservice.

Efficient pinbone removal

The Pinbone Remover MS 2610 gently removes bones and leaves the fillet intact for quality results and minimum waste. With this entry-level machine, the pinboner enables smaller salmon processors to automate part of their processes affordably and efficiently.

Large projects

For Marel, 2020 was a productive year in the fish sector. Fish processors that have invested in smart factories have established market leadership through increased automation, throughput and yield. Among our largest projects were collaborations with Brim, Inka, Camanchaca and Vísir. Using cutting-edge technology such as augmented reality was key to installing equipment successfully in Iceland, Norway, Chile and other locations worldwide.

Partnership with Brim

Iceland-based whitefish processor Brim is one of the world's most advanced whitefish processing facilities today, and utilizes state-of-the-art equipment and automation in every processing step. Installation in 2020 included a high-tech packing system with 10 robots, which streamlined the entire packing process, in addition to several FleXicut lines. With this landmark installation of automated equipment and digitalization in its processing lines, ensuring Brim greater flexibility and automation throughout its processes.

Partnership with Inka

Inka has a long history of processing Norwegian salmon and trout. In partnership with Marel in 2020, Inka extensively automated and modernized their processes with a new double-line factory, resulting in much higher yield and throughput, set to process 12,000 tons of salmon and trout annually. This project is an excellent example of a dynamic partnership during the pandemic where communication and planning were essential.

Partnership with Camanchaca

Camanchaca in Chile has worked in partnership with Marel for several years to automate their salmon processing plant. With Marel as their sole equipment supplier, Camanchaca has boosted automation, yield and throughput at the facility. In 2020, Marel and Camanchaca teamed up once again to automate their grading process, conveyor system and packing lines. This project, due to be complete early in 2021, will automate most of Camanchaca's operations.

Customer story

Vísir's industry-leading whitefish plant

Vísir and Marel have worked together for many years, continually redefining the limits of processing technology to transform the way fish is processed. In November 2019, Vísir installed a RoboBatcher for packing loins into boxes. In May 2020, Vísir added more robotics for the automatic packing and batching of portions and whole fillets, and a new automated box handling system. These installations have allowed Vísir to achieve a more flexible product offering at a very high volume.

Vísir already had the FleXicut to optimize bone removal and portioning of fillets and the SensorX, Marel's leading solution in bone detection, to deliver optimal quality as well convey weight estimates to the robotics solutions that batch the products to order. The end result improves yield and throughput and minimizes giveaway. It also provides for a more sustainable process, as production can become more demand-driven and thus reducing food waste.

Sustainability in the fish industry

The sustainable use of raw materials, water and energy is a top priority for the fish processing industry. Through our significant innovation investment and development of digital solutions, we aim to drive greater overall efficiency and sustainability from catch to table.

We design our equipment to minimize waste and use resources more efficiently through optimal energy and water usage, including during cleaning. This way, our customers improve raw material utilization to preserve natural resources and fulfill customers' business goals.

Smart factories make smarter use of resources

Sustainability is one of the pillars of a smart factory. The continuous implementation of smart factory technology in the fish industry enables processors to use new technologies and innovations to adopt more sustainable, efficient business models.

Collaborating with customers on their journey to automate their factories, we work to reduce energy usage, optimize human resources and speed up production. Marel solutions such as the new manual deheading system, portion cutters, slicers and FleXicut also reduce waste by improving yield.

With Marel's Innova software, customers can improve their integration of all physical and data infrastructures with information that delivers control of raw materials, equipment and human operators. This empowers processors to make informed decisions to run their businesses sustainably.

Our digital solutions provide a holistic view of the supply chain which, coupled with better process management, more efficient resource use, optimized portion sizes, traceability and better recycling options, will enable our industry to become more demand-driven and ultimately reduce food waste.

Market trends and growth drivers

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

Seafood in a balanced diet

Consumers are becoming increasingly mindful of healthy eating, which has increased the demand for seafood, including differentiated and value-added seafood products. This trend is expected to continue to be a significant source of growth for the industry. Innovative solutions in both salmon and whitefish will set new industry standards over the next few years, with major Norwegian and Icelandic processors leading the way. Watershed installations are already underway and will likely pave the way for others to follow.

Automation and smarter technology

With technology developing fast and companies optimizing their business, we participate by developing products that create more value and automation. With automation controlled and monitored by a software system, companies generate higher yield and throughput. Automation also reduces reliance on manual labor, countering rising labor costs, labor shortages and social distancing measures. Smarter technology improves channel flexibility, for example enabling processors to adapt their sizing and portioning in an agile manner in response to rapid changes in consumer demand. These growth drivers are a large factor for processors competing in a competitive market.

Global production and trade trends

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

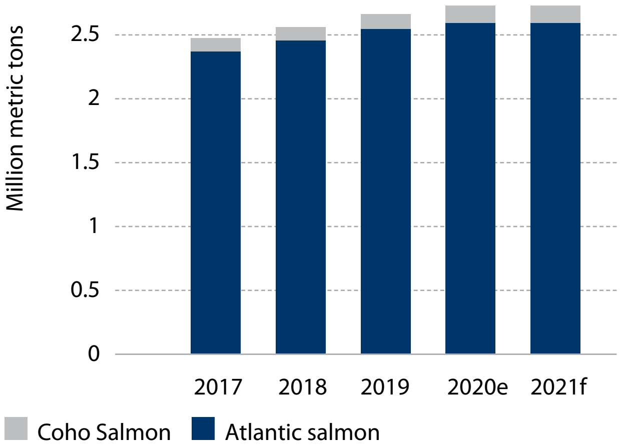
Salmon

In 2020, global salmon production grew as expected to 2.9 million tons. In 2021 however, a projected downturn in Chile is expected to lead to a modest decrease in the global production of salmon.

Norway is expected to increase its share to 48% of the global production, followed by Chile with 30%. Other producers are also expected to increase their production in 2021.

Global production of farmed salmon

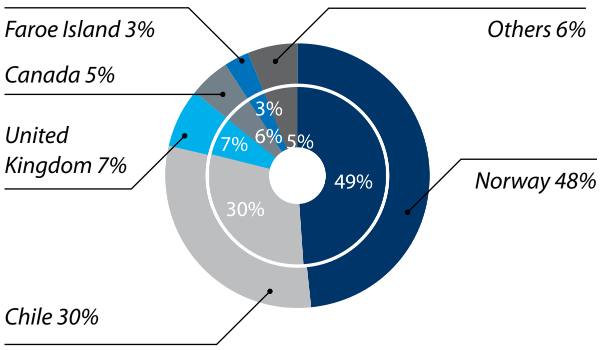
CAGR 2017-2021f: 3.8% for Atlantic salmon, 3.7% for Coho salmon



Source: Groundfish Forum (2020).
Note: Figures for 2020 are estimated (e) while figures for 2021 are forecast (f).

Largest salmon producers

2021 forecast (outer) compared to 5 years ago (inner)



Source: Groundfish Forum (2020).

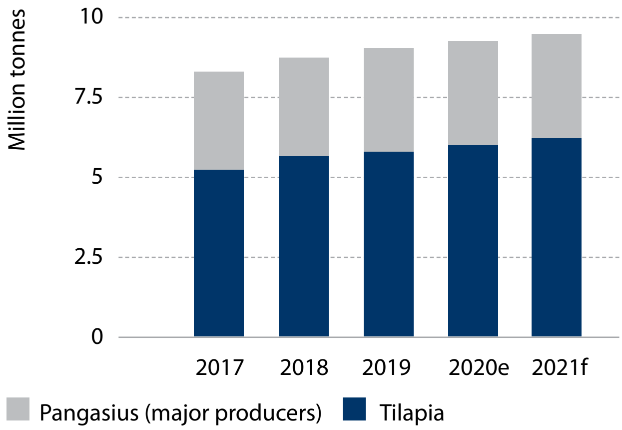
Tilapia and catfish

Production of tilapia and pangasius is expected to rise by 5.9% in 2021. Production of tilapia is projected to grow by 3.8% after a slow 2020, while production of pangasius is expected to grow by 11.2% after an unexpected downturn in 2020.

Please note that Bangladesh is now grouped with other South-East Asian countries and Brazil is grouped with other American producers, due to changes in the underlying dataset used in the forecast. However, as before, China is expected to continue to be the leading global producer of tilapia, followed by Egypt and Indonesia.

Global production of tilapia and pangasius

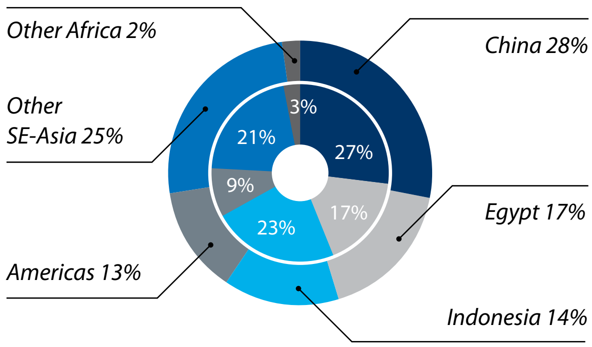
CAGR 2017-2021f: 2.4% for Tilapia (major producers), 2.0% for Pangasius



Source: Gorjan Nikolik, RaboResearch, through Global Aquaculture Alliance (2020).
Note: Figures for 2020 are estimated (e) while figures for 2021 are forecast (f).

Largest tilapia producers

2021 forecast (outer) compared to 5 years ago (inner)



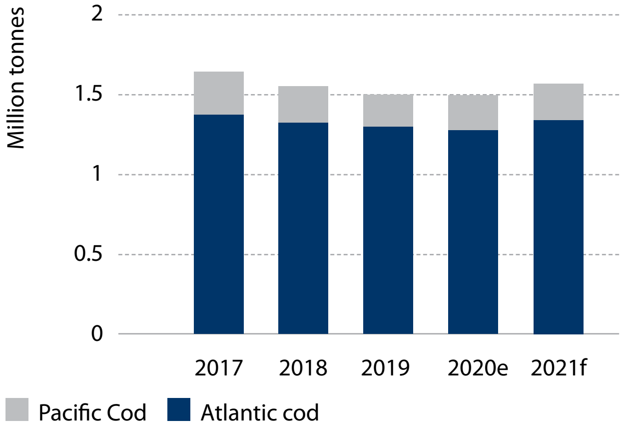
Source: Gorjan Nikolik, RaboResearch, through Global Aquaculture Alliance (2020).
Note: Figures for 2020 are estimated (e) while figures for 2021 are forecast (f).

Cod

Global production of cod is projected to grow by 6% in 2021. Atlantic cod is expected to grow by 11% while production of Pacific cod is expected to shrink by 8%. If the forecast holds, Russia will increase its share to 35%, followed by Norway with 25% and Iceland with 17%.

Global production of cod

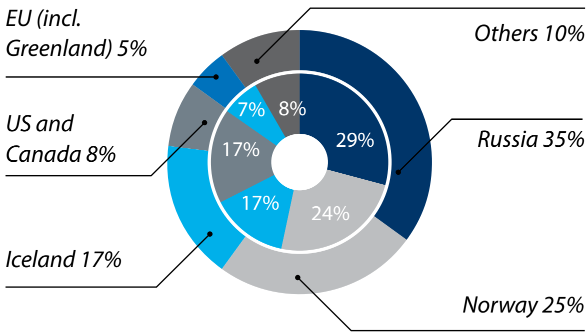
CAGR 2017-2021f: -1.2% for Atlantic cod, -4.3% for Pacific cod



Source: Groundfish Forum (2020).
Note: Figures for 2020 are estimated (e) while figures for 2021 are forecast (f).

Largest cod producers

2021 forecast (outer) compared to 5 years ago (inner)



Source: Groundfish Forum (2020).

Software

Connecting through data

Our digital platform continues to be the food processing industry's first choice for bridging software and hardware. Our digital solutions give customers the automated processes and actionable insights they need. As part of our continuous innovation cycle, our software and digital solutions continue to enrich our hardware portfolio. We enable customers to shift from supply-driven to demand-driven production, with the inherent positive impact on sustainability.

Software and digital solutions

Marel aims to be the digital partner of choice for the food processing industry. We make it easy for customers to maximize value creation sustainably by automating their processes, supported by data-driven insights from our in-house developed Innova Food Processing Software.

Transforming food processing, digitally

Innova is a suite of software that provides our customers with process overview and control, real-time traceability, and unmatched throughput and yield monitoring of a product's processing journey. From reception to dispatch, it offers seamless flow between different applications, including third-party solutions.

Strong collaboration with our customers is the foundation of our Innova Food Processing Software – and Marel as a whole. Our cutting-edge software leads the industry with around 2,500 installations worldwide. With the combined expertise of our dedicated software team, we make the implementation process swift and efficient for our customers. In recent years we've expanded our software team extensively and now have around 300 data collection specialists.

2,500 installations worldwide

The digital era accelerates

Recent years have been an era of digital transformation, and 2020 greatly accelerated the rate of change. Companies were forced to adapt their business practices, think and behave differently, and settle into a new reality. The ability to control and monitor factories had to be mobile and accessible remotely. For most organizations, the digital transformation will be realized through continuous change, which creates further incentive to partner for the long-term journey.

In a fast-moving industry with increased demands for sustainability, quick and reliable information is of great importance. With raw material often representing 70-80% of the end product's cost, information needs to be very tightly controlled and managed. Processors also need to be able to monitor and control aspects such as productivity, giveaway, and inventories to maximize value.

Production driven by demand and data

In partnership with our customers, Marel is transforming the way food is processed. Our vision is of a world where quality food is produced affordably and sustainably. We make it possible for customers to optimize from supply-driven to demand-driven production, with the inherent positive impact on sustainability. In the past decade, we've been able to achieve material results by optimizing raw materials, and the next transformation will be in producing the right product at the right time.

From a market perspective, we expect that our customers will need increasing amounts of data due to ever-increasing industry and regulatory demands for animal wellbeing and traceability. Additionally, consumers will expect more insights into the quality and origin of their food. Therefore, we foresee that our customers will need to be able to produce more in-depth data regarding food origins and how it was handled throughout the value chain.

Investment in remote and more sustainable solutions

We continuously develop our software solutions to fit changing market needs. Remote working has become the new norm, not only for meetings but also for maintenance, installation, and other services. Marel has been increasing investment in this area in recent years. At the same time, we're ramping up our investment in data science, optimization, Industrial Internet of things (IIoT), and a unified digital platform to enable new products and services.

In the last few years, we've transformed our software development approach with increased investment and restructuring the team towards a customer-centric approach. We have cross-functional software development teams in five countries: Australia, Denmark, Iceland, the Netherlands, and the US. We make it a priority to meet our customers in the field and at dedicated software events to share Innova's vast potential. Our close partnership with customers strengthens our service and support offerings, ensuring that their investment delivers the intended results.

Together, these investments make it possible to meet the demand for more sustainable solutions and remote work process capabilities. The next products will be released in 2021 in the form of predictive maintenance, with other production-related products coming soon after.

The future of smart production control

Utilizing the latest Internet of things (IoT) technology and cloud analytics, Marel has established its Innova software as the future of smart production control. Innova is designed to detect inefficiencies on the factory floor and target the exact data needed to maximize throughput, quality, and yield, and comply with regulatory standards. This makes it easy and efficient for plant managers and operators to control, monitor, and enhance their entire production process.

2005 Development starts with 4 developers

2006 First Innova system goes live in fish processing

2008 First modules released

2009 Integration Services module added

Innova for Streamline introduced

2010 Innova for End of Line introduced

2011 Increased service focus

Innova for SensorX and Pluto platform launched

2012 Integration with Marel Poultry processing equipment

2013 1,000 Innova systems installed

Innova Labeling module added

2014 Innova Quality Control module added

2015 Innova Overall Equipment Effectiveness module added

2016 Regional Innova buildup starts

2017 2,000 installations 200 employees

Recipe Manager module added

2018 Innova IMPAQT introduced

2019 Two Software KnowHows

2,300 Innova Installations

2020 First installation of new platform

Meaningful insights through data visualization

Key performance indicators including yield, throughput, quality, capacity, and labor efficiency are essential to the daily operations of processing plants. Across the food industry, companies collect enormous amounts of data on these indicators. The real challenge, however, is to analyze and highlight which specific data can help maximize performance.

Innova's comprehensive, real-time reporting displays data on analytics dashboards, providing users with a clear visualization of relevant information. Processors are therefore able to make data-driven decisions in real-time to optimize results, customize processes to fulfil specific aims, and respond to any issues immediately.

Building blocks of the Marel Digital Platform

Marel's Digital Platform can be thought of in terms of three layers: the Digital Platform, with technology embedded in all equipment; Process Control, which interconnects lines of equipment; and the Connected Business, which enables full production and process control throughout the food processing value chain.

We strive to ensure that processors can create a seamless connection between solutions on the production floor and the software that collects valuable data for optimization throughout production.

Digital platform

The Digital Platform hosts all the functionality, data storage, analytics, and visualization. The platform is a hybrid cloud infrastructure, meaning that mission critical functionality runs on-premise and can run independently from the internet connection. Other functionality can easily tap into the cloud's benefits, such as big data and machine learning. The platform enables Marel to build solutions quickly and securely and integrate with third-party solutions.

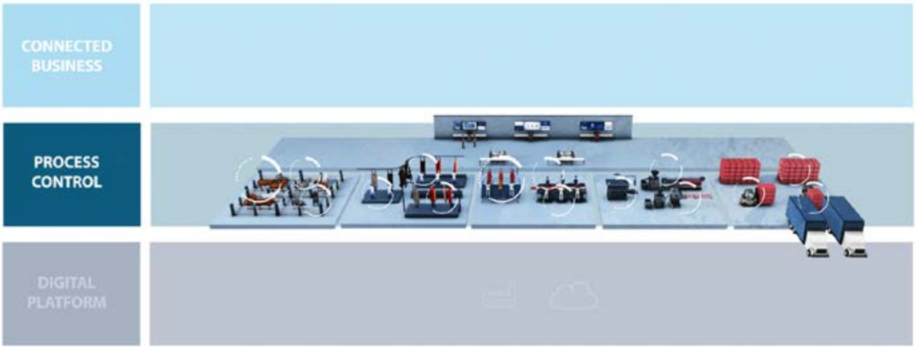


Figure 1 Digital Platform

Process control

Our Process Control solution suite, or MES solutions as they're sometimes known, are an integrated part of each Marel offering, allowing multiple devices to be seamlessly configured and operated as a single automated 'system.' which we offer as Innova. Process Control solutions help with yield management, performance monitoring, and controlling raw material manufacturing. Process Control is the solution that enables you to manage the production flow and get information related to production.

We've made significant investments in our Process Control to support new hardware solutions and continuously add software capabilities. The current focus is to improve standardization and deployment of business processes while keeping our flexibility to serve business needs and enhance the support of multi-site implementations.

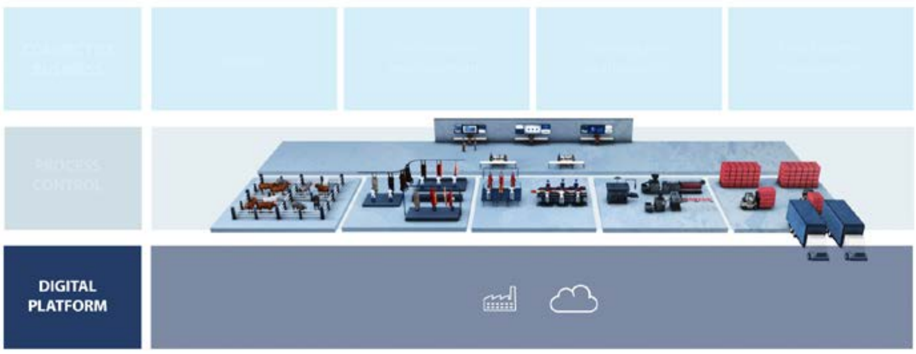


Figure 2 Process Control

Connected Business

The Connected Business family is the value-added solution portfolio on top of the Digital Platform and Process Control. Within Connected Business, we have four subfamilies: Logistics, Performance Management, Planning and Optimization, and Food Safety Management.

Logistics is centered on providing real-time insight and overview for all logistics units and movements at the enterprise level. It enables automated reception and dispatch of raw material, including traceability, to minimize logistic and labor costs.

Performance Management applications provide tools to track in real-time equipment and process performance and enable continuous operational improvement. Furthermore, it predicts and prevents equipment failures to reduce downtime and maintenance costs.

Planning and Optimization focuses on providing a comprehensive planning platform to improve demand forecasting, provide production scenario simulation, and automate production optimization.

Food Safety Management assures quality and compliance and provides traceability information throughout the full process. One of the critical components of sustainable manufacturing is to have comprehensive traceability offerings from farm to fork.

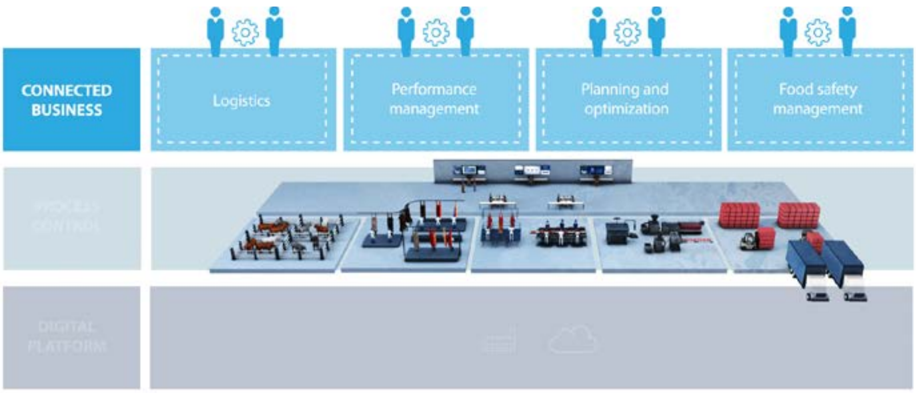


Figure 3 Connected Business

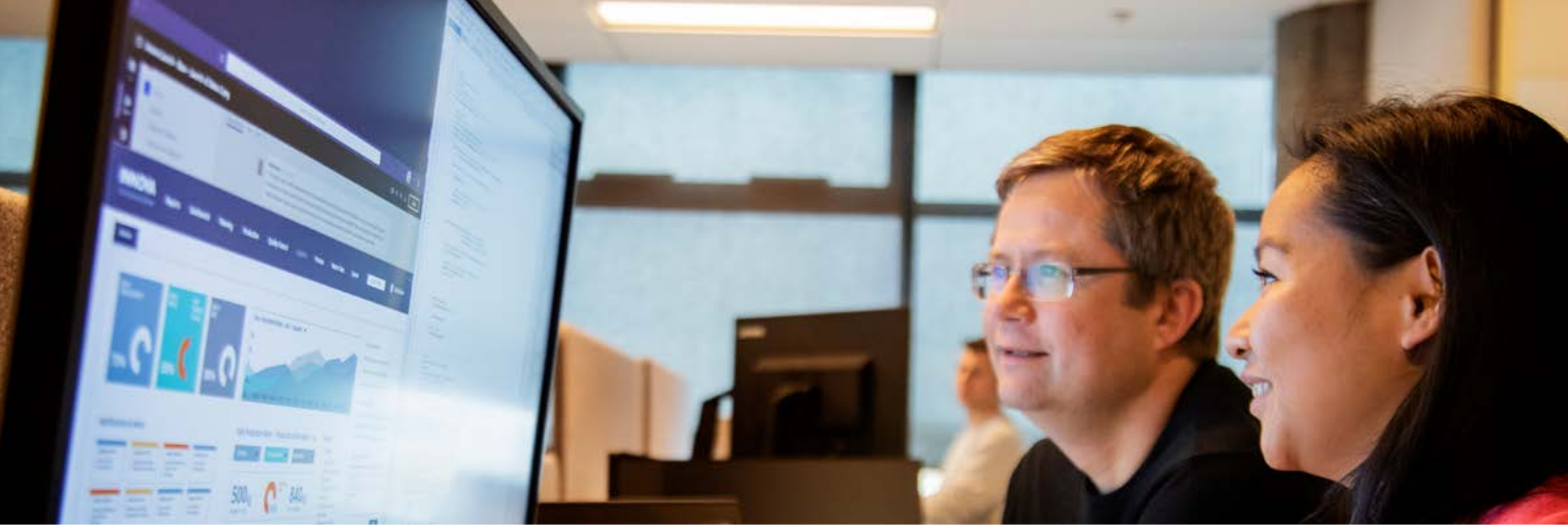
Marketing module

Software KnowHows

Our Software KnowHow user conferences, which entered their third year in 2020, attract hundreds of Innova users in North America and Europe. These are important events for Marel, encouraging open dialogue and bringing our digital innovation to life.

Software KnowHows provide a forum for our customers to learn from us – and from each other – so they can use Innova software to its full potential. Through live demonstrations, presentations, and breakout sessions, customers connect with Innova experts and industry peers. KnowHows are also an excellent opportunity for us to strengthen our partnerships with customers through active engagement and feedback.

Software KnowHows took a different form in 2020, moving from onsite to online in response to the pandemic. While this presented a challenge, it also gave us a fantastic opportunity to see how we could transform KnowHows into interactive online events. With great ingenuity, our digital team reworked presentations into an exciting digital program for our Marel Live platform.



Products

Informed and inspired by data-driven insights, our software team regularly rolls out new advancements to improve current processes. In collaboration with a few pilot customers, we're also developing advanced maintenance capabilities with the latest IoT technologies. Customer testing and feedback have been crucial to developing these products, and we'll keep rolling out updates and improvements to support processors' real needs. In 2020, we developed 10 new products, which will be released in 2021.

Innova LifeCycle Support

The Innova LifeCycle Support (ILCS) program provides customers with software support and maintenance and helps control IT costs. Software is a significant investment, and customers want assurances that their investment will work optimally. With ILCS, they have priority support from Marel specialists and access to the latest software version.

We strive to bring additional value to our customers and position Marel as a reliable and long-term partner. By offering ILCS with Innova on a subscription-based model, we facilitate a more direct interaction with customers where we can get a better understanding of their demands and give them a chance to provide valuable input.

Innova LifeCycle Support Zone

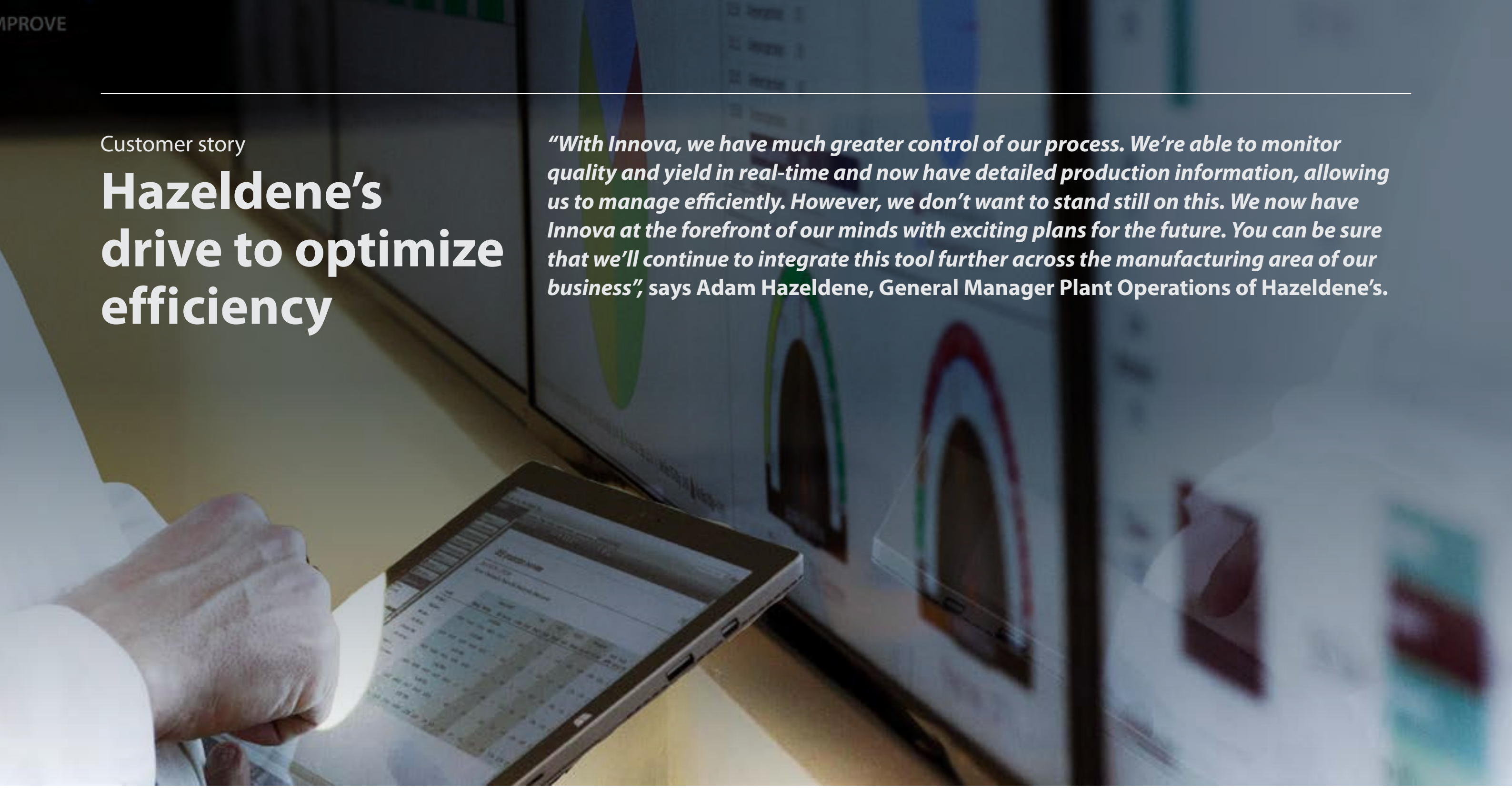
We officially launched the Innova LifeCycle Support Zone customer portal in late 2020. The ILCS Zone is a portal that all Innova users can access, though it's primarily for our ILCS customers. As part of the ILCS contract, our customers gain exclusive access to additional content and benefits.

ILCS Zone customer access includes the following and more:

- Innova product information
- An overview of purchased licenses
- E-learning courses, training videos, and webcasts
- User manuals and product demonstrations
- A way to easily communicate with us, share ideas, and get feedback
- The benefits of the ILCS community

Innova lifecycle support customers receive free admission

4	4 +	840	30
Eye-opening days	Sessions	Live broadcasting minutes	Unique presenters



Customer story

Hazeldene's drive to optimize efficiency

"With Innova, we have much greater control of our process. We're able to monitor quality and yield in real-time and now have detailed production information, allowing us to manage efficiently. However, we don't want to stand still on this. We now have Innova at the forefront of our minds with exciting plans for the future. You can be sure that we'll continue to integrate this tool further across the manufacturing area of our business", **says Adam Hazeldene, General Manager Plant Operations of Hazeldene's.**

Complete control over quality

We have developed a comprehensive Innova Quality Control (QC) package for our customers. The package consists of a selection of our current QC products, introducing a suite of quality control measures into the factory for new QC customers. We offer a wide range of QC products, and bundling them into this indispensable package serves two purposes: It takes the pressure off customers who are deciding which products to invest in first and gives them a cohesive overview of what QC can help them accomplish.

The suite provides a standard set of procedures tailored to the food processing industry. Instead of building a system from scratch, the customer can easily modify and expand QC options to their specifications, reducing implementation time.

Built-in management and back-office support

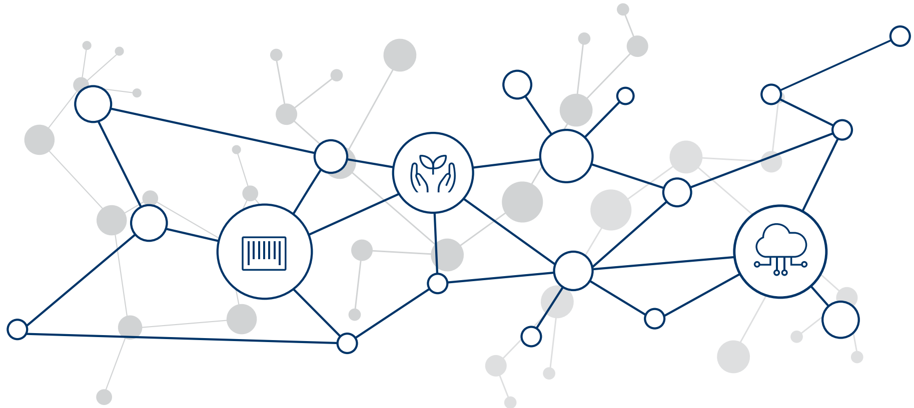
Paper program into digital procedure format

Utilized across all Quality Assurance teams

Tailored to your process and industry needs

Software acquisitions and strategic partnerships

Marel continues to pursue opportunities to develop high-tech, data-driven solutions for food processors that merge connectivity, software, and hardware to drive smarter processing.



Marel acquires Cedar Creek Company in Australia

In October 2019, Marel acquired Cedar Creek Company, an Australian provider of specialized software and hardware solutions to meat and poultry processors. Cedar Creek's advanced software solutions are complementary to Marel's commitment to building innovative software, and together the companies continue to develop Innova software, which enables processors to make data-driven decisions.

Cedar Creek built long-standing relationships with some of the largest meat and poultry processors in Australia and New Zealand. By acquiring Cedar Creek, Marel has expanded its customer reach in the region. Jointly, the companies are strengthening customer support with integrated software and hardware solutions for food processors.

New partnership with SafetyChain in North America

In October 2020, we announced that Marel would be working towards a formalized partnership with SafetyChain to offer our customer base a best-in-class software solution. SafetyChain provides a cloud platform solely focused on food safety, quality assurance, and compliance in the food and beverage industry. It's the leading North American software solution for this area, bringing domain expertise to Marel and a best-in-class product that perfectly matches our Marel software offering.

Together we have secured a few pilot projects to ensure that the joint product offering fits our customers' needs. We'll formalize the partnership in 2021 and complete the pilot project and the North American market launch of the Marel and SafetyChain offering.

Innovation

Connecting through innovation

Our innovations ensure greater automation, smarter solutions and better use of raw materials. We have more than 1,000 innovation specialists in nine locations worldwide, dedicated to innovating our hardware, digital solutions and service offering. Using extended reality simulation for designing, prototype testing and customer training, we can implement our solutions even faster.

6% innovation promise

Innovation is, and has always been, at the heart of Marel. It's one of our three core values and is vital in our quest to provide solutions that deliver the highest-quality sustainable and affordable food.

In 2020, our emphasis on innovation proved essential to providing a continuous flow of solutions and services to our customers. It was a year of impressive delivery, where the innovation team adapted rapidly to the challenges of the pandemic while keeping long-term development goals on track.

Automation, digitalization, and sustainability have been the focus of our development efforts in recent years, and our work guided by these themes made 2020 a successful year. In the face of unprecedented restrictions, more than 1,000 Marel innovation experts worked in collaboration with our partners to bring over 30 breakthrough innovations to the market.

Innovation continues to be in our DNA, supported by an annual investment of around 6% of revenues in research and development. We are constantly improving our operations, and our organization is more closely connected than ever before. We have a clear vision and plans for the road ahead, continuing our strategic focus on automation, digital products, and sustainability.

Over 1,000 employees
in 10 countries

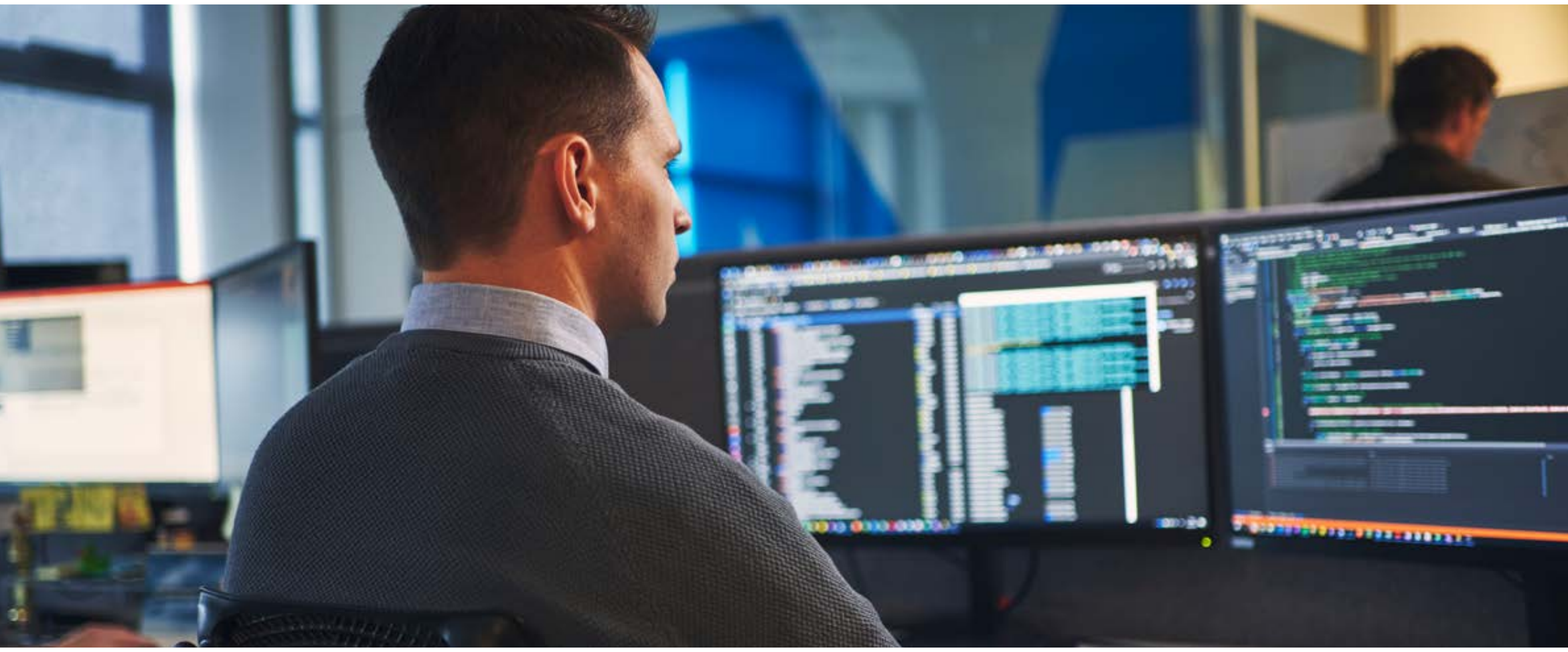
6% of revenues
invested in innovation

Over 30 products
launched in 2020

Responding to the COVID-19 pandemic

As the pandemic entered Europe in early 2020, Marel took precautionary steps to protect the safety of its workers and continuity of operations. Internally, Innovation put active focus on keeping up momentum and delivery, as well as maintaining a high level of international collaboration despite local lockdowns and travel restrictions. Our product owner teams around the world provided installation and technical support remotely, and our skilled local service teams adapted seamlessly to these changes.

Supply Chain, Innovation, and Service have become more closely connected during the pandemic. Furthermore, by working closely with our customer industries and suppliers all around the world, we've been able to ensure our delivery promises to customers in regard to both time and quality. Daily meetings, establishing task forces, and implementing new processes and communications on platforms such as MS Teams have all helped us in this mission.



Innovation leads the way in a changing market

At Marel Innovation, we deliver our solutions to global processors across the world, and have continued to do so through recent turbulent times. Delivering the means to produce high-quality, safe food at affordable prices remains a top priority for us.

Food processors have to remain adaptable to changing consumer behavior to keep up with market demands, enabling them to supply consumers with sustainably produced high-quality food. This means adopting new technologies, new approaches, and new processes at an increasing pace. The changes brought about by the COVID-19 pandemic markedly underlined this already ongoing trend.

Marel Innovation sees that the COVID-19 pandemic-induced market volatility, processing challenges, capacity constraints, and labor limitations all support further automation initiatives at food processing plants. We also see the increased automation focus as an enabler for increasing the digital connectivity in the Marel portfolio of products.

We aim to enhance and expand our portfolio with automated solutions in all industries. As for digital products, we are on a digital journey of development for present products, and are also active in delivering high value products in Marel's purely digital portfolio.

Finally, our sustainability agenda remains key to ensuring the continued relevance of our product portfolio.

Sustainability is our business

Since the very beginning, Marel has focused all development activities on enabling customers to sustainably maximize value creation while reducing waste and protecting the environment.

Sustainable thinking is an integral part of our new development process, and every new product we develop is measured on a sustainability scorecard. The scorecard is intended to ensure sustainability factors are included and considered in all steps of the development process. We continuously strive to increase focus on sustainability factors in new development and raise awareness throughout the different teams and functions.

For our Innovation teams, and indeed across the entire food processing industry, digitalization has become a leading factor in increasing optimization and thereby sustainability. This shift facilitates more demand-driven processing, moving away from the supply driven approach to deliver the products consumers want while also reducing waste. Marel is well positioned to incorporate digitalization in its innovation processes, and these efforts are already well underway.

Our solutions give customers greater control and flexibility at every step of production, making it easier than ever to limit waste and increase value. By applying relevant digital technologies across the multiple steps of processing, even the smallest improvements can add up to tremendous gains in sustainability.

Entering 2020

Marel Innovation started 2020 with well-defined plans that reflected our focus areas. Our industry-led and strategic business units had clearly outlined plans for innovation project completion, in our journey to fulfill our market and customer needs. Each business unit furthermore continued to strive to improve the scope of services to address gaps in the markets.

Poultry

We continued fortifying our position as a full-line supplier, with a focus on demand-driven process control, transport, and distribution. Focus areas are the next generation of evisceration, subscription based performance management, and innovation in our filleting programs.

Meat

We're developing automated solutions in the cut-up area and enabling the connection of slaughter lines in the primary area and DeboFlex in the secondary area. This will allow us to offer a more complete solution to the industry. Our focus remains on further automation, robotic solutions, and animal wellbeing in the slaughter line.

Fish

We aim to maintain and further strengthen our position in secondary salmon processing including filleting, slicing, and distribution, as well as enriching our current offerings in primary salmon. In whitefish, we're focusing on streamlining the secondary process with further use of vision technology and robotics that drive automated processing. We are also extending further the FleXicut approach for cod-like species.

Strategic business units

In Prepared Foods, our emphasis continues to be on creating full-line convenience systems and extending our offering for burger forming, both individual equipment and lines. Attention is also on the alternative proteins area through research and identification programs.

In Cross Industry, our teams continue to contribute towards the overall Innovation focus areas with vision technology and robotics solutions for all industries, and process control software solutions and logistics. Furthermore, we're elevating portioning capabilities on volumetric portioning technology and cutting technology. Joining forces with TREIF in 2020 will further strengthen our offering in portioning and cutting solutions, where Marel has potential to cascade TREIF's solution offering further into the poultry and fish industry.

Innova set focus on development and future-proofing of the Innova software platform and digital solutions. This is further supported by high emphasis on process control that connects individual equipment into full lines, and emphasis on connected business solutions and business models for all value chains.

Over 30 new products

As 2020 progressed, it became clear that Marel could continue to mature innovations, initiate new customer collaborations, and launch to market, although under very different circumstances than anticipated. In total, we released over 30 products and upgrades for sale in 2020 – a testament to the robustness in execution and delivery that Marel Innovation stands for.

Innovating through simulation and extended reality

In 2020, we used new communication technologies in place of physical customer visits and to host international exhibitions and product demonstration events. By combining simulation and extended reality (XR), we also created a virtual world called Virtual Progress Point, where we can meet our customers and show them our systems in full simulation. This virtual environment allows us to do almost everything we can in the real world, but without the need to travel or socially distance.

Another example was our use of augmented reality (AR) at the Icelandic fish processor Oddi, where we used simulation and XR in co-operation with Innovation, Marketing, and Sales. Prior to the installation of the Brim whitefish factory in Iceland in 2020, Innovation used simulation and XR to test the product flow for the whole factory. It was used both internally by various Marel teams and by the customer. Testing the flow helped prevent bottlenecks and ensured that all teams involved fully understood how the system worked from start to finish. XR therefore gave us the missing physical feedback that is not achieved when viewing on a computer screen. This further ensured that the solution provided was properly placed inside the factory.

Robotics solutions in meat

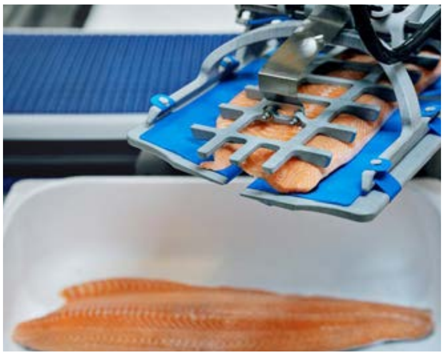
Creating automation and robotic solutions for the meat industry remains the top priority on the agenda for the Innovation teams. Through strong co-operation and partnership with key innovation customers, we continued to develop new and innovative solutions, testing at customer sites and harvesting the results in the production line throughout the year. For primary processing, the bung removing and leaf lard removing M-line robots were launched to market, taking the pressure off processes such as rework, and contributing to record low inspection defaults. Our work on 'hanging' cut-up and deboning with robot automation also progressed well this year.

Product launches in 2020

In partnership with our customers, we successfully navigated the challenges of 2020 to work on key projects including large-scale installations and developing advanced processing solutions.

PremiumFormer

The PremiumFormer forms fresh burgers of superior quality with various textures and shapes, providing Marel customers with maximum flexibility with its interchangeable molds. This solution is the winner of the 2020 CFIA Innovation Award for Equipment and Processes.

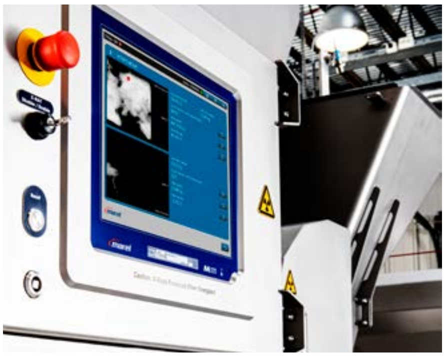


RoboBatcher Box

The RoboBatcher Box performs fully automated fish packing into fixed-weight boxes. It reduces labor costs, increases efficiency, minimizes giveaway, and improves cost control.

Dry coating program

The dry coating program includes the RevoBreader, RevoCrumb, and Active Flour Applicator with a cyclone unit for dust extraction. It allows customers to apply several kinds of coatings to their formed or whole product, expanding Marel's market opportunities by providing our customers with maximum flexibility.



SensorX Magna for Beef

The SensorX Magna for Beef is a highly automated system with advanced detection, rejection, and rework capabilities, ensuring a bone-free meat mass and specific fat-to-lean ratio. It increases our customers' efficiency and yield in production, while reducing risk of bone fragments and ensuring customer brand protection.

M-Line Neck Cutter (MNC)

The M-Line Neck Cutter (MNC) is a fully automatic loosening of the pork carcass head, solution using an accurate 3D scanning process. It's a fine showcase of Marel's ability to serve our customers with robotics that give better hygienic conditions while saving on labor costs.

I-Cut 122 TrimSort Advanced

The I-Cut 122 TrimSort Advanced enables the sorting of multiple trim pieces and secondary products per fillet, enabling customers to create fixed-weight and fixed-length portions with the highest accuracy.

Strategic partnerships and university co-operation

Marel Innovation has a long-standing tradition of partnering with universities on research and development, and we continue to strengthen these relationships and the research community within Marel.

The highly acclaimed Eindhoven University of Technology (TU/e) in the Netherlands has set up a new artificial intelligence (AI) lab, together with four industrial partners including Marel. This lab aims at improving decision making in manufacturing and maintenance using artificial intelligence. Marel is also involved in the Flexcraft consortium, a research program conducted by five leading Dutch technical universities, with the aim of equipping robot technology with generic capabilities in active perception, world modeling, planning and control, and gripping and manipulation.

In 2020, we also continue to partner with companies that are best-in-class in their field to exchange knowledge and knowhow, join forces on new development, and strengthen our portfolio.

We took significant steps in maturing vision technology in Marel, focusing on transferring technology between application areas and strengthening our collaboration efforts. We introduced well-known quality grading technology used for whole product assessment to the secondary processing stage, enabling the best utilization of product. By automating the inspection process, our solutions provide processors with objective facts free from human bias, ensuring fully automated traceability.

In addition to expanding our grading technology offering, a strong partnership with TOMRA broadened the inspection capabilities to even further enhance product quality inspection. Internal co-operation efforts have also strengthened the technological capabilities. By combining the skills of Marel talent worldwide, we strive to ensure best-in-class vision solutions for the future.

Going forward, Marel Innovation has prepared itself for 2021 with further refinement of the Innovation strategy within the areas of digitalization, automation, and sustainability, which will be guiding lights for our further development.

Case study

Innovation in partnership with our customers

In partnership with our customers, Marel developed and delivered several transformative plants in 2020.

Whitefish innovation partners Brim and Vísir use highly automated state-of-the-art equipment and digital solutions in every processing step, making them possibly the 'smartest' plants in the world. In addition to the FlexiCut solution to optimize bone removal and portioning of fillets, they use the SensorX, Marel's leading solution in bone detection for poultry, meat, and fish, to deliver optimal quality as well as weight estimates for robotics solutions that batch the products as ordered. The result improves yield and throughput and minimizes giveaway for our customers.

Marel also delivered and started up a fully automatic salmon processing plant with robot and quality vision technology for Inka in Norway, where 12,000 tons of salmon and trout are processed annually. In addition, the first sold machine of the de-palletizing robot was installed, raising health, safety, and environmental standards by removing manual handling of heavy material, while increasing efficiency and lowering labor costs. The robot handles incoming boxes filled with gutted salmon, lifts two boxes at a time, cuts the straps, opens the box, and empties the salmon into the processing line.

The foundation of these projects is the successful co-operation between our customers and our teams in Innovation, our fish industry, and the strategic business units. Even in times of travel restrictions, the close co-operation between the centrally located Innovation teams and the local service team, close to our customers, was paramount to the successful installation and equipment startup.

Global markets and service

Connecting through service

We service live client accounts in over 140 countries. To maintain such a high level of support and always be within reach, we have embraced new technology, using augmented reality headsets for real-time remote assistance during service visits and installations. With virtual and remote global support from industry experts largely replacing fly-in fly-out service, our local service personnel has shown outstanding solution-driven leadership in installation and aftermarket services, reducing the cost and the carbon footprint of service.

In close co-operation with customers

Our customers remain at the center of everything we do to transform the way food is processed sustainably and affordably. In Global Markets and Service, we further strengthened our operating model to cater to our customers' needs through a year profoundly impacted by COVID-19. We've structured the global reach of our marketing, sales, and service activities with a strong local presence in our six regions. Each region is backed by a robust and innovative knowledge base in our industries and strategic business units, and further supported by our global functions to ensure a unified approach.

Navigating through the pandemic

Our operating model proved to be a resilient way of working in the first year of the pandemic. It allowed our 2,200 sales and service representatives to continue engaging with and supporting our customers despite global travel restrictions. We remained in close communication and shared market insights with our industries, strategic business units, and global functions, allowing them to offer the right expertise and fully unlock potential for improvement and innovation.

Despite COVID-19, we managed to provide a reliable flow of services and solutions, helping to maintain one of the world's most vital value chains. We took early measures to call all of our customers proactively and discuss their immediate needs and concerns and address them accordingly.

We've also enhanced and accelerated our digital approach, implementing online tools to display our solutions, engage with customers, and service them through remote augmented reality (AR). This ensured that they could maintain production and adjust to the rapidly changing market.

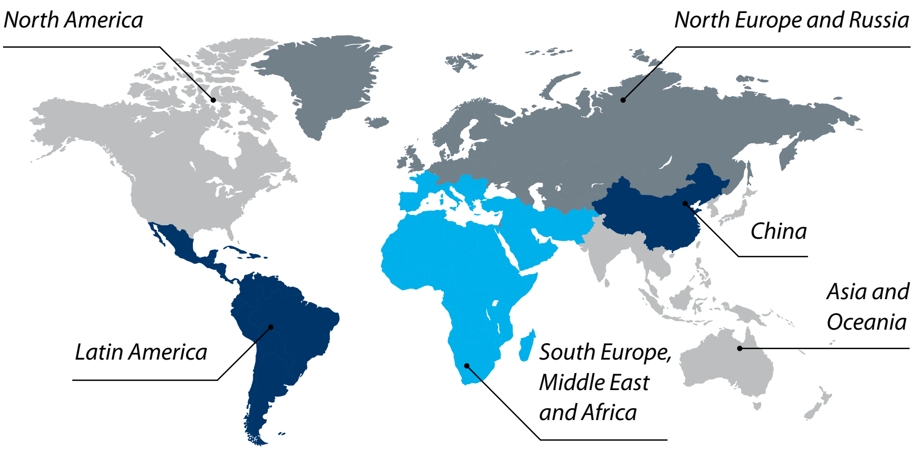
With the benefits of close local connections supported by the knowledge of a global leader, we remain a trusted partner to our customers around the world.

Bringing our local presence to the next level

In 2019, we started a program to strengthen our local presence around the globe. This organizational set-up proved to be highly resilient and instrumental to our ability to engage with, service, and support our customers during the pandemic. In 2020, we extended the program to bolster our local teams' capabilities and establish more efficient communication and collaboration processes.

The program also moved the first point of contact for customers even closer to them locally, starting in Latin America, North America, Asia, and Oceania, then rolling out across Europe, the Middle East, and Africa. This completed our global structure with six operational regions: North America, Latin America, Asia and Oceania, China, North Europe including Russia, and South Europe including the Middle East and Africa. With this structure in place, we can easily provide our customers with solutions, services, and spare parts, all supported by both local and international expertise.

Marel global structure in six regions



Global markets

Marel's global network of dedicated sales representatives is one of the company's strongest and most visible assets. Our sales operations consist of local representatives in over 30 countries.

A unified sales approach across markets

With around 700 direct sales employees globally, we're able to meet customer needs and requests in 140 countries. Operating locally and in close collaboration with our customers means that we can stay at the forefront of market trends and remain a valuable partner. We understand our customers' business, their market, and their needs. Bringing in-depth local insights to our global teams ensures that we have the right foundation to deliver best-fit, innovative solutions. Just as we work with our customers to improve efficiency at all stages of their production, we've taken important steps to align and improve internal processes to deliver a unified customer experience.

Our focus on developing our sales organization continues. In 2020, we developed many new capabilities around online meetings and equipment demonstrations to counterbalance the impact of COVID-19. We've demonstrated the agility of our organization, adjusting work practices to meet customer needs safely and conveniently, bringing people together across different time zones and continents.[Text Wrapping Break]

A stronger digital presence

To better connect with customers and partners in an increasingly digital world, we launched our new marel.com website in 2020. Our website enhances the customer journey at the core of Marel and strengthens our digital marketing, creating a seamless and reliable experience for our online visitors. The launch of the new website marked the first stage rollout of a refreshed visual identity for the Marel brand that began in 2019.

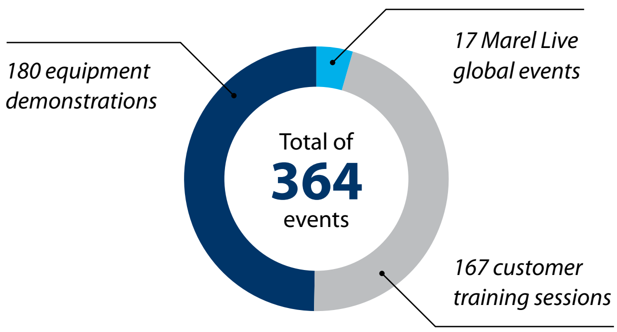
We also opened the Marel Webshop, giving customers an easy way to do business with us online and around the clock. It increases the visibility of our standard product portfolio and offers a selection of scales, skinners, ice machines, and spare parts.

Connecting and engaging with our customers

We started 2020 with big expectations and exciting plans to host a number of onsite ShowHows, demos, and training sessions, as well as plans to meet with people all around the globe in various trade shows. In pre-COVID times, meeting face-to-face at these events has been an excellent opportunity for customers to see how Marel technology is transforming food processing, with product launches and in-depth demonstrations of our industry-leading equipment and overarching Innova software. Our events are also a valuable time to nurture and build our relationships with both new and current customers and put a face to Marel.

We also normally attend a wide range of other industry events. In January, we were fortunate to attend the International Production & Processing Expo (IPPE), the largest meat industry trade show, held every three years in Atlanta. After that, more than 50 industry events were postponed or canceled due to the pandemic, compelling us to find new ways to engage with our customers.

Online events and demos 2020



Introducing Marel Live in April 2020

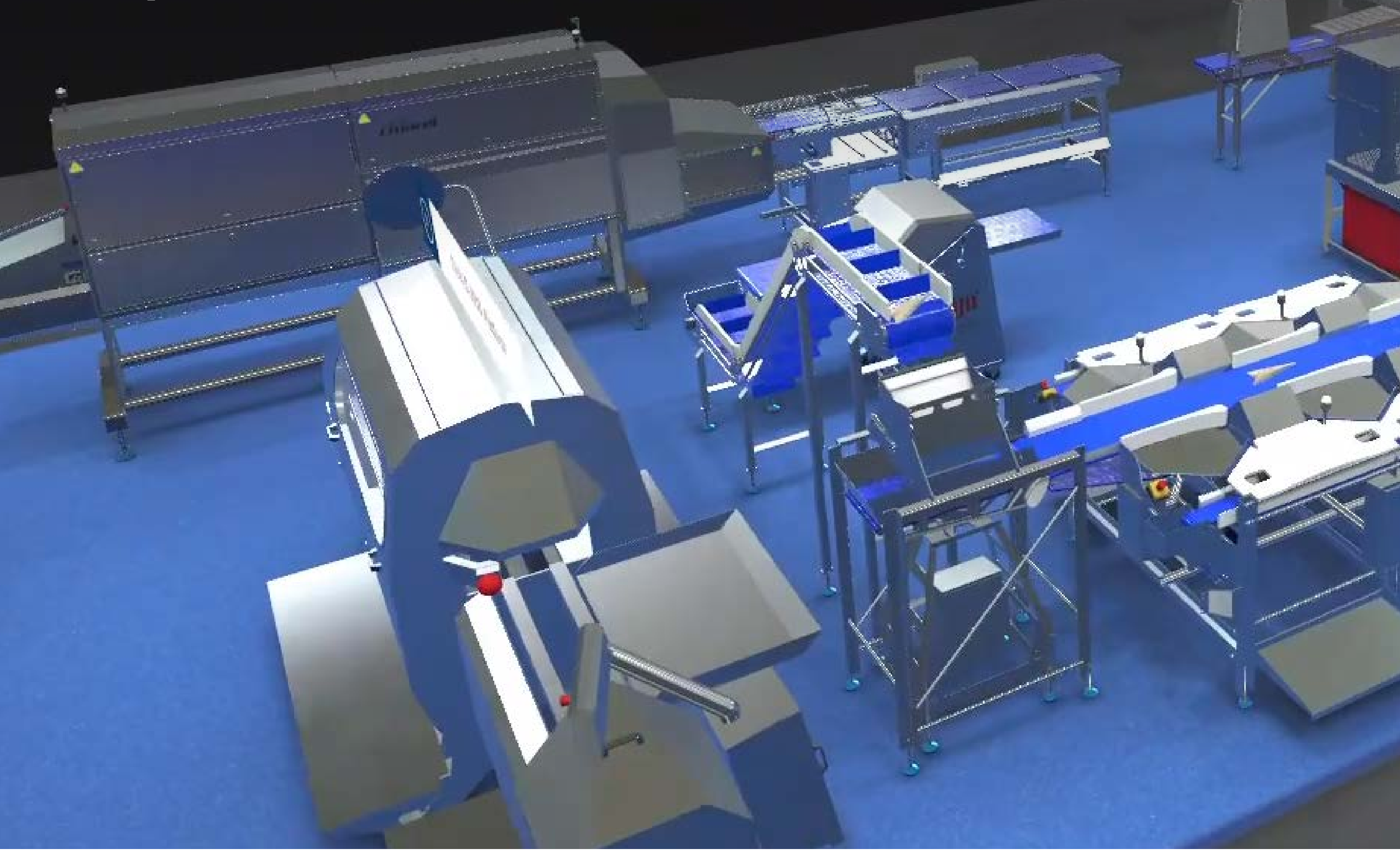
As travel came to a halt in the first wave of the pandemic, we developed our innovative online platform Marel Live as a way to continue connecting, sharing, and transforming with our customers around the world. In April, we were able to move upcoming trade expos and ShowHows from onsite to online, allowing guests worldwide to experience Marel events from the safety of their home or office.

Equipment demonstrations and customer training also posed a challenge. Our customers wanted to see equipment run in real-time and continue with upgrades and additions in their facilities. We met these needs by providing live and virtual demonstrations online via Marel Live. This proved to be highly effective, and we will continue to develop these capabilities as we move forward.

Story

Marel hosts global fish expo online

Marel opened its Brussels Expo stand to the industry in April 2020 using Marel Live's innovative online format. The live, interactive event brought Marel experts together – both in our Icelandic headquarters studio and online in Denmark and Spain – to present our processing solutions to participants from all over the world and discuss current trends in the industry. Highlights included a simulated demonstration booth made with our advanced extended reality (XR) technology, allowing guests to look at the solutions just as they would at a 'real' expo.



Virtual visits and full 3D modeling of equipment

For the benefit of our customers, we've developed a complete extended reality (XR) production facility with full 3D models of our equipment. In this virtual environment, customers can 'walk around' as avatars, see Marel equipment in full detail, and engage in real-time conversations with Marel experts and other visitors.

This cutting-edge technology also allows us to create and simulate entire production lines together with the customer. A process that previously meant many hours of setting up and dismantling physical equipment can now be done in a very short time. Customers can trial a range of set-ups quickly and easily determine the best possible configuration for their production and give instant feedback on different set-ups.

While the practicalities of travel and venue size place a limit on how many guests customers can send to onsite events, in XR there are practically no limits to how many people can attend. Thus, even in the middle of a pandemic, we've created opportunities to build even stronger relationships with our customers all around the world. This customer focused technology is an excellent example of how our digital advancements, together with our strong local presence, help create efficient and satisfying ways to do business.

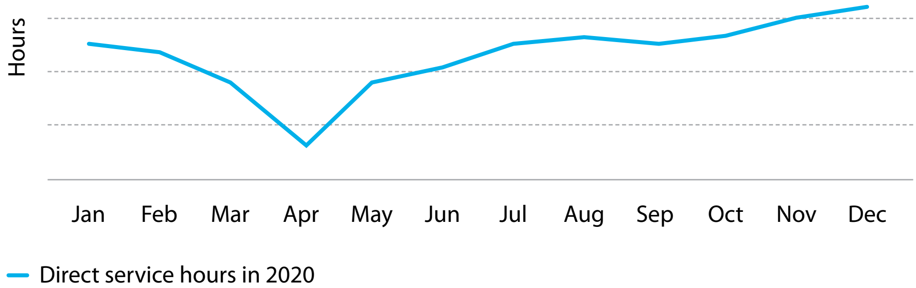
Global service

As a global and unified service operation of 1,500 employees, we do our utmost to support our customers in maintaining optimal production flow, uptime, and output. We run a well-organized global service and maintenance operation that will continue to be one of our main sources of revenues and growth. Throughout an unusual and challenging year, we consistently delivered proactive service that includes preventive maintenance, spare parts, and long-term service contracts.

New ways of working - serving customers effectively in a pandemic

We stay committed to serving and supporting our customers even through difficult circumstances. We have continuously invested in strengthening our local capabilities to be closer to our customers and drive one way of working across regions, industries, and strategic business units. We've adjusted and made it easier for our customers to do business with Marel. This investment proved worthy when COVID-19 hit.

Development of direct service hours spent with customers



The health and safety of our field service engineers and other staff continues to be our top priority through the pandemic. For our traveling field service engineers, we've been constantly monitoring local restrictions and possible risks, as well as their health and safety, to be able to respond quickly and effectively. We've implemented safety protocols for traveling and working at customers' sites, providing personal protective equipment to everyone that needs to visit, as well as travel and legal support to ensure a safe working environment at any location.

Inevitably, many activities lost momentum in the beginning of the year, but we quickly managed to adjust and found new ways of supporting our customers and securing their operations through remote support, using augmented reality. With this technology, our local resources onsite perform the actual task while being supported in real-time by Marel specialists abroad. Augmented reality incorporates live video streaming and drawing overlays through hands-free remote support. This ensures a safe working environment and great teamwork across Marel Service. Furthermore, the solution is supported by a secure, encrypted connection that allows us to comply with customer requirements and regulations related to operational safety and data protection.

Customer story

Staying close during challenging times

At the end of 2019, one of the largest poultry processors in South Korea purchased two full Marel further processing lines. The lines were to be up-and-running in September 2020, but the pandemic quickly disrupted this plan.

The Marel project team sprang into action and applied their creativity and ingenuity to find a solution to ensure a smooth set-up. Combining remote support and onsite finalization, Marel and the customer worked as a team to install the lines, ensuring that production commenced as planned

The right part at the right time and place - even when you can't be there

We have customers of various sizes, ranging from smaller companies with single machines to large companies operating full Marel production lines. Our goal is to ensure that this equipment works at its full capacity at all times. We must remain a trusted partner to our customers by ensuring their operational uptime. Spare parts are essential in achieving this objective and are an important element of Marel's service offering.

Based on our early experiences from when COVID-19 hit China, we knew we needed to ensure the availability of spare parts. As soon as it became apparent that COVID-19 was turning into a pandemic, we secured a safety stock of spare parts in strategic locations to ensure continuous delivery to our customers during difficult circumstances.

We are now further strengthening our spare parts operating model, establishing the foundation to improve our spare parts flow in general, and across strategic locations, to ensure the right spare part at the right time and at the right quality.

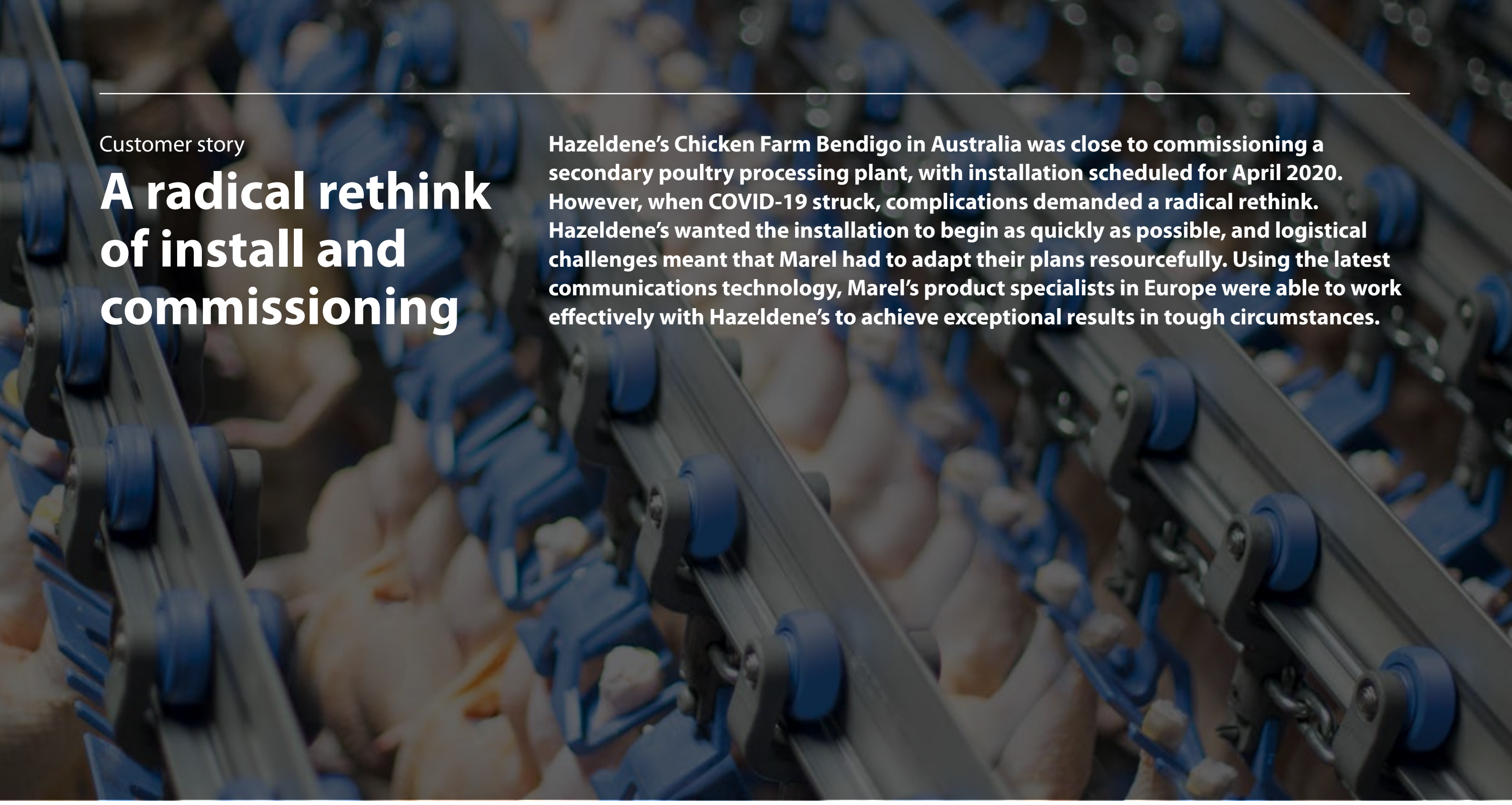
Customer journey

Every touchpoint with our customers is important, and we focus on each of these to make sure it's easy for our customers to do business with us. We enjoy long-standing relationships with our customers and firmly believe that consistency through all of these touchpoints is vital. We take a proactive and unified approach to service, responding quickly and professionally to any requests. We also make sure to engage with customers to share knowledge on new equipment and possibilities.

Integration of TREIF pre- and aftermarket activities

In October 2020, Marel successfully acquired TREIF. TREIF is a great addition to Marel, strengthening the full-line product offering, increasing standard equipment sales, and leveraging aftermarket potential with our extensive global reach and local services in all regions.

Since closing the acquisition, we've been working in three integration work streams that cover the full customer journey, including marketing, sales, and service. We're already seeing many synergies and recognize a lot of potential for both existing Marel and TREIF customers. TREIF had a large installed base and a loyal customer base that we have welcomed to Marel.



Customer story

A radical rethink of install and commissioning

Hazeldene's Chicken Farm Bendigo in Australia was close to commissioning a secondary poultry processing plant, with installation scheduled for April 2020. However, when COVID-19 struck, complications demanded a radical rethink. Hazeldene's wanted the installation to begin as quickly as possible, and logistical challenges meant that Marel had to adapt their plans resourcefully. Using the latest communications technology, Marel's product specialists in Europe were able to work effectively with Hazeldene's to achieve exceptional results in tough circumstances.

Digital innovation in service

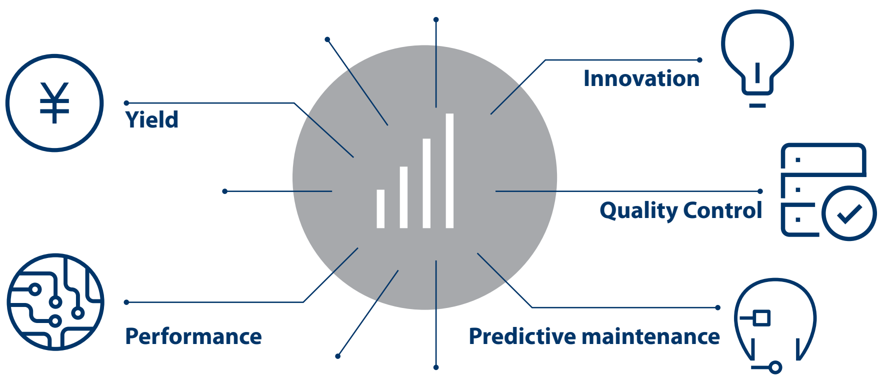
In service, we stay true to our values of unity, excellence, and innovation. Innovation within digital technology was a strategic objective in service even before the pandemic hit. We have, however, accelerated many of our plans for increasing remote support using augmented reality, online demos, and online training due to the pandemic.

We continuously examine how the latest technology can be used to innovate our service offerings, and as a result, we're currently deploying new digital services in the areas of predictive maintenance, remote support, and performance management.

Digital components include widespread connectivity of machines and systems to measure performance and help customers drive improvement projects. They also provide the Marel Service teams with a platform to develop new service offerings for our customers. These digital solutions will help us to evolve and grow with more proactive and predictive services.

Our innovative service offerings, industry-leading technologies, and strong partnerships give food processors a competitive edge and solidify Marel as a leader in food processing solutions. Whether customers need advice, a spare part, or a full-line installation, our global sales and service team is close by and ready to assist.

Accelerating customer growth with data-driven innovation



Global supply chain

Connecting through synergy

Reducing customer order lead times and achieving an all-time-high delivery performance are among our proudest achievements of 2020. Our global supply chain team works across 15 sites worldwide. We kept every team member safe and kept operations running in all locations throughout the year. Our synergy comes from working closely with our partners, distribution network and key suppliers around the world.

Ensuring quality and delivery

Quality, responsiveness, and efficiency are the cornerstones of our supply chain. One of our key achievements of 2020 was reducing customer order lead times to reach our all-time record in delivery performance. Our approach is based on the simple objective of ensuring that all our solutions and spare parts are produced at the right cost and quality and delivered to the right place at the right time.All manufacturing sites have remained open throughout the pandemic, although we did see increased inefficiencies such as absenteeism and logistics costs.

High delivery performance

The global supply chain at Marel is responsible for procurement and manufacturing within the company. We deliver standalone equipment, full-line solutions, and service parts for the company's fish, meat, and poultry processing industries.

Our global supply chain team is made up of more than 2,400 experts who support product development and ensure that the manufacturing and distribution of equipment and spare parts run smoothly and on time. Whether we're transforming an existing plant, designing a greenfield project, or delivering standalone equipment and spare parts, we deliver solutions and services according to our customers' specific needs. All of this is made possible through long-standing relationships with our partners, distribution network, and key suppliers of raw materials and spare parts around the globe.

To support our extensive service platform, we run four main distribution centers and 15 manufacturing sites for equipment and spare parts. Our streamlined manufacturing and the co-location strategy we implemented in 2017 enable us to spread the production load strategically across locations. This distributed production allows for greater flexibility in cost management, mitigates global trade risks, and ensures optimal lead times.

During the pandemic in 2020, this co-location strategy, together with strategic stock buildup of spare parts, parts for manufacturing, and standard equipment, has enabled us to ensure continuity of supply at high delivery performance.

Safety, quality, and sustainability

In 2020, we further strengthened our safety, quality, and sustainability processes. Safety is always our priority, and during the pandemic we've implemented best practices in all locations to safeguard our employees, customers, and other contacts.

These include general measures, such as wearing masks and social distancing, as well as measures tailored to our factory environment, such as staggering shift patterns, disinfecting tools and workstations between shifts, and setting up physical barriers on the factory floor to section off the space into smaller cells, minimizing contact between employees.

As part of our quality control efforts, we extended the use of our TRACK system that we developed in 2019 for quality and concern management. This system ensures that we have useful insights into the quality standards across sites and any concerns that are raised.

Sustainability throughout the supply chain

We want to have a sustainable supply chain for our own manufacturing locations and external supply base. In 2020, we expanded implementation of detailed dashboards to monitor our waste streams, recycling, and energy usage, including energy sources in all our main manufacturing locations globally. We also created initiatives to further improve transparency and awareness about waste separation and recycling in our manufacturing sites, and we've continued implementing green energy usage policies wherever possible.

Following analyses of our sustainability efforts, we shaped our supply chain sustainability program, setting clearly defined goals regarding environmental, social, and corporate governance (ESG) topics. We focus on energy, waste management, transportation, health and safety, and social conduct in Marel's manufacturing locations as well as in our partnerships with suppliers globally.

Supply chain resilience during the pandemic

Due to COVID-19, supply chain resilience was both severely stressed and more crucial than ever across all industries in 2020. At Marel, we experienced the impact of lockdowns globally and worked proactively to mitigate the risks posed to the supply of goods. As a key supplier to our customers' essential industries, it was vital to ensure the reliable delivery of equipment and spare parts.

We achieved excellent mitigation of COVID-19 impact by collaborating closely with our manufacturing sites, the global crisis team, Innovation and Service functions, and the different industries we serve. Mitigating the risks to inventory was particularly important. In the spare parts inventory, we worked to ensure that we could serve any customer need, with a focus on long lead time components and critical components.

We also extended the order window by four weeks to ensure that parts were received earlier than needed. In the products inventory, we built up strategic stock for standard products, focusing on fast-moving products, the 6-month sale forecast, and adding additional orders anticipating upcoming demand.

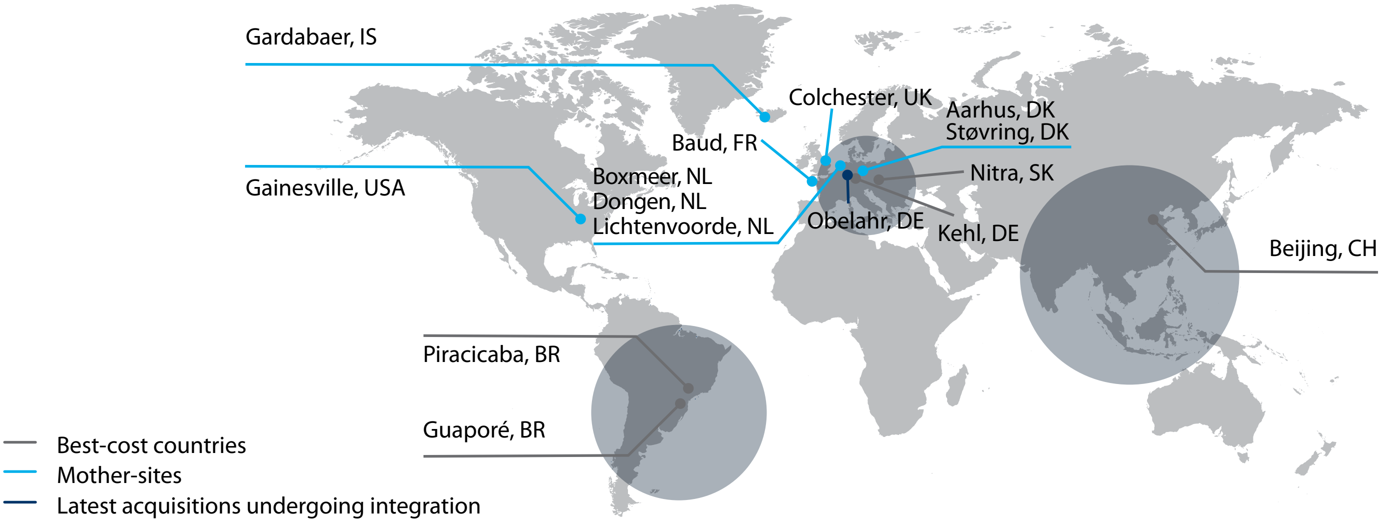
Optimized manufacturing platform

Marel is always looking to expand and upgrade its facilities around the world. In 2020, we expanded our manufacturing base by acquiring the TREIF facility in Oberlahr in Germany, bringing the total manufacturing sites to 15.

These sites are located around the world, to be close to our customers. We have also initiated a warehouse consolidation project in Boxmeer, the Netherlands, where we have acquired land to consolidate nine rented warehouses into one Marel-owned warehouse.

The Marel Production system is our take on lean manufacturing, and the rollout of this structure and way of working has begun, alongside safety training and processes. We have set the standard for the future, supporting our customers, empowering our teams, and increasing employee engagement, resulting in many bottom-up improvement initiatives.

Global manufacturing platform



Key benefits from our co-location strategy

Co-location is an integral element of Marel's supply chain strategy. Co-location involves producing mature products in optimal cost locations, rather than innovation centers or so-called 'mother-locations.' Co-location has four main benefits: It moves production nearer to our customer base, reduces production costs, increases distribution capacity and flexibility, and spreads risks in case of natural disasters or trade barriers. We are continuing co-location to our plants in Brazil, the US, China, and Slovakia to be close to customers and optimize cost levels.

Digital supply chain

Marel took several important steps in its journey to further digitalize our supply chain in 2020. We've continued to invest in robotic welding, part machining automation, and warehouse automation, while maintaining safe operating procedures for our staff and contractors during the COVID-19 crisis.

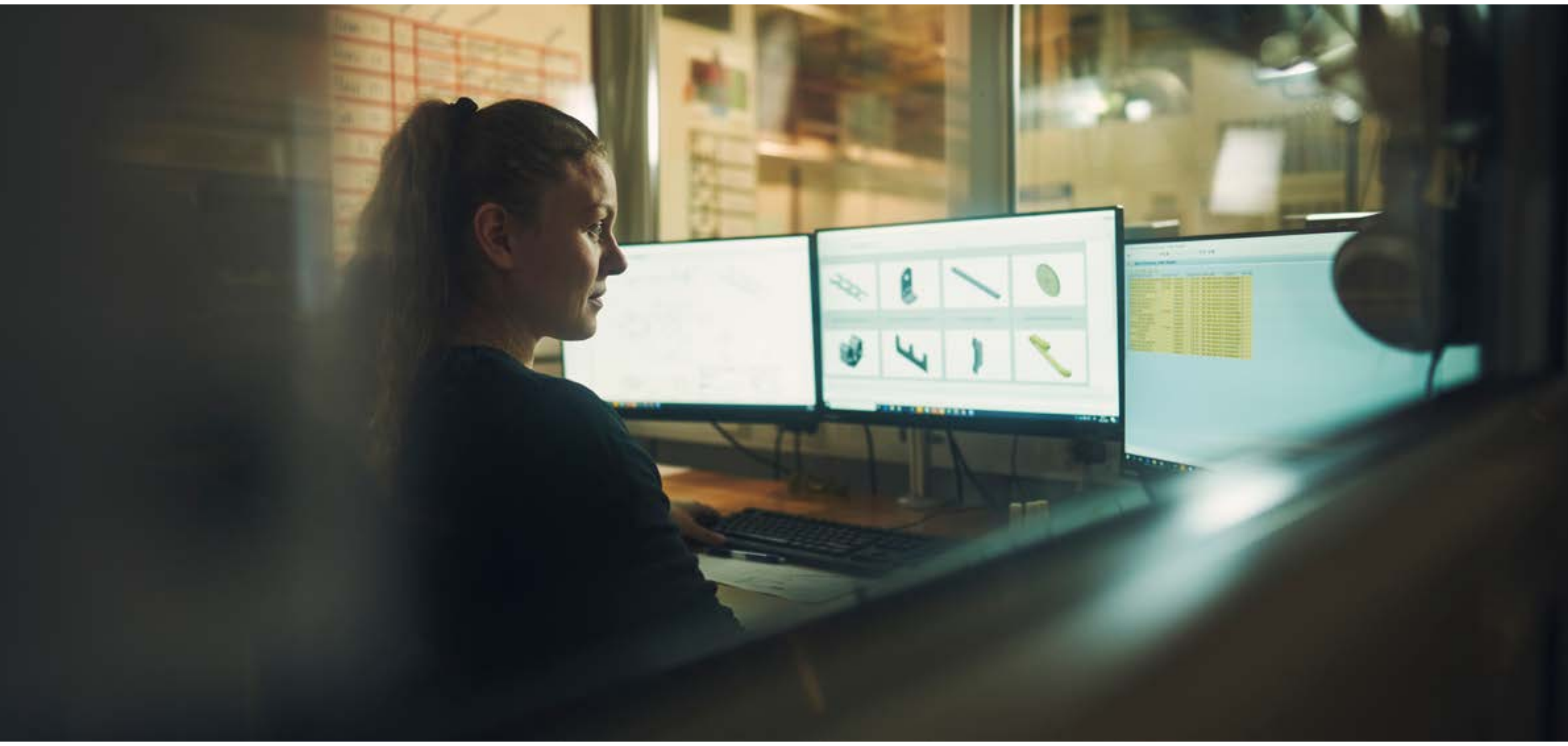
By creating a live video connection with service engineers through their helmets, we have been able to efficiently support problem-solving without unnecessary travel. Furthermore, we have increased our implementation of robotic process automation (RPA) technology, realized electronic data interfaces for suppliers with a high number of orders, and implemented electronic online ordering for non-product related products, i.e. products that are not used for our equipment and spare parts, such as energy, software licenses, and consulting services.

Procurement

In line with Marel's growth strategy in Slovakia, we've established a Central European supply base serving our European manufacturing sites. We've also extended partnerships with contract manufacturers that have engineering services such as value engineering and end-of-life management. Additionally, to support a complexity reduction in our supply chain, service, and innovation, we've created catalogs with preferred suppliers for pre-selected components for the relevant component types.

Supply risk management

In a complex supply chain like ours, we often work with a wide range of materials and components coming from a variety of suppliers. We consider supply risk management a key capability in our procurement processes. In 2020, we strengthened our supply risk processes by applying a thorough, academically supported supply risk management model. The model is based on criticality selection, looking at various risk categories and criteria applied proactively to identify potential risks. This process is integrated into strategic procurement and supported by a designated supply risk management team. Meeting regularly, the team reviews supply risks and their severity, and mitigations are determined continuously.



Spare parts

We have set up dedicated inventories and supply chains for spare parts and equipment manufacturing in two of our main locations: Gainesville in Georgia in the US and Aarhus in Denmark. We will expand this further in the upcoming period to include our main site in Boxmeer, the Netherlands as well. For spare parts, this entails not only dedicated inventories, but also global inventory management control and dedicated order fulfillment teams focusing solely on the timely delivery of spare parts orders.

The order fulfillment team for North America is operational, as is the global team for Fish and Cross Industry located in Aarhus, Denmark. The global team for Poultry, Meat, and Prepared Foods will go live in mid-2021. The success criteria for the new end-to-end operating model is to increase availability and on-time delivery of customer orders and decrease the lead time for parts not carried in inventory.

Shares

Connecting through value

Our dual-listing on Euronext Amsterdam and Nasdaq Iceland has strengthened our capital structure and provides us with a global currency for acquisitions to support our growth strategy. Our brand has also received greater visibility and value alongside better access to a broader international investor base.

Shares

The year 2020 was the first full year since the dual listing of Marel shares in EUR on Euronext Amsterdam in June 2019, having been listed in ISK on Nasdaq Iceland since 1992. Marel is the largest company listed on Nasdaq Iceland by market capitalization and ranks in the top five among mid-cap companies listed on Euronext Amsterdam, by free-float market capitalization.

Listed on Nasdaq Iceland
since 1992

Listed on Euronext Amsterdam
since 2019

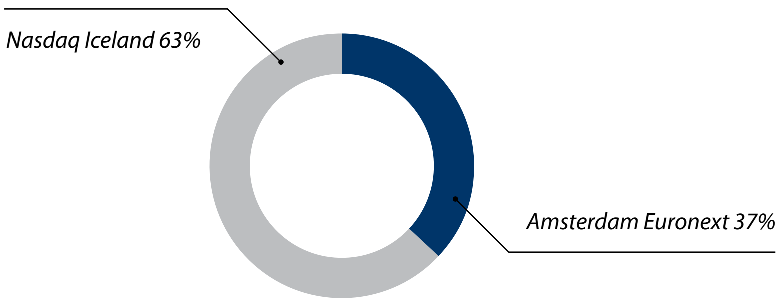
Trading and liquidity

Despite a market environment colored by the pandemic and uncertainty, Marel's shares delivered a solid performance in 2020. After generating a strong return in 2019, the company's share price declined sharply during the first quarter of 2020. However, the share price bounced back during the second quarter and delivered robust gains for the year. In 2020, Marel outperformed both the OMXI10 index on Nasdaq Iceland and the AMX mid-cap index on Euronext Amsterdam by 7.7% and 7.8%, respectively. The year 2020 also marks the fourth consecutive year in which Marel's shares were the most actively traded on Nasdaq Iceland.

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 an increasing proportion of trading taking place outside of regulated markets.

Marel shares listed

As of year-end 2020



Trading data for 2020 and 2019

	2020	2019	Unit
Market capitalization:*			
Nasdaq OMX Iceland	607.6	473.4	ISK bn
Euronext Amsterdam	3.9	3.5	EUR bn
Share price at year end:			
Nasdaq OMX Iceland	788	614	ISK
Euronext Amsterdam	5.02	4.55	EUR
High/Low price per share:			
Nasdaq OMX Iceland	788/477	629/367	ISK
Euronext Amsterdam	5.12/2.97	4.70/3.83	EUR
Dividend per share (for previous year of operations)	5.79	5.57	EUR cents
Earnings per share	13.62	15.33	EUR cents
Price-to-earnings ratio	36.86	29.68	P/E
Issued shares	771.01	771.01	Million
Outstanding shares	752.24	760.23	Million

** Issued shares multiplied by share price at last trading day of 2019 and 2020.*

Nasdaq Iceland

Marel is the largest company listed on Nasdaq Iceland by market capitalization. The market value of the company at year-end 2020 was ISK 607.6 billion (EUR 3.9 billion) compared to ISK 473.4 billion (EUR 3.5 billion) at year-end 2019, an increase of ISK 134.2 billion (EUR 0.4 billion).

Marel's share price rose by 28.3% during 2020. At year-end 2020, Marel's share price was ISK 788, compared to ISK 614 at the end of 2019. Marel's average end-of-day spread for 2020 was 0.94%.

Marel's shares were the most actively traded on Nasdaq Iceland in 2020. Shares in Marel were traded 6,070 times in 2020 (2019: 4,682 times) for a total market value of EUR 682.5 million (2019: EUR 712.7 million), which corresponds to a velocity rate of 21%. As of year-end 2020, 577.1 million or 62.9% of Marel's shares were listed on Nasdaq Iceland.

Marel share price on Nasdaq OMX Iceland in 2020 compared to OMXI10 index

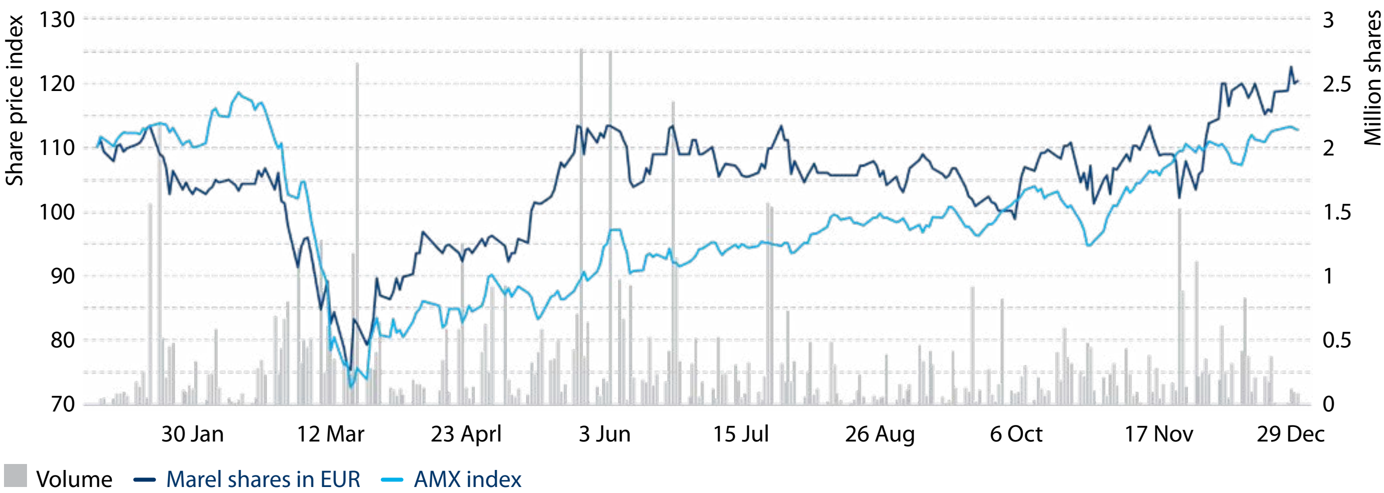
Euronext Amsterdam

Marel ranks in the top five mid-cap companies listed on Euronext Amsterdam, by free-float market capitalization. The market value of the company at year-end 2020 was EUR 3.9 billion, compared to EUR 3.5 billion at the point of listing in June 2019, an increase of EUR 0.4 billion.

Marel's share price on Euronext Amsterdam rose by 10.3% during 2020. At year-end 2020, Marel's share price was EUR 5.02, compared to EUR 4.55 at year-end 2019. Marel's average end-of-day spread for 2020 was 1.14%.

Shares in Marel were traded 20,720 times in 2020 for a total market value of EUR 70.1 million, which corresponds to a velocity rate of 0.14%. In comparison, in 2019 the shares were traded 30,000 times in the six months following the listing in June for a total market value of EUR 75.1 million. As of year-end 2020, 286.0 million or 37.1% of Marel shares were listed on Euronext Amsterdam.

Marel share price on Euronext Amsterdam in 2020 compared to AMX index



Market making

Marel has agreements with Kvika banki hf. and Íslandsbanki hf. for market making in its shares on Nasdaq Iceland, and with ABN AMRO Bank N.V. and Kepler Cheuvreux S.A. 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.

Index inclusion

Marel is 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. Marel ranks highest on the OMXI10 index.

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

In September 2019, international company FTSE Russell announced it had reclassified Iceland to Frontier Market equity benchmark, and subsequently Marel was added to the FTSE Frontier Index Series.

Iceland is also on course to join the MSCI's Frontier Markets Index. In June 2020, the index provider announced the inclusion of the MSCI Iceland Index in the MSCI Frontier Markets Index beginning June 2021, coinciding with the May 2021 Semi-Annual Index Review. 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.

Story

MSCI Iceland Index reclassified to Frontier Markets status

On 23 June, the international indexing company MSCI announced that it will reclassify the MSCI Iceland Index from Standalone Markets to Frontier Markets status. MSCI also announced the inclusion of the MSCI Iceland Index in the MSCI Frontier Markets Index beginning June 2021, coinciding with the May 2021 semi-annual index review. Based on simulation using pro forma data from June 2020, this would lead to the inclusion of two Icelandic securities in the index, Marel and banking group Arion Bank.

Shareholders

Eyrir Invest hf. is Marel's largest shareholder, holding 24.69% or 190,366,838 shares. Eyrir Invest has been a principal shareholder in Marel since 2005. Shareholders that have announced above 5% shareholding in Marel are the Icelandic Pension Fund of Commerce (LIVE) and Capital Group.

As of 31 December 2020, Marel held 18,767,452 shares or 2.43% as treasury shares.

All Marel shares listed on Euronext Amsterdam, including shares transferred from Nasdaq Iceland to Euronext Amsterdam, are held in custody on behalf of Euroclear. No single shareholder holding shares only in EUR currently exceeds the threshold of 5% of total share capital.

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 2020, 286.0 million shares or 37.1% of Marel's total issued shares were listed on Euronext Amsterdam. The free float as of year-end 2020 was 75.31%.

Following the listing on Euronext Amsterdam in 2019, the proportion of international shareholders has grown from around 11% at year-end 2018 to around 35% at year-end 2020.

Share capital

As of 31 December 2020, Marel's authorized share capital was ISK 771,007,916, represented by 771,007,916 shares issued, each assigned one vote with a par value of ISK 1.00, and 752,240,464 shares outstanding with 18,767,452 shares held by the company as treasury shares, or 2.43% of issued shares.

In 2020, Marel purchased 14.3 million shares for a total of EUR 55.9 million according to the company's share buyback program. Marel sold 6.3 million treasury shares for EUR 15.0 million, where 2.9 million shares were used for the acquisition of TREIF, a German food cutting technology provider, as announced in September 2020.

Stock options

Stock options are granted to management and selected key employees. Granted and unexercised stock options totaled 18.3 million shares at the end of the year (2019: 19.2 million shares), of which 1.6 million (2019: 2.9 million) were exercisable at the end of 2020. The remainder will become vested in the years 2021 to 2024.

At the company's 2014 Annual General Meeting (AGM), shareholders authorized the Board of Directors to increase the company's share capital by 35,000,000 shares to fulfill stock option agreements. This authorization was valid for five years following its adoption. It was renewed at the company's 2019 Annual General Meeting, and the renewed authorization applies for five years from its adoption. No new shares were issued in 2020 under this resolution.

Share buyback program

The Annual General Meeting on 18 March 2020 approved to renew an authorization for the company to acquire up to 10% of its own shares, valid for 18 months. The authorization was previously approved at Marel's Annual General Meeting on 6 March 2019.

According to the authorization, the Board of Directors of Marel decided to initiate a share buyback program for up to 25,000,000 shares in the company, or about 3.2% of the total issued share capital. The buyback program was in effect from 11 March 2020, and it was stated that the program would end no later than 4 September 2020, while the company was entitled to discontinue the program at any time.

The purpose of the buyback program was to reduce the Company's share capital and to meet the Company's obligations under share incentive programs with employees.
The share buyback program was discontinued on 10 June 2020 as the company's obligations under share incentive programs with employees had been covered. Through the share buyback program, Marel purchased a total of 14.3 million own shares, which corresponds to 1.86% of issued shares in the company, for a total purchase price of EUR 55.9 million.

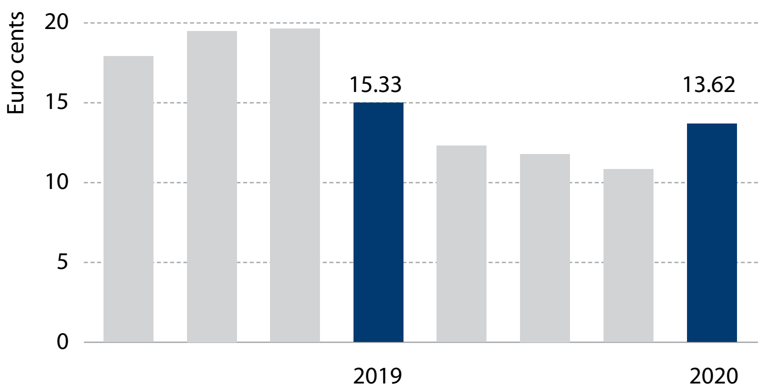
Earnings per share

Earnings per share (EPS), calculated by dividing the net profit attributable to Shareholders by the weighted average number of outstanding shares issued, were EUR 13.62 cents in 2020, compared to 15.33 in 2019.

As a result of the dual listing on Euronext Amsterdam and issuance of new shares sold in connection with the listing, earnings per share were impacted by the higher number of outstanding shares issued.
Marel's management expects basic earnings per share to grow faster than revenues, resulting in profitable growth.

Earnings per share

Trailing twelve months, by quarter



Dividends

Marel's Board of Directors has proposed that a dividend of EUR 5.45 cents per share be paid for the operational year 2020, corresponding to approximately 40% of profits for the year. This is a 6% decrease in dividend per share compared to previous year. The estimated total dividend payment will be around EUR 41 million for the operational year 2020, compared to EUR 44 million in 2019.

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

Dividend history

Year of payment (for previous year of operations)	2021[1]	2020	2019	2018	2017	2016
Dividend per share EUR cents	5.45	5.79	5.57	4.19	2.14	1.58
Dividend yield, %[2]	1.09%	1.27%	2.00%	1.60%	1.00%	0.90%
Payout ratio, %[3]	40%	40%	30%	30%	20%	20%
Ex. Dividend date	Mar 19	Mar 20	Mar 7	Mar 7	Mar 3	Mar 3
Record date	Mar 22	Mar 23	Mar 8	Mar 8	Mar 6	Mar 4
Payment date	Apr 7	Apr 8	Mar 27	Mar 27	Mar 23	Mar 23

[1]2021: Based on proposal to the 2021 AGM. [2]Dividend yield, %: Dividend per share/Price per share at previous year-end. [3]Payout Ratio: Total dividend paid/Net income of previous year.

Financials

Connecting through results

In recent years, we have invested significantly in our global reach, digital platforms and infrastructure. In 2020, we continued to drive growth via innovation and a global market presence, complemented with acquisitions. We secured long-term sustainability-linked financing, solidified our supplier partnerships and ramped up inventories. Indeed, while the challenges have been great, new working methods and digital solutions have paved the way for further operational efficiencies.

Financial results in 2020

A year of unity, resilient operations, and strategic moves

- Resilient business model in challenging times
- Orders received flat, revenues down 3.6% compared to 2019
- Continued growth momentum in aftermarket revenues, especially in spare parts
- Gross margin impacted by lower margin on projects due to higher cost, and more complex execution associated with the pandemic
- Profitability supported by lower operating expenses
- Strong cash flow generation and financial position
- Marel remains committed to its mid-term and long-term targets

Financial performance

Marel's global reach with a local presence, with sales and service engineers servicing customers in over 140 countries, has proven to be a key differentiating factor in operational resilience.

Good delivery performance during the pandemic and growth in aftermarket revenues over the year, especially in spare parts, compensated for lower revenues from projects in the first three quarters of the year. Although service was impacted by the limitation of field service engineers' ability to be on customers' sites due to travel restrictions, the ability to offer remote support was paramount during this period.

The acquisition of German food cutting technology provider TREIF was concluded in October 2020, and TREIF is included in the consolidated financial statements in Q4 2020. TREIF's annual revenues prior to acquisition were about EUR 80 million, with EUR 13 million EBITDA, and in fourth quarter TREIF delivered seasonally strong revenues and operational profits.

Solid level of revenues and orders

Revenues totaled EUR 1,238 million in 2020, down 3.6%, compared to 2019 where organic revenue growth was -5.4% and acquired growth 1.8%. TREIF is included in the consolidation financial statements in Q4 2020, positively contributing to both revenues and margins.

With the installed base continuing to grow worldwide, a significant proportion of Marel's revenues derive from recurring service and spare parts revenues. These generated around 40% of revenues in 2020.

Orders received in 2020 were EUR 1,234 million, on par with last year. Orders received in fourth quarter include TREIF. Orders received continue to be well-balanced between large projects, standard equipment, and maintenance projects.

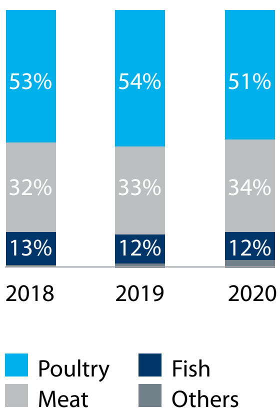
The order book at year-end was EUR 416 million, compared to 414 million at year-end 2019. This equals 34% of 12-month trailing revenues and includes EUR 5.0 million acquired order book from TREIF. The book-to-bill ratio was 1.00 for the full year, compared to 0.95 at year-end 2019.

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

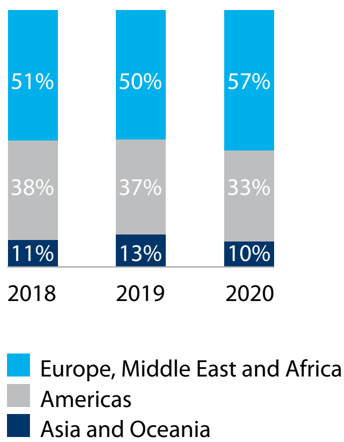
Marel's competitive position remains strong with the pipeline trending upwards, particularly in automated solutions. The timing of conversion of pipeline to committed orders remains uncertain.

Good quality of earnings

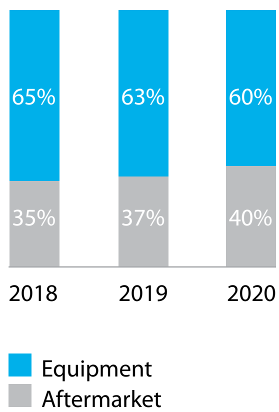
Revenues by business segment



Revenues by geographical location



Revenues by business mix



2020 in brief

Financials highlights

Revenues in EUR
1,238m

Adjusted EBIT margin
13.5%

Orders received in EUR
1,234m

Order book in EUR
416m

Resilient profitability supported by lower OPEX

Gross profit margin was 37.4% in 2020, compared to 38.3% in 2019. Gross margin in 2020 was somewhat impacted by revenue mix in fourth quarter, lower margin on projects due to higher cost, and more complex execution associated with the pandemic.

Operating expenses were lower for most of the year, compared to 2019, with more focus on online solutions and virtual events due to travel restrictions and physical trade show activity yet to pick up. Marel took actions earlier in the year that will deliver EUR 8 million in annualized savings with around EUR 4 million in non-recurring cost. Additionally, the pandemic has accelerated new ways of working and the use of digital solutions that provide opportunities for further operational efficiencies.

Adjusted EBIT in 2020 was 13.5%, at the same level as last year. Basic earnings per share (EPS) was EUR 13.62 cents, compared to EUR 15.33 cents in 2019.

To increase transparency of one-off costs related to acquisitions and better reflect underlying business performance, Marel has changed its adjustments of EBIT. Previously, Marel adjusted the result from operations to exclude the impact of PPA related costs, but beginning in 2020 will exclude the impact of PPA related costs and acquisition related expenses.

Strong cash flow and financial position

Cash flow remained strong in 2020, enabling Marel to continue to invest in infrastructure and take on acquisitions in line with the company's growth strategy. Free cash flow amounted to EUR 141 million, compared to EUR 115 million in 2019.

Working capital development was positive despite a strategic buildup of inventories to meet customer demand for critical spare parts and to ensure timely delivery.

Leverage including lease liabilities was 1.0x at year-end 2020 following the TREIF acquisition, compared to 0.4x at the end of 2019. Marel's current leverage is well under the targeted capital structure of 2-3x net debt/EBITDA, and coupled with Marel's strong financial position, will support continued investment and facilitate future strategic moves in the ongoing industry consolidation wave, in line with the company's 2017-2026 growth strategy.

Marel has committed liquidity of EUR 646 million at year-end 2020 and fully committed funding in place until 2025.

Over the year, a total of around EUR 100 million was returned to shareholders in the form of dividends and share buybacks. In addition, Marel acquired TREIF for EUR 128 million and 2.9 million shares in Marel.

Maintaining tech leadership through innovation

Innovation in recent years has focused on digital and full-line offering to improve automation, yield, and efficiency as well as enabling processors to meet consumer demand for a balanced diet, traceability, and food safety. Marel research and development amounted to EUR 69 million in 2020, equal to 5.6% of revenues. This is in line with the company's innovation promise of around 6% on a continuous basis to drive further organic growth.

Through strong co-operation between centrally located innovation teams, local teams in close proximity to customers, and our innovation partners, 2020 proved to be an impressive year for innovation despite the inherent challenges of the pandemic. In total, Marel introduced more than 30 new highly innovative products to the market in 2020.

Investments to support further growth

To best serve customer needs, Marel is focusing on increasing digitalization and agility, leading to an increased level of investments in the coming years. More specifically, Marel has identified opportunities to automate and digitize its manufacturing platform and aftermarket services, to best support customers as they adapt to changing market conditions, as well as shifts in demand by channel and geographies.

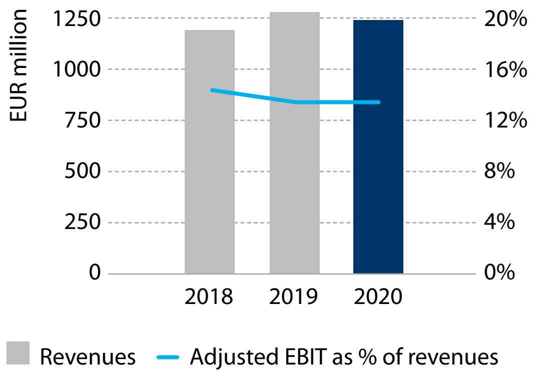
In 2020, there was continued focus on streamlining the back-end while investing in front-end sales and service platform. In 2021, Marel will be opening sales and service offices, as well as demo centers in both Shanghai, China and Campinas, Brazil, thereby expanding the company's ability to support the region's protein processing industries with advanced automated systems and solutions.

Dividend proposal of 40%

In line with Marel's targeted capital allocation and dividend policy of 20-40% payout ratio, the Board of Directors will propose a 40% payout ratio at the 2021 Annual General Meeting, to be held on 17 March 2021 (2019: 30%).

Based on a EUR 5.45 cents dividend per outstanding share paid for the operational year 2020, or 6% lower than in 2020, the estimated total dividend payment will be around EUR 41 million.

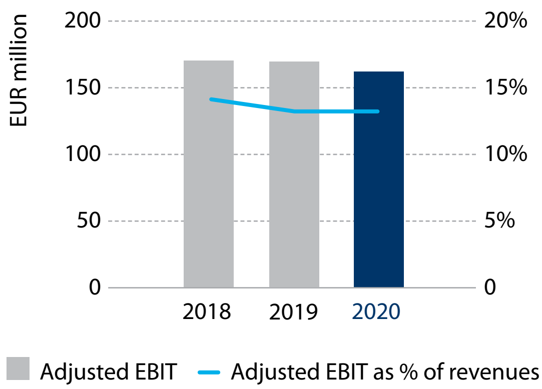
Revenues and adjusted EBIT
As percentage of revenues



Note: Operating income adjusted for PPA related costs, including depreciation and amortization and beginning in 2020, adjusted for acquisition related costs.

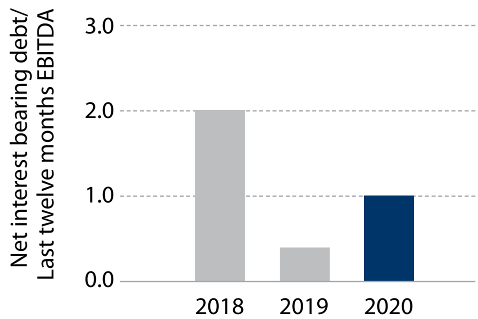
Orders received
And development of order book

Adjusted EBIT



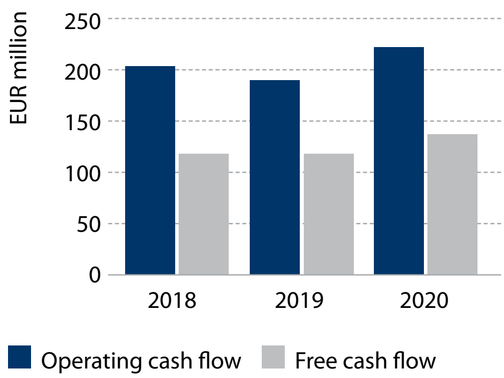
Note: Operating income adjusted for PPA related costs, including depreciation and amortization and beginning in 2020, adjusted for acquisition related costs.

Leverage
Net debt/EBITDA

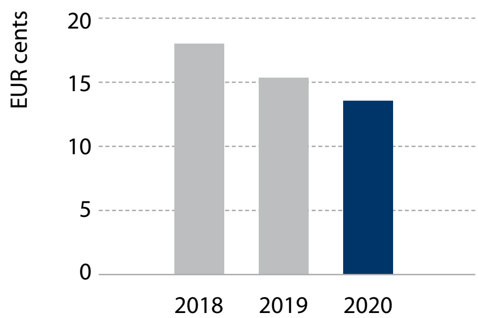


Note: Targeted capital structure of 2-3x net debt/EBITDA.

Cash flow



Earning per share



Industry performance

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

Poultry

Marel Poultry's competitive position remains strong on the back of its established full-line offering. With one of the largest installed bases worldwide, Marel Poultry focuses on rollout of innovative products and market penetration through cross-selling of secondary and further processing solutions.

Following the acquisition of PMJ in January 2021, Marel will expand its third pillar within poultry processing alongside broilers and turkey and become the industry's only full-line provider of duck processing solutions for this large and growing market.

Orders received for Marel Poultry were at a good level for the full year. The pipeline is strong, as the need to automate processing with track and trace capabilities is rising, although the timing of converting pipeline into orders is uncertain. Profitability in poultry has proven the most resilient during the pandemic due to its convenience, affordability, and ability to adapt to supply relatively quickly. Revenues in 2020 were EUR 635 million, down 8% from 2019 due to drop in project revenues while compensated somewhat by higher aftermarket revenues. EBIT margin for the full year was 18.3%, compared to 17.5% in 2019.

Meat

Marel Meat is a full-line supplier to the meat processing industry, with focus on strong product development, increased standardization, modularization, and market penetration and further cross-selling and upselling.

The TREIF acquisition, which was completed in October 2020, will double standard equipment sales for Marel Meat and enhance the full-line offering from post-farm to dispatch of consumer-ready products.

Orders received for Marel Meat were at a good level at year-end. The pipeline is building up with interesting opportunities in Europe, Latin America, and China, as customers pursue greater automation and channel flexibility, although timing of orders remains uncertain. Revenues in 2020 were down 1% due to lower project revenues, compensated by aftermarket revenues and the TREIF acquisition. EBIT margin in 2020 was 8.7%, compared to 10.5% in 2019. In fourth quarter, TREIF positively contributed to margins.

Management continues to target medium and long-term adjusted EBIT margin expansion for Marel Meat.

Fish

Marel Fish's objective is to reach full-line offering across farmed and wild whitefish and salmon through continued focus on innovation and M&A.
Curio will be consolidated into Marel's financial results in 2021 and is expected to positively contribute to margins. Marel's ownership in Curio has now increased to 50%, with the option to acquire the remaining 50% in three years.

In January 2021, Marel acquired a 40% stake in Stranda Prolog and launched a strategic partnership between the two companies. Stranda's complementary product portfolio for primary salmon processing and aquaculture solutions will bring Marel closer to becoming a full-line provider to the global salmon industry.

Orders received in 2020 were soft, as the fish industry has experienced the biggest impact from the shift in consumer behavior from foodservice to retail.
Together with its innovation partners like Brim in Iceland, Marel has installed reference plants showcasing its transformative solutions that improve agility and channel flexibility, catering to different consumer channels for bone-free, ready-to-cook products, as well as restaurants. Revenues in 2020 were up 1.5% however still below the volume needed to deliver sufficient margin improvement. EBIT margin was 5.4% in 2020, compared to 4.3% in 2019.

Management continues to target medium and long-term EBIT margin expansion for Marel Fish.

Committed to mid-term and long-term targets

For the period 2017-2026, Marel has set a target of 12% average annual increase in revenues, through both organic growth and acquisitions. Marel's growth plan involves capitalizing on strong innovation investment and global reach to drive expansion and market penetration. The focus is on strategic partnerships and acquisitions to fill gaps in the value chain, and to augment our full-line product offering.

In the mid-term, management is committed to achieving its targets of 40% gross profit and SG&A of 18%, and to maintaining the innovation investment at the 6% strategic level until year-end 2023. Compounded annual growth rate (CAGR) in 2017-2020 was 6.3%.

Acquisitions and strategic partnerships

With the acquisition of German food cutting technology provider TREIF in October 2020, Marel has strengthened its full-line product offering, increased standard equipment sales, and will leverage its global sales and service network to synergize aftermarket potential. With around 500 employees and EUR 80 million in revenues, TREIF's product portfolio in cutting, portioning, dicing, and slicing is highly complementary to Marel's product portfolio. The purchase price on a cash-free and debt-free basis was paid with EUR 128 million in cash and 2.9 million Marel shares.

As of 4 January 2021, ownership of stake in Icelandic fish processing equipment provider Curio increased from 39.3% to 50.0%, with an option to acquire the remaining 50.0% in three years. With the acquisition, Marel has a full-line offering of solutions for the wild whitefish industry. Curio will be consolidated into Marel's financial results in 2021.

Marel made a follow-on investment in Canadian software company Worximity, which was part of the original agreement in 2019, increasing the ownership from 14.3% to 25.0%.

Strategic partnership with TOMRA on vision-based technology is proceeding well. Over the year, the two companies joined forces on different projects building on advanced sensor based grading, sorting, peeling, and analytics equipment for the food industry.

Key figures

Figures in millions of EUR	2020	2019	Change
Revenues	1,237.8	1,283.7	-3.6%
Gross profit	462.5	491.1	-5.8%
Gross profit as a % of revenues	37.4%	38.3%	
Adjusted result from operations (EBIT)[1]	166.8	173.4	-3.8%
Adjusted EBIT as a % of revenues[1]	13.5%	13.5%	
EBITDA	212.5	220.3	-3.5%
EBITDA as a % of revenues	17.2%	17.2%	
Non-IFRS adjustments	(17.1)	(10.8)	
Result from operations (EBIT)	149.7	162.6	-7.9%
EBIT as a % of revenues	12.1%	12.7%	
Orders received	1,234.1	1,222.1	1.0%
Order book[2]	415.7	414.4	0.3%

Note: [1] Operating income adjusted for PPA related costs, including depreciation and amortization and beginning in 2020, adjusted for acquisition related costs. [2] Including acquired order book of TREIF of EUR 5m in 2020.

2020 consolidated financial accounts

Results in millions of EUR	2020	2019	2018
Revenues	1,237.8	1,283.7	1,197.9
Gross profit	459.4	491.1	462.8
Result before depreciation and amortization (EBITDA)	212.5	220.3	215.5
Result from operations (EBIT)	149.7	162.6	160.9
Net result for the period	102.6	110.1	122.5

Order book in millions of EUR	2020	2019	2018
Orders received	1,234.1	1,222.1	1,184.1
Order book	415.7	414.4	476.0

Cash flow statement in millions of EUR	2020	2019	2018
Cash generated from operating activities, before interest & tax	217.6	189.8	205.8
Net cash from (to) operating activities	182.6	142.5	166.8
Net cash from (used in) investing activities	(161.6)	(54.2)	(84.5)
Net cash from (used in) financing activities	(235.6)	156.8	(60.2)
Net cash flow	(214.6)	245.1	22.1

Financial position in millions of EUR	2020	2019	2018
Total assets	1,814.9	1,861.2	1,565.9
Working capital	44.1	246.3	(43.7)
Group equity	958.7	955.8	560.9
Net debt	205.2	97.6	431.6

Various figures in proportions to sales	2020	2019	2018
Gross profit[1]	37.4%	38.3%	39.0%
Selling and marketing expenses[1]	11.4%	11.9%	11.2%
General and administrative expenses[1]	6.9%	6.5%	7.0%
Research and development expenses[1]	5.6%	6.4%	6.2%
Wages and benefits	37.4%	35.0%	34.3%
Result before depreciation (EBITDA)	17.2%	17.2%	18.0%
Depreciation/amortization	5.1%	4.4%	4.6%
Adjusted result from operations (EBIT)[1]	13.5%	13.5%	14.6%
Net result for the period	8.3%	8.6%	10.2%

Note: [1] Operating income adjusted for PPA related costs, including depreciation and amortization, and beginning in 2020 adjusted for acquisition related costs.

Other key ratios	2020	2019	2018
Current ratio	1.1	1.5	0.9
Quick ratio	0.7	1.2	0.6
Equity ratio	52.8%	51.4%	35.8%
Return on total equity	10.7%	14.5%	22.2%
Return on total assets	5.6%	6.4%	8.1%

Glossary of Terms

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

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

Current ratio
Current assets/Current liabilities

EBIT
Earnings before interest and tax

EBITDA
Earnings before interest, tax, depreciation and amortization

EPS
Earnings per share

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

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

Leverage
Net interest bearing debt/EBITDA

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

Net cash
Cash and cash equivalents

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

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

PPA
Purchase price allocation

Quick ratio
[Current assets - Inventories] / Current liabilities

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

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

Working capital
Current assets - current liabilities

Investor Relations

Marel is committed to providing stakeholders with comprehensive information on the company and its operations. Investor Relations (IR) is responsible for ensuring the company is appropriately and strategically positioned with analysts, investors, and other stakeholders.

The objective of the IR department within a company 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, and providing financial statements to current and potential shareholders and third-party equity research analysts.

Sources of investor information

Marel aims to meet the highest standards in its investor relations by continuously improving the quality, transparency, and consistency of its information disclosure. Equal access to timely and accurate information, within limits set by commercial sensitivity, is key to building a relationship of mutual trust with current shareholders and potential investors.

The IR 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, as well as archived recordings from quarterly results, capital markets day events, annual reports, and the Annual General Meeting.

Other material includes regulatory announcements, analyst coverage, share price data, major shareholders, dividend policy, the financial calendar, 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 other stakeholders 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 marel.com/ir.

Annual report

The annual report is an excellent reflection of how Marel distinguishes itself from its competitors in terms of strategy, innovation, and performance. The annual report 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 easily accessible online through a desktop computer, tablet, or mobile phone at **marel.com/annualreport** and is also downloadable as a PDF.

Roadshows and events

Every connection counts, and Marel regularly engages with current shareholders and potential investors during IR roadshows, conferences, and other events. Regular face-to-face meetings, be they in person or in virtual form on Teams or Zoom, are essential for maintaining and strengthening investor confidence and belief in the company's vision and strategy for delivering shareholder value.

In 2020, Marel participated in several investor conferences hosted by leading financial institutions. Marel was well represented at Citi's 2020 Global Industrials Conference, the Berenberg European Conference, and the Kepler Cheuvreux Autumn Conference 2020, to name a few. In addition, Marel took part in several thematic investor events with great success.

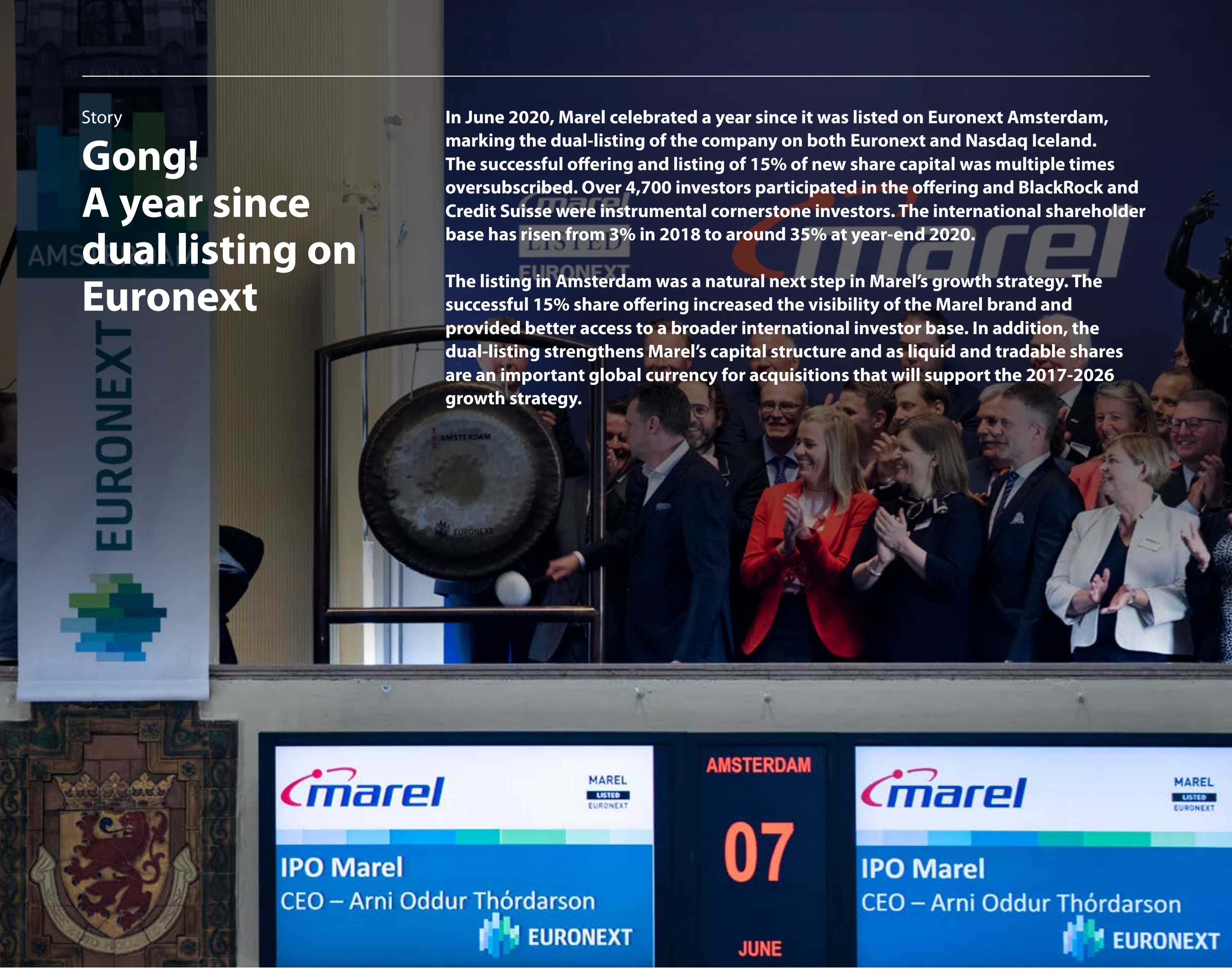
Marel's Capital Markets Day, held every 18-24 months, is also an excellent opportunity for market participants to engage with us and deepen their knowledge of Marel. In May 2019, Marel welcomed over 100 investors, analysts, and market participants to its Capital Markets Day. Investor material from the event, including recordings of senior management's presentations, is available online at **marel.com/cmd**.

Story

Gong! A year since dual listing on Euronext

In June 2020, Marel celebrated a year since it was listed on Euronext Amsterdam, marking the dual-listing of the company on both Euronext and Nasdaq Iceland. The successful offering and listing of 15% of new share capital was multiple times oversubscribed. Over 4,700 investors participated in the offering and BlackRock and Credit Suisse were instrumental cornerstone investors. The international shareholder base has risen from 3% in 2018 to around 35% at year-end 2020.

The listing in Amsterdam was a natural next step in Marel's growth strategy. The successful 15% share offering increased the visibility of the Marel brand and provided better access to a broader international investor base. In addition, the dual-listing strengthens Marel's capital structure and as liquid and tradable shares are an important global currency for acquisitions that will support the 2017-2026 growth strategy.



Analyst coverage

Marel is covered by seven analysts, one Icelandic and six international, who actively track and publish opinions on Marel and its stock. To receive a detailed analysis of Marel's financial performance, you may wish to contact one of the analysts who follow Marel on a regular basis, such as those listed below.

Company	Country	Analyst	E-mail
ABN AMRO – ODDO BHF	Netherlands	Eric Wilmer	eric.wilmer@aa-ob.com
Berenberg	United Kingdom	Fraser Donlon	fraser.donlon@berenberg.com
Citigroup	United Kingdom	Klas Bergelind	klas.bergelind@citi.com
IFS Consulting	Iceland	Ari Freyr Hermannsson	arifreyr@ifs.is
J.P. Morgan	United Kingdom	Akash Gupta	akash.z.gupta@jpmorgan.com
Kepler Chevreux	Netherlands	Andre Mulder	amulder@keplercheuvreux.com
ING Bank	Netherlands	Tijs Hollestelle	tijs.hollestelle@ing.com

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

Contact IR

For further information, please contact Marel Investor Relations via email IR@marel.com or tel. (+354) 563 8001

Director of Investor Relations

Tinna Molphy

Investor Relations

Marino Thor Jakobsson

Financial calendar

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

Event	Date
Annual General Meeting	17 March 2021
Q1 2021	28 April 2021
Q2 2021	21 July 2021
Q3 2021	20 October 2021
Q4 2021	2 February 2022

Sustainability

Connecting through sustainability

From day one, we have been fully committed to protecting our planet and preserving its resources. We embrace our role as a critical infrastructure company in the global food industry, sustaining one of the most important value chains. We support social development and ensure food safety, security and sustainability, thereby creating value and promoting economic growth. To us, that is the true meaning of success.

Sustainability in everything we do

Being a responsible corporate citizen is a top priority for Marel. We take great pride in embedding sustainability in everything we do to create long-term value for our customers. Just as vitally, we help them minimize their resource use and emissions while aligning our operations and theirs with socially and environmentally accepted principles.

In a world where the need for sustainable development is becoming a necessity more than a nice-to-have, food processors need innovative solutions that meet the needs of present generations without compromising the future of coming generations. The food industry faces many global challenges, including climate change, diet-related diseases, water scarcity, lack of food traceability, and food safety risks, to name a few. Marel is inspired by the UN Sustainable Development Goals (SDGs) and Global Compact's call to the private sector for corporate responsibility, transparency, and working toward becoming a part of the solution.

As an important next step in Marel's sustainability journey, we have committed to the Science-Based Targets initiative to meet the goals of the Paris Agreement. We are aiming for carbon neutrality well before 2050.

Our vision

In partnership with our customers, we are transforming the way food is processed. Our vision is of a world where quality food is produced sustainably and affordably. We are guided by three core values: unity, innovation, and excellence.

Marel does not operate as an enterprise in isolation; instead, we see ourselves as part of the larger society and the physical environment, in which we have responsibilities, duties, and rights. We aim to go beyond merely complying with laws and regulations in managing our operations. We look at our contribution to society, the environment, and the economy as a whole, and at how we can bring value to the communities we operate in. In line with our corporate social responsibility guidelines, we continuously monitor how our operations and the systems and solutions we provide affect society, economies, and the environment.

Marel's Board of Directors and Executive Team approved a corporate social responsibility guidance policy for the company in 2016, to serve as the company's compass for sustainable development. This year, we are reporting on the company's activities as measured against its corporate social responsibility guidelines for the fifth time.

International co-operation and sustainability initiatives

Turning our ambitions into action, we are a signatory of the United Nations Global Compact, and we have been a participant since 2017. Marel is a 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. In 2019, Marel was certified as a Nasdaq ESG Transparency Partner. Marel has been part of the Nasdaq Sustainable Markets Initiative since 2017, complying with the Nasdaq ESG Reporting Guide 2.0. Moreover, Marel follows the Euronext guidance on ESG reporting.

2020 ESG highlights and outlook

Marel took several action to accelerate its ESG journey in 2020. Most importantly, we conducted a comprehensive materiality analysis of our sustainability initiatives by reaching out to over 160 of our key stakeholders for input. The results led us to reprioritize our sustainability ambitions.

In 2020, Marel established a Sustainability and ESG Committee as a sub-committee of the Executive Team. The committee is composed of representatives from Marel's core functional areas, including Supply Chain, Innovation, Global Markets, Marketing and Communication, and Finance. The committee ensures that sustainability related themes relevant to Marel are discussed and prioritized internally and makes recommendations to the Executive Team for decisions on such topics.

Marel's other major sustainability efforts in 2020 include integrating sustainability and finance by securing a new EUR 700 million sustainably linked syndicated credit facility, adoption of a Green Energy Procurement Policy, and commitment to publishing diversity and inclusion data according to Equileap metrics to accelerate progress toward gender equality. Equileap is a leading provider of data and insights on gender equality in the workplace.

As an important next step in Marel's sustainability journey, we've committed to the Science- Based Targets initiative to meet the goals of the Paris Agreement. Marel is aiming for carbon neutrality well before 2050. The company will disclose its emission reduction target within the next two years once validated. Science-based targets provide companies with a clearly defined path to lead the way to a low-carbon future.

Four key themes in the sustainability roadmap

A comprehensive sustainability roadmap, focusing on four key themes, was developed to create further clarity around the most material sustainability topics Marel needs to focus on to improve its sustainability performance in coming years.

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

Influence

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

Guide

3. **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.

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

Control

Our contribution to the United Nations SDGs

Marel focuses its efforts on benefitting people, the planet, and our op-erations in terms of three of the United Nations Sustainable Development Goals (SDGs). At Marel, we believe innovation is the primary way to make an impact and meaningfully contribute toward the SDGs.

Innovation has always been a core driver of our endeavors. Annually, we invest about 6% of our revenues into research and development of ad-vanced and high-tech solutions, with the aim of transforming food pro-cessing.

2
Zero hunger

9
Industry, innovations and infrastructure

12
Responsible consumption and production

Goal 2

Traceability, increased quality, and food safety are key drivers within our in-dustry and are an important feature in Marel's innovation roadmap for de-veloping solutions and software for food processing. Our Innova Food Pro-cessing Software provides processors with full traceability of raw ingredi-ents as they flow through production. Such solutions contribute directly to food security, increased efficiency, and improved nutrition for consumers around the globe.

Goal 9

We also foster innovation by working in partnership with our customers, universities, and other partners to develop breakthrough solutions that sup-port sustainable development in food production. Marel takes part in build-ing and supporting infrastructure by partnering with multiple stakeholders throughout our value chain to promote sustainable industrialization and fos-ter innovation through modernizing food processing technology

Goal 12

To ensure sustainable consumption and production patterns, we work hard to create solutions including equipment and software that reduce food waste, increase efficient resource use, minimize environmental footprint in use phase, boost yields, add recycling options, and optimize portion sizes.

All innovations scored on sustainability

A sustainability scorecard, which facilitates sustainability throughout the product development process, has been a part of our product development process since 2017.

The scorecard is intended to assist and guide our in-novation team to design with sustainability in mind. In 2020, 96% (2019: 87%) of all new innovation projects approved for further development were rated using the sustainability scorecard, beginning in the first stage, feasibility.

Marel CSR guidance policy

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

Our guidance policy on corporate social responsibility (CSR) implements the ISO 26000 standard, and we are a United Nations Global Compact par-ticipant. Marel has been a participant in the Nasdaq sustainable markets ini-tiative since 2017 and reports in accordance with the Nasdaq ESG reporting guidelines and the Sustainability Accounting Standards Board's (SASB) Indus-trial Machinery and Goods. Marel has a dual listing on Euronext and reports in accordance with the Euronext ESG guidelines.

Social responsibility

Social responsibility is a priority in our corporate culture. We're committed to providing a safe and healthy working environment with equal opportunities for all our employees. When we engage with local communities, our focus is on innovation and education.

Our employees have the right to freedom of association, and we maintain a zero-tolerance policy toward human rights violations, illegal labor condi-tions, and other unethical business behavior.

Environmental responsibility

Through ongoing dialogue with our customers and suppliers, we strive to increase yields and minimize waste in food production while promoting food safety, traceability, and quality, as well as animal wellbeing.

Sustainability is the central goal in our innovation process. We focus on creating new methods and finding approaches that have the least impact on the environment, such as CO_2 emissions, and we maximize the efficient use of resources including raw materials, water, and energy.

Environmental responsibility is a core principle in all our facilities and pro-jects; we are focused on minimizing waste from production. We work to re-duce our direct and indirect carbon footprint.

Economic responsibility

Our mission is to generate value for our partners and shareholders through fair trade practices. We promote long-term profitability and good business practices along our entire value chain through transparency, innovation, and collaboration with all our partners.

We make continuous improvements to our practices to comply with interna-tional laws, anti-corruption rules, and local regulations. We believe that all parties must contribute toward the societies in which they operate.

Marel ESG data and references

ESG data disclosure and transparency is receiving increasing interest from many of Marel's key stakeholders.

We took many actions to improve the organization's ESG disclosure and 2020 ESG Report in line with article 66 (d) of the Icelandic Financial Statements act on non-financial disclosure, the SASB Industrial Machinery and Goods, and the Euronext ESG guide-lines. Non-financial data has been partially validated by third parties.

Furthermore, we have committed to publishing a Carbon Disclosure Project (CDP) report, integrating the recommendations of the Task Force on Cli-mate-Related Financial Disclosure (TCFD) into our 2021 climate-risk report-ing, and publishing diversity and inclusion data in accordance with the Equi-leap framework.

Social

Connecting through community

During an unprecedented year, we have focused on keeping employees and customers safe while maintaining productivity at all manufacturing sites and keeping one of the world's most important value chains running – the food value chain. As a global company, we reach out to communities where we operate to seek local insights and collaboration so that together we forge the best solutions to benefit everyone.

Promoting social responsbility

Marel develops and builds food processing solutions that help feed a growing world population more safely and efficiently while seeking approaches that minimize its environmental impact.

During an unprecedented year, we've focused on keeping employees and customers safe while maintaining the productivity of all manufacturing sites. Marel is a critical infrastructure company for the poultry, meat, and fish processing industries, and together with our employees, suppliers, customers, and innovation partners we kept one of the world's most important value chains – the food value chain – running in 2020.

Social responsibility is a priority of Marel's culture. We act responsibly towards our people, our partners, and our customers. Our dedication to social responsibility in our workplace culture underpins our efforts to provide a safe and healthy working environment that fosters diversity and inclusion. Marel believes that it's essential to support individual and team development and to ensure the right of freedom of association.

One aspect of Marel's social responsibility is to engage actively and systematically with the local communities and stakeholders where it operates by seeking local participation and 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 among Marel's current and future workforce. We do not tolerate human rights violations in the supply chain under any circumstances. This includes any forced labor, underage labor, and illegal labor conditions.

Social criteria are a key component in Marel's sustainability innovation scorecard. The criteria seek to address and improve aspects including food quality, food safety and security, and employee health and safety.

Human resources

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

Employee engagement

Marel strives to build a high-performance culture that encourages people to thrive and succeed. Employee engagement has been defined as the key factor in measuring the overall health and wellbeing of the organization. In 2019, Marel partnered with Gallup UK on an engagement journey to benchmark Marel against top performing global companies in Gallup's database.

To reinforce the principles of employee engagement, we provide managers with engagement training where they gain advanced insights into how to lead teams with an intentional focus on engagement. This promotes increased productivity, profitability, and customer satisfaction.

The company conducts its employee engagement survey annually, and the results are openly communicated internally. Between surveys, all managers are required to identify specific actions they and their team can take to enhance the team's engagement, with the aim of establishing positive and consistent engagement habits at work.

Safeguarding Marel's people and business continuity has been a priority during the pandemic. We therefore conducted an additional Gallup survey in November 2020 called "How do you feel?". The survey addressed wellbeing, safety, working from home status and preferences, communication, and agility. The results provided Marel with valuable insights on the wellbeing of its people and their preferences on future ways of working. This led us to take a number of actions, such as increasing access to wellbeing consultation and a flexible working policy to support our employees.

Talent management

Our people are one of our key competitive advantages. In 2020, Marel hired a talent manager to further support us in developing and maximizing the potential of our people, and we also aligned the global performance review process. In 2021, we'll add a more future-oriented outlook and assess our employees' growth potential and ask them to register their career interests. All of this information will be used for succession planning and career development of our people.

The aim for 2021 is to have solid succession and development plans in place for all key positions at Executive Team and management team level.

A workplace of the future

In April 2020, Marel implemented a Global Pay Policy during COVID-19, to secure minimum pay for a defined period of time if employees could not, for one reason or another, conduct their work due to the pandemic.

Marel also approved a Flexible Working Policy globally, to be implemented in 2021. The policy is in line with the company's ambitions to be an employer of choice and the workplace of the future.

The average number of total full-time employees during 2020 was 6,464 (2019: 6,303). Following the acquisition of TREIF on 8 October 2020, around 500 TREIF employees joined team Marel.

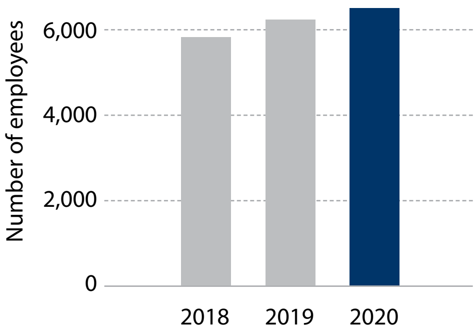
To manage seasonal fluctuations in order processing and other variations in project load, Marel employs a number of temporary workers. In 2020, the proportion of full-time third-party and temporary workers was 9.8% (2019: 13.6%).

Employees in 2020

	2020	2019
Europe, Middle East and Africa	4,263	4,093
Americas	1,471	1,423
Asia and Oceania	343	311
Employees	**6,077**	**5,827**
Third-party workers	387	476
Average FTEs in 2020	**6,464**	**6,303**

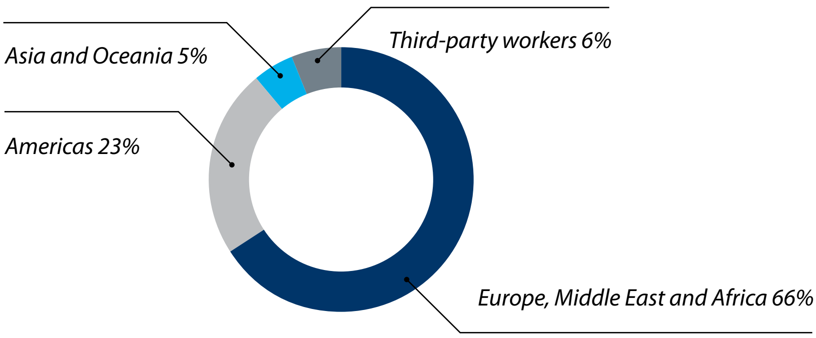
Marel employees

Average number by year



Number of employees by geography

Average full-time equivalents in 2020



Health, safety, and environment (HSE)

We strive for excellence in health, safety, and environment (HSE), which is synonymous with good business because it makes us an attractive business partner and an employer of choice. It means we can grow with confidence, knowing that risks related to the health of our employees are managed.

We aspire to be known as a 'high reliability' organization – one that delivers consistently high performance across all aspects of HSE management even in a changing business environment or regulatory landscape, or in the case of unplanned events.

Providing a healthy and safe working environment for Marel's employees, contractors, and visitors is imperative, and the company takes pride in doing it well. HSE risks concern all of the company's 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.

HSE function

A global HSE function provides support and oversight to Marel businesses in ensuring that the requirements of the company HSE policy are met and that it facilitates continuous improvements.

The function is tasked with overseeing HSE governance, reviewing performance, investigating incidents, monitoring HSE improvement projects, and guiding and supporting management in promoting a leadership culture in HSE.

Local management within all Marel entities is responsible for ensuring that processes and procedures are established to comply with Marel's HSE policy and local laws.

Health and safety in times of COVID-19

In January 2020, a Global Crisis Management Team and 15 Local Crisis Management Teams were set up in response to COVID-19 to ensure the safety of Marel's employees, customers, and related third parties. Regular meetings and aligned reporting were structured to provide updates to Marel's employees, Executive Team, and Board of Directors.

The global team has given the local teams a considerable amount of focus, guidance, and direction, which has allowed us to make informed decisions and responses to minimize the impact on our people and business.

Strong HSE leadership

The continued promotion of a safety-conscious culture with accredited training for executives and senior managers, encouraging proactive non-event reporting, as well as increased maturity of our HSE reporting, has led to a higher number of near misses, 128 in 2020 (2019: 71), and reduced overall the total recordable injuries rate to 0.91 (2019: 1.24). The number of non-event hazards reported was 2,637 (2019: 2,217), a positive increase from last year's combined figure, which speaks to a stronger culture of non-event reporting. Non-event reporting is a key leading indicator for Marel in preventing accidents and injuries because it draws attention to situations that could potentially result in injury accidents.

Marel is a growth company, and acquisitions are part of the growth strategy. Following the acquisition of TREIF, HSE has been a vital part of its integration into Marel, and we are pleased to report that TREIF is accredited to the International Standard for Health and Safety ISO 45001.

Health, safety and environment (HSE) statistics

HSE statistics	**2020**	**2019**
Number of accidents with fatalities or severe injuries	0	0
Number of serious accidents resulting in absence from work	38	33
Number of accidents resulting in restricted work or medical treatment	22	39
Number of total recordable injuries (TRI)	**60**	**72**
Number of first accidents	166	156
Number of total accidents	**226**	**228**
Number of near accidents	128	71
Number of environmental accidents	0	1
Number of proactive hazard observations	2,637	2,217
Total recordable incidents rate (TRI based on headcount)	**0.91**	**1.24**

Improvement initiatives

To improve the visibility of HSE within our facilities, we have begun work on a global catalogue of HSE signage to standardize the way we visually present HSE information to employees.

The HSE organization facilitates the process for improvements globally in accordance with Marel's Global Health, Safety, and Environmental (HSE) Policy.

Diversity

Marel's Diversity and Inclusion Policy sets out the company's commitment to fostering, cultivating, and preserving a culture of diversity and inclusion, while increasing job satisfaction and wellbeing in the workplace. The policy supports Marel in becoming a company where diversity and inclusion are recognized and valued, and all employees are treated with respect and dignity.

Marel's diversity and inclusion policy applies to all employees and governance bodies, including the Board of Directors, its sub-committees, and the Executive Team. The policy rests on the following pillars, which are all equally important:

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

Gender diversity within the Board of Directors remained stable at 43% female (2019: 43%) following the election of Lillie Li Valeur at the AGM on 18 March 2020. Following changes to the Executive Team in March 2020, gender diversity rose to 44% female (2019: 17%). At an overall employee level, gender diversity remained static compared to 2019 (16% female, 84% male). In 2020, the median gender pay gap narrowed to 3.4% (2019: 8.4%). Marel supports gender diversity across the whole organization, including acquired companies, and has committed to publishing diversity and inclusion data according to Equileap metrics in 2021.

New hires by gender

	2020	2019
Female	23%	22%
Male	77%	78%

Turnover rate

	2020	2019
Marel total	9.8%	10.9%

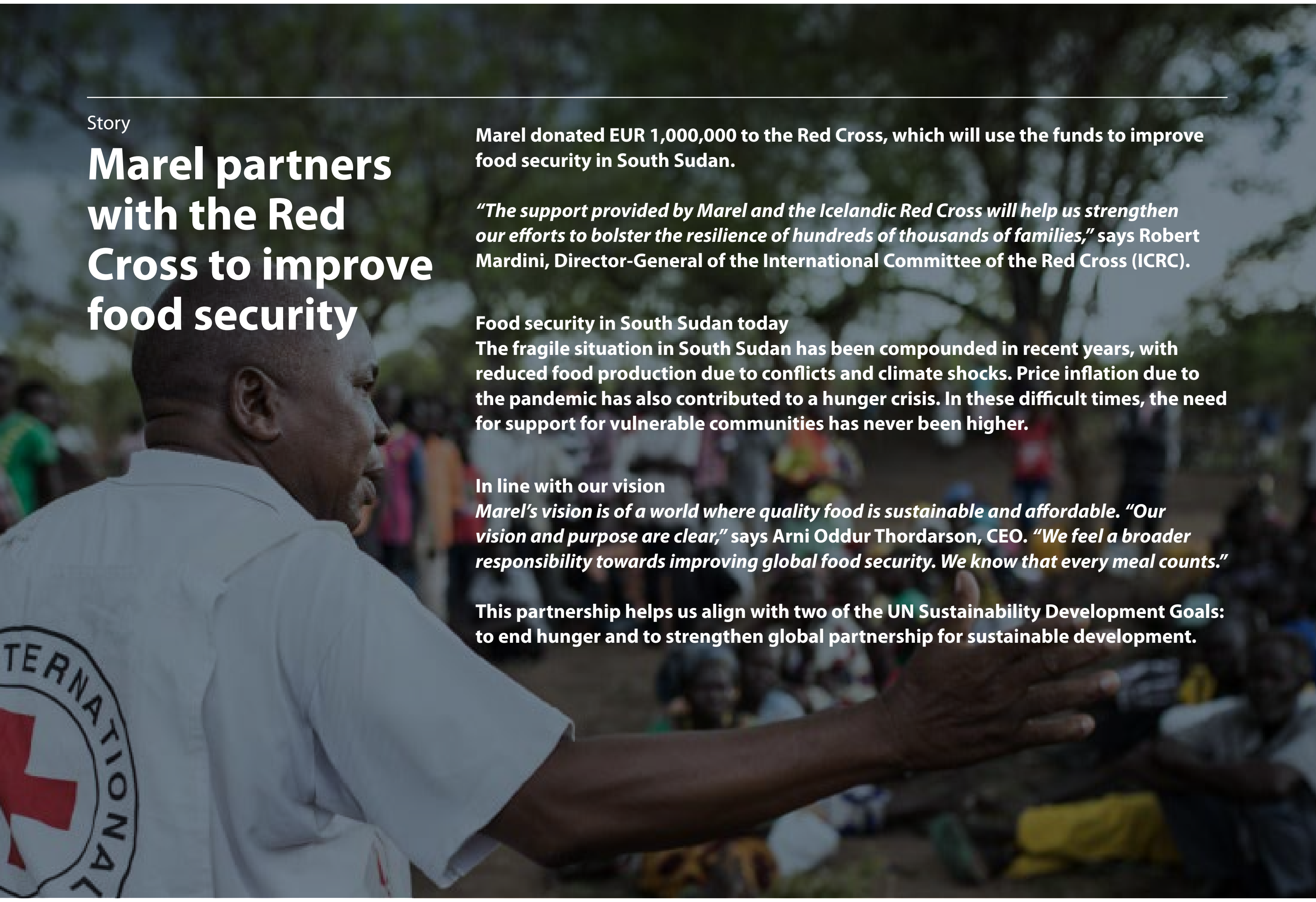
Composition of governance bodies and breakdown by gender

	2020			2019		
	Female	Male	Total	Female	Male	Total
Board of Directors	43%	57%	7	43%	57%	7
Executive Team	44%	56%	12	17%	83%	9
Employees	16%	84%	6,464	16%	84%	6,303

Forced labor and underage workers

At Marel, we have a zero-tolerance policy for human rights violations, including child labor and 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.

No human rights violations were reported at Marel in 2020 or in the previous year.



Story

Marel partners with the Red Cross to improve food security

Marel donated EUR 1,000,000 to the Red Cross, which will use the funds to improve food security in South Sudan.

"The support provided by Marel and the Icelandic Red Cross will help us strengthen our efforts to bolster the resilience of hundreds of thousands of families," **says Robert Mardini, Director-General of the International Committee of the Red Cross (ICRC).**

Food security in South Sudan today

The fragile situation in South Sudan has been compounded in recent years, with reduced food production due to conflicts and climate shocks. Price inflation due to the pandemic has also contributed to a hunger crisis. In these difficult times, the need for support for vulnerable communities has never been higher.

In line with our vision

Marel's vision is of a world where quality food is sustainable and affordable. "Our vision and purpose are clear," **says Arni Oddur Thordarson, CEO.** ***"We feel a broader responsibility towards improving global food security. We know that every meal counts."***

This partnership helps us align with two of the UN Sustainability Development Goals: to end hunger and to strengthen global partnership for sustainable development.

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.

Local and global community outreach

Through our Global Charitable Giving and Social Participation Policy, we actively participate in local communities in the countries where we operate. This helps us to align our vision and purpose with activities beyond our core business activities.

Our focus is mainly on educational outreach in collaboration with local educational institutions, and the continuing education of employees. Most Marel locations have internships and trainee programs to support talented young professionals entering the workforce with developing their skills in a safe and professional environment.

Another aspect of engaging with local communities is Marel's commitment to fast-tracking social initiatives in developing regions related to food security and access to a nutritious diet and clean water. 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 delivering market-altering solutions, Marel intends to positively impact both general wellbeing and economic progress in all of the company's markets.

Philanthropy aligned with our vision

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

Environmental

Connecting through respect

Respect for nature's resources is ingrained in everything we do. Through innovation, we reduce the use of scarce resources such as water and energy while promoting animal welfare, food safety and traceability. As the leading global supplier of high-tech food processing solutions, our advances can scale up to tremendous gains in sustainability.

Encouraging efficient use of resources

Throughout the entire value chain, Marel encourages and promotes the most efficient use of resources to minimize environmental impact and prioritize environmental protection in food processing. Innovation is at the core of this strategy. By continuously focusing on creating new methods to improve yields and minimize waste, Marel is reducing the use of scarce resources such as energy and water while promoting food safety, traceability, and animal wellbeing.

Sustainability innovation scorecard

A sustainability scorecard has been a part of Marel's product development process since 2017. Product development requires the inclusion of sustainable product features from the first stage of the process.

Environmental criteria include, among others, addressing the usage of energy, water, materials, and resources, and improving the impact on the supply chain as well as animal wellbeing. The scorecard is intended to assist Marel's Innovation team in focusing on improving sustainability in the food value chain. In 2020, 96% (2019: 87%) of all new innovation projects approved for further development were rated according to the sustainability scorecard in the feasibility stage.

Commitment to a carbon neutral future

Marel has committed to the Science-Based Targets initiative to meet the goals of the Paris Agreement. Marel is aiming for carbon neutrality well before 2050. We will disclose our emission reduction target within the next two years, once validated.

The Science-Based Targets provide companies with a clearly defined path to lead the way to a low-carbon future. This marks an important next step in our sustainability journey and our responsibility as a corporate citizen to support and enable sustainable development.

Climate-related reporting

To improve the disclosure of climate-related risks and opportunities, Marel has also committed to integrating the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) into its 2021 climate-risk reporting.

Timeline of climate action

Marel has gradually been improving its ESG profile in the past 5 years but never more than in 2020.

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

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 sustainabilty linked syndicated credit facility**
Conducted a comprehensive **materiality analysis with over 160 stakeholders**
Established a **Sustainability Team as part of the CEO office**
Established a **Sustainability and ESG Committee**
Established a **Responsible Supply Chain risk management**
Finalized **life cycle analysis** of four core cross-industry products
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

Marel's TCFD journey

We have taken several actions in 2020 to accelerate our sustainability journey to better understand the likely risks and opportunities that climate has on Marel's entire value chain. We're in the process of integrating TCFD recommendations into our climate change mitigation plan, and these recommendations have the potential to also benefit how we manage other environmental, social, and corporate governance (ESG) risks and opportunities in the broader sustainability context.

Climate change related risks and opportunities are a critical issue for Marel to manage, both internally and for its customers. To manage climate risks and opportunities in the food value chain, Marel needs to assist customers with using less natural resources, while minimizing their CO_2 footprint during production.

Marel's TCFD integration process

	2020 achievements	Short-term priorities	Longer-term goals
Governance	Sharpened ESG governance with the clear objective of ingraining ESG into all of Marel's business planning and operations. Each core functional area is championed by a Sustainability Partner. Sustainability Team within the CEO office expanded and Marel's Sustainability & ESG Committee formalized	• Increase structural attention to climate related impacts within the Board of Directors including structured decision-making and follow up on identified climate issues • Internal Audit to begin auditing non-financial disclosures (including climate impact)	Further integrate the impact of climate change in corporate governance and oversight
Strategy	Implemented and executed the following items to improve our strategic embedding of climate impact: • Climate KPIs into Marel's EUR 700m sustainability linked syndicated credit facility • Comprehensive stakeholder materiality analysis • Green Energy Procurement Policy • Finalized fourth core cross-industry solutions life cycle analysis and its environmental impact Improved our understanding of climate impact by reviewing climate related risks and opportunities and the likely impact on our operations	Further assess potential business implications of climate related risks and opportunities on Marel's operations, testing the resilience of our business, by using climate scenario analysis	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	Performed an initial analysis on climate related risk causes and opportunity triggers and the way we should manage these risks and opportunities using best practice risk management methodologies	• Establish 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	• Used Marel's sustainability to validate 96% of all new innovation projects • Agreement on implementation of ESG metrics in the incentive program for management in 2021, including carbon intensity and sustainability of innovation projects	• Embed periodic reporting on material risks and opportunities • Improve disclosure on our Scope 3 greenhouse gas emissions (GHG) and targets to reduce GHG • Further improve Marel's innovation scorecard to further elevate sustainability in new developments	Disclose and report on forward-looking climate related metrics, actual performance against goals

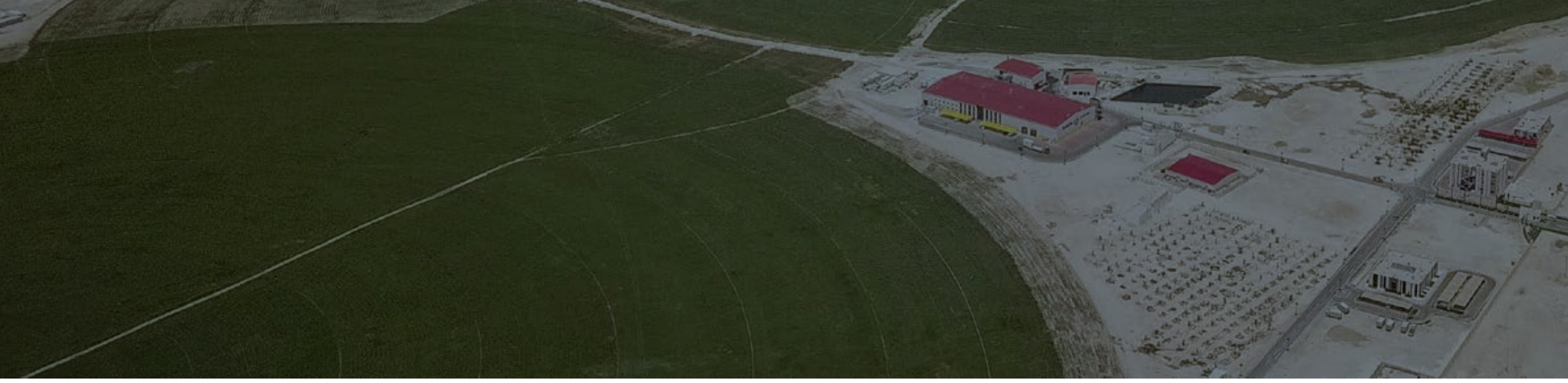
Case study

Sustainable food production in the Qatari desert

Food processing requires a lot of water and creates large amounts of wastewater. Water treatment is therefore one of Marel's flagship sustainability solutions to help processors have a positive impact.

Together with Mazzraty, a leading poultry producer in Qatar, Marel built a state-of-the-art poultry processing plant in the Qatari desert. Mazzraty's supply chain has been vertically integrated to include farms, a hatchery, a feed mill, and a biological fertilizer facility, helping to increase Qatar's food production self-sufficiency. Poultry is reared locally on natural feed, reducing carbon emissions from transport.

Circular in all aspects
Given its unusual desert location, the facility was designed with circular economy in mind. Mazzraty is conscious of its environmental impact, and treating wastewater was a priority. Marel Water Treatment designed a modular installation to not waste or leave behind residual material from any stage of processing. Mazzraty benefits from this cycle by extracting irrigation water for the surrounding fields.



Energy intensity reduction

In 2020, Marel adopted a Green Energy Procurement Policy on the preferred sourcing of green energy for electricity. The aim is to phase out the use of grey energy in favor of green energy sources. The company is making continuous upgrades to manufacturing equipment to increase its energy efficiency along with other capabilities.

Energy consumption and intensity

	2020	2019
Total GWh	49.2	49.5
KWh per m^2	104	109
MWh per employee	7.6	7.9

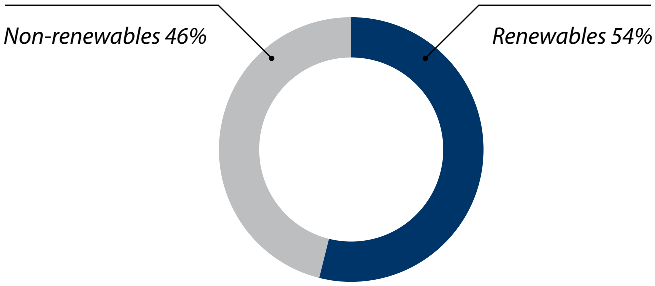
Marel's primary sources for electric energy are renewable energy and natural gas, with around 54% (2019: 52%) of all electricity energy consumed by Marel produced by renewables and 22% (2019: 29%) generated by burning natural gas. Most of Marel's larger facilities have installed an energy monitoring system in order to understand and minimize the company's indirect carbon footprint.

Electricity consumption by origin

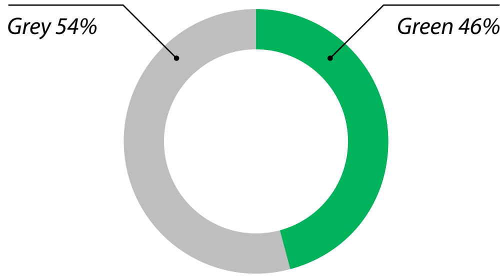
Origin	Total energy consumed 2020	Total energy consumed 2019
Non-renewables	46%	48%
Renewables	54%	52%

Based on the adopted Green Energy Procurement Policy we have classified energy sources into green and grey. Not all renewable energy (54%) is also green energy (46%). As we are phasing out the use of grey energy sources in favor of green energy sources over time, the proportion of green and therefore renewable energy should further increase. The main sources for green energy is hydro power (32%). Other green energy sources include solar, wind and other renewables.

Share of renewables in 2020



Share of green energy in 2020



Sustainable supply chain

We are working towards creating a sustainable supply chain for our own manufacturing locations and external supply base.

In 2020, we have further implemented detailed dashboards to monitor our waste streams, recycling, and energy usage, including energy sources in all our main manufacturing locations globally. We've taken initiatives to further improve transparency and awareness about waste separation and recycling in our manufacturing sites, and we're implementing green energy usage policies wherever possible.

We have performed further analysis on our supply chain throughout the year, which has led to the creation of a responsible supply chain program with set ambitions on ESG topics focusing on energy, waste management, transportation, health and safety, and social conduct in Marel's manufacturing locations as well as in our partnerships with suppliers globally.

Supply chain risk management

During the pandemic, the resilience of the supply chain has been tested to its limits. In 2020, Marel has strengthened its supply chain risk processes, looking at various risk categories including critical materials and components.
In a complex supply chain like ours, we often deal with many different materials and components coming from a variety of suppliers.

Lifecycle analysis – enabling sustainable food processing

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

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

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

In 2020, we finalized our fourth core cross-industry solutions lifecycle analysis and its environmental impact. This allows us to better understand the full carbon footprint associated with our solutions, from design through production until end-of-life, thereby enabling our innovation team and customers to understand and improve the environmental footprint of Marel's solutions.

Waste management

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

The company made significant improvements with digitalizing and improving efficiency in its waste management, following a full-scale analysis of its waste footprint, which now includes all major manufacturing locations.

In 2020, Marel recycled or reused 72% (2019: 74%) of its total waste volume of 4,808 tons (2019: 5,573 tons). The company therefore reduced its total waste volume by 14% in 2020.

Carbon emissions

Despite Marel's efforts to continually minimize its environmental footprint, overall carbon emissions have been rising steadily over the past few years as a result of Marel's growing operations. The two largest contributors to Marel's currently measured carbon footprint are energy consumption in facilities and employee air travel.

To better understand the carbon footprint of the energy Marel consumes, all facilities report on the generation source(s) of the energy they use to produce electricity and heating. In collaboration with Sustainalize, a company that calculates Marel's carbon footprint, emissions are categorized as follows:

- **Scope 1** emissions are from mobile combustion emissions from vehicles operated by the company and natural gas burned to heat facilities.
- **Scope 2** emissions are mostly from the electricity used in offices and manufacturing facilities as well as waste management from manufacturing.
- **Scope 3** emissions are mainly the result of employee air travel. Other upstream or downstream activities are currently not included. However, the company is analyzing them further, as part of its commitment to setting science-based targets.

In 2020, total greenhouse gas emissions were 41% lower than in 2020 as currently measured.

With the onset of COVID-19, trade show participations were cancelled in March 2020, and air travel was drastically reduced while service engineers and installation teams accelerated their journey in offering remote support to our customers and colleagues. As a result, emissions from air travel decreased by 79% in 2020. Some air travel was replaced by travel in company cars, resulting in 17% higher carbon emissions from company cars in 2020. Going forward, emissions from air travel are likely to increase as trade show activities and general business travel picks up again. We will look to preserve some of the emissions savings through new ways of working.

Scope 1 – Mobile combustion and heating

Carbon emissions	tCO_2e from vehicles	tCO_2e from heating	Total tCO_2e
2020	3,235	3,086	6,321
2019	2,758*	3,099*	5,857*

** Restated due to improved data accuracy.*

Scope 2 – Waste and electricity

Carbon emissions	tCO_2e from elektricity	tCO_2e from waste	Total tCO_2e
2020	4,126	393	4,519
2019	4,094*	444*	4,538

** Restated due to improved data accuracy.*

Scope 3 – Employee air travel

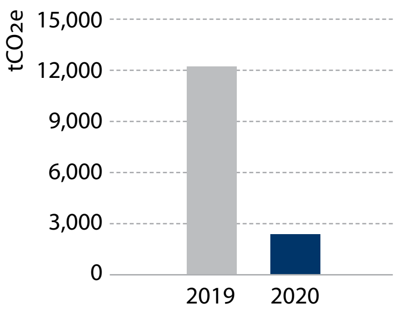
Carbon emissions	tCO_2e
2020	2,572
2019	12,313

Carbon emission and intensity

	2020	2019*
Total tCO_2e	13,412	22,708
$kgCO_2e$ per FTE	2,075	3,603
$kgCO_2e$ per EUR 1,000 of revenues	10.83	17.68

** Restated due to improved data accuracy.*

Employee air travel



Animal wellbeing

Marel's strong commitment to social responsibility extends beyond its employees and customers. Because we are in the food processing business, animal wellbeing is high on our agenda, particularly in research and development.

Animal wellbeing is a feature in the sustainability scorecard. By highlighting animal wellbeing in the sustainability scorecard, we are ensuring environmental and economic responsibility in the most crucial stages of the product lifecycle.

By instituting good animal wellbeing practices in general, we can increase the quality of products and production while simultaneously reducing the carbon footprint of food processors using Marel solutions.

We are determined to lead the way by developing solutions that promote the highest standards of animal wellbeing. Over the years, we've introduced a number of innovative solutions that pay careful attention to animal wellbeing, including:

- Controlled Atmosphere Stunner for Poultry - CAS SmoothFlow
- Live Bird Handling - ATLAS system
- CO_2 Stunning
- Live Pig Handling

Economic

Connecting through foresight

Conducting business in a fair, ethical and sustainable manner while delivering long-term profitability is all about finding that perfect balance. Guided by a clear vision, we continually generate value for our partners and shareholders worldwide while also having a positive economic impact on the societies in which we operate.

Delivering sustainable value creation

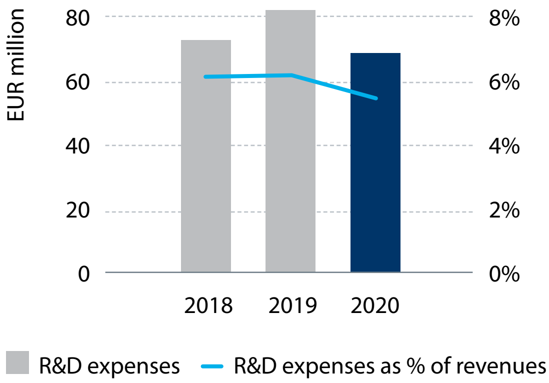
Throughout our company, we promote ethical business practices along our entire value chain through transparency, innovation, and collaboration with all our partners. Long-term value creation and fair trade are vital aspects of how we conduct business. Continuous operational and organizational improvements help Marel's partners, customers, and suppliers be compliant with international law, anti-corruption rules, and compliance regulations.

We believe that every contribution counts in the quest for a more equitable society that uses the planet's resources sustainably. This means that not only does Marel need to be fully compliant with all laws and regulations that apply to its operations, it also needs to have a strong and robust governance framework. Together, these measures ensure that the company will prosper and that our customers and partners will continue to deliver sustainable value creation.

Innovation

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

Research and development expenses



Digital technology and full-line approach for excellent yields

In 2020, we invested around EUR 69.1 million or around 6% of revenues (2019: EUR 82.1 million) in innovation. For the past few years, Marel has stepped up its digital and full-line offerings to improve yield and efficiency, enabling processors to meet consumer demands for a balanced diet, traceability, and food safety.

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

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

A systematic approach through our sustainability scorecard

Our sustainability scorecard raises awareness and provides rich material for discussion among our innovation experts during product development. Since 2017, we've included the sustainability scorecard in the identification stage before conducting the feasibility study. We've systematically considered a range of social and environmental factors during the innovation process. In 2020, we saw a continued trend: 96% (2019: 87%) of all products developed by Marel have increased sustainability in our customers' operations.

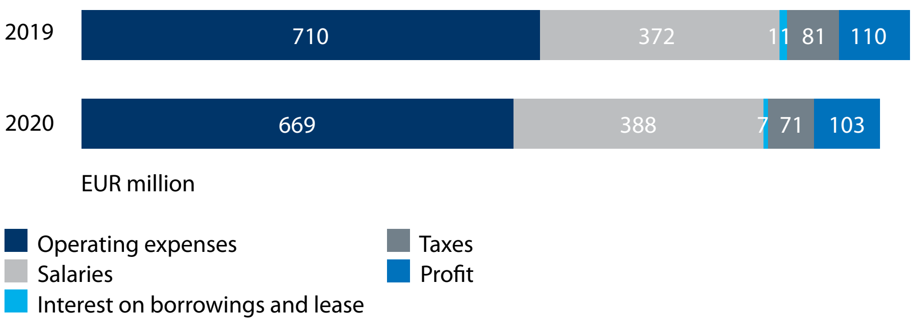
Economic value generation

We operate a global sales and service network that reaches over 30 countries, and we produce a range of products that are manufactured in the Netherlands, the US, Brazil, China, Iceland, Denmark, Germany, the UK, and Slovakia.

Marel will continue to emphasize strong revenue growth, having achieved a compound annual growth rate of 21% since listing in 1992. One of the results of this ambition is that the economic value generated by our operations in 2020, as measured by revenues, amounted to EUR 1,238 million (2019: 1,284 million). Revenue streams from all of Marel's business segments are aligned with the EU taxonomy. Marel encourages all parties to contribute equitably towards the societies in which they operate.

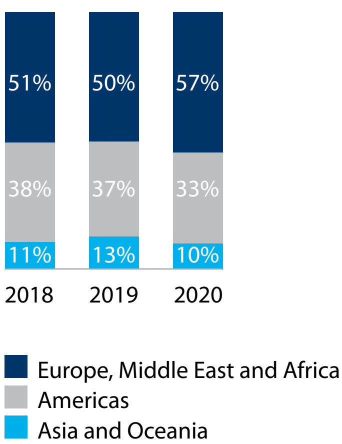
Furthermore, we directly employed an average of 6,464 full-time employees in 2020 (2019: 6,303). Salaries paid during the year, excluding related expenses, amounted to EUR 388 million (2019: 372 million), or 31% of the economic value generated. Marel did not make use of government support or rent discounts related to COVID-19 in 2020. If government support was provided due to local laws, an equivalent or greater amount was donated to charity by Marel.

Economic value composition



Marel's contributions to the communities it operates in consist of many different elements, including salaries paid to employees and goods and services purchased from local suppliers.

Revenues by geographical location



Case study

Moving in the demand-driven direction

Marel is taking strides toward addressing tomorrow's challenges. Through our significant innovation investment and development of digital solutions, we aim to drive greater overall efficiency and sustainability from catch to table. Our innovations are transforming food processing, improving processing efficiency, food quality, and traceability. Our digital solutions provide better process management, traceability, and a holistic view of the supply chain, thereby enabling our industry to become more demand-driven and ultimately reduce food waste.

Marel's software solutions extend beyond the factory and into the wider world, enabling processors to respond in real-time to events in other locations and other stages of the value chain. By integrating data, such as satellite forecasting, fishing catches, and farm harvest volumes, combined with sales and consumption trends, processors can adapt their production lines accordingly.

The FleXicut is an excellent example of a recent innovation from Marel that enables our customers to move towards more demand-driven production. By locating the pinbones to determine the optimal cut configuration and cutting angle and evaluating the weight, the FleXicut optimizes the each fillet's utilization. By automating the process and combining it with data inputs from markets demanding fresh, high-quality fish, the FleXicut can ensure the best way to maximize the production of the highest value cuts for each market. Automation and digital solutions for full traceability, better handling, higher yield, maximum agility, and greater product diversity are key in moving in the demand-driven direction.

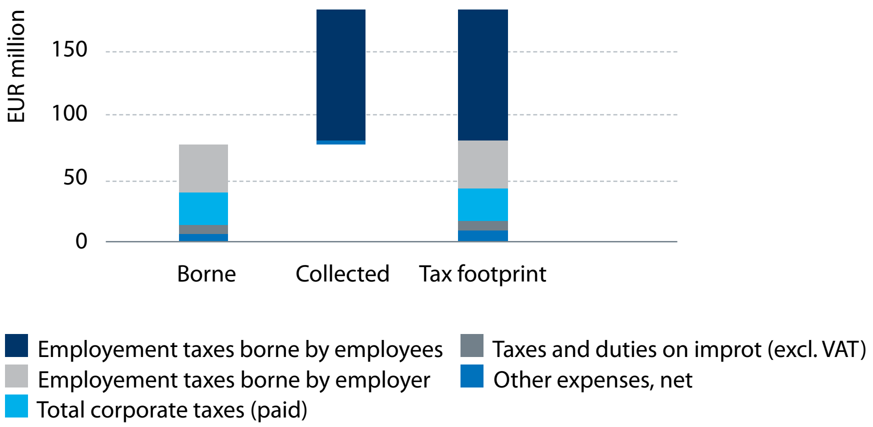
Minimizing food waste continues to be a big part of transforming the way food is processed, and together we can make a difference.

Tax footprint

Taxes paid by Marel in 2020 amounted to EUR 70.6 million (2019: 81.2 million) or 5.7% of the economic value generated. In December 2020, a new corporate tax law was enacted in the Netherlands whereby the Dutch corporate income tax rate will remain at 25.0%

Employment taxes represent 52.3% of the levies during the period, and 36.0% were total taxes borne by Marel. In addition to direct taxes, Marel collects various taxes and duties on behalf of governments. Total taxes and duties collected in 2020 amounted to EUR 108.0 million (2019: 100.2 million). In 2020, the total tax footprint amounted to EUR 178.6 million (2019: 181.4 million).

Tax footprint report



Anti-bribery and anti-corruption

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

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.

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

ESG data and references

Connecting through transparency

We operate in one of the world's most important value chains, where even the smallest improvements can add up to substantial benefits. Everything counts. We recognize our responsibility to the global population and the planet we all share. We keep track of how each undertaking contributes to society so that we can use these insights to improve our performance – and our customers' performance – every day.

Disclosure and transparency

Environmental, social, and governance (ESG) data disclosure and transparency is receiving increasing interest from many of Marel's key stakeholders.

We took many actions to improve the organization's ESG disclosure and ESG Report 2020 in line with article 66 (d) of the Icelandic Financial Statements act on non-financial disclosure, the Sustainability Accounting Standards Board's (SASB) Industrial Machinery & Goods, and the Euronext ESG guidelines. Non-financial data has been partially validated by third parties.

Since 2017, Marel has participated in the Nasdaq Sustainable Markets Initiative, with the intention of improving ESG disclosure and transparency. Marel follows the Nasdaq ESG reporting guidelines and has been a certified Nasdaq ESG Transparency Partner since 2019.

As a global company with operations in more than 30 countries, Marel now has more granular and better-quality environmental data available for more of its sites, compared to when it started reporting its ESG data in 2015. The company has aligned the methodology for collecting this data with the guidelines of the Greenhouse Gas Protocol. As a result, Marel has partially restated 2019 numbers where necessary, following the advice of Sustainalize, a corporate sustainability consultancy that has calculated all of Marel's environmental data since 2019. Human resources data are collected and verified internally, with all sites connected and reporting into a single enterprise system.

2020 ESG data highlights

Sustainability is our business. We work in one of the world's most important value chains, so even the smallest improvements can add to major benefits. We have a responsibility to the world's population and the planet we all share.

Environmental performance

- Resource efficiency increased relative to the economic value generated: 10.83 kg CO_2 per EUR 1,000 of revenues versus 17.68 kgCO_2 in 2019.
- There was a 41% CO_2 reduction from scope 1, 2, and 3 compared to 2019, mainly due to new ways of working that have emerged during the pandemic. With the onset of COVID-19, trade show participations were cancelled in March 2020 and air travel was drastically reduced, while service engineers and installation teams accelerated their journey in offering virtual and remote support to Marel's customers and colleagues.
- Emissions from air travel (scope 3) decreased by 79% in 2020 compared to 2019. Some air travel was replaced by travel in company cars, resulting in 17% higher carbon emissions from company cars (scope 1) in 2020.
- Going forward, emissions from air travel are likely to increase as trade show activities and general business travel picks up again. New ways of working and use of digital solutions will provide opportunities for further operational efficiencies and emissions.
- Marel continued its focus on lowering energy intensity per FTE and moving towards using renewable energy, which represents around 54% (2019: 52%). In 2020, Marel adopted a Green Energy Procurement Policy on the preferred sourcing of green energy for electricity. The aim is to phase out the use of grey energy in favor of green energy sources.
- Marel finalized the fourth core cross-industry solutions lifecycle analysis and its environmental impact.
- Marel has committed to the Science-Based Targets initiative and to integrating the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) into Marel's 2021 climate-risk reporting. Marel is aiming for carbon neutrality well before 2050.

Social performance

- The median gender pay gap narrowed to 3.4% (2019: 8.4%).
- The proportion of full-time third-party and temporary workers was 9.8%, compared to 13.6% in 2019.
- The number of total reportable incident rate based on headcount has been lowered to 0.91 (2019: 1.24).
- Marel implemented a Global Pay Policy during COVID-19, to secure minimum pay for a defined period of time if employees could not, for one reason or another, conduct their work due to the pandemic. Marel also approved a Flexible Working Policy globally, to be implemented in 2021.

Sustainable governance

- Gender diversity within the Board of Directors remained stable at 43% female (2019: 43%) and rose to 44% female (2019: 17%) within the Executive Team.
- At an overall employee level, gender diversity remained static compared to 2019 (16% female, 84% male).
- Marel supports gender diversity across the whole organization, including acquired companies, and has committed to publishing diversity and inclusion data according to Equileap metrics in 2021.
- Marel established a Sustainability and ESG Committee as a sub-committee of the Executive Team.
- Marel's Board of Directors has agreed to include ESG metrics in the short-term incentive program for the CEO and the Executive Team in 2021.

	Nasdaq ESG Indicator	Connections to Frameworks	2020	2019
E1	**Direct and indirect GhG emissions** (tCO2e)	TCFD | UNGC P7	13,412	22,708*
E1.1	Scope 1		6,321	5,857*
E.1.2	Scope 2		4,519	4,538*
E.1.3	Scope 3		2,572	12,313
E2	**Emission intensity** (kgCO2 per EUR 1,000)	SDG13 | UNGC P7, P8 | SASB RT-IG-130a.1	10.83	17.68*
E3	**Energy usage (GWH)**	SDG 12 | UNGC P7, P8 | SASB RT-IG-130a.1	49.2	49.5
E3.1	Directly consumed		16.9	17.1
E3.2	Indirectly consumed		32.3	32.4
E4	**Energy intensity (MWH per FTE)**	SDG 12 | UNGC P7, P8	7.6	7.9
E5	**Energy mix – renewables**	SDG 7 | SASB RT-IG-130a.1	54%	52%*
E6	**Water usage**	SDG 6	-	-
E7	**Environmental operations**		Yes	Yes
E7.1	Formal environmental policy	UNGC P7, P8, P9	Yes	Yes
E7.2	Specific waste, water, energy, and/or recycling policies		Yes	Yes
E7.3	Recognized energy management system		Yes	No
	Total waste (1,000 tonnes)		4.8	5.6
	Of which is recycled (1,000 tonnes)		3.5	4.1
E8	**Climate related risk oversight by the Board of Directors**	TCFD	Yes	No
E9	**Management of climate-related risks and opportunities**	TCFD	Yes	Yes
E10	**Climate risk mitigation**	TCFD | SDG 9 | UNGC P9	-	-
	Sales-weighted fleet fuel efficiency for medium-and heavy-duty vehicles	SASB RT-IG-410a.1	Not material	Not material
	Use of critical materials	SASB RT-IG-440a.1	Yes	Yes
S1	**CEO pay ratio** (CEO total compensation to median Icelandic FTE compensation)**	UNGC P6	19.3:1	18.3:1
S1.2	Reported in regulatory filings		Yes	Yes
S2	**Gender pay ratio**	UNGC P6	3.4%	8.4%
S3	**Employee turnover ratio**	UNGC P6	9.8%	10.9%
S4	**Gender diversity (total enterprise)**	UNGC P6	16/84	16/84
S4.3	**Executive Team (women/men ratio)**		44/56	17/83
S5	**Temporary worker ratio** (third-party and temporary FTEs)	UNGC P6	9.8%	13.6%
S6	**Non-discrimination policy**	UNGC P6	Yes	Yes
S7	**Injury rate*** (total recordable incident rate)**	SDG 3 | SASB RT-IG-320a.1	0.91	1.24
	Fatality rate	SASB RT-IG-320a.1	0	0
	Number of near accidents	SASB RT-IG-320a.1	128	71
S8	**Global health and safety policy**	SDG 3 | SASB RT-IG-320a.1	Yes	Yes
S9	**Child and forced labor policy**	SDG 8 | UNGC P4, P5, P6	Yes	Yes
S9.2	Policy covers suppliers and vendors		Yes	Yes
S10	**Human rights policy**	SDG 4, 10, 16 | UNGC P1, P2	Yes	Yes
S10.2	Policy covers suppliers and vendors		Yes	Yes
	Number of employees	SASB RT-IG-000.B	6,464	6,303
G1	**Board diversity** (women/men ratio)	SDG 10 | SASB	43/57	43/57
G1.2	Committee chairs (women/men ratio)		33/67	33/67
G2	**Board independence**		Yes 100%	Yes 100%
G2.1	CEO prohibited from serving as board chair		Yes	Yes
G3	Incentivized pay		No	No
G4	**Collective bargaining**	SDG 8 | UNGC P3	Yes	Yes
G5	**Supplier code of conduct** (for vendors or suppliers)	SDG 12 | UNGC P2, P3, P4 , P8	Yes	Yes
G6	**Ethics and anti-corruption** (policy in place)	SDG 16 | UNGC P10	Yes	Yes
G7	**Data privacy (policy in place)**		Yes	Yes
G7.2	Steps taken to comply with GDPR		Yes	Yes
G8	**Sustainability report (published and filed)**	UNGC P8	Yes	Yes
G9	**Disclosure practices (UN Global Compact, SASB)**	UNGC P8	Yes	Yes
G9.2	UN Sustainable Development Goals		2, 9, 12	2, 9, 12
G10	**External validation assurance**	UNGC P8	Partial	Partial

Note:

** Restated in line with the guidelines of the Greenhouse Gas Protocol.*

*** Changed methodology and restated 2019. CEO long-term incentives based on Black-Scholes.*

**** Changed from reporting total number of injuries to Total Recordable Incident Rate.*

Corporate governance

Corporate governance statement

Icelandic law and Marel hf.'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 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, including its Articles of Association and the Guidelines on Corporate Governance issued in June 2015 by the Iceland Chamber of Commerce, Nasdaq Iceland, and the Confederation of Icelandic Employers, which are accessible on the website of the Iceland Chamber of Commerce.

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

Article 1.4

Of the Guidelines concerning Share Registry: Marel is listed in ISK on Nasdaq Iceland and in EUR on Euronext 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 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 1.5.10

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. This is line with the Dutch Corporate Governance Code.

Internal control of financial reporting

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 to which the company may be exposed. Significant risks are discussed in the 2020 Consolidated Financial Statements.

Internal audit and control

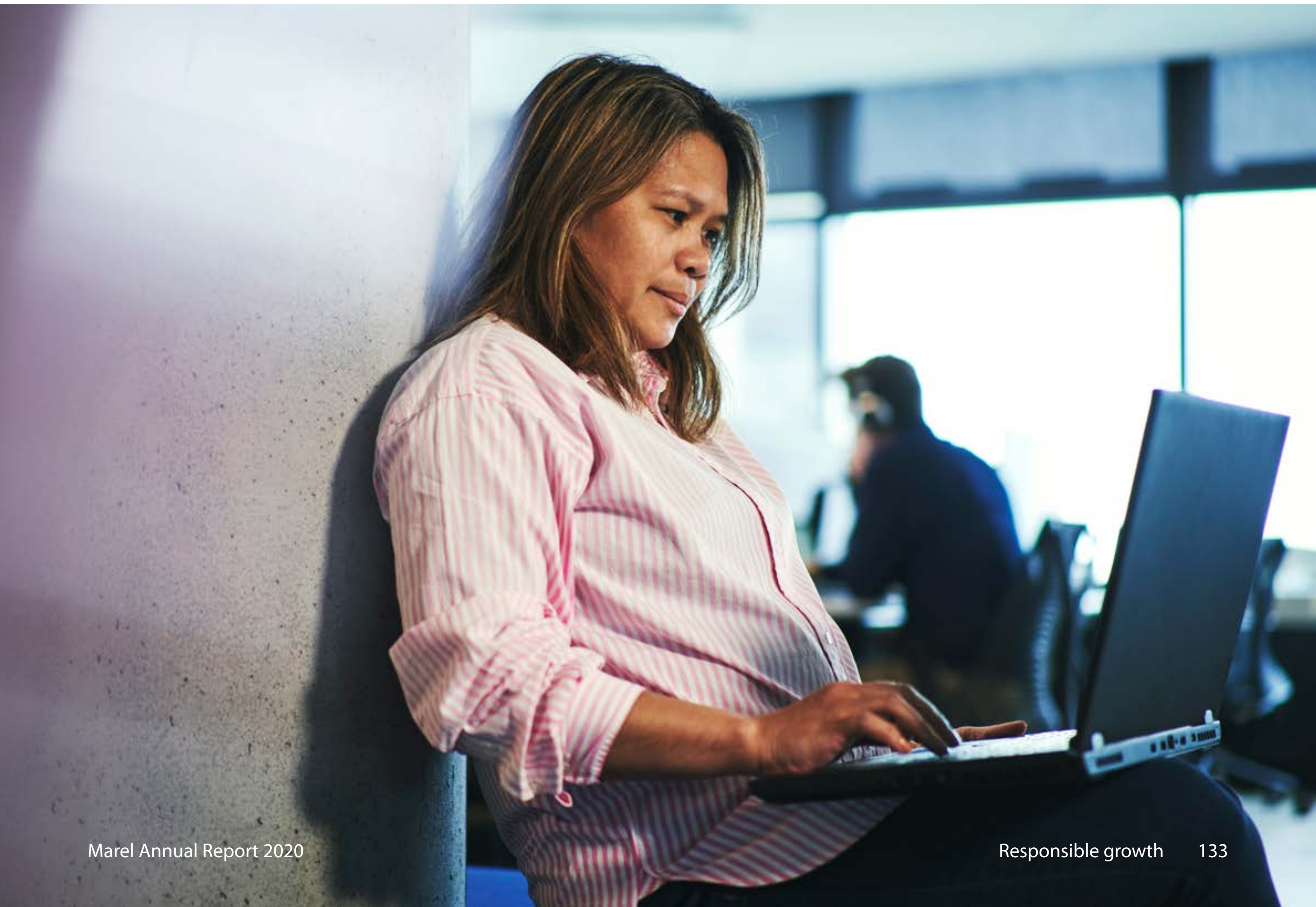
The company's risk management and internal controls for financial processes are designed to minimize the risk of material misstatements in financial reporting effectively. The Director of Internal Audit reports to the Board's Audit Committee and plays a key role in internal control.

External audit

An independent auditing firm is elected at the Annual General Meeting 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 18 March 2020. Auditors on KPMG's behalf are Saemundur Valdimarsson and Hrafnhildur Helgadottir, both Certified Public Accountants (CPAs). They have audited and endorsed Marel's Consolidated Financial Statements for the year 2020.

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.



Management structure

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

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 is currently composed of seven directors who were elected at the company's AGM on 18 March 2020. 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 committees.

The Board of Directors is responsible for the company's organization, for setting the objectives for long-term performance and business development, and for 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 Team. The Board defines strategic objectives for the company and sets targets aimed at achieving these goals.

Regular Board meetings are held with management over the course of the year, including quarterly meetings coinciding with the publication of financial results, two strategy sessions, and an operational planning meeting for the coming year. The Board of Directors meets at least once a year without management to structure its agenda and conduct a self-assessment. Additional meetings are convened as needed. The Board of Directors has a number of onsite visits to company locations and to customers during the year, but due to travel restrictions all visits in 2020 were postponed to a later date. 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.

At the company's AGM on 18 March 2020, Lillie Li Valeur was elected to the Board of Directors. After serving on the Board of Directors for 14 years, Margret Jonsdottir did not declare candidature.

The Board of Directors convened 25 times in 2020, with an average attendance of 98.3%.

The Board of Directors has assessed which directors are independent according to the Icelandic Guidelines on Corporate Governance. All seven current directors, Ann Elizabeth Savage, Arnar Thor Masson, Asthildur Margret Otharsdottir, Ton van der Laan, Lillie Li Valeur, Astvaldur Johannsson, and Olafur S. Gudmundsson, are considered independent of the company. Furthermore, six of the Board members, Ann Elizabeth Savage, Arnar Thor Masson, Asthildur Margret Otharsdottir, Ton van der Laan, Lillie Li Valeur, and Astvaldur Johannsson, are considered independent of the company's major shareholders. Margret Jonsdottir, who served on the Board of Directors until 18 March 2020, was considered to be independent of the company, but non-independent of Eyrir Invest hf., Marel's largest shareholder. 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 consistent with the company's established goals. The Board discusses the results of the evaluation and decides on any actions to be taken.

Profiles of the Board members can be found in the Board of Directors chapter of the annual report and on **marel.com**. See also **marel.com** for the Rules of Procedure of the Board of Directors and for the Board's sub-committees.

Sub-committees

A major share of the Board's work is carried out in its sub-committees: the Remuneration Committee, the Audit Committee and the 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 is conducted.

The current Board decided to appoint four members to the Remuneration Committee as of March 2020: Asthildur Margret Otharsdottir (Chair), Ann Elizabeth Savage, Arnar Thor Masson, and Olafur S. Gudmundsson.

The Remuneration Committee convened four times in 2020, with an average attendance of 93.8%.

Audit Committee

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

Members of the Audit Committee since March 2020 are Arnar Thor Masson (Chair), Astvaldur Johannsson, Ann Elizabeth Savage, and Ton van der Laan. All members are independent of the company, its auditors, and large shareholders. Margret Jonsdottir, who served on the Audit Committee until 18 March 2020, was considered to be independent of the company, but non-independent of Eyrir Invest hf., Marel's largest shareholder.

The Audit Committee convened seven times in 2020, with an average attendance of 96.4%.

Nomination Committee

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

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 2020 are Arnar Thor Masson (Chair), Asthildur Margret Otharsdottir, and Olafur S. Gudmundsson.

The Nomination Committee convened four times in 2020, with an average attendance of 91.7%.

Structure of Board´s sub-committees	**Board of directors** Attendance	**Audit committee** Attendance	**Nomination committee** Attendance	**Remuneration committee** Attendance
Asthildur Otharsdottir	100% **Chairman**		100% ○	100% ●
Arnar Thor Masson	100% **Vice-Chairman**	100% ●	100% ●	100% ○
Ann Elizabeth Savage	96% **Director**	80% ○		100% ○
Astvaldur Johannsson	96% **Director**	100% ○		
Lillie Li Valeur	100% **Director**			
Margret Jonsdottir	100% **Director**	100% ○		
Olafur S. Gudmundsson	96% **Director**		75% ○	75% ○
Ton van der Laan	100% **Director**	100% ○		
Convened in 2020	25 meetings	7 meetings	4 meetings	4 meetings

● Chair ○ Member

Chief Executive Officer

Arni Oddur Thordarson assumed the position of CEO of Marel in November 2013. An Icelandic citizen born in 1969, 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. Thordarson served on the Board of Directors of Marel from 2005 to 2013, for most of that time as Chairman.

Together with related parties, his direct holding is 139,878 shares in Marel. He is a major shareholder of Eyrir Invest, which on 3 February 2021, 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 if it is impossible to wait for the Board's decision without substantial disadvantage to the company's operations. In such an event, the CEO must inform the Board of his/her actions without delay.
2. The CEO is responsible for the work and results of the Executive Team.
3. The CEO shall 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 Team that he/she heads according to previously established criteria. The CEO shall discuss the results of his evaluation with each member of the Executive Team and decide on any actions to be taken.

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

Executive Team

In March 2020 the Executive Team was consolidated from twelve to nine members, resulting in a leaner management team with clear accountability in order to sharpen market focus, shorten time to market, and reduce the cost base. The company's Executive Team is composed of:

Executive

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

Business units

- Roger Claessens, EVP Marel Poultry
- David Wilson, EVP Marel Meat
- Gudbjorg Heida Gudmundsdottir, EVP Marel Fish

Operations

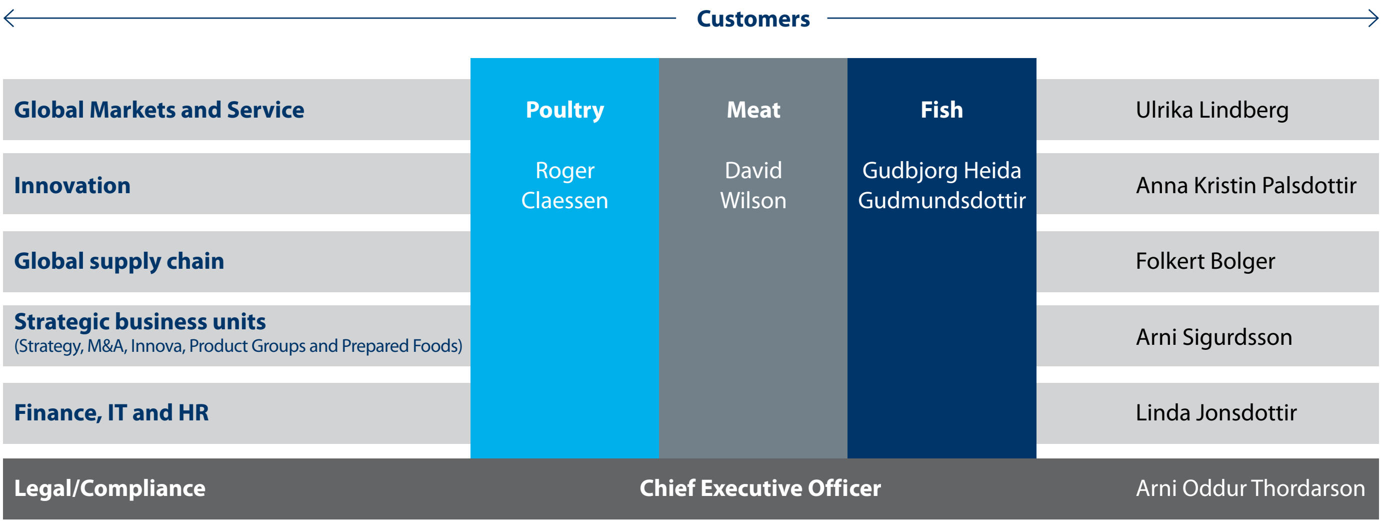
- Ulrika Lindberg, EVP Global Markets and Service
- Folkert Bolger, EVP Global Supply Chain
- Anna Kristin Palsdottir, EVP Innovation

Profiles of the Executive Team can be found in the Executive Team chapter of the annual report and on **marel.com**.

Organizational chart

The organizational structure supports us in being an agile growth company.

In our structure, the poultry, fish, and meat industries are the three pillars of the company. These three industries are then supported by the company's global divisions: Global Markets and Service, Innovation, Global supply chain, Strategic business units, as well as Finance, IT and HR. The Executive Team consists of the Chief Executive Officer, Chief Financial Officer, 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.



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 Team.

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 and is published 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 Team, 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 within the Board of Directors remained stable at 43% female (2019: 43%) following the election of Lillie Li Valeur at the AGM on 18 March 2020. Following the consolidation within the Executive Team in March 2020, gender diversity rose to 44% female (2019: 17%).

Gender diversity	**2020** Female/male ratio	**2019** Female/male ratio
Board of Directors	43/57	43/57
Executive Team	44/56	17/83
Total enterprise	16/84	16/84

Code of Conduct and social responsibility

The purpose of Marel's Code of Conduct is to support the company's vision of a world where quality food is produced sustainably and affordably. This vision is reflected in our business model, which is based on the knowledge and talent of our employees, and driven by innovation, market penetration and operational excellence.

Values and social responsibility

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

Marel places great emphasis on corporate and social responsibility. Detailed information is available in Marel's ESG Report for 2020, which can be found on **marel.com**.

Code of Conduct

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

See **marel.com** for the company's Code of Conduct.

Communication with shareholders

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 (insider 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**.

Board of Directors

Chairman of the Board

Asthildur Otharsdottir

Asthildur Otharsdottir is an independent advisor and board director. She is the Chairman of the Board of Frumtak Ventures investment fund and a director of Promote Iceland. Otharsdottir is on the Board of Governors and Chairman of the audit committee of the University of Iceland, the board of the Nordic Arbitration Centre at the Icelandic Chamber of Commerce, and the board of Women Corporate Directors. She is a former director and chairman of the audit committee of Icelandair Group and several other organizations.

Otharsdottir served as the Global Director of Corporate Development at Össur hf., where she managed several international acquisitions, corporate funding, investor relations, and the dual listing of the company's shares on Nasdaq Copenhagen. Prior to that, she served as a Senior Manager in Corporate Banking at Kaupthing Bank as well as a management consultant at Accenture in Copenhagen.

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

Education
MBA, Rotterdam School of Management, the Netherlands
Cand. Oecon., University of Iceland

Elected
2013 Chairman of the Board
2012 Vice-Chairman
2011 Chairman of the Audit Committee
2010 Director

Sub-committees
Remuneration Committee (Chair)
Nomination Committee

Holdings in Marel
32,000 shares

Vice-Chairman of the Board

Arnar Thor Masson

Arnar Thor Masson is an independent advisor and board member, currently working with Summa Asset Management on infrastructure and renewable energy investments. Before that, Masson was Chief Human Resources and Strategy Officer at Isavia, a company that handles the operations and development of all airports in Iceland. Masson was an alternate director at the European Bank for Reconstruction and Development (EBRD) in London, an investment and development bank that works primarily with private sector clients in developing economies.

Before joining EBRD, he was Director-General in the Prime Minister's Office in Iceland, overseeing organizational changes and co-ordinating the implementation of cross departmental policies and strategic initiatives. Prior to that, he worked in the Ministry of Finance and was responsible for public sector reforms, performance management, and state-owned enterprise governance. From 2000 to 2008, Masson held an adjunct lecturer position at the Department of Political Science of the University of Iceland. Masson has experience in corporate strategy, human resources, corporate social responsibility, and finance and has worked with emerging markets. He has done executive courses for board directors both at Harvard Business School in the US and IMD in Switzerland.

He has no interest links with 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
2013 Vice-Chairman
2001 Board Director

Sub-committees
Remuneration Committee
Audit Committee (Chair)
Nomination Committee (Chair)

Holdings in Marel
0 shares

Board Director

Ann Elizabeth Savage

Ann Elizabeth Savage heads the Food Technical function at Gousto, a UK meal kit manufacturer and retailer. Savage previously served as Group Technical Director of Bakkavor. Her primary responsibilities have included food safety, health and safety management, manufacturing excellence, and corporate social responsibility management in the UK, US, and Asia. Savage has held a variety of roles in technical and research and development departments within the retail and food industry over her 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 the Food Standards Agency, the Department for Environment, Food and Rural Affairs (DEFRA), and Health Protection England. She has chaired the Food Network for Ethical Trade (FNET), the IGD Technical Leadership Forum, and been a member of the advisory group for the Better Regulation Task Force and the British Retail Consortium Advisory Board. She has worked closely with UK retailers to deliver on their corporate social responsibility commitments and to develop reporting procedures.

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

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

Education
Mathematics, Technology, and Systems Management, Open University
Postgraduate Diploma in Management Studies, Nottingham University
Elected
2013
Sub-committees
Remuneration Committee
Audit Committee
Holdings in Marel
0 shares Board Director

Board Director

Astvaldur Johannsson

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

Johannsson is a proactive professional with extensive international experience of leadership within different marketplaces in the EU, US, and Asia, in a range of cross-functional environments, both on the executive level and board level. He has a comprehensive background and knowledge in formulating and implementing policy and strategy, and of 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, and product management along with operations knowledge and experience in various industries, working with progressive and successful organizations.

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

Education
MBA, University of Iceland
BSc, Management Information Systems, Heriot-Watt University
Elected
2014
Sub-committees
Audit Committee
Holdings in Marel
0 shares

Education
MBA, China European International Business School
Degree in Medicine, Shanghai Medical University
Elected
2020
Sub-committees
None
Holdings in Marel
0 shares

Board Director

Lillie Li Valeur

Lillie Li Valeur is the CEO for Good Food Group in Denmark and a member of the Board of Directors, Remuneration Committee, and Science & Innovation Committee of Chr. Hansen Holding, listed on Nasdaq Copenhagen.

Valeur has extensive international experience in the food, ingredient, and pharmaceutical industries, with special focus on EMEA, Asia, commercial leadership, innovation, mergers and acquisitions, and strategic partnerships. Previously, for a period of 18 years, Valeur held several senior management roles at Arla Foods amba, 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 Co. in Shanghai, as well as a management consulting position at Bain & Company in Beijing.

From 2013 to 2020, Valeur was a member of the Board of Directors and Audit Committee of AAK, listed on Nasdaq Stockholm, and a member of the Board of Directors of Meda in Sweden from 2015 to 2016.

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

Education
PhD, Pharmaceutical Chemistry, University of Kansas
Cand. Pharm., Pharmacy, University of Iceland
Elected
2014
Sub-committees
Remuneration Committee
Nomination Committee
Holdings in Marel
1,705,427 shares

Board Director

Dr. Olafur S. Gudmundsson

Dr. Olafur S. Gudmundsson is currently the Head of Discovery Pharmaceutics and Analytical Sciences at Bristol-Myers Squibb (BMS), a global biopharmaceutical company. For more than two decades, 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. During his tenure 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. Gudmundsson 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, Marel's largest shareholder, and Noruz.

He has no interest links with the company's main customers.

Board Director

Ton van der Laan

Ton van der Laan currently serves as Chairman of the Supervisory Board of Royal de Heus, a global feed company, and Vice-Chairman of the Board of Directors of Rainforest Alliance in New York. He is a non-executive board member of Vion Foods and Dümmen 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, EVP of Animal Proteins and Animal Nutrition at Cargill in the USA, and CEO of Provimi in the Netherlands, one of the global leaders in animal nutrition.

Previously, 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.

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

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

All holdings as of 31 December 2020

Executive Team

Chief Executive Officer

Arni Oddur Thordarson

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

Education
MBA, IMD, Switzerland
Cand. Oecon., Business Administration, University of Iceland
Holdings in Marel
139,878 shares
Other holdings: 17.9% of total outstanding shares in Eyrir Invest, Marel's largest shareholder (Eyrir Invest holds 24.7% of total shares in Marel)

Chief Financial Officer

Linda Jonsdottir

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

Education
MSc, Finance, Reykjavik University
Cand. Oecon., Business Administration, University of Iceland
Holdings in Marel
339,817 shares

Chief Strategy Officer and Executive Vice President of Strategic Business Units

Arni Sigurdsson

Arni Sigurdsson is responsible for Strategy & Development, including M&A as well as the Strategic Business Units, Cross-Industry, Prepared Foods and Innova Software. He serves on the board of Worximity Technology Inc. in Canada and Curio ehf. in Iceland. Before joining Marel in 2014, he worked at AGC Partners, an investment bank. Before that Mr. Sigurdsson worked at Landsbanki Islands, where he worked closely with Marel for over three years and was instrumental in advising Marel on the acquisition of Stork Food Systems.

Education
MBA, Harvard Business School
BSc, Industrial Engineering, University of Iceland
Holdings in Marel
217,317 shares

Executive Vice President of Marel Fish

Gudbjorg Heida Gudmundsdottir

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

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

Executive Vice President of Marel Poultry

Roger Claessens

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

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

Executive Vice President of Marel Meat

David Wilson

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

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

Executive Vice President of Global Supply Chain

Folkert Bölger

Folkert Bölger assumed his current position in 2017. Bölger has extensive global managerial experience in supply, procurement and operational positions. Before joining Marel, he was Vice-President of Operations and Procurement at Bang & Olufsen in Denmark. Bölger held various management positions at Philips and Siemens-VDO in Asia, Central Europe and Western Europe.

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

Executive Vice President of Innovation

Anna Kristin Palsdottir

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

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

Executive Vice President of Global Markets and Service

Ulrika Lindberg

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

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

All holdings as of 31 December 2020

Risk management

Taking risks is an integral part of any business activity. By carefully balancing our objectives against the risks we are prepared to take, we strive to conduct business operations in a socially responsible and sustainable manner.

Effective risk management is key to achieving Marel's objectives with regard to efficacy and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

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.

Risk management process

Marel has a robust risk management process that consists of five steps:

Risk appetite sets out the amount of risk the company is willing to accept in pursuit of value.

Risk assessment involves mechanisms and analysis to identify risks. Risks are ranked by the likelihood of their occurrence and the magnitude of their impact in a risk register.

Risk treatment is the process of selecting and implementing measures to minimize the probability of identified risks materializing and alleviate their potential effects.

Monitoring is the process of evaluating the effectiveness of actions taken to mitigate the identified key risks.

Communication involves informing the Board, top management, risk managers, and other stakeholders on risk on a recurring basis.

Risk categories

Marel's activities expose the company to a variety of risks, which are grouped in five categories: strategic, operational, financial reporting, compliance, and sustainability. Sustainability is a newly defined risk category that we've established as part of our commitment to integrating the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

Strategic	Operations	Financial reporting	Compliance	Sustainability
Strategic risk Business risk Reputational risk	Operational risk	Financial reporting risk Market risk Credit risk	Compliance risk	Climate risk

Each category has sub-categories that can be defined broadly as follows

Strategic risk	Risks that affect Marel's strategic ambitions, including economic and political developments
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
Operational risk	Risk related to inadequate internal processes, people and systems
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	Risks that relates to credit quality of our customers and other business partners
Compliance risk	Risk arising from failure to comply with laws and regulations, including internal standards and policies
Climate risk	Risk arising from the interaction between hazard, vulnerability and exposure related to climate change impacts

Key risks

Our management has identified certain key risks to our business that demand attention. Of these, seven key risks are discussed below, together with an overview of corresponding mitigative actions.

Profit and earnings volatility risk

Our operation results are subject to volatility. Factors like increase in competition, geopolitical conflicts, trade restrictions, natural disasters, etc. might influence our ability to predict revenues, costs, and expenses affecting our growth objectives.

Our business model with revenue streams generated by different industries, geographical areas, and product mix allows us to achieve and maintain strong profitability throughout economic cycles.

Innovation risk

Changes in technology, failure to understand customer needs, inability to enforce intellectual property rights, etc. can affect our expansion objectives. Our success depends on our ability to develop and successfully introduce new products in addition to ensuring the competitiveness of existing ones, including solutions and software.

Marel will continue to lead the innovation game in the food processing industry by committing significant resources to support its ambitious innovation objectives.

Effective talent management risk

A high turnover rate, disengaged employees, gaps in workforce skills or misalignment of those skills with the company's need, an inadequate succession plan, etc. can harm our business.

Marel is a desirable place to work that attracts and retains talented employees. Our yearly employee survey shows that our people are engaged and committed to Marel's values.

Reputation and compliance risk

Marel operates worldwide and needs to comply with numerous and changing regulations. Failure to comply can lead to penalties, adverse publicity, and reputational damage.

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

Failure to secure our information systems and data could result in operational disruptions, financial losses, reputational damage with existing and new customers, etc. Noncompliance with data protection laws can result in litigations.
Marel continues to invest in new facilities and infrastructure and in upgrading existing ones to ensure their integrity and availability in case of adverse events.

Foreign exchange risk

As an international company, Marel is exposed to foreign exchange risk arising from various currency movements, primarily with respect to the EUR/USD exchange rate for revenues and EUR/ISK rate on the cost side.

The general policy is to take advantage of natural currency hedges by matching revenues and operational costs as economically as possible. The company's funding is denominated in its main operational currencies to create natural hedging in the balance sheet. Where necessary, financial exposure is hedged in accordance with Marel's general policy on permitted instruments and exposure limits.

Liquidity risk

Decreases in cash flow from operations, mergers and acquisitions, or other extraordinary transactions can result in a material impact on our liquidity position.

Marel adopts a prudent approach to the liquidity risk, ensuring sufficient flexibility of funding and maintaining sufficient current financial assets.

Consolidated Financial Statements 2020

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The Board of Directors' and CEO's Report

Marel is a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries. Marel has a global reach with local presence in over 30 countries, with sales and service engineers servicing customers in over 140 countries.

The Consolidated Financial Statements for the year 2020 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.

COVID-19

Marel is a critical infrastructure company for the poultry, meat and fish processing industry. Marel's focus during COVID-19 is on keeping its employees and customers safe, while maintaining productivity of all manufacturing sites. Marel reorganized its manufacturing sites ensuring all sites remained open, although operating at below historical and targeted utilization rates. By systematically building up safety stock of spare parts across locations and having local presence in more than 30 countries, Marel managed to maintain good levels of delivery performance despite a challenging environment.

Gross profits in 2020 are impacted by lower volume; this is partly compensated by unusually low operating expenses due to less travel and trade-show activities which were replaced with remote connection and virtual show rooms. Marel did not make use of government support or rent discounts related to COVID-19 in 2020. If government support was provided due to local laws, an equivalent or greater amount was donated to charity by Marel. In 2020, Marel as well donated EUR 1.0 million to the Red Cross who will use the funds to improve the food security of the most vulnerable communities in South Sudan.

In Q1 2020 the Company drew EUR 600.0 million on the new syndicated revolving credit facility as a precautionary measure to increase its flexibility and ability to react to unforeseen future business needs in relation to COVID-19. During Q2 2020 the Group repaid EUR 500.0 million and the remaining EUR 100.0 million was repaid in Q3 2020.

COVID-19 is expected to continue to have an impact in 2021, although it is not known what the full economic impact of COVID-19 will be on Marel. Marel enjoys a balanced exposure to global economies and local markets through its global reach, innovative product portfolio and diversified business mix. Marel's balance sheet and cash flow remain strong, though the Company is impacted by the pandemic.

The need for automation and digital solutions in the food value chain is driven by secular trends like population growth, urbanization and demographics. COVID-19 will only accelerate the trends ongoing in the growing market for animal protein. Additionally, the pandemic is placing more focus on minimizing human intervention as a means to improve hygiene and disease, as well as traceability and trust in the food value chain. With its firm commitment to innovation, Marel is uniquely positioned to support the food industry with the use of robotics, increased tracking and tracing and process control. Marel's global reach has proven to be a key differentiating factor in maintaining aftermarket revenues and overall operational resilience. To best serve customer needs, Marel is focusing on increasing digitalization and agility, leading to an increased level of investments in the coming years. Marel is committed to achieve its mid- and long term growth targets.

Acquisition of TREIF

On 8 October 2020, Marel concluded the acquisition of the entire share capital of TREIF Maschinenbau GmbH (“TREIF”), including all relevant business activities of the group. This transaction is in line with Marel’s strategic objectives, strengthening the full-line product offering, increasing standard equipment sales and leveraging aftermarket potential with Marel’s extensive global reach and local services in all regions. Like Marel, TREIF is highly focused on innovation and cutting-edge technology, backed by an experienced and committed team and long-standing partnerships with customers.

Founded in 1948, TREIF is at the forefront in solutions and services focused on portioning, dicing, slicing and cutting of food. The company is mainly focusing on cutting solutions for the meat industry, which continues to be its largest segment. Headquartered in Oberlahr, Germany it has around 500 employees in facilities in Europe, US and China and annual revenues of over EUR 80.0 million.

TREIF contributed EUR 21.3 million to revenues since the acquisition date and affected adjusted result from operations positively. Further information is provided in note 4 of the Consolidated Financial Statements.

Operations in 2020

The consolidated revenues for Marel for the full year 2020 are EUR 1,237.8 million (2019: EUR 1,283.7 million). The adjusted result from operations for the same period is EUR 166.8 million or 13.5% of revenues (2019: EUR 173.4 million or 13.5% of revenues).

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

	2020	2019
Adjusted result from operations[1]	166.8	173.4
Non-IFRS adjustments	(17.1)	(10.8)
Result from operations	**149.7**	**162.6**

[1] Result from operations is adjusted for PPA related costs, including depreciation and amortization, and beginning in 2020, acquisition related expenses.

At 31 December 2020 the Company's order book amounted to EUR 415.7 million and includes EUR 5.0 million acquired order book from TREIF (at 31 December 2019: EUR 414.4 million). Orders received in 2020 amounted to EUR 1,234.1 million (2019: EUR 1,221.3 million). The average number of full time employees was 6,464 in 2020 (2019: 6,303). Total salaries and wages were EUR 387.7 million (2019: EUR 372.3 million). The ratio female / male employees is 16 / 84 for 2020 (2019: 16 / 84). The ratio female / male executive team members is 44 / 56 for 2020 (2019: 17 / 83).

According to the Consolidated Statement of Financial Position, the Group's assets amounted to EUR 1,814.9 million at the end of 2020 (2019: EUR 1,861.2 million). The decrease in assets is related to lower use of Marel's credit facilities. Total equity amounted to EUR 958.7 million at the end of 2020 (at year end 2019: EUR 955.8 million) or 52.8% of total assets (at year end 2019: 51.4%).

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.

Net cash from operating activities during the year is EUR 182.6 million (2019: EUR 142.5 million). The increase in net cash from operating activities is mainly due to favorable movements in working capital, partly offset by an increase in inventories in fast moving and critical spare parts.

At 31 December 2020, net cash and cash equivalents were EUR 78.6 million (31 December 2019: EUR 303.7 million). In Q4 2020 the Group drew EUR 130.0 million from its credit facility as funding for the acquisition of TREIF; at year end EUR 100.0 million remained drawn on the credit facility. Net interest bearing debt increased from EUR 97.6 million at the end of 2019 to EUR 205.2 million at the end of 2020.

New syndicated revolving credit facility

On 5 February 2020 Marel signed a new syndicated revolving credit facility of EUR 700.0 million. This new credit facility replaced the previous syndicated loan facility and gives Marel strategic and operational flexibility to support its 2026 strategic vision for further growth and value creation. The new credit facility includes an incentive structure based on a set of sustainability key performance indicators ("KPIs"). This supports Marel's strong commitment to fulfilling its vision of a world where quality food is produced in a sustainable and affordable way.

Share buyback program

On 10 March 2020 the Board of Directors of Marel decided to initiate a new share buyback program for up to 25,000,000 shares in the Company, or about 3.2% of the total issued share capital in the Company. The purpose of the share buyback program was to reduce the Company's share capital and to meet the Company's obligations under share incentive programs with employees.

The share buyback program complies with the provisions of the Icelandic Act on Securities Transactions No. 108/2007, the appendix to the Icelandic Regulation on Insider Information and Market Manipulation No. 630/2005, Regulation No. 596/2014 of the European Parliament and of the Council on market abuse, and the Commission's delegated regulation 2016/1052.

As part of the share buyback program, Marel purchased 14.3 million shares (EUR 55.9 million) in the period 11 March 2020 to 10 June 2020 after which the share buyback program was discontinued.

Treasury shares and stock options

At year end 2020 Marel's issued shares totaled 771.0 million (31 December 2019: 771.0 million). At the same time Marel holds 18.8 million treasury shares (31 December 2019: 10.8 million).

Marel used 2.9 million treasury shares (EUR 12.6 million) as part of the purchase consideration for the acquisition of TREIF.

Stock options are granted to management and selected employees. Total granted and unexercised stock options at the end of the year 2020 were 18.3 million shares (2019: 19.2 million shares), of which 1.6 million are exercisable at the end of 2020 (2019: 2.9 million) and the remainder will vest in the years 2021 to 2023. Further information is disclosed in note 22 to the Consolidated Financial Statements.

Dividend proposal

Based on the Company's 2020 Annual General Meeting ("AGM") resolution, a dividend was declared and paid to shareholders for the operational year 2019 amounting to EUR 43.9 million, EUR 5.79 cents per share. This corresponds to approximately 40% of net result for the operational year 2019 (in 2019: a dividend of EUR 36.7 million, EUR 5.57 cents per share, corresponding to approximately 30% of net result for the year 2018, was declared and paid out to shareholders for the operational year 2018).

The Board of Directors will propose to the 2021 Annual General Meeting that EUR 5.45 cents dividend per outstanding share will be paid for the operational year 2020, corresponding to approximately 40% of net results attributable to Shareholders of the Company of EUR 102.5 million for the year 2020, and refers to the Consolidated Financial Statements regarding appropriation of the profit for the year and changes in shareholders' equity. This is a 6% decrease in dividend per share compared with previous year. At the same time the total number of outstanding shares decreased from 760.2 million shares as per 31 December 2019 to 752.2 million shares as per 31 December 2020.

This is proposed in accordance with Marel's dividend policy, disclosed at Marel's Annual General Meeting in March 2011. The target is that the net debt/EBITDA ratio is 2 - 3 times EBITDA, excess capital is to be used to stimulate growth and value creation as well as pay dividends; that dividend or share buy-back is targeted at 20-40% of the net result.

If approved by Marel's shareholders, the Company's shares traded on and after 19 March 2021 (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 22 March 2021, which is the proposed record date. The Board will propose that payment date of the dividend is 7 April 2021.

Dutch corporate income tax percentage

In December 2020, a new corporate tax law was enacted in the Netherlands. Consequently, the reduction in corporate tax rate from 25.0% to 21.7% as approved by the Dutch Government in 2019 will be reversed and the Dutch income tax rate will remain at 25.0%. This change resulted in a loss of EUR 5.7 million related to the re-measurement of deferred tax assets and liabilities of the Group's Dutch subsidiaries recognized during the year ended 31 December 2020 which had already been valued at the lower future rate of 21.7%.

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.

Ten largest shareholders at year end		2020 Number of shares (million)	Shareholding (%) In ISK	In EUR[1]	Total[1]
ABN Amro on behalf of Euroclear[2]	Custody account	286.0	37.1%	-	-
Eyrir Invest hf.[3]	Investment company	113.3	14.7%	10.0%	24.7%
The Pension Fund of Commerce	Pension fund	56.2	7.3%	-	-
LSR A, B & S divisions	Pension fund	36.1	4.7%	-	-
Capital Group[4]	Asset management	35.0	4.5%	-	5.0%
Gildi	Pension fund	34.7	4.5%	-	-
Birta lifeyrissjodur	Pension fund	19.7	2.6%	-	-
Frjalsi lifeyrissjodurinn	Pension fund	11.9	1.5%	-	-
Stapi lifeyrissjodur	Pension fund	11.0	1.4%	-	-
Festa - lifeyrissjodur	Pension fund	10.4	1.4%	-	-
	Top 10 total	**614.3**	**79.7%**		
	Others	142.9	18.5%		
Marel hf.[5]	Treasury shares	13.8	1.8%	0.6%	2.4%
	Total issued shares	**771.0**	**100.0%**		

1 Additional information according to public market announcements and 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 10.0% in EUR that are included in the custody account of ABN Amro on behalf of Euroclear.
4 Capital Group sent a major shareholder notification on 29 March 2019, where the threshold crossed was above 5.0%. Marel does not have further information on the exact number of shares held by Capital Group included in the custody account of ABN Amro.
5 Of Marel's treasury shares, 13.8 million shares are in ISK and 5.0 million shares are in EUR and therefore included in the custody account of ABN Amro on behalf of Euroclear.

Corporate Responsibility Statement

Corporate Governance

The framework for the Company's Corporate Governance practices consists of the provisions of the law and regulations, the Company's Articles of Association and the Icelandic Guidelines on Corporate Governance issued in June 2015 by the Iceland Chamber of Commerce, Nasdaq Iceland and SA - Confederation of Icelandic Employers. The Board of Directors 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.

The Company's management structure consists of the Board of Directors and the Executive Team, led by the Chief Executive Officer. The two bodies are separate, and no person serves as a member of both. The Board of Directors has supreme authority in Company affairs between shareholders' meetings. The Board of Directors are elected by shareholders at the Annual General Meeting for a one-year term and operate in accordance with applicable Icelandic laws and regulations, the Company's Articles of Association and the Board's Rules of Procedure. A major 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.

Sustainability at Marel

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 gradually implementing the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) into Marel's 2021 reporting. Marel has committed to the

Science Based Targets initiative to meet the goals of the Paris Agreement.

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.

Our guidance policy on corporate responsibility implements the ISO 26000 standards, and we are a United Nations Global Compact participant. Marel has been a participant in the Nasdaq sustainable markets initiative since 2017 and reports in accordance with the Nasdaq ESG reporting guidelines and the SASB Industrial Manufacturing Goods Standard. Marel has a dual listing on Euronext and reports in accordance with the Euronext ESG guidelines.

The Board of Directors has prepared a ESG Report in line with the guidelines, which is explained and discussed in more detail in a separate document distributed with the Consolidated Financial Statements as well as in Marel's Annual Report.

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 2020, operating performance and the cash flows for the year ended 31 December 2020 as well as describe the principal risk and uncertainty factors faced by the Group.

The report of the Board of Directors and CEO provides a clear overview of developments and achievements in the Group's operations and its situation.

The management and the Board of Directors of the Group believe that they are taking all the necessary measures to support the sustainability and growth of the Group's business in the current environment. Accordingly they continue to adopt the going concern basis in preparing the Annual Report and Consolidated Financial Statements.

Management of the Group believes it is well placed to manage its business risks successfully based on the present economic outlook. Further information is disclosed in note 26 of 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 2020 with their signatures.

Gardabaer, 3 February 2021

Board of Directors

Asthildur Margret Otharsdottir
Chairman of the Board

Arnar Thor Masson

Ann Elizabeth Savage

Astvaldur Johannsson

Lillie Li Valeur

Olafur S. Gudmundsson

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 2020, 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 2020, 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of consolidated financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Articles (1) of the Regulation (EU) 537/2019 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

Recoverability of Goodwill

Refer to note 2.9 and note 16.

Goodwill amounted to EUR 679 million and represents 37% of total assets as at 31 December 2020. The goodwill, excluding goodwill added connected to the TREIF acquisition, is allocated to three 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.

How the matter was addressed in our audit

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 the COVID-19 impact 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, precalculations and invoices.
- We considered the progress of per year end open equipment projects, agreed the accrued cost on the selected projects and agreed that the over time revenues are valid.
- We scrutinized specific revenue journal entries in the context of journal entries testing, e.g. regarding manual entries on revenues.
- We assessed whether the accounting policies for revenue recognition and other financial statements disclosures related to revenue were in accordance with International Financial Reporting Standards as adopted by the EU.

Other information

The Board of Directors and CEO are responsible for the other information. The other information comprises the information included in the Annual Report of the Group, but does not include the Consolidated Financial Statements and our auditor's report thereon. Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The annual report is not available at our reporting date but is expected to be made available to us after that date.

Responsibilities of the Board of Directors and CEO for the Consolidated Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRSs as adopted by the EU and 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 have no realistic alternative but to do so.

The Board of Directors and CEO are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the Consolidated Financial Statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Consolidated Financial Statements.

The engagement partner on the audit resulting in this independent auditor's report is Hrafnhildur Helgadottir.

Reykjavik, 3 February 2021

KPMG ehf.

Saemundur Valdimarsson
Hrafnhildur Helgadottir

Consolidated Statement of Income

In EUR million unless stated otherwise	Notes	2020	2019
Revenues	5 & 6 & 7	1,237.8	1,283.7
Cost of sales	5 & 8	(778.4)	(792.6)
Gross profit	5	**459.4**	**491.1**
Selling and marketing expenses	5 & 8	(148.6)	(159.2)
General and administrative expenses	5 & 8	(87.8)	(83.4)
Research and development expenses	5 & 8	(73.3)	(85.9)
Result from operations	5	**149.7**	**162.6**
Finance costs	9	(18.9)	(25.2)
Finance income	9	0.5	4.5
Net finance costs	9	**(18.4)**	**(20.7)**
Share of result of associates	18	0.3	(0.1)
Result before income tax		**131.6**	**141.8**
Income tax	12	(29.0)	(31.7)
Net result		**102.6**	**110.1**
Of which:			
- Net result attributable to Shareholders of the Company	13	102.5	110.0
- Net result attributable to non-controlling interests	22	0.1	0.1
Earnings per share for result attributable to Shareholders of the Company during the period (expressed in EUR cent per share):			
- Basic	13	13.62	15.33
- Diluted	13	13.51	15.20

The notes on pages 18-72 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

In EUR million	Notes	2020	2019
Net result		**102.6**	**110.1**
Items that are or may be reclassified to profit or loss:			
Currency translation differences	22	(18.2)	1.9
Cash flow hedges	22	1.9	(3.1)
Deferred income taxes	20 & 22	(0.3)	0.6
Other comprehensive income / (loss) for the period, net of tax		**(16.6)**	**(0.6)**
Total comprehensive income for the period		**86.0**	**109.5**
Of which:			
- Total comprehensive income attributable to Shareholders of the Company		85.9	109.4
- Total comprehensive income attributable to non-controlling interests	22	0.1	0.1

The notes on pages 18-72 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position

In EUR million	Notes	2020	2019
Assets			
Property, plant and equipment	14	196.7	181.4
Right of use assets	15	42.7	36.4
Goodwill	16	678.8	645.8
Intangible assets	17	331.0	252.4
Investments in associates	18	17.6	15.6
Other receivables	19	2.1	2.1
Deferred income tax assets	20	13.3	11.9
Non-current assets		**1,282.2**	**1,145.6**
Inventories	21	199.9	166.8
Contract assets	7	46.1	38.3
Trade receivables	7 & 19	151.3	160.0
Assets held for sale		1.8	-
Derivative financial instruments	26	1.9	-
Other receivables and prepayments	19	53.1	46.8
Cash and cash equivalents		78.6	303.7
Current assets		**532.7**	**715.6**
Total assets		**1,814.9**	**1,861.2**
Equity and liabilities			
Share capital	22	6.7	6.8
Share premium reserve	22	442.8	483.1
Other reserves	22	(27.5)	(10.9)
Retained earnings	22	536.4	476.5
Shareholders' equity		**958.4**	**955.5**
Non-controlling interests	22	0.3	0.3
Total equity		**958.7**	**955.8**
Liabilities			
Borrowings	23	240.2	333.5
Lease liabilities	23	33.6	28.4
Deferred income tax liabilities	20	84.9	55.5
Provisions	24	4.1	10.6
Other payables	27	1.1	5.1
Derivative financial instruments	26	3.7	3.0
Non-current liabilities		**367.6**	**436.1**
Contract liabilities	7	236.6	217.5
Trade and other payables	27	222.7	200.5
Current income tax liabilities		8.8	3.7
Borrowings	23	0.0	30.6
Lease liabilities	23	10.0	8.8
Provisions	24	10.5	8.2
Current liabilities		**488.6**	**469.3**
Total liabilities		**856.2**	**905.4**
Total equity and liabilities		**1,814.9**	**1,861.2**

The notes on pages 18-72 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

In EUR million	Share capital	Share premium reserve[1]	Other reserves[2]	Retained earnings[3]	Share-holders' equity	Non-controlling interests	Total equity
Balance at 1 January 2020	**6.8**	**483.1**	**(10.9)**	**476.5**	**955.5**	**0.3**	**955.8**
Net result for the period				102.5	102.5	0.1	102.6
Total other comprehensive income			(16.6)		(16.6)		(16.6)
Transactions with owners of the Company							
Treasury shares purchased	(0.1)	(55.8)			(55.9)		(55.9)
Treasury shares sold	0.0	15.0			15.0		15.0
Options granted / exercised / canceled		0.5		1.3	1.8		1.8
Dividend				(43.9)	(43.9)	(0.1)	(44.0)
	(0.1)	**(40.3)**	**(16.6)**	**59.9**	**2.9**	**0.0**	**2.9**
Balance at 31 December 2020	**6.7**	**442.8**	**(27.5)**	**536.4**	**958.4**	**0.3**	**958.7**

In EUR million	Share capital	Share premium reserve[1]	Other reserves[2]	Retained earnings[3]	Share-holders' equity	Non-controlling interests	Total equity
Balance at 1 January 2019	**6.1**	**161.7**	**(10.3)**	**403.2**	**560.7**	**0.2**	**560.9**
Net result for the period				110.0	110.0	0.1	110.1
Total other comprehensive income			(0.6)		(0.6)		(0.6)
Transactions with owners of the Company							
New shares issued	0.8	369.2			370.0		370.0
Transaction costs		(14.2)			(14.2)		(14.2)
Treasury shares purchased	(0.1)	(37.5)			(37.6)		(37.6)
Treasury shares sold	0.0	0.9			0.9		0.9
Options granted / exercised / canceled		2.5			2.5		2.5
Other movements		0.5			0.5		0.5
Dividend				(36.7)	(36.7)	(0.0)	(36.7)
	0.7	**321.4**	**(0.6)**	**73.3**	**394.8**	**0.1**	**394.9**
Balance at 31 December 2019	**6.8**	**483.1**	**(10.9)**	**476.5**	**955.5**	**0.3**	**955.8**

[1] Includes reserve for share-based payments as per 31 December 2020 of EUR 5.5 million (31 December 2019: EUR 5.0 million).
[2] For details on other reserves refer to note 22.
[3] Includes a legal reserve for capitalized intangible assets related to product development projects as per 31 December 2020 of EUR 76.5 million (31 December 2019: EUR 71.6 million).

The notes on pages 18-72 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

In EUR million	Notes	2020	2019
Cash Flow from operating activities			
Result from operations		**149.7**	**162.6**
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	27.5	23.9
Amortization and impairment of intangible assets	17	35.3	33.8
Adjustments for other non-cash income and expenses		2.5	2.1
Changes in non-current receivables and payables		0.0	1.0
Working capital provided by / (used in) operating activities		**215.0**	**223.4**
Changes in working capital:			
Inventories and contract assets and liabilities		(2.0)	(4.5)
Trade and other receivables		6.3	(21.4)
Trade and other payables		2.4	(8.9)
Provisions		(4.1)	1.2
Changes in operating assets and liabilities		**2.6**	**(33.6)**
Cash generated from operating activities		**217.6**	**189.8**
Taxes paid		(25.4)	(37.0)
Interest and finance income		0.5	3.0
Interest and finance costs		(10.1)	(13.3)
Net cash from operating activities		**182.6**	**142.5**

The notes on pages 18-72 are an integral part of the Consolidated Financial Statements.

In EUR million	Notes	2020	2019
Cash Flow from investing activities			
Purchase of property, plant and equipment	14	(27.5)	(19.3)
Investments in intangibles	17	(27.1)	(18.6)
Proceeds from sale of non-current assets	14 & 17	2.9	0.4
Loans in associates	19	(1.0)	-
Investments in associates	18	(1.7)	(12.7)
Acquisition of subsidiary, net of cash acquired	4	(107.2)	(4.0)
Net cash provided by / (used in) investing activities		**(161.6)**	**(54.2)**
Cash Flow from financing activities			
New shares issued	22	-	370.0
Transaction costs	22	-	(17.8)
Purchase of treasury shares	22	(55.9)	(37.6)
Sale of treasury shares	22	2.4	0.9
Proceeds from borrowings	23	730.0	40.0
Repayments of borrowings	23	(857.6)	(145.3)
Payments of lease liabilities	23	(10.5)	(16.7)
Dividends paid	22	(44.0)	(36.7)
Net cash provided by / (used in) financing activities		**(235.6)**	**156.8**
Net increase / (decrease) in net cash		**(214.6)**	**245.1**
Exchange gain / (loss) on net cash		(10.5)	2.3
Net cash at beginning of the period		303.7	56.3
Net cash at end of the period		**78.6**	**303.7**

The notes on pages 18-72 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 2020 comprise the Company and its subsidiaries (together referred to as "the Group" or "Marel").

The Group is a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries and is involved in the manufacturing, development, distribution and sales of solutions for these industries.

These Consolidated Financial Statements have been approved for issue by the Board of Directors and CEO on 3 February 2021. 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 17 March 2021.

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 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 2020.

These Consolidated Financial Statements have been prepared on a going concern basis. Marel's balance sheet and cash flow remain strong despite the pandemic.

These Consolidated Financial Statements have been prepared under the historical cost convention, except for the valuation of financial assets and liabilities (including derivative instruments) which are valued at fair value through the Consolidated Statement of Comprehensive Income.

Details of the Group's significant accounting policies are included in note 2.

1.3 Functional and presentation currency and exchange rates

Items included in the Consolidated Financial Statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The Consolidated Financial Statements are presented in Euro ("EUR"), which is the Group's reporting currency and the functional currency of Marel hf.

All 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.

	2020		2019	
	Year end rate	Average rate	Year end rate	Average rate
1 euro =				
USD	1.22	1.14	1.12	1.12
GBP	0.90	0.89	0.85	0.88
ISK	156.19	154.35	135.83	137.26
BRL	6.34	5.90	4.51	4.41

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 2.12 and note 26.

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

The Group has initially adopted Definition of a Business (Amendments to IFRS 3) and Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) from 1 January 2020.

The Group applied Definition of a Business (Amendments to IFRS 3) to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The details of the accounting policies are set out in note 2.2. See also note 4 for details of the Group's acquisitions of subsidiaries during the year.

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 January 2020 or were designated thereafter and that are directly affected by interest rate benchmark reform. The Group has assessed it's hedge contracts and hedge relationships and concluded that the benchmark reforms or amendments to the reporting standards do not have a significant effect on the group's financials.

A number of other new standards are also effective from 1 January 2020 but do not have a significant effect on the Group's financial statements.

Prior-year information

In 2020, Marel modified it's Executive Team remuneration and stock options disclosure to align closer to the EU Shareholders Rights Directive II ('SRD II'), which is not yet adopted in Icelandic law. Refer to note 29 for further information.

In 2020, Marel modified its employee benefits disclosure. Previously employee benefit expenses were shown to match the function the FTE was included within, which did not match completely with where the expenses are presented in the Consolidated Statement of Income as employees within Research and development and Selling and marketing can work on sales projects directly. The disclosure was updated in 2020 (as well for 2019) to better reflect where the costs sit within the Consolidated Statement of Income. Refer to note 10 for further information.

The presentation of the other prior-year disclosures is in line with the current year disclosures.

COVID-19

Marel does not foresee any specific accounting risks due to COVID-19.

Specific choices with IFRS

Sometimes IFRS allows alternative accounting treatment for measurement and / or disclosure. The most important of these alternative treatments are mentioned below:

Tangible and intangible fixed assets

Under IFRS an entity shall disclose either the cost model or the revaluation model as its accounting for tangible and intangible fixed assets. In this respect, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if applicable. The useful lives and residual values are evaluated annually. The Company chose to apply the cost model meaning that costs relating to product development, the development and purchase of software for internal use and other intangible assets are capitalized and subsequently amortized over their estimated useful life.

Presentation of 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

Under IFRS, an entity shall report cash flows from operating activities using either the direct method (whereby major classes of gross cash receipts and gross cash payments are disclosed) or the indirect method (whereby 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). In this respect, the Company chose to prepare the Consolidated Statement of Cash Flows using the indirect method.

Relevance and importance of notes to the reader

In order to enhance the informational value of the Consolidated Financial Statements, the notes are prepared based on relevance and importance for the reader. This can result in information that has been evaluated as neither important nor relevant for the reader, not being presented in the notes.

2.2 Consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has the option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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 issue 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.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree’s employees (acquiree’s award), then all or a portion of the amount of the acquirer’s replacement awards is included in measuring the purchase consideration in the business combinations. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Details of the acquisition of TREIF and of Cedar Creek are disclosed in note 4.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

Non-controlling interests ("NCI") are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it de-recognizes the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognized in the Consolidated Statement of Income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investments in associates

Associates are all entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of investments in associates, until the date on which significant influence ceases.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the Consolidated Statement of Income as part of other results relating to investments in associates.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealized gains on transactions between Group entities are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests

Transactions that result in changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders.

As a result, no gain or loss on such changes is recognized in the Consolidated Statement of Income but rather in equity. Furthermore, no change in the carrying amounts of assets (including goodwill) or liabilities is recognized as a result of such transactions. This approach is consistent with NCI being a component of equity.

2.3 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 (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities presented are translated at the closing rate at the date of that Consolidated Statement of Financial Position;
- income and expenses for each transaction in the Consolidated Statement of Income are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; 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 our customer's creditworthiness. Revenue is the transaction price Marel expects to be entitled to.

If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The following is a description of the nature and the timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

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.

Interest income

Interest income is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity.

Impairment of receivables

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at 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 expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At reporting date, the entity revises its estimates of the number of stock options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the Consolidated Statement of Income, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the stock options are exercised. The fair value of the employee stock options granted is measured using the Black-Scholes formula.

Measurement inputs include share price on measurement date, exercise price of the stock options, expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life of the instruments based on historical experience and general stock option holder behavior, expected dividends, and the risk-free interest rate based on government bonds. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Profit sharing and bonus plans

Under some circumstances, a liability for key employee benefits in the form of profit sharing and bonus plans is recognized in other payables when it is 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. Only one arrangement with regards to early retirement rights classified as a defined benefit pension plan until the moment of a settlement. This defined benefit pension plan (VPL in the Netherlands) was settled in 2020 and as such is no longer reported as a defined benefit pension plan. Two other defined benefit obligations refer to jubilee rights in the Netherlands and the post retirement medical benefit plan in the United States of America. Because of their non-material character, these arrangements are not disclosed separately.

For the majority of its employees, the Group has pension plans classified as defined contribution plans. Obligations relating to defined contribution pension plans are charged to the Consolidated Statement of Income as employee 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.

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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Future taxable profits are determined based on managements internal forecasts for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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 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 20 years.

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will generate future economic benefits, considering its commercial and technological feasibility, costs can be measured reliably and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized as an expense as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

Customer relationships, patents & 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, or 11 years in case of trademarks.

Other intangible assets

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; 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 an appropriate portion of relevant overhead.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as intangible assets are amortized over their estimated useful lives, which can vary from 3 to 5 years.

General

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the Consolidated Statement of Income as incurred.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets with an indefinite useful life or that are not amortized are tested annually for impairment.

2.10 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.

Short-term leases and leases of low-value assets

Marel has elected not to recognize right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight line 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 fair value, are reviewed at each reporting date.

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from business combinations is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in the Consolidated Statement of Income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.12 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) or financial liability is 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 26.

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 Comprehensive Income. Impairment losses on other financial assets are presented under finance costs.

Cash and cash equivalents

Cash and cash equivalents can include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the Consolidated Statement of Financial Position.

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 and an adjustment to net realizable value is considered for items which have not moved during the last 12 months. The cost of finished goods and work in progress comprise raw materials, direct labor, other direct costs and related production overhead based on normal operating capacity but exclude borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and any applicable variable selling expenses.

2.15 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefits and investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for sale and subsequent gains or losses on re-measurement are recognized in the Consolidated Statement of Income.

Once classified as assets held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

2.16 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 and are presented in the share premium reserve. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included within share premium.

Private placements need to be approved by the shareholders at the Company's Annual General Meeting. Based on such resolution, where the shareholders waive their pre-emptive rights, the Board of Directors can approve a private placement.

2.17 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.

2.18 New standards and standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Consolidated Financial Statements.

The following amended standards and interpretations are not expected to have a material effect on the Group's Consolidated Financial Statements:

- Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- COVID-19 Related Rent Concessions (Amendment to IFRS 16);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to Conceptual Framework (Amendments to IFRS 3);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1); 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.

COVID-19 could have a significant impact on the estimates and assumptions made in the preparation of these Consolidated Financial Statements. COVID-19 is expected to continue to have an impact in 2021, although it is not known what the full economic impact of COVID-19 on Marel will be. Marel enjoys a balanced exposure to global economies and local markets through its global reach, innovative product portfolio and diversified business mix. Marel is committed to achieve its mid- and long term growth targets.

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.

The estimates and assumptions that are most likely affected by COVID-19 are:

- Estimated impairment;
- Capitalized development cost;
- Expected Credit Losses; and
- Deferred income taxes.

For each of these estimates and assumptions, additional analyses and/or tests have been done in 2020 to confirm if they were materially impacted by COVID-19. The results of these tests are that no material impact was found, details are described further in notes 16, 17, 19 and 20. We do not expect that the other estimates and assumptions listed below are or will be significantly impacted by COVID-19.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Estimated 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 and 2.11. The recoverable amounts of CGUs have been determined based on a value in use calculation. These calculations require the use of estimates which are more uncertain due to COVID-19. For further information refer to note 16.

Capitalized development cost

The recoverability of the capitalized development cost is tested regularly and is subject to the annual impairment tests, to verify if expected future economic benefits justify the values captured in the intangible fixed assets. The Group uses a discounted cash flow analysis for this purpose. This analysis requires the use of estimates which are more uncertain due to COVID-19. 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. As a result of COVID-19, Marel reassessed the ECL used in calculating its loss allowances. Based on the industry which Marel operates in and current market insights, it is expected that impairment losses will remain at similar limited levels as they are currently going forward. 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 19.

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 20.

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. Estimates have been made on the estimated (remaining) useful lives of right of use assets and the remaining lease terms.

Revenue recognition

The Group uses the percentage-of-completion method in accounting for its revenues for complete solutions or systems. The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These estimates include total estimated costs, total estimated revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue.

In addition, Marel needs to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis.

In the following table the book values of the assets and liabilities which include an element of estimation are disclosed.

		2020		2019	
	Notes	Assets	Liabilities	Assets	Liabilities
Goodwill	16	678.8	-	645.8	-
Intangible assets	17	331.0	-	252.4	-
Right of use assets / lease liabilities	15 & 23	42.7	43.6	36.4	37.2
Current and deferred income taxes	20	13.3	93.7	11.9	59.2
Contract assets / liabilities	7	46.1	236.6	38.3	217.5

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.

Acquisition of TREIF

On 8 October 2020, Marel concluded the acquisition of the entire share capital of TREIF Maschinenbau GmbH ("TREIF"), including all relevant business activities of the group. This transaction is in line with Marel's strategic objectives, strengthening the full-line product offering, increasing standard equipment sales and leveraging aftermarket potential with Marel's extensive global reach and local services in all regions. Like Marel, TREIF is highly focused on innovation and cutting-edge technology, backed by an experienced and committed team and long-standing partnerships with customers.

Founded in 1948, TREIF is at the forefront in solutions and services focused on portioning, dicing, slicing and cutting of food. The company is mainly focusing on cutting solutions for the meat industry, which continues to be its largest segment. Headquartered in Oberlahr, Germany it has around 500 employees in facilities in Europe, US and China.

Closing was subject to anti-trust approval and standard closing conditions. The purchase consideration contains a cash consideration of EUR 137.3 million and 2.9 million Marel shares (EUR 12.6 million). The purchase consideration is preliminary and may be adjusted when the net working capital calculations are finalized. The fair value of the Marel shares transferred was based on the listed share price of the Company at 8 October 2020 of EUR 4.34 per share. The acquisition was financed through Marel's strong cash position, existing credit facilities and available treasury shares. The treasury shares will be held by Mr. Uwe Reifenhäuser, former owner and CEO, with a lock-up period of 18 months.

In accordance with IFRS 3, Business Combinations, the purchase price of TREIF will be allocated to identifiable assets and liabilities acquired.

Immediately after the acquisition date the purchase price allocation ("PPA") activities started. The following table summarizes the consideration paid for TREIF and the recognized amounts of assets acquired and liabilities assumed at the acquisition date being 8 October 2020. The amounts recorded for the acquisition as disclosed below are provisional. We may further revise our preliminary purchase price allocation during the one year period from the acquisition date when we obtain additional information, which might impact the purchase consideration and the fair value of assets and liabilities.

8 October 2020	
Property, plant and equipment	12.9
Right of use assets	4.9
Intangible assets	89.4
Inventories	23.2
Trade receivables, current and non-current	10.3
Other receivables and prepayments	2.2
Cash and cash equivalents	18.5
Assets acquired	**161.4**
Borrowings, current and non-current	7.3
Provisions, current and non-current	0.5
Deferred and other tax liabilities	28.5
Trade and other payables	11.9
Liabilities assumed	**48.2**
Total net identified assets	**113.2**
Purchase consideration	149.9
Goodwill on acquisition	**36.7**

Provisional goodwill amounted to EUR 36.7 million and is allocated to the meat and the other segment. The resulting goodwill from this acquisition is primarily related to the strategic (and cultural) fit of TREIF and Marel with an experienced and capable workforce, highly complementary product portfolios and cutting-edge technology. The goodwill is tax deductible in Germany if certain conditions are met.

PPA related costs, including depreciation and amortization of acquisition related (in)tangible assets for TREIF relate to the following lines in the Consolidated Statement of Income:

PPA related costs	2020
Cost of sales	3.1
Selling and marketing expenses	0.8
General and administrative expenses	0.1
Research and development expenses	0.7
Total	**4.7**

TREIF contributed EUR 21.3 million to revenues since the acquisition date and affected adjusted result from operations positively. If the acquisition of TREIF had occurred on 1 January 2020, revenues contributed to Marel would have been approximately EUR 80.0 million with EBITDA of approximately EUR 15.0 million.

Acquisition of Cedar Creek

On 15 November 2019, Marel concluded the acquisition of a number of business assets and liabilities from Cedar Creek Company (Australia) Pty Ltd. and Cedar Creek Company (NZ) Ltd. ("Cedar Creek"). This acquisition is in line with Marel's strategic objective to be a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries.

Cedar Creek offers specialized software solutions that integrate on-floor processing data capture, production control, head office reporting and traceability throughout production. Cedar Creek has built long-standing relationships with some of the largest meat and poultry processors in Australia and New Zealand. The acquisition strengthens Marel's presence in Australia and New Zealand.

Closing of the transaction was subject to customary closing conditions. The acquisition was funded from cash on hand and available facilities.

In accordance with IFRS 3 Business Combinations the purchase price of Cedar Creek is allocated to identifiable assets and liabilities acquired. Goodwill amounted to EUR 1.6 million and is allocated to the meat segment. The resulting goodwill from this acquisition is primarily related to the strategic (and cultural) fit of Cedar Creek and Marel with an experienced and capable workforce, highly complementary software and hardware solutions, and geographic presence. The goodwill is under certain conditions, deductible for income tax purposes.

The PPA of Cedar Creek is finalized. The impact of the valuation of property, plant and equipment, intangible assets and goodwill, is described in note 14, note 16 and note 17, and is included in the numbers as presented below.

The following table summarizes the consideration paid for Cedar Creek and the recognized provisional amounts of assets acquired and liabilities assumed at the acquisition date being 15 November 2019.

15 November 2019	
Property, plant and equipment	0.0
Intangible assets	1.8
Inventories	0.4
Trade receivables, current and non-current	0.4
Assets acquired	**2.6**
Trade and other payables	0.0
Liabilities assumed	**0.0**
Total net identified assets	**2.6**
Purchase consideration	4.2
Provisional goodwill on acquisition	**1.6**

PPA related costs, including depreciation and amortization of acquisition related (in)tangible assets for Cedar Creek relate to the following lines in the Consolidated Statement of Income:

PPA related costs	2020	2019
Selling and marketing expenses	0.2	-
General and administrative expenses	0.1	-
Total	**0.3**	**-**

Cedar Creek contributed EUR 2.3 million to revenues for the year 2020 (2019: EUR 0.3 million) and affected adjusted result from operations positively.

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 an understanding of the Group's financial performance. Adjusted result from operations is calculated by adjusting result from operations to exclude the impact of PPA related costs (consisting of depreciation and amortization of acquisition related (in)tangible assets) and expenses related to acquisitions. No other adjustments are included in adjusted result from operations.

In 2020, Marel updated it's calculation method for the non-IFRS measurement. Previously, Marel adjusted result from operations to exclude the impact of PPA related costs. Beginning in 2020, Marel adjusted result from operations to exclude the impact of PPA related costs and acquisition related expenses. Acquisition related expenses include fees paid as part of an acquisition process. This change is meant to increase transparency of one-off cost items related to acquisitions which do not impact the underlying performance of Marel's segments.

The reconciliation of adjusted result from operations to the most directly comparable IFRS measure, result from operations, is included in the following table.

In EUR million	As reported 2020	Non-IFRS adjustments 2020	Non-IFRS measures 2020	As reported 2019	Non-IFRS adjustments 2019	Non-IFRS measures 2019
Revenues	1,237.8	-	1,237.8	1,283.7	-	1,283.7
Cost of sales	(778.4)	3.1	(775.3)	(792.6)	-	(792.6)
Gross profit	**459.4**	**3.1**	**462.5**	**491.1**	**-**	**491.1**
Selling and marketing expenses	(148.6)	7.5	(141.1)	(159.2)	6.6	(152.6)
General and administrative expenses	(87.8)	2.3	(85.5)	(83.4)	0.4	(83.0)
Research and development expenses	(73.3)	4.2	(69.1)	(85.9)	3.8	(82.1)
Adjusted result from operations		**17.1**	**166.8**		**10.8**	**173.4**
Non-IFRS adjustments		(17.1)	(17.1)		(10.8)	(10.8)
Result from operations	**149.7**	**-**	**149.7**	**162.6**	**-**	**162.6**

The non-IFRS adjustments to the result from operations includes the following:

	2020	2019
PPA related charges	15.2	10.8
Acquisition related expenses[1]	1.9	-
Total non-IFRS adjustments	**17.1**	**10.8**

[1] Acquisition related expenses are adjusted for as of the beginning of 2020; in 2019 acquisition related expenses were EUR 0.4 million and were not adjusted for.

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.

	2020	2019
Result from operations (EBIT)	149.7	162.6
Depreciation, amortization and impairment	62.8	57.7
Result before depreciation & amortization (EBITDA)	**212.5**	**220.3**

6 Segment information

Operating segments

The identified operating segments comprise the three industries, which are the reporting segments. These operating segments form the basis for managerial decision taking. The following summary describes the operations in each of the Group's reportable segments:

- Poultry processing: Our poultry 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; and
- The 'Other' segment includes any revenues, result from operations and assets which do not belong to the three core industries.

The reporting entities are reporting their revenues per operating segment based on the industry for which the customer is using Marel's product range. Therefore inter-segment revenues do not exist, only intercompany revenues within the same segment.

Results are monitored and managed at the operating segment level, up to the adjusted result from operations. Adjusted result from operations is used to measure performance as management believes that this information is the most relevant in evaluating the results of the respective Marel segments relative to other entities that operate in the same industries.

The Group's CEO reviews the internal management reports of each segment on a monthly basis.

Fluctuations between quarters are mainly due to 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, therefore no financial income and expenses nor tax are allocated to the operating segments. The profit or loss per operating segment is the adjusted result from operations; 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 2020	Poultry	Meat	Fish	Other	Total
Revenues	**635.4**	**419.1**	**150.7**	**32.6**	**1,237.8**
Adjusted result from operations	**116.0**	**36.3**	**8.1**	**6.4**	**166.8**
PPA related costs	-	(14.4)	-	(0.8)	(15.2)
Acquisition related expenses[1]	-	-	-	(1.9)	(1.9)
Result from operations	**116.0**	**21.9**	**8.1**	**3.7**	**149.7**
Net finance costs					(18.4)
Share of result of associates					0.3
Result before income tax					**131.6**
Income tax					(29.0)
Net result for the period					**102.6**
Assets	**757.1**	**812.3**	**141.2**	**104.3**	**1,814.9**
Investments (including right of use assets)	36.4	24.1	8.7	1.9	71.1
Depreciation and amortization	(24.8)	(27.8)	(6.6)	(0.8)	(60.0)
Impairment	(0.2)	(0.2)	(0.6)	(1.8)	(2.8)

[1] Acquisition related expenses are adjusted for as of the beginning of 2020; in 2019 acquisition related expenses were EUR 0.4 million and were not adjusted for.

31 December 2019	Poultry	Meat	Fish	Other	Total
Revenues	**690.4**	**423.2**	**148.5**	**21.6**	**1,283.7**
Adjusted result from operations	**120.5**	**44.6**	**6.4**	**1.9**	**173.4**
PPA related costs	-	(10.8)	-	-	(10.8)
Result from operations	**120.5**	**33.8**	**6.4**	**1.9**	**162.6**
Net finance costs					(20.7)
Share of result of associates					(0.1)
Result before income tax					**141.8**
Income tax					(31.7)
Net result for the period					**110.1**
Assets	**712.9**	**701.7**	**130.5**	**316.1**	**1,861.2**
Investments (including right of use assets)	27.2	16.6	5.9	0.7	50.4
Depreciation and amortization	(24.6)	(25.0)	(7.0)	(0.4)	(57.0)
Impairment	-	-	(0.7)	-	(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	2020	2019
Europe, Middle East and Africa[1]	1,501.4	1,300.3
Americas	213.3	234.2
Asia and Oceania	21.6	23.0
Total	**1,736.3**	**1,557.5**

[1] Iceland accounts for EUR 149.0 million (2019: EUR 130.4 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	2020	2019
Europe, Middle East and Africa[1]	64.3	43.4
Americas	6.0	6.5
Asia and Oceania	0.8	0.5
Total	**71.1**	**50.4**

[1] Iceland accounts for EUR 14.3 million (2019: EUR 9.3 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 were the customer is located):

Revenue by geographical markets	2020	2019
Europe, Middle East and Africa[1]	701.8	643.4
Americas	408.3	473.0
Asia and Oceania	127.7	167.3
Total	**1,237.8**	**1,283.7**

[1] Iceland accounts for EUR 17.5 million (2019: EUR 8.6 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	2020	2019
Equipment revenue	745.2	812.8
Aftermarket revenue	492.6	470.9
Total	**1,237.8**	**1,283.7**

Trade receivables and contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2020	2019
Trade receivables	151.3	160.0
Contract assets	46.1	38.3
Contract liabilities	(236.6)	(217.5)

No information is provided about remaining performance obligations at 31 December 2020 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, which is reported as write-down to net-realizable value of contract assets for an amount of EUR 0.4 million (2019: EUR 0.3 million).

8 Expenses by nature

The table below shows the expenses by nature:

Expenses by nature	2020	2019
Cost of goods sold	435.9	455.2
Employee benefits	463.3	449.2
Depreciation, amortization and impairment	62.8	57.7
Maintenance and rent of buildings and equipment	15.0	15.3
Other	111.1	143.7
Total	**1,088.1**	**1,121.1**

9 Net finance costs

Net finance costs	2020	2019
Finance costs:		
Interest on borrowings	(5.6)	(9.9)
Interest on leases	(0.9)	(0.8)
Other finance expenses	(4.2)	(14.5)
Net foreign exchange transaction losses	(8.2)	-
Subtotal finance costs	**(18.9)**	**(25.2)**
Finance income:		
Interest income	0.5	3.0
Net foreign exchange transaction gains	-	1.5
Subtotal finance income	**0.5**	**4.5**
Total	**(18.4)**	**(20.7)**

New syndicated revolving credit facility

On 5 February 2020 Marel signed a new syndicated revolving credit facility of EUR 700.0 million replacing the old syndicated loan facility. In the fourth quarter of 2019 Marel revalued the fair value of the old syndicated loan commitments, releasing the capitalized finance charges, IFRS 9 revaluation, embedded derivatives and interest rate swaps linked to the facility resulting in additional other finance expenses of EUR 8.9 million in 2019.

10 Employee benefits

Employee benefit expenses	2020	2019
Salaries and wages	387.7	372.3
Social security contributions	47.6	47.2
Expenses related to equity-settled share-based payments	2.5	2.1
Post retirement costs	25.5	27.6
Total	**463.3**	**449.2**

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	2020	2019
Cost of sales	249.7	226.0
Selling and marketing expenses	94.0	107.9
General and administrative expenses	66.5	60.4
Research and development expenses[1]	53.1	54.9
Total	**463.3**	**449.2**

[1] EUR 12.4 million were capitalized in 2020 (2019: EUR 9.5 million) as intangible assets.

For further information on post-employment benefit costs, refer to note 25.

For details on the remuneration of the members of the Board of Directors and the Executive Team, refer to note 29.

The average number of employees in FTEs per cost category is summarized as follows:

Employees in FTEs	2020	2019
Cost of sales	3,494	3,107
Selling and marketing	1,078	1,275
General and administrative	604	550
Research and development	901	895
Employees	**6,077**	**5,827**
3rd party workers	387	476
Total	**6,464**	**6,303**

The average number of employees in FTEs per geography is summarized as follows:

Employees in FTEs	2020	2019
Europe, Middle East and Africa[1]	4,263	4,093
Americas	1,471	1,423
Asia and Oceania	343	311
Employees	**6,077**	**5,827**
3rd party workers	387	476
Total	**6,464**	**6,303**

[1] Iceland accounts for 680 FTE (2019: 695 FTE).

Employees consist of those persons working on the payroll of Marel and whose costs are reflected in the employee benefit expenses table above. 3rd party workers consist of personnel hired on a per period basis, via external companies.

11 Fees to Auditors

The following table shows the fees to KPMG attributable to the fiscal years 2020 and 2019.

Audit fees	2020	2019
Financial Statement audit fees	1.0	1.0
Other fees, including tax services	0.1	0.2
Total	**1.1**	**1.2**

12 Income tax

Income tax recognized in the Consolidated Statement of Income	2020	2019
Current tax	(29.3)	(30.7)
Deferred tax	0.3	(1.0)
Total	**(29.0)**	**(31.7)**

In December 2020, a new corporate tax law was enacted in the Netherlands. Consequently, the reduction in the corporate tax rate from 25.0% to 21.7% as approved by the Dutch Government in 2019 is reversed and the Dutch income tax rate remains at 25.0%. This change resulted in a loss of EUR 5.7 million related to the re-measurement of deferred tax assets and liabilities of the Group's Dutch subsidiaries. Before this reversal of the tax rate, the deferred tax assets and liabilities were based on the lower rate of 21.7%.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as shown in the table below.

Reconciliation of effective income tax	2020	%	2019	%
Result before income tax	131.6		141.8	
Income tax using Icelandic rate	(26.3)	20.0	(28.4)	20.0
Effect of tax rates in other jurisdictions	(3.8)	2.9	(6.0)	4.3
Weighted average applicable tax	(30.1)	22.9	**(34.4)**	**24.3**
Foreign exchange effect Iceland	(1.4)	1.0	(0.0)	0.0
Research and development tax incentives	7.2	(5.5)	5.3	(3.7)
Permanent differences	1.2	(0.9)	(0.6)	0.4
(Impairment)/reversal of tax losses	0.1	(0.1)	0.1	(0.1)
Effect of changes in tax rates	(5.2)	4.0	(2.0)	1.4
Others	(0.8)	0.6	(0.1)	0.1
Tax charge included in the Consolidated Statement of Income	**(29.0)**	**22.0**	**(31.7)**	**22.4**

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)	**2020**	**2019**
Net result attributable to Shareholders (EUR millions)	102.5	110.0
Weighted average number of outstanding shares issued (millions)	752.7	717.5
Basic earnings per share (EUR cent per share)	**13.62**	**15.33**

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)	**2020**	**2019**
Net result attributable to Shareholders (EUR millions)	102.5	110.0
Weighted average number of outstanding shares issued (millions)	752.7	717.5
Adjustments for stock options (millions)	5.8	6.3
Weighted average number of outstanding shares for diluted earnings per share (millions)	758.5	**723.8**
Diluted earnings per share (EUR cent per share)	**13.51**	**15.20**

14 Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Under con-struction	Total
1 January 2020					
Cost	190.9	83.3	62.3	4.2	340.7
Accumulated depreciation	(54.8)	(56.1)	(48.4)	-	(159.3)
Net book value	**136.1**	**27.2**	**13.9**	**4.2**	**181.4**
Year ended 31 December 2020					
Opening net book value	136.1	27.2	13.9	4.2	181.4
Divestments	(0.6)	(0.5)	(0.6)	-	(1.7)
Effect of movements in exchange rates	(3.1)	(0.9)	(0.7)	0.0	(4.7)
Additions	10.8	4.8	4.5	7.4	27.5
Held for sale	(1.8)	-	-	-	(1.8)
Business combinations, note 4	8.5	2.7	1.7	-	12.9
Reclassifications between categories	0.1	(0.1)	-	-	-
Transfer between categories	2.7	7.0	(2.6)	(7.1)	-
Impairment charge	(0.6)	(0.2)	-	-	(0.8)
Depreciation charge	(5.8)	(6.7)	(3.6)	-	(16.1)
Closing net book value	**146.3**	**33.3**	**12.6**	**4.5**	**196.7**
At 31 December 2020					
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**

	Land & buildings	Plant & machinery	Vehicles & equipment	Under con-struction	Total
At 1 January 2019					
Cost	182.6	95.1	44.7	12.0	334.4
Accumulated depreciation	(52.9)	(68.1)	(37.8)	-	(158.8)
Net book value	**129.7**	**27.0**	**6.9**	**12.0**	**175.6**
Year ended 31 December 2019					
Opening net book value	129.7	27.0	6.9	12.0	175.6
Divestments	-	-	(0.3)	-	(0.3)
Effect of movements in exchange rates	-	0.1	-	0.1	0.2
Additions	4.9	2.5	5.9	6.0	19.3
Business combinations, note 4	(0.9)	1.4	0.2	-	0.7
Reclassifications between categories	(1.8)	(2.1)	3.9	-	-
Transfer between categories	9.1	4.0	0.8	(13.9)	-
Depreciation charge	(4.9)	(5.7)	(3.5)	-	(14.1)
Closing net book value	**136.1**	**27.2**	**13.9**	**4.2**	**181.4**
At 31 December 2019					
Cost	190.9	83.3	62.3	4.2	340.7
Accumulated depreciation	(54.8)	(56.1)	(48.4)	-	(159.3)
Net book value	**136.1**	**27.2**	**13.9**	**4.2**	**181.4**

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

Depreciation of property, plant and equipment	**2020**	**2019**
Cost of sales	7.1	6.5
Selling and marketing expenses	0.5	0.5
General and administrative expenses	8.3	6.9
Research and development expenses	0.2	0.2
Total	**16.1**	**14.1**
Of which: depreciation of acquisition related property, plant and equipment	0.3	0.4

15 Right of use assets

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2020				
Cost	32.0	1.2	19.3	52.5
Accumulated depreciation	(7.4)	(0.5)	(8.2)	(16.1)
Net book value	**24.6**	**0.7**	**11.1**	**36.4**
Year ended 31 December 2020				
Opening net book value	24.6	0.7	11.1	36.4
Divestments	(3.9)	-	-	(3.9)
Effect of movements in exchange rates	(0.6)	-	0.0	(0.6)
Business combinations, note 4	2.9	-	2.0	4.9
Reclassifications between categories	-	0.1	(0.1)	-
Additions	10.9	-	5.6	16.5
Depreciation charge	(4.4)	(0.3)	(5.9)	(10.6)
Closing net book value	**29.5**	**0.5**	**12.7**	**42.7**
At 31 December 2020				
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**

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2019				
Cost	27.8	1.0	13.3	42.1
Accumulated depreciation	(4.1)	(0.2)	(4.5)	(8.8)
Net book value	**23.7**	**0.8**	**8.8**	**33.3**
Year ended 31 December 2019				
Opening net book value	23.7	0.8	8.8	33.3
Divestments	-	-	(0.6)	(0.6)
Effect of movements in exchange rates	0.4	-	0.0	0.4
Business combinations, note 4	0.2	-	0.4	0.6
Additions	5.0	0.2	7.3	12.5
Depreciation charge	(4.7)	(0.3)	(4.8)	(9.8)
Closing net book value	**24.6**	**0.7**	**11.1**	**36.4**
At 31 December 2019				
Cost	32.0	1.2	19.3	52.5
Accumulated depreciation	(7.4)	(0.5)	(8.2)	(16.1)
Net book value	**24.6**	**0.7**	**11.1**	**36.4**

For the annual maturity of the lease liabilities, refer to note 23.

Depreciation of right of use assets analyzes as follows in the Consolidated Statement of Income:

Depreciation of right of use assets	2020	2019
Cost of sales	3.0	2.5
Selling and marketing expenses	2.0	1.9
General and administrative expenses	5.3	5.1
Research and development expenses	0.3	0.3
Total	**10.6**	**9.8**

16 Goodwill

	2020	2019
At 1 January		
Cost	645.8	641.3
Net book value	**645.8**	**641.3**
Year ended 31 December		
Opening net book value	645.8	641.3
Business combinations, note 4	36.9	4.0
Exchange differences	(3.9)	0.5
Closing net book value	**678.8**	**645.8**
At 31 December		
Cost	678.8	645.8
Net book value	**678.8**	**645.8**

Business combinations for 2020 relate to the acquisition of TREIF (increase in provisional goodwill of EUR 36.7 million) and Cedar Creek (increase in goodwill of EUR 0.2 million due to the finalization of the PPA). For 2019 business combinations relate to the acquisition of Cedar Creek (increase in provisional goodwill of EUR 1.4 million) and MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG ("MAJA") (increase in goodwill of EUR 2.6 million due to the 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. For Marel, the CGUs are based on the market oriented business model: poultry, meat and fish, in accordance with IFRS 8 Operating Segments. Poultry, meat and fish serve the customer needs in primary, secondary and further processing. Only at the level of the operating segments, the connection can be made between the businesses for which the goodwill was originally paid for and the results of the synergies after those acquisitions.

At the end of Q1 2020, the Group assessed whether there was any indication that an asset may have been impaired due to COVID-19. COVID-19 classified as such an impairment indicator and therefore the financial and non-financial assets, including goodwill, were tested for impairment at the end of Q1 2020. The goodwill impairment test performed at the end of Q1 2020 showed that there was sufficient headroom and that there were no triggers indicating that impairment was necessary. Based on the developments of the quarterly results during the remainder of 2020, it was determined no additional impairment testing was necessary prior to the annual impairment test performed in the fourth quarter.

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.

These cash flow projections were determined using managements internal forecasts that cover an initial period until 2023. Projections were extrapolated with stable growth rates for 2024 and 2025, after which a terminal value was calculated. The weighted growth rate for 2024 and 2025 of forecast cash flows is between 5% and 7% for all CGUs, which is management's best estimate. These growth rates are in line with external market predictions of the worldwide industry for providing equipment and solutions for the protein industry. Revenues, operating results and cash flows beyond the 5 year forecast period are extrapolated using estimated growth rates of 1.7% (31 December 2019: 1.9%). The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

The sales growth rates and EBITDA used to estimate cash flows are based on past performance, external market growth assumptions and industry long-term growth averages. EBITDA in all segments mentioned in this note is expected to increase over the projected period as a result of volume growth and cost efficiencies.

The time value of money and price of uncertainty, calculated as the Weighted Average Cost of Capital ("WACC"), are based on external market information about market risk, interest rates and some CGU specific elements like country risk. The post-tax discount rate is calculated at CGU level and is in the range of 6.7% - 7.3% (2019: 6.6% - 7.0%) for all CGUs. The pre-tax discount rate for the three CGUs is calculated in the range of 8.2% - 8.9% (2019: 7.9% - 8.5%).

The key assumptions used for the impairment tests are listed below.

2020	Poultry	Meat	Fish	Other[1]	Total
Goodwill	325.5	314.1	32.7	6.5	678.8
Infinite Intangible assets	-	-	-	-	-
Terminal growth rate[2]	1.7%	1.7%	1.7%	n/a	1.7%
Discount rate (post-tax)[3]	7.3%	7.3%	6.7%	n/a	7.2%

2019	Poultry	Meat	Fish	Other[1]	Total
Goodwill	330.0	286.5	29.3	-	645.8
Infinite Intangible assets	-	-	-	-	-
Terminal growth rate[2]	1.9%	1.9%	1.9%	n/a	1.9%
Discount rate (post-tax)[3]	6.7%	7.0%	6.6%	n/a	6.8%

1 The goodwill in other relates to the provisional goodwill from the acquisition of TREIF. Since the PPA process has not yet been completed, no impairment test has been performed in 2020.
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, which is based on the numbers of 30 September 2020, is rolled forward to 31 December 2020 and shows that there is sufficient headroom and that there are no triggers indicating that impairment is necessary. For all three operating segments the recoverable amount exceeds the carrying amount by a substantial amount.

Taking into account increased uncertainty due to COVID-19, 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 2020 amounted to EUR 3.9 billion (31 December 2019: EUR 3.5 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 2020				
Cost	267.5	177.8	81.9	527.2
Accumulated amortization	(152.2)	(64.5)	(58.1)	(274.8)
Net book value	**115.3**	**113.3**	**23.8**	**252.4**
Year ended 31 December 2020				
Opening net book value	115.3	113.3	23.8	252.4
Divestments	(0.8)	-	(0.1)	(0.9)
Business combinations, note 4	30.4	58.6	0.4	89.4
Exchange differences	(0.5)	(1.1)	(0.1)	(1.7)
Additions	19.2	0.5	7.4	27.1
Impairment charge	(1.1)	-	(0.9)	(2.0)
Amortization charge	(15.7)	(9.9)	(7.7)	(33.3)
Closing net book value	**146.8**	**161.4**	**22.8**	**331.0**
At 31 December 2020				
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**

	Technology & development costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2019				
Cost	255.3	178.6	79.2	513.1
Accumulated amortization	(134.0)	(57.7)	(54.4)	(246.1)
Net book value	**121.3**	**120.9**	**24.8**	**267.0**
Year ended 31 December 2019				
Opening net book value	121.3	120.9	24.8	267.0
Divestments	-	-	(0.2)	(0.2)
Business combinations, note 4	(1.5)	1.8	-	0.3
Exchange differences	0.3	0.2	0.0	0.5
Additions	13.4	-	5.2	18.6
Impairment charge	(0.7)	-	-	(0.7)
Amortization charge	(17.5)	(9.6)	(6.0)	(33.1)
Closing net book value	**115.3**	**113.3**	**23.8**	**252.4**
At 31 December 2019				
Cost	267.5	177.8	81.9	527.2
Accumulated amortization	(152.2)	(64.5)	(58.1)	(274.8)
Net book value	**115.3**	**113.3**	**23.8**	**252.4**

Business combinations for 2020 relate to the acquisition of TREIF. For 2019, business combinations relate to the acquisition of Cedar Creek (increase in intangible assets of EUR 1.8 million) and MAJA (decrease in intangible assets of EUR 1.5 million due to the finalization of the PPA). Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

The additions for 2020 predominantly comprise internally generated assets of EUR 27.1 million (31 December 2019: EUR 18.6 million) 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. During the annual impairment test, it was evaluated if estimates were impacted due to COVID-19; there was no material impact found. The impairment charge recognized in 2020 is not related to COVID-19.

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

Impairment of intangible assets	**2020**	**2019**
Cost of sales	0.6	-
Selling and marketing expenses	0.1	-
General and administrative expenses	0.1	-
Research and development expenses	1.2	0.7
Total	**2.0**	**0.7**

Amortization of intangible assets and amortization of acquisition related intangible assets analyzes as follows in the Consolidated Statement of Income:

Amortization of intangible assets	**2020**	**2019**
Selling and marketing expenses	8.5	7.7
General and administrative expenses	9.1	7.5
Research and development expenses	15.7	17.9
Total	**33.3**	**33.1**
Of which: amortization of acquisition related intangible assets	11.8	10.4

18 Investments in associates

The investments in associates relate to a 25.0% interest in the Canadian software company Worximity Technology ("Worximity") and a 50.0% stake in the Iceland based company Curio ehf. ("Curio").

On 19 June 2020, Marel invested an additional CAD 2.5 million (EUR 1.7 million) in Worximity, bringing Marel's total ownership from 14.3% to 25.0%.

On 22 October 2019, Marel entered into an agreement to acquire a 50.0% stake in Curio. On 8 November 2019, the first phase of the transaction was finalized as closing conditions were satisfied. Marel acquired 39.3% of the total share capital of Curio. On 4 January 2021, Marel invested ISK 408.0 million (EUR 2.6 million) for an additional 10.7% of the share capital bringing Marel's total share in Curio as of 4 January 2021 to 50.0%. As of 4 January 2021, Marel has assessed that it has control of Curio as it is entitled to appoint a majority of Curio's Board of Directors, including the Chairman. Curio's results will be consolidated into the Group's results in 2021; the PPA activities have started and the purchase price of Curio will be allocated to identifiable assets and liabilities acquired. Marel has an option to acquire the remaining 50.0% of shares in three years.

19 Trade receivables, other receivables and prepayments

Trade receivables, other receivables and prepayments	**2020**	**2019**
Trade receivables	153.1	161.3
Less: write-down to net-realizable value	(1.8)	(1.3)
Trade receivables - net	**151.3**	**160.0**
Prepayments	11.0	12.3
Other receivables	44.2	36.6
Other receivables and prepayments	**55.2**	**48.9**
Less non-current portion	(2.1)	(2.1)
Current portion of other receivables and prepayments	**53.1**	**46.8**

Non-current receivables

Non-current receivables are associated with an escrow account regarding the acquisition of Sulmaq Industrial e Comercial S.A. for EUR 1.1 million (31 December 2019: EUR 2.1 million) and with a loan to Curio for EUR 1.0 million granted in 2020. All non-current receivables are due within one and five years.

Current receivables

The carrying amounts of trade receivables and other receivables and prepayments approximate their fair value.

Trade receivables in 2020 increased by EUR 10.3 million due to the acquisition of TREIF. Further information on the acquisition is disclosed in note 4 of the Consolidated Financial Statements.

The aging of trade receivables is as follows:

Aging of trade receivables	2020	2019
Not overdue	110.2	93.6
Up to 90 days overdue	36.1	52.3
Over 90 days overdue	6.8	15.4
Total	**153.1**	**161.3**
Write-down to net-realizable value	(1.8)	(1.3)
Total	**151.3**	**160.0**

Movements on the Group trade receivables impaired to net-realizable value are as follows:

Movement of write-down to net-realizable value	2020	2019
Balance at 1 January	**1.3**	**1.4**
Provision for receivables impairment	0.7	0.5
Receivables written off during the year as uncollectible	(0.1)	(0.6)
Business combinations, note 4	0.5	-
Reclassification to production contracts and unused amounts reversed	(0.6)	-
At 31 December	**1.8**	**1.3**

The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. COVID-19 has not caused a material impact on collections of trade receivables.

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 26.

The carrying amounts of the Group's trade receivables (current portion) are denominated in the following currencies:

Trade receivables in currencies	2020	2019
EUR	94.4	93.6
USD	35.9	46.1
GBP	3.7	6.5
Other currencies	19.1	15.1
	153.1	**161.3**
Write-down to net-realizable value	(1.8)	(1.3)
Total	**151.3**	**160.0**

20 Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method.

The gross movement on the deferred income tax account is as follows:

Deferred income taxes	2020	2019
At 1 January	**(43.6)**	**(47.1)**
Exchange differences and changes within the Group	0.4	(0.1)
Consolidated Statement of Income charge (excluding tax rate change)	5.6	1.0
Effect of changes in tax rates	(5.2)	(2.0)
Business combinations, note 4	(28.5)	0.4
Recognized in other comprehensive income	(0.3)	0.6
Listing Euronext Amsterdam	-	3.6
At 31 December	**(71.6)**	**(43.6)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The deferred tax charged / (credited) in the Consolidated Statement of Comprehensive Income during the period is as follows:

Deferred income taxes recognized in other comprehensive income	2020	2019
Employer's contribution social charges on stock option exercises	0.1	-
Hedge reserve	(0.4)	0.6
Total	**(0.3)**	**0.6**

Deferred income taxes recognized in the Consolidated Statement of Financial Position are as follows:

Deferred income taxes	2020	2019
Deferred income tax assets	13.3	11.9
Deferred income tax liabilities	(84.9)	(55.5)
Total	**(71.6)**	**(43.6)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Based on future profits expected in managements internal forecasts, the recoverability has been tested; a reversal of EUR 0.1 million tax losses (2019: a reversal of EUR 0.1 million) has been applied. Taking into account increased uncertainty due to COVID-19, sensitivity analysis 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.

Taxable effects of losses will expire according to below schedule:

Taxable effects of losses	2020 Total tax losses	2020 Of which not capitalized	2019 Total tax losses	2019 Of which not capitalized
Less than 6 years	33.2	-	18.8	0.9
Between 6 and 10 years	11.4	1.0	31.1	-
More than 10 years	1.3	1.3	1.5	1.5
Indefinite	25.3	17.3	25.0	19.1
Total	**71.2**	**19.6**	**76.4**	**21.5**

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Movement in deferred tax balances	At 1 January 2020	Recognized in income statement	Other[1]	At 31 December 2020	Deferred Tax Assets	Deferred Tax Liabilities
Property, plant and equipment	(9.9)	(0.5)	0.4	(10.0)	0.8	(10.8)
Right of use assets	0.1	0.0	0.0	0.1	5.9	(5.8)
Intangible assets	(53.4)	1.2	(33.1)	(85.3)	0.7	(86.0)
Other receivables	(0.4)	0.3	(0.0)	(0.1)	3.4	(3.5)
Other financial assets	0.3	0.1	(0.4)	0.0	0.4	(0.4)
Inventories	2.5	1.8	(0.2)	4.1	4.7	(0.6)
Non-current liabilities	(0.4)	2.1	0.1	1.8	1.9	(0.1)
Provisions	0.9	0.2	(0.3)	0.8	1.4	(0.6)
Current liabilities	5.3	0.9	(0.2)	6.0	7.6	(1.6)
Subtotal	**(55.0)**	**6.1**	**(33.7)**	**(82.6)**	**26.8**	**(109.4)**
Subtotal tax losses	11.4	(0.5)	0.1	11.0	14.5	(3.5)
Total	**(43.6)**	**5.6**	**(33.6)**	**(71.6)**	**41.3**	**(112.9)**

Movement in deferred tax balances	At 1 January 2019	Recognized in income statement	Other[1]	At 31 December 2019	Deferred Tax Assets	Deferred Tax Liabilities
Property, plant and equipment	(9.0)	(0.9)	(0.0)	(9.9)	0.8	(10.7)
Right of use assets	0.1	0.0	0.0	0.1	0.1	-
Intangible assets	(52.6)	0.4	(1.2)	(53.4)	1.3	(54.7)
Other receivables	1.5	(1.7)	(0.2)	(0.4)	4.3	(4.7)
Other financial assets	(0.6)	0.1	0.8	0.3	0.3	(0.0)
Inventories	1.7	0.8	0.0	2.5	2.9	(0.4)
Non-current liabilities	(0.9)	0.5	(0.0)	(0.4)	0.3	(0.7)
Provisions	0.6	0.4	(0.1)	0.9	1.4	(0.5)
Current liabilities	3.4	2.2	(0.3)	5.3	5.8	(0.5)
Subtotal	**(55.8)**	**1.8**	**(1.0)**	**(55.0)**	**17.2**	**(72.2)**
Subtotal tax losses	8.7	(0.8)	3.5	11.4	15.1	(3.7)
Total	**(47.1)**	**1.0**	**2.5**	**(43.6)**	**32.3**	**(75.9)**

[1] Other includes the movements of assets and liabilities recognized in OCI, which includes foreign currency translation differences, acquisitions and divestments.

21 Inventories

Inventories	2020	2019
Raw materials	31.4	31.2
Semi-finished goods	136.4	112.0
Finished goods	58.7	47.8
Gross inventories	**226.5**	**191.0**
Allowance for obsolescence and/or lower market value	(26.6)	(24.2)
Net inventories	**199.9**	**166.8**

Inventories in 2020 increased by EUR 23.2 million due to the acquisition of TREIF. Further information on the acquisition 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 613.4 million (2019: EUR 626.6 million).

In 2020 the write-down of inventories to net-realizable value amounted to EUR 5.3 million (2019: EUR 5.2 million).

There were no material reversals of write-downs to net realizable value. The write-downs recognized following a recoverability analysis are included in cost of sales.

22 Equity

Share capital	Ordinary shares (thousands)	Treasury shares (thousands)	Outstanding number of shares (thousands)
At 1 January 2020	**771,008**	**(10,774)**	**760,234**
Treasury shares - purchased	-	(14,332)	(14,332)
Treasury shares - sold	-	6,338	6,338
At 31 December 2020	**771,008**	**(18,768)**	**752,240**
	100.00%	2.43%	97.57%
At 1 January 2019	**682,586**	**(10,762)**	**671,824**
Treasury shares - purchased	-	(12,096)	(12,096)
Treasury shares - sold	-	506	506
Capital reduction	(11,578)	11,578	-
New shares issued	100,000	-	100,000
At 31 December 2019	**771,008**	**(10,774)**	**760,234**
	100.00%	1.40%	98.60%

Class of share capital	2020	2019
Nominal value	6.7	6.8
Share premium reserve	437.3	478.1
Reserve for share based payments	5.5	5.0
Total share premium reserve	**442.8**	**483.1**

Share capital

On 7 June 2019, Marel began trading on the Euronext, marking the dual listing of Marel on both Nasdaq and Euronext. A total of 100.0 million ordinary shares of ISK 1 each were issued and sold, increasing the Company's share capital from 671.0 million shares to 771.0 million shares.

During the Annual General Meeting of Shareholders on 6 March 2019 the proposal to reduce the Company's share capital by 11.6 million shares, from 682.6 million shares to 671.0 million shares, was approved. The reduction was executed by way of cancelling 11.6 million of the Company's own shares of ISK 1 each, in accordance with the provisions of the Icelandic Act No. 2/1995 on Public Limited Companies. The Company's share capital was reduced in connection with the preparation of the dual listing of the Company, for the benefit of shareholders. Marel's Articles of Association were changed accordingly.

The total authorized number of ordinary shares on the Nasdaq and Euronext exchanges is 771.0 million (31 December 2019: 771.0 million) with a par value of ISK 1 per share. All issued shares are fully paid.

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at shareholders meetings of the Company. Shareholders who hold shares in Marel on Nasdaq 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 2020 a dividend of EUR 43.9 million (EUR 5.79 cents per share) was declared and paid for the operational year 2019 (in 2019, a dividend of EUR 36.7 million (EUR 5.57 cents per share) was declared and paid for the operational year 2018).

After the reporting date the Board of Directors will propose to the 2021 Annual General Meeting that EUR 5.45 cents dividend per outstanding share will be paid for the operational year 2020, corresponding to approximately 40% 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 18 March 2020, the Board of Directors can purchase up to 10% of the Company's own shares at a price which is not higher than 10% over and not lower than 10% under the average share price of the Company for the two weeks immediately preceding the transaction. This authorization is effective for 18 months following the motions approval.

In 2020, Marel purchased 14.3 million treasury shares for a total amount of EUR 55.9 million. Marel sold 3.4 million treasury shares for EUR 2.4 million in order to fulfill obligations of stock option agreements. Marel used 2.9 million treasury shares (EUR 12.6 million) as part of the purchase consideration for the acquisition of TREIF. At the end of 2020 Marel held 18.8 million treasury shares.

In 2019, Marel purchased 12.1 million treasury shares for a total amount of EUR 37.6 million. Marel sold 0.5 million treasury shares for EUR 0.9 million in order to fulfill obligations of stock option agreements. There was a capital reduction of 11.6 million shares according to the resolution of the Annual General Meeting 6 March 2019. At the end of 2019 Marel held 10.8 million treasury shares.

Stock options

Stock options are granted to the Executive Team 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 exercise prices of options granted 2014 – 2016 are subject to a hurdle rate. For options from 2014 - 2015 it is 3% annually and 2% for options from 2016. Exercise prices in other outstanding options are not affected by a hurdle rate.

The option holders in the Executive Team 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 Team two times.

Options are conditional on the employee completing particular periods' / years' service (the vesting period).

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

Assuming that all outstanding stock options are vested and / or are exercised, employees would hold 2.37% (2019: 2.49%) of the shares.

Movements of stock options	Average exercise price per share	Stock options (thousands)
At 1 January 2020	**EUR 2.736**	**19,218**
Granted	EUR 3.800	6,115
Exercised	EUR 1.879	(5,098)
Forfeited	EUR 2.727	(1,934)
At 31 December 2020	**EUR 3.273**	**18,301**
Exercisable stock options at 31 December 2020		**1,564**
At 1 January 2019	**EUR 2.256**	**11,910**
Granted	EUR 3.457	7,814
Exercised	EUR 1.461	(506)
At 31 December 2019	**EUR 2.736**	**19,218**
Exercisable stock options at 31 December 2019		**2,904**

Stock options granted in the year	2014	2015	2016	2017	2018	2019	2019	2020
Stock options expire in year	2021	2021	2022	2021	2022	2023	2023	2024
The exercise prices per share after:[1]								
28 April 2021	EUR 0.830	-	-	-	-	-	-	-
28 April 2021	-	EUR 1.385	-	-	-	-	-	-
28 October 2021	-	EUR 1.405	-	-	-	-	-	-
28 April 2021	-	-	EUR 1.797	-	-	-	-	-
28 April 2022	-	-	EUR 1.833	-	-	-	-	-
6 March 2021	-	-	-	EUR 2.623	-	-	-	-
13 February 2021	-	-	-	-	EUR 2.768	-	-	-
13 February 2022	-	-	-	-	-	EUR 3.136	-	-
7 June 2022	-	-	-	-	-	-	EUR 3.642	-
24 April 2023	-	-	-	-	-		-	EUR 3.800

[1] Exercise prices after dividend payment in 2015: EUR 0.0048 per share, after dividend payment in 2016: EUR 0.0158, after dividend payment in 2017: EUR 0.0214, after dividend payment in 2018: EUR 0.0419, after dividend payment in 2019: EUR 0.0557 and after dividend payment in 2020: EUR 0.0579.

In 2020 the following shares were exercised: 585 thousand shares at exercise price EUR 0.804 per share, 585 thousand shares at exercise price EUR 0.817 per share, 480 thousand shares at exercise price EUR 1.345, 400 thousand shares at exercise price EUR 1.365, 360 thousand shares at exercise price EUR 1.761, 288 thousand shares at exercise price EUR 1.779 and 2,400 thousand shares at exercise price EUR 2.623. No options were cash settled.

In 2019 the following shares were exercised: 90 thousand shares at exercise price EUR 0.848 per share, 200 thousand shares at exercise price EUR 1.382 per share, 108 thousand shares at exercise price EUR 1.783 and 108 thousand shares at exercise price EUR 1.801. No options were cash settled.

The fair value of the employee stock options granted is measured using the Black-Scholes model. Variables used in the Black-Scholes calculation:

	Exercise price per share (EUR)	Expected term (years)	Annual dividend yield	Expected risk-free interest rate	Estimated volatility	Weighted average remaining contr. life in months[1]
Option plan December 2014						
60% exercisable > 28 April 2018	0.949	3.0	0.00%	3%	22.04%	4
20% exercisable > 28 April 2019	0.975	4.0	0.00%	3%	22.04%	4
20% exercisable > 24 April 2020	1.001	5.0	0.00%	3%	22.04%	4
Option plan August 2015						
60% exercisable > 25 October 2018	1.477	3.0	0.00%	3%	22.04%	10
20% exercisable > 25 October 2019	1.517	4.0	0.00%	3%	22.04%	10
20% exercisable > 25 October 2020	1.558	5.0	0.00%	3%	22.04%	10
Option plan May 2016						
60% exercisable > 28 April 2019	1.902	3.0	0.00%	2%	21.52%	16
20% exercisable > 24 April 2020	1.938	4.0	0.00%	2%	21.52%	16
20% exercisable > 28 April 2021	1.974	5.0	0.00%	2%	21.52%	16
Option plan March 2017						
100% exercisable > 6 March 2020	2.779	3.0	0.00%	2%	23.72%	4
Option plan February 2018						
100% exercisable > 13 February 2021	2.923	3.0	0.00%	2%	21.16%	13
Option plan February 2019						
100% exercisable > 13 February 2022	3.250	3.0	0.00%	2%	20.00%	26
Option plan June 2019						
100% exercisable > 7 June 2022	3.700	3.0	0.00%	2%	20.00%	34
Option plan April 2020						
100% exercisable > 24 April 2023	3.800	3.0	0.00%	-0.7%	23.32%	40

[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 par value of ISK 1 per share that shareholders have paid for shares sold by the Company, less payments in excess of par value that the Company has paid for treasury shares. According to the Icelandic Companies Act, 25% of the nominal value share capital must be held in reserve which cannot be paid out as dividend to shareholders. Marel is compliant with this requirement.

As a result of the dual listing on 7 June 2019, shareholders' equity increased by EUR 370.0 million of which share premium increased by EUR 369.2 million. Total gross transaction costs amounted to EUR 17.8 million. Transaction costs net of tax of EUR 14.2 million are deducted from the share premium reserve.

Other reserves

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

- hedge reserve: comprises revaluations on derivatives, on which hedge accounting is applied. The value 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 2020	**(0.7)**	**(10.2)**	**(10.9)**
Total other comprehensive income	1.6	(18.2)	(16.6)
Balance at 31 December 2020	**0.9**	**(28.4)**	**(27.5)**

Other reserves	Hedge reserve	Translation reserve	Total other reserves
Balance at 1 January 2019	**1.8**	**(12.1)**	**(10.3)**
Total other comprehensive income	(2.5)	1.9	(0.6)
Balance at 31 December 2019	**(0.7)**	**(10.2)**	**(10.9)**

Limitation in the distribution of Shareholders' equity

As at 31 December 2020, 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 76.5 million as at 31 December 2020 (31 December 2019: EUR 71.6 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 in 2020 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 income attributable to NCI amounted to EUR 0.1 million for the year 2020 (31 December 2019: EUR 0.1 million).

A dividend of EUR 0.1 million was paid to the NCI in 2020 for the operational year 2019.

The NCI relates to MPS France S.A.R.L., France, in which the managing director of MPS France holds an ownership percentage of 24%.

23 Borrowings and lease liabilities

Marel has two main funding facilities:

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. This new credit facility replaced the previous syndicated loan facility. 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;
- interest terms are 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.

The facility includes a 0% interest floor for EURIBOR/LIBOR. At inception of the loan, the 0% floor did not have an intrinsic value and is not separated from the original contract in the Consolidated Statement of Financial Position.

Schuldschein promissory notes

On 7 December 2018 Marel finalized an issue of Schuldschein promissory notes for EUR 140 million. The investors were a mixture of Central European and Asian commercial banks. The notes were split in 5 and 7 year terms and a mixture of fixed and floating rates:

- EUR 8.5 million at 1.83% fixed interest for 7 years;
- EUR 15.5 million at 1.366% fixed interest for 5 years;
- EUR 106.0 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.

The floating rate tranches include a 0% floor on the 6 month EURIBOR. At inception of the loan, the 0% floor did not have an intrinsic value and is not separated from the original contract in the Consolidated Statement of Financial Position.

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	2020	2019
Borrowings	240.2	333.5
Lease liabilities	33.6	28.4
Non-current	**273.8**	**361.9**
Borrowings	0.0	30.6
Lease liabilities	10.0	8.8
Current	**10.0**	**39.4**
Total	**283.8**	**401.3**
Borrowings	240.2	364.1
Lease liabilities	43.6	37.2
Total	**283.8**	**401.3**

As of 31 December 2020, interest bearing debt amounted to EUR 286.0 million including lease liabilities (31 December 2019: EUR 401.9 million), of which for 31 December 2020 and 2019 nothing is secured against shares that Marel hf. holds in certain subsidiaries. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The Group loan agreements contain restrictive covenants, relating to interest cover and leverage. At 31 December 2020 and 2019 the Group complies with all restrictive covenants. COVID-19 has not had a material impact on Marel's ability to comply with restrictive covenants in place.

The Group has the following headroom in committed facilities:

Available headroom	2020	2019
Expiring within one year	-	-
Expiring beyond one year	567.8	277.4
Total	**567.8**	**277.4**

Liabilities in currency recorded in EUR in 2020	Borrowings	Capitalized finance charges	Lease liabilities	Total
Liabilities in EUR	241.8	(1.8)	22.7	262.7
Liabilities in USD	-	(0.4)	8.4	8.0
Liabilities in other currencies	0.6	-	12.5	13.1
Total	**242.4**	**(2.2)**	**43.6**	**283.8**
Current maturities	(0.7)	0.7	(10.0)	(10.0)
Non-current maturities	**241.7**	**(1.5)**	**33.6**	**273.8**

Liabilities in currency recorded in EUR in 2019	Borrowings	Capitalized finance charges	Lease liabilities	Total
Liabilities in EUR	297.0	(0.6)	16.0	312.4
Liabilities in USD	67.0	-	10.7	77.7
Liabilities in other currencies	0.7	-	10.5	11.2
Total	**364.7**	**(0.6)**	**37.2**	**401.3**
Current maturities	(30.7)	0.1	(8.8)	(39.4)
Non-current maturities	**334.0**	**(0.5)**	**28.4**	**361.9**

Annual maturity of non-current borrowings in 2020	Borrowings	Capitalized finance charges	Lease liabilities	Total
Between 1 and 2 years	-	(0.7)	11.7	11.0
Between 2 and 3 years	120.7	(0.7)	7.4	127.4
Between 3 and 4 years	-	(0.1)	5.0	4.9
Between 4 and 5 years	118.7	-	5.0	123.7
After 5 years	2.3	-	4.5	6.8
Total	**241.7**	**(1.5)**	**33.6**	**273.8**

Annual maturity of non-current borrowings in 2019	Borrowings	Capitalized finance charges	Lease liabilities	Total
Between 1 and 2 years	30.7	(0.1)	9.9	40.5
Between 2 and 3 years	160.8	(0.2)	3.8	164.4
Between 3 and 4 years	122.3	(0.2)	3.9	126.0
Between 4 and 5 years	0.7	-	6.0	6.7
After 5 years	19.5	-	4.8	24.3
Total	**334.0**	**(0.5)**	**28.4**	**361.9**

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Borrowings and lease liabilities	Interest rate swap and forward exchange contracts used for hedging – assets	Interest rate swap and forward exchange contracts used for hedging – liabilities	Share capital and share premium reserve	Other reserves	Retained earnings	NCI	Total
At 1 January 2020	**401.3**	**-**	**3.0**	**489.9**	**(10.9)**	**476.5**	**0.3**	**1,360.1**
Changes from financing cash flows								
Proceeds from loans and borrowings	730.0							730.0
Purchase of treasury shares				(55.9)				(55.9)
Sale of treasury shares				15.0				15.0
Repayment of borrowings	(857.6)							(857.6)
Payment of lease liabilities	(10.5)							(10.5)
Dividend paid						(43.9)	(0.1)	(44.0)
Total changes from financing cash flows	**(138.1)**	**-**	**-**	**(40.9)**	**-**	**(43.9)**	**(0.1)**	**(223.0)**
Changes arising from obtaining or losing control of subsidiaries or other businesses	**7.3**							**7.3**
The effect of changes in foreign exchange rates	**1.9**							**1.9**
Other changes								
Liability related	(3.5)	(1.9)	0.7					(4.7)
New leases	16.5							16.5
Borrowing costs expensed	(1.6)							(1.6)
Total liability related other changes	**11.4**	**(1.9)**	**0.7**	**-**	**-**	**-**	**-**	**10.2**
Total equity related other changes				0.5	(16.6)	103.8	0.1	**87.8**
At 31 December 2020	**283.8**	**(1.9)**	**3.7**	**449.5**	**(27.5)**	**536.4**	**0.3**	**1,244.3**

	Borrowings and lease liabilities	Interest rate swap and forward exchange contracts used for hedging – assets	Interest rate swap and forward exchange contracts used for hedging – liabilities	Share capital and share premium reserve	Other reserves	Retained earnings	NCI	Total
At 1 January 2019	**487.9**	**1.3**	**1.4**	**167.8**	**(10.3)**	**403.2**	**0.2**	**1,051.5**
Changes from financing cash flows								
Proceed from issue of share capital				352.2				352.2
Proceeds from loans and borrowings	40.0							40.0
Purchase of treasury shares				(37.6)				(37.6)
Sale of treasury shares				0.9				0.9
Repayment of borrowings	(145.3)							(145.3)
Payment of lease liabilities	(14.3)							(14.3)
Dividend paid						(36.7)	(0.0)	(36.7)
Total changes from financing cash flows	**(119.6)**	**-**	**-**	**315.5**	**-**	**(36.7)**	**(0.0)**	**159.2**
Changes arising from obtaining or losing control of subsidiaries or other businesses	-							-
The effect of changes in foreign exchange rates	**2.7**							**2.7**
Other changes								
Liability related	5.9	(1.3)	1.6					6.2
New leases	12.5							12.5
Borrowing costs expensed	11.9							11.9
Total liability related other changes	**30.3**	**(1.3)**	**1.6**	**-**	**-**	**-**	**-**	**30.6**
Total equity related other changes				6.6	(0.6)	110.0	0.1	116.1
At 31 December 2019	**401.3**	**-**	**3.0**	**489.9**	**(10.9)**	**476.5**	**0.3**	**1,360.1**

24 Provisions

	Guarantee commitments	Pension commitments	Other provisions	Total
Balance at 1 January 2020	**7.2**	**11.0**	**0.6**	**18.8**
Additions	1.0	2.0	5.9	8.9
Business combinations, note 4	0.3	0.2	-	0.5
Exchange differences	(0.2)	(0.3)	(0.2)	(0.7)
Used	(1.4)	(6.0)	(1.4)	(8.8)
Release	(0.8)	(3.0)	(0.3)	(4.1)
Balance at 31 December 2020	**6.1**	**3.9**	**4.6**	**14.6**

	Guarantee commitments	Pension commitments	Other provisions	Total
Balance at 1 January 2019	**7.0**	**9.4**	**0.6**	**17.0**
Additions	1.8	1.8	0.8	4.4
Exchange differences	0.0	0.0	0.0	0.0
Used	(0.8)	(0.2)	(0.4)	(1.4)
Release	(0.8)	-	(0.4)	(1.2)
Balance at 31 December 2019	**7.2**	**11.0**	**0.6**	**18.8**

Analysis of provisions	2020	2019
Non-current	4.1	10.6
Current	10.5	8.2
Total	**14.6**	**18.8**

Nature of obligation for 2020	Country	Maturity	Likelihood	Amount
Guarantee	Netherlands	Dynamic	Dynamic	1.8
Guarantee	US	Dynamic	Dynamic	0.7
Guarantee	Denmark	Dynamic	Dynamic	0.9
Other provisions	US	Dynamic	Dynamic	2.7

Nature of obligation for 2019	Country	Maturity	Likelihood	Amount
Guarantee	Netherlands	Dynamic	Dynamic	3.0
Guarantee	US	Dynamic	Dynamic	1.2
Guarantee	Denmark	Dynamic	Dynamic	1.0

Guarantee commitments

The provisions for guarantee commitments reflect the estimated costs of replacement and free-of-charge services that will likely be incurred by the Company with respect to products sold.

Pension commitments

The pension commitments included the provision for early retirement rights (VPL), which were settled in 2020 (31 December 2019: EUR 7.5 million). For further information on the pension commitments, refer to note 25.

25 Post-employment benefits

The Group maintains various pension plans covering the majority of its employees.

The Company's pension costs for all employees for 2020 were EUR 25.5 million (2019: EUR 27.6 million). This includes defined contribution plans for EUR 15.2 million (2019: EUR 16.7 million), as well as a pension plan based on multi-employer union plan for EUR 10.3 million (2019: EUR 10.9 million).

The Company's employees in the Netherlands, 1,695 FTEs (2019: 1,651), 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 1,390 companies and 165,000 contributing members. The plan monitors its risks on a global basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By law ("the Dutch Pension Act"), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan's assets to its obligations. This coverage ratio must exceed 104.3% for the total plan. Every company participating in a Dutch multi-employer union plan contributes a premium calculated as a percentage of its total pensionable wages and salaries, with each company subject to the same percentage contribution rate.

The Company's net periodic pension cost for this multi-employer plan for any period is the amount of the required contribution for that period.

The coverage ratio ("Beleidsdekkingsgraad") of the multi-employer plan decreased to 92.3% as per 31 December 2020 (31 December 2019: 96.9%). The decrease is caused by developments in the financial markets and the average interest rate. The coverage ratio is below the legally required level of 104.3%. The Recovery Plan PME 2020 ("Herstelplan PME 2020") indicates that the coverage ratio will increase within 10 years to the minimum required coverage ratio of 119.0%.

In 2021 the pension premium will be 27.6% of the total pensionable salaries (2020: 22.7%), in accordance with the articles of association of the Pension Fund. The coverage ratio is calculated by dividing the fund's capital by the total sum of pension liabilities and is based on actual market interest.

26 Financial instruments and risks

Financial risk factors

This note presents information about the Group's exposure to each of the below mentioned risks, the Group's objectives, policies and processes for measuring and managing the risk. Further quantitative disclosures are included throughout the Consolidated Financial Statements.

Risk management framework

The main financial risks faced by Marel relate to market risk and liquidity risk. Risk management is carried out by a central treasury department (Group Treasury) under policies and with instruments approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close 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 Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. Market risk comprises (a) foreign exchange risk, (b) interest rate risk and (c) credit risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while 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 7% of costs are in ISK. In line with Marel's risk management policy, the Group started to hedge 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. Currency derivatives are not used for speculative purposes. 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:

	2020		2019	
	Year end rate	Average rate	Year end rate	Average rate
1 euro =				
USD	1.22	1.14	1.12	1.12
GBP	0.90	0.89	0.85	0.88
ISK	156.19	154.35	135.83	137.26
BRL	6.34	5.90	4.51	4.41

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.

	2020		2019	
	Profit or (loss) impact	Equity impact	Profit or (loss) impact	Equity impact
USD	(2.9)	(6.9)	(2.2)	(5.4)
ISK	0.3	(4.3)	1.1	-
GBP	0.5	(2.6)	0.7	(2.4)
BRL	(0.7)	(2.4)	(0.9)	(3.1)

(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 33% (2019: 15%) of the core debt has floating interest rates and the rest is fixed. As at year end 2020 a total of EUR 70.0 million (2019: EUR 282.5 million) of liabilities were swapped into fixed interest rates or in fixed rate debt instruments. The weighted average fixed rate of the interest swaps currently is 0.4% (2019: 0.0%).

Marel applies cash flow hedge accounting to hedge the variability in the interest cash outflows of the 3 months EURIBOR/LIBOR Senior Secured Floating Rate Notes.

Throughout the year 2020, 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 2 years.

Marel holds interest rate swaps for an amount of EUR 160.9 million linked to the former syndicated loan facility which was repaid in February 2020. Marel does not apply cash flow hedge accounting for these swaps and all changes in value are processed through the Consolidated Statement of Income.

At year end 2020, if EURIBOR interest rates had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 0.4 million (2019: 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.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. Each customer has a set credit limit and the utilization of the credit limit is regularly monitored.

The carrying amount of financial assets represents the maximum credit risk exposure:

	2020	2019
Trade receivables	151.3	160.0
Derivative financial instruments	1.9	-
Other receivables and prepayments	55.2	48.9
Cash and cash equivalents	78.6	303.7
Total	**287.0**	**512.6**

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 incurred 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 (refer to note 19). COVID-19 has not caused a material impact on collections of trade receivables.

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 2020. 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.

During Q1 2020 the Group drew EUR 600.0 million on the new syndicated revolving credit facility as a precautionary measure to increase its flexibility and ability to react to unforeseen future business needs in relation to COVID-19. During Q2 2020 the Group repaid EUR 500.0 million and the remaining EUR 100.0 million was repaid in Q3 2020.

The Group has EUR 700.0 million of committed facilities, which can be used both as a revolver and to issue guarantees for down payments. As per 31 December 2020, the Group had drawn EUR 100.0 million on the syndicated revolving credit facility (31 December 2019: EUR 0.0 million), and issued guarantees for EUR 32.2 million (31 December 2019: EUR 45.6 million), therefore the total usage is EUR 132.2 million (31 December 2019: EUR 45.6 million), leaving a headroom of EUR 567.8 million (31 December 2019: EUR 277.4 million). All facilities are subject to operational and Consolidated Statement of Financial Position covenants (interest cover and leverage). At 31 December 2020 there is sufficient headroom.

At 31 December 2020, net cash and cash equivalents were EUR 78.6 million (31 December 2019: EUR 303.7 million).

Marel has a strong cash position and sufficient headroom in its committed facilities and therefore, does not foresee additional liquidity risks despite the challenging environment due to COVID-19.

Cash flow forecasts are done at the local levels 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 2020	**Less than 1 year**	**Between 1 and 5 years**	**Over 5 years**
Borrowings	0.7	239.4	2.3
Interest on borrowings	4.3	14.9	0.2
Lease liabilities	10.0	29.1	4.5
Trade and other payables	222.7	1.1	-
Interest rate swaps	2.3	1.4	-
Forward exchange contracts			
Inflow	(1.9)	-	-
Total	**238.1**	**285.9**	**7.0**

At 31 December 2019	**Less than 1 year**	**Between 1 and 5 years**	**Over 5 years**
Borrowings	30.7	314.5	19.5
Interest on borrowings	6.3	10.0	0.2
Lease liabilities	8.8	23.6	4.8
Trade and other payables	200.5	5.1	-
Interest rate swaps	1.2	3.0	-
Total	**247.5**	**356.2**	**24.5**

Capital management

The Board of Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board monitors the Group's leverage, defined as net debt divided by EBITDA. The Board also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns on equity that might be possible with higher levels of borrowings and the advantages and security of a sound capital position. The Group uses the leverage ratio in 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, 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 720.0 million for 2020 (2019: EUR 662.0 million) for the whole Group.

The Group insurance value of buildings amounts to EUR 185.0 million (2019: EUR 174.0 million), production machinery and equipment including software and office equipment amount to EUR 201.0 million (2019: EUR 184.0 million) and inventories to EUR 181.0 million (2019: EUR 206.0 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 equals their carrying amount, as the impact of discounting, based on the borrowings rate of 2.04% (2019: 1.59%), is not significant.

The weighted average interest rate on borrowings in 2020, including the effect of floating to fixed interest rates swaps is 2.04% (2019: 1.59%).

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 liabilities**	**Total carrying amount**	**Fair Value**
2020					
Cash and cash equivalents	-	78.6	-	78.6	78.6
Trade receivables, other receivables and prepayments	-	206.5	-	206.5	206.5
Forward exchange contracts	1.9	-	-	1.9	1.9
Subtotal financial assets	**1.9**	**285.1**	**-**	**287.0**	**287.0**
Interest rate swaps used for hedging	(3.7)	-	-	(3.7)	(3.7)
Borrowings	-	-	(240.2)	(240.2)	(240.2)
Lease liabilities	-	-	(43.6)	(43.6)	(43.6)
Trade and other payables	-	-	(223.8)	(223.8)	(223.8)
Subtotal financial liabilities	**(3.7)**	**-**	**(507.6)**	**(511.3)**	**(511.3)**
Total	**(1.8)**	**285.1**	**(507.6)**	**(224.3)**	**(224.3)**

Fair value of financial assets and liabilities	**Cash flow-hedging instruments**	**Cash & receivables**	**Other financial liabilities**	**Total carrying amount**	**Fair Value**
2019					
Cash and cash equivalents	-	303.7	-	303.7	303.7
Trade receivables, other receivables and prepayments	-	208.9	-	208.9	208.9
Subtotal financial assets	**-**	**512.6**	**-**	**512.6**	**512.6**
Interest rate swaps used for hedging	(3.0)	-	-	(3.0)	(3.0)
Borrowings	-	-	(364.1)	(364.1)	(364.1)
Lease liabilities	-	-	(37.2)	(37.2)	(37.2)
Trade and other payables		-	(205.6)	(205.6)	(205.6)
Subtotal financial liabilities	**(3.0)**	**-**	**(606.9)**	**(609.9)**	**(609.9)**
Total	**(3.0)**	**512.6**	**(606.9)**	**(97.3)**	**(97.3)**

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 2020	-	(1.8)	-	(1.8)
At 31 December 2019	-	(3.0)	-	(3.0)

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.

During 2020 in order to protect Marel from foreign currency exposure on its operations in ISK, Marel entered into foreign exchange contracts to receive ISK and to sell EUR. This is in line with Marel's risk management policy to hedge up to 80% of its estimated foreign currency exposure in ISK relating to forecasted transactions over the following 12 months. In 2020, Marel hedged ISK 586.0 million 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 162.9 per EUR. In 2020, Marel also hedged ISK 7.1 billion of its 2021 projected net cash flow in ISK against the EUR by means of average rate currency forward contracts at an average exchange rate of ISK 164.3 per EUR for the 12 months of 2021. Each month, the relevant hedges for that month will be settled and recognized in the Consolidated Statement of Income. There was no material ineffectiveness in relation to these hedges.

Forward currency contracts	**2020**	**2019**
Nominal amount hedged item	43.0	-
Carrying amount assets	1.9	-
Line item Consolidated Statement of Financial Position	Derivative financial instruments	n/a
Change in the value of the hedging instrument	1.9	-
Reclassified from hedging reserve to income statement	(0.0)	-
Line item Consolidated Statement of Income	Expenses[1]	n/a

[1] Cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses.

For movements in hedge or translation reserve, refer to note 22.

Interest rate swaps

To protect Marel from fluctuations in EURIBOR-EUR-Reuters/LIBOR-BBA ("British Bankers Association") and in accordance with the interest hedge policy, Marel has entered into interest rate swaps 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.

As of the fourth quarter of 2019 Marel stopped applying hedge accounting for interest rate swaps linked to the syndicated loan facility as it was repaid early 2020. These hedges previously were accounted for using cash flow hedge accounting with recorded changes in fair value in other comprehensive income. During 2020, all changes in values of those contracts have been processed as finance cost through the Consolidated Statement of Income. At the end of 2020, the value of interest rate derivatives not accounted for using the hedge accounting model was EUR 2.9 million and EUR 0.8 million of contracts where hedge accounting is used.

The notional principal amount of the outstanding active interest rate swap contracts at 31 December 2020 was EUR 231.0 million (31 December 2019: EUR 282.5 million).

At 31 December 2020	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
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	0.8	2027	5.2

At 31 December 2019	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	USD	10.0	2020	1.3
Interest rate SWAP	USD	60.0	2020	1.6
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
Embedded floor (0,00% cap on interest rates in financing agreements)	EUR	168.0	2022	0.0
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	0.8	2027	5.2

27 Trade and other payables

Trade and other payables	2020	2019
Trade payables	81.8	83.6
Accruals	5.4	11.0
Personnel payables	66.3	51.9
Other payables	70.3	59.1
Total	**223.8**	**205.6**
Less non- current portion	(1.1)	(5.1)
Current portion of trade and other payables	**222.7**	**200.5**

Trade and other payables in 2020 increased by EUR 11.9 million due to the acquisition of TREIF. Further information on the acquisition 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 26.

28 Contingencies

Contingent liabilities

At 31 December 2020 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 48.3 million (31 December 2019: EUR 82.4 million) to third parties.

Legal proceedings

As part of doing business and acquisitions the Group is involved in claims and litigations, under such indemnities and guarantees. These claims are pending and all are contested. Provisions are recognized when an outflow of economic benefits for settlement is probable and the amount can be estimated reliably. It should be understood that, in light of possible future developments, such as (a) potential additional lawsuits, (b) possible future settlements, and (c) rulings or judgments in pending lawsuits, certain cases may result in additional liabilities and related costs.

At this point in time, we cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts with sufficient certainty to allow such amount or range of amounts to be meaningful. Moreover, if and to the extent that the contingent liabilities materialize, they are often resolved over a number of years and the timing of such payments cannot be predicted with confidence. While the outcome of said cases, claims and disputes cannot be predicted with certainty, we believe, based upon legal advice and information received, that the final outcome will not materially affect our consolidated financial position but could be material to our results of operations or cash flows in any one accounting period.

Environmental remediation

The Company and its subsidiaries are subject to environmental laws and regulations. Under these laws, the Company and/or its subsidiaries may be required to remediate the effects of certain incidents on the environment.

29 Related party transactions

At 31 December 2020 and 2019 there are no loans to the members of the Board of Directors and the CEO. In addition, there were no transactions carried out (purchases of goods and services) between the Group and members of the Board of Directors nor the CEO in the year ended 31 December 2020 and 2019. The Group has an outstanding loan to Curio for EUR 1.0 million granted in 2020.

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)	2020 Board fee	2020 Pension contribution[1]	2020 Shares at year end[2]	2019 Board fee	2019 Pension contribution[1]	2019 Shares at year end[2]
Asthildur Margret Otharsdottir, Chairman	144	17	32	140	16	32
Arnar Thor Masson, Vice Chairman	100	12	-	97	11	-
Ann Elizabeth Savage, Board Member	63	7	-	54	6	-
Astvaldur Johannsson, Board Member	56	6	-	54	6	-
Helgi Magnusson, Board Member, (until 06-03-2019)	-	-	-	9	1	-
Lillie Li Valeur, Board Member (from 18-03-2020)	35	4	-	-	-	-
Margret Jonsdottir, Board Member (until 18-03-2020)[2]	14	2	193	54	6	195
Olafur S. Gudmundsson, Board Member	56	6	1,705	54	6	1,705
Ton van der Laan, Board Member, (from 06-03-2019)	56	6	-	45	5	-

1 Pension contributions for all board members and the Executive Team are part of a defined contribution plan.
2 Margret Jonsdottir is the Managing Director of Operations of Eyrir Invest hf. and Arni Oddur Thordarson is a major shareholder of Eyrir Invest hf., which on 31 December 2020 held 190,366,838 (2019: 190,366,838) shares in Marel hf. 24.7% (2019: 24.7%) of total issued shares.

The Executive Team remuneration is shown in the tables below.

In 2020 Marel identified nine executives who have material significance for Marel's operations. The Executive Team consists of the Chief Executive Officer, Chief Financial Officer, 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. Two of them joined the Executive Team in March 2020; five former executives left the Executive Team at the same time and are included in the below table.

Executive Team remuneration 2020 (in thousands)	Total fixed remuneration	Short-term bonus	Stock Options awarded[1]	Total variable remuneration	Extra-ordinary items	Pension contribution[2]	Total remuneration	Shares at year end[3]
Arni Oddur Thordarson, Chief Executive Officer	**706**	332	334	**666**	-	137	**1,509**	140
Other Executive Team Members	**2,486**	489	1,058	**1,547**	-	283	**4,316**	771
Former Executive Team Members	**941**	189	-	**189**	819	235	**2,184**	1,048
Total Executive Team	**4,133**	**1,010**	**1,392**	**2,402**	**819**	**655**	**8,009**	**1,959**

1 The granted options during 2020 are valued according to the model of Black-Scholes with the assumptions applied when granted. The options granted in 2020 have a vesting period of 3 years. The calculated total cost for the 3 years is disclosed in this table.
2 Pension contributions for all board members and the Executive Team are part of a defined contribution plan.
3 Including financially related.

In 2019 Marel identified twelve executives who had a material significance for Marel's operations. The Executive Team consisted of the Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer, EVP Marel Poultry, EVP Marel Meat, EVP Marel Fish, EVP Marel Further Processing, EVP Global Service, EVP Global Markets, EVP Global Supply Chain, EVP Human Resources, and EVP Innovation. One of them joined the Executive Team in September 2019; one former executive left the Executive Team at the same time and is included in the following table.

Executive Team remuneration 2019 (in thousands)	Total fixed remune-ration	Short-term bonus	Stock Options awarded[1]	Total variable remune-ration	Extra-ordinary items	Pension contribu-tion[2]	Total remune-ration	Shares at year end[3]
Arni Oddur Thordarson, Chief Executive Officer	**680**	376	347	**723**	-	139	**1,542**	132
Other Executive Team Members	**3,292**	972	1,674	**2,646**	31	394	**6,363**	1,273
Former Executive Team Members	**232**	143	134	**277**	-	15	**524**	195
Total Executive Team	**4,204**	**1,491**	**2,155**	**3,646**	**31**	**548**	**8,429**	**1,600**

1 The granted options during 2019 are valued according to the model of Black-Scholes with the assumptions applied when granted. The options granted in 2019 had a vesting period of 3 years. The calculated total cost for the 3 years is disclosed in this table.
2 Pension contributions for all board members and the Executive Team are part of a defined contribution plan.
3 Including financially related.

An overview of the Executive Team's stock options are shown in the tables below.

	Main conditions of the stock option plan					Information regarding the financial year			
Stock options 2020 (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 Thordarson, Chief Executive Officer	3-5-2016	28-4-2021	28-4-2022	1.797	360	72	288	-	72
	5-3-2017	6-3-2020	15-5-2021	2.623	600	600	600	-	-
	12-2-2018	13-2-2021	13-2-2022	2.768	650	-	-	-	650
	12-2-2019	13-2-2022	13-2-2023	3.136	650	-	-	-	650
	24-4-2020	24-4-2023	24-4-2024	3.800	580	-	-	-	580
Other Executive Team members	2-12-2014	24-4-2020	28-4-2021	0.830	675	135	360	-	135
	4-8-2015	25-10-2020	28-10-2021	1.385	600	120	200	-	240
	3-5-2016	28-4-2021	28-4-2022	1.797	540	108	-	-	432
	5-3-2017	6-3-2020	15-5-2021	2.623	1,100	1,100	800	-	300
	12-2-2018	13-2-2021	13-2-2022	2.768	1,350	-	-	-	1,350
	12-2-2019	13-2-2022	13-2-2023	3.136	1,600	-	-	-	1,600
	6-6-2019	7-6-2022	15-11-2023	3.642	250	-	-	-	250
	24-4-2020	24-4-2023	24-4-2024	3.800	1,840	-	-	-	1,840
Former Executive Team members	2-12-2014	24-4-2020	28-4-2021	0.830	1,125	180	810	90	45
	4-8-2015	25-10-2020	28-10-2021	1.385	1,000	160	680	120	40
	3-5-2016	28-4-2021	28-4-2022	1.797	900	144	360	180	252
	5-3-2017	6-3-2020	15-5-2021	2.623	1,300	1,300	1,000	-	300
	12-2-2018	13-2-2021	13-2-2022	2.768	1,650	-	-	750	900
	12-2-2019	13-2-2022	13-2-2023	3.136	1,500	-	-	500	1,000
Total Executive Team	2-12-2014	24-4-2020	28-4-2021	0.830	1,800	315	1,170	90	180
	4-8-2015	25-10-2020	28-10-2021	1.385	1,600	280	880	120	280
	3-5-2016	28-4-2021	28-4-2022	1.797	1,800	324	648	180	756
	5-3-2017	6-3-2020	15-5-2021	2.623	3,000	3,000	2,400	-	600
	12-2-2018	13-2-2021	13-2-2022	2.768	3,650	-	-	750	2,900
	12-2-2019	13-2-2022	13-2-2023	3.136	3,750	-	-	500	3,250
	6-6-2019	7-6-2022	15-11-2023	3.642	250	-	-	-	250
	24-4-2020	24-4-2023	24-4-2024	3.800	2,420	-	-	-	2,420

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). The exercise prices of options granted 2014-2016 are subject to a hurdle rate. For options from 2014-2015 it is 3% annually and 2% for options from 2016. Exercise prices in other outstanding options are not affected by a hurdle rate.

Stock options 2019 (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 Thordarson,	3-5-2016	28-4-2021	28-4-2022	1.819	360	216	-	-	360
Chief Executive Officer	5-3-2017	6-3-2020	15-5-2021	2.681	600	-	-	-	600
	12-2-2018	13-2-2021	13-2-2022	2.825	650	-	-	-	650
	12-2-2019	13-2-2022	13-2-2023	3.194	650	-	-	-	650
Other Executive	2-12-2014	24-4-2020	28-4-2021	0.861	1,350	270	45	-	1,170
Team members	4-8-2015	25-10-2020	28-10-2021	1.423	1,200	240	160	-	1,040
	3-5-2016	28-4-2021	28-4-2022	1.819	1,080	648	108	-	972
	5-3-2017	6-3-2020	15-5-2021	2.681	1,900	-	-	-	1,900
	12-2-2018	13-2-2021	13-2-2022	2.825	2,500	-	-	-	2,500
	12-2-2019	13-2-2022	13-2-2023	3.194	2,850	-	-	-	2,850
	6-6-2019	7-6-2022	15-11-2023	3.700	250	-	-	-	250
Former Executive	2-12-2014	24-4-2020	28-4-2021	0.861	450	90	45	-	270
Team members	4-8-2015	25-10-2020	28-10-2021	1.423	400	80	40	-	240
	3-5-2016	28-4-2021	28-4-2022	1.819	360	216	108	-	252
	5-3-2017	6-3-2020	15-5-2021	2.681	500	-	-	-	500
	12-2-2018	13-2-2021	13-2-2022	2.825	500	-	-	-	500
	12-2-2019	13-2-2022	13-2-2023	3.194	250	-	-	-	250
Total Executive Team	2-12-2014	24-4-2020	28-4-2021	0.861	1,800	360	90	-	1,440
	4-8-2015	25-10-2020	28-10-2021	1.423	1,600	320	200	-	1,280
	3-5-2016	28-4-2021	28-4-2022	1.819	1,800	1,080	216	-	1,584
	5-3-2017	6-3-2020	15-5-2021	2.681	3,000	-	-	-	3,000
	12-2-2018	13-2-2021	13-2-2022	2.825	3,650	-	-	-	3,650
	12-2-2019	13-2-2022	13-2-2023	3.194	3,750	-	-	-	3,750
	6-6-2019	7-6-2022	15-11-2023	3.700	250	-	-	-	250

[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). The exercise prices of options granted 2014-2016 are subject to a hurdle rate. For options from 2014-2015 it is 3% annually and 2% for options from 2016. Exercise prices in other outstanding options are not affected by a hurdle rate.

30 Subsequent events

Acquisition of PMJ

On 21 January 2021, Marel concluded the acquisition of the entire share capital of Poultry Machinery Joosten B.V. (“PMJ”). PMJ is at the forefront of duck and goose processing solutions and services. The company was founded in 1998 as a family business and has evolved into a global leader for waterfowl processing solutions. PMJ's product range contains solutions for a wide variety of production sizes. PMJ's complementary product portfolio of primary processing, including waxing and automated evisceration, will make Marel the industry's only full-line provider of duck processing solutions. PMJ's annual revenues are around EUR 5 million.

Closing was subject to standard closing conditions. The purchase consideration was paid with EUR 12.4 million in cash. The acquisition was financed through Marel’s strong cash position and existing credit facilities.

In accordance with IFRS 3, business combinations, the purchase price of PMJ will be allocated to identifiable assets and liabilities acquired. Due to the short timeframe between closing of the acquisition and issuance of the Consolidated Financial Statements, this has not been completed and as such the allocation of the purchase price to acquired assets and liabilities assumed is not disclosed.

Strategic minority investment in Stranda Prolog

On 29 January 2021, Marel acquired a 40% interest in Stranda Prolog (“Stranda”), a Norwegian provider of salmon processing solutions. The transaction is in line with Marel’s strategic objective to be a full-line supplier of advanced food processing solutions, software and services to the fish, meat and poultry industries. Stranda’s complementary product portfolio for primary salmon processing and aquaculture solutions will bring Marel closer to becoming a full-line provider to the global salmon industry. The initial value of this investment amounts to EUR 8.6 million and will be recognized under Investments in associates.

No other significant events have taken place since the reporting date, 31 December 2020.

31 Subsidiaries

The following lists presents the material subsidiaries as per 31 December 2020 representing greater than 1% of either the consolidated Group revenues or total asset value. All of the entities are fully consolidated in Group financial statements. Companies are listed in alphabetical order of the country of incorporation.

	Country of Incorporation	Ownership Interest
Marel Australia Pty. Ltd.	Australia	100%
Marel Brasil Commercial e Industrial Ltda	Brazil	100%
Sulmaq Industrial e Comercial S.A.	Brazil	100%
Marel Salmon A/S	Denmark	100%
Marel Meat A/S	Denmark	100%
Marel France S.A.R.L.	France	100%
TREIF Maschinenbau GmbH	Germany	100%
MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG	Germany	100%
Marel Iceland ehf.	Iceland	100%
Marel Holding B.V.	Netherlands	100%
Marel Meat B.V.	Netherlands	100%
Marel Poultry B.V.	Netherlands	100%
Marel Further Processing B.V.	Netherlands	100%
Marel Water Treatment B.V.	Netherlands	100%
Marel Red Meat Slaughtering B.V.	Netherlands	100%
Marel Meat Service B.V.	Netherlands	100%
Marel Food Logistics Systems B.V.	Netherlands	100%
Marel Norge AS	Norway	100%
Marel Food Systems LLC	Russia	100%
Marel Slovakia s.r.o.	Slovakia	100%
Marel Ltd.	UK	100%
Marel GB Ltd.	UK	100%
Marel Inc.	USA	100%
Marel USA Holding Inc.	USA	100%

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, including its Articles of Association and the Guidelines on Corporate Governance issued in June 2015 by the Iceland Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Employers, which are accessible on the website of the Iceland Chamber of Commerce.

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

Article 1.4

Of the Guidelines concerning Share Registry: Marel is listed in ISK on Nasdaq Iceland and in EUR on Euronext 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 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 1.5.10

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. This is 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 2020 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 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 18 March 2020. Auditors on KPMG's behalf are Saemundur Valdimarsson and Hrafnhildur Helgadottir, both Certified Public Accountants (CPAs). They have audited and endorsed Marel's Consolidated Financial Statements for the year 2020.

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 consists of the Board of Directors and the Executive Team, led by the Chief Executive Officer. The two bodies are separate, and no person serves as a member of both.

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 18 March 2020. 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 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 Team. The Board defines strategic objectives for the company and sets targets aimed at achieving these goals.

Regular board meetings are held with management over the course of the year, including quarterly meetings coinciding with the publication of financial results, two strategy sessions and an operational planning meeting for the coming year. The Board of Directors meets at least once a year without management to structure its agenda and conduct a self-assessment. Additional meetings are convened as needed. The Board of Directors has a number of on-site visits to company locations and to customers during the year but due to travel restrictions all visits in 2020 were postponed to a later date. 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.

At the company's AGM on 18 March 2020 Lillie Li Valeur was elected to the Board of Directors. After serving on the Board of Directors for 14 years, Margret Jonsdottir did not declare candidature.

The Board of Directors convened 25 times in 2020, with an average attendance of 98.3%.

The Board of Directors has assessed which directors are independent according to the Icelandic Guidelines on Corporate Governance. All seven current directors: Ann Elizabeth Savage, Arnar Thor Masson, Asthildur Margret Otharsdottir, Ton van der Laan, Lillie Li Valeur, Astvaldur Johannsson and Olafur S. Gudmundsson, are considered independent of the company. Furthermore, six of the Board members, Ann Elizabeth Savage, Arnar Thor Masson, Asthildur Margret Otharsdottir, Ton van der Laan, Lillie Li Valeur and Astvaldur Johannsson, are considered independent of the company's major shareholders. Margret Jonsdottir who served on the Board of Directors until 18 March 2020 was considered to be independent of the company, but non-independent of Eyrir Invest hf., Marel's largest shareholder. 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 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 major 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 is conducted.

The current Board decided to appoint four members to the Remuneration Committee as of March 2020: Asthildur Margret Otharsdottir (Chair), Ann Elizabeth Savage, Arnar Thor Masson and Olafur S. Gudmundsson.

The Remuneration Committee convened four times in 2020, with an average attendance of 93.8%.

Audit Committee

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

Members of the Audit Committee since March 2020 are Arnar Thor Masson (Chair), Astvaldur Johannsson, Ann Elizabeth Savage and Ton van der Laan. All members are independent of the company, its auditors and of large shareholders. Margret Jonsdottir who served on the Audit Committee until 18 March 2020 was considered to be independent of the company, but non-independent of Eyrir Invest hf., Marel's largest shareholder.

The Audit Committee convened seven times in 2020, with an average attendance of 96.4%.

Nomination Committee

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

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 2020 are Arnar Thor Masson (Chair), Asthildur Margret Otharsdottir and Olafur S. Gudmundsson.

The Nomination Committee convened four times in 2020, with an average attendance of 91.7%.

2020	Board of Directors	25 meetings Attendance (%)	Audit Committee	7 meetings Attendance (%)	Nomination Committee	4 meetings Attendance (%)	Remuneration Committee	4 meetings Attendance (%)
Asthildur Margret Otharsdottir	Chairman	100.0			√	100.0	Chair	100.0
Arnar Thor Masson	Vice-Chairman	100.0	Chair	100.0	Chair	100.0	√	100.0
Ann Elizabeth Savage[1]	Director	96.0	√	80.0			√	100.0
Astvaldur Johannsson	Director	96.0	√	100.0				
Lillie Li Valeur[2]	Director	100.0						
Margret Jonsdottir[3]	Director	100.0	(√)	100.0				
Olafur S. Gudmundsson	Director	96.0			√	75.0	√	75.0
Ton van der Laan	Director	100.0	√	100.0				

1 Member of the Audit Committee from 18 March 2020, after which 5 Audit Committee meetings were held.
2 Board member from 18 March 2020, after which 18 Board meetings were held.
3 Board member and member of the Audit Committee until 18 March 2020, while 7 Board meetings and 2 Audit Committee meetings were held.

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 139,878 shares in Marel. He is a major shareholder of Eyrir Invest, which on 3 February 2021, 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 Team.
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 Team that he heads according to previously established criteria. The CEO shall discuss the results of his evaluation with each member of the Executive Team and decide on any actions to be taken.

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

Executive Team

In March 2020 the Executive Team was consolidated from twelve to nine members, resulting in a leaner management team with clear accountability in order to sharpen market focus, shorten time to market and reduce the cost base. The company's Executive Team is composed of:

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

Business Units
- Roger Claessens, EVP Marel Poultry
- David Wilson, EVP Marel Meat
- Gudbjorg Heida Gudmundsdottir, EVP Marel Fish

Operations
- Ulrika Lindberg, EVP Global Markets and Service
- Folkert Bölger, EVP Global Supply Chain
- Anna Kristin Palsdottir, EVP Innovation

See marel.com for profiles of the Executive Team.

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 Team.

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 and is published 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 Team, 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 within the Board of Directors remained stable at 43% female (2019: 43%) following the election of Lillie Li Valeur at the AGM on 18 March 2020. Following the consolidation within the Executive Team in March 2020, gender diversity rose to 44% female (2019: 17%).

Gender diversity (female/male ratio)	2020	2019
Board of Directors	43/57	43/57
Executive Team	44/56	17/83
Total enterprise	16/84	16/84

Code of Conduct and Social Responsibility

Values and Social Responsibility

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

Marel places great emphasis on corporate and social responsibility with detailed information available in Marel's ESG Report for 2020.

Code of Conduct

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

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 (insider 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)

	2020 Q1	2020 Q2	2020 Q3	2020 Q4	Total
Revenue	301.6	305.7	287.2	343.3	1,237.8
Cost of sales	(194.3)	(191.5)	(174.7)	(217.9)	(778.4)
Gross profit	**107.3**	**114.2**	**112.5**	**125.4**	**459.4**
Selling and marketing expenses	(42.1)	(34.5)	(32.8)	(39.2)	(148.6)
General and administrative expenses	(24.0)	(18.7)	(21.4)	(23.7)	(87.8)
Research and development expenses	(18.4)	(18.6)	(16.9)	(19.4)	(73.3)
Result from operations (EBIT)	**22.8**	**42.4**	**41.4**	**43.1**	**149.7**
Net finance costs	(5.0)	(5.3)	(3.2)	(4.9)	(18.4)
Share of result of associates	0.0	0.1	(0.1)	0.3	0.3
Result before income tax	**17.8**	**37.2**	**38.1**	**38.5**	**131.6**
Income tax	(4.4)	(6.5)	(8.7)	(9.4)	(29.0)
Net result for the period	**13.4**	**30.7**	**29.4**	**29.1**	**102.6**
Result before depreciation & amortization (EBITDA)	**37.6**	**56.9**	**55.7**	**62.3**	**212.5**

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Total
Revenue	324.6	326.5	312.5	320.1	1,283.7
Cost of sales	(199.2)	(196.3)	(193.0)	(204.1)	(792.6)
Gross profit	**125.4**	**130.2**	**119.5**	**116.0**	**491.1**
Selling and marketing expenses	(39.0)	(41.3)	(37.2)	(41.7)	(159.2)
General and administrative expenses	(20.1)	(20.6)	(20.2)	(22.5)	(83.4)
Research and development expenses	(21.4)	(21.4)	(20.5)	(22.6)	(85.9)
Result from operations (EBIT)	**44.9**	**46.9**	**41.6**	**29.2**	**162.6**
Net finance costs	(3.8)	(2.5)	(2.0)	(12.4)	(20.7)
Share of result of associates	-	0.0	(0.0)	(0.1)	(0.1)
Result before income tax	**41.1**	**44.4**	**39.6**	**16.7**	**141.8**
Income tax	(8.9)	(10.1)	(6.2)	(6.5)	(31.7)
Net result for the period	**32.2**	**34.3**	**33.4**	**10.2**	**110.1**
Result before depreciation & amortization (EBITDA)	**59.1**	**61.1**	**56.4**	**43.7**	**220.3**

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.

	2020 Q1	2020 Q2	2020 Q3	2020 Q4	Total
Revenue	301.6	305.7	287.2	343.3	1,237.8
Cost of sales	(194.3)	(191.5)	(174.7)	(214.8)	(775.3)
Gross profit	**107.3**	**114.2**	**112.5**	**128.5**	**462.5**
Selling and marketing expenses	(40.5)	(32.8)	(31.1)	(36.7)	(141.1)
General and administrative expenses	(23.9)	(18.6)	(21.3)	(21.7)	(85.5)
Research and development expenses	(17.5)	(17.8)	(16.0)	(17.8)	(69.1)
Adjusted result from operations[1]	**25.4**	**45.0**	**44.1**	**52.3**	**166.8**
Non-IFRS adjustments	(2.6)	(2.6)	(2.7)	(9.2)	(17.1)
Result from operations (EBIT)	**22.8**	**42.4**	**41.4**	**43.1**	**149.7**

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Total
Revenue	324.6	326.5	312.5	320.1	1,283.7
Cost of sales	(199.2)	(196.3)	(193.0)	(204.1)	(792.6)
Gross profit	**125.4**	**130.2**	**119.5**	**116.0**	**491.1**
Selling and marketing expenses	(37.3)	(39.7)	(35.5)	(40.1)	(152.6)
General and administrative expenses	(20.0)	(20.5)	(20.1)	(22.4)	(83.0)
Research and development expenses	(20.6)	(20.4)	(19.6)	(21.5)	(82.1)
Adjusted result from operations[1]	**47.5**	**49.6**	**44.3**	**32.0**	**173.4**
Non-IFRS adjustments	(2.6)	(2.7)	(2.7)	(2.8)	(10.8)
Result from operations (EBIT)	**44.9**	**46.9**	**41.6**	**29.2**	**162.6**

[1] Result from operations is adjusted for PPA related costs, including depreciation and amortization, and beginning in 2020, acquisition related expenses.

3 Definitions and abbreviations

AGM

Annual General Meeting

BBA

British Bankers Association

CGU

Cash Generating Units

EBIT

Earnings before interest and tax

EBITDA

Earnings before interest, tax, depreciation and amortization

ECL

Expected credit loss

EPS

Earnings per share

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

IFRIC

International Financial Reporting Interpretation Committee

IFRS

International Financial Reporting Standards

KPI

Key performance indicator

LIBOR

London Interbank Offered Rate

NCI

Non-controlling interest

OCI

Other comprehensive income

PPA

Purchase Price Allocation

VPL

Wet aanpassing fiscale behandeling VUT-prepensioen en introductie levensloopregeling (Law relating to adjustments of fiscal treatment of (pre)pension and the introduction of a life plan scheme)

WACC

Weighted average cost of capital

TRANSFORMING FOOD PROCESSING

For further information, please contact Marel Investor Relations via email IR@marel.com or tel. (+354) 563 8001

marel.com