ANNUAL REPORT 2018

CONTENT

TO OUR STAKEHOLDERS

Weighing in rough seas? Challenge accepted.

When we brought accurate data collection to the fishing grounds with the first motion-compensating marine scales forty years ago, we tipped the scales towards increased efficiency throughout the value-chain.

CHAIRMAN'S STATEMENT

Business as a force for good

Global challenges ranging from climate, water and food crises, to poverty, conflict and inequality are in need of solutions that require the combined efforts of the public, private and civil sectors. We are inspired by the UN Sustainable Development Goals and Global Compact's call to the corporate sector for responsible business operations. Our response is to apply our culture of innovation and collaboration to address some of the societal challenges ahead.

Marel's vision is founded on the strong belief that we can create economic value and have a positive social impact at the same time: 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 proud of our achievements in 2018. Excellence in operations and disciplined capital allocation are the foundation for us to effectively serve our customers and other stakeholders, as well as provide a healthy return to our shareholders.

Data-driven from day one

When we brought accurate data collection to the fishing grounds with the first motion-compensating marine scales forty years ago, we tipped the scales towards increased efficiency throughout the value chain. Marel's marine scales, developed by passionate entrepreneurs at the University of Iceland, introduced data collection to the Icelandic fishing grounds. Using decades of precise data, we've continuously developed solutions that ensure quality food at the lowest cost – to businesses and to the environment. This is a great example of both the power of numbers, and how our extraordinary and talented team here at Marel use their power in numbers.

In 2018, we celebrate the 35th anniversary of the founding of Marel. The listing of Marel's shares on Nasdaq Iceland in 1992 was an important milestone in Marel's progress from a start-up to a leading global provider of advanced processing systems and services to the poultry, meat and fish industries. At the end of 2018, Marel had over 6,000 employees, working in more than 30 countries, and total revenues of EUR 1.2 billion. Quite a contrast to the company's 45 employees and revenues of EUR 6 million at the time of listing.

Returning value to shareholders

Marel's remarkable average revenue growth of over 20% per year since its listing in 1992 has been fueled by innovation and several strategic acquisitions, made possible by strong shareholder support. The acquisitions of Scanvægt in 2006 and Stork in 2008 were funded with an equity contribution of EUR 268 million, while the more recent acquisitions of MPS, Sulmaq and MAJA in 2016-2018 were financed with support from banking partners, operational results and cash flow.

A review of financial developments over the last 5 years shows just how great the company's progress has been. Revenues increased by an average of 13% in the past five years and earnings per share rose 43% on average yearly. During that same period, Marel's share price also climbed by an average of 27% per year in EUR terms.

In 2018, revenues increased by over 15% and earnings per share by 31%. Operational performance has improved significantly, with EBIT averaging around 15% for the past three years. The share price rose 15% in 2018 and the number of shareholders grew from 2,206 to 2,491.

In 2018, EUR 28.9 million were paid in dividends to shareholders for the operational year 2017. In line with our capital allocation and dividend policy, the Board of Directors will propose to the 2019 Annual General Meeting (AGM) that shareholders be paid a dividend of around EUR 5.57cents per share, which corresponds to approximately 30% of profits for 2018.

A global stage for an international company

Although listing on Nasdaq Iceland has served Marel well, there have been clear indications for some time now that we are outgrowing the small Icelandic stock market. We are a global company with ambitious growth plans. Furthermore, even though capital controls in Iceland have been lifted, having Marel's shares listed in Icelandic krona has proven to be an obstacle for potential international strategic investors.

LARGEST COMPANY ON NASDAQ ICELAND
WITH MARKET CAPITALIZATION OF EUR 1,9BN

As announced at the AGM in March 2018, Marel engaged independent international advisors to evaluate potential listing alternatives to further advance the company's global vision and provide continued strong shareholder returns. The objective is to facilitate trade and ensure fair pricing of Marel shares for the benefit of all shareholders.

Primary focus now on Euronext Amsterdam and Nasdaq Copenhagen

After thorough analysis of the three options considered, i.e. to remain listed on Nasdaq Iceland only, to list both in Iceland and on an international exchange, and to delist from Iceland and relist on an international exchange, the conclusion was to aim for dual listing of Marel shares in 2019. The optimal listing venue has yet to be decided, but the primary focus is currently on Euronext Amsterdam and Nasdaq Copenhagen. A total of five exchanges were reviewed with an eye to various aspects such as market depth and sector awareness, access to international investors, analyst coverage, index inclusion, valuation and peer group positioning. Several Marel-specific considerations were also taken into account, such as our operational presence in these countries, reporting currency, and technicalities such as clearing and settlement mechanics. We are focused on ensuring a smooth journey for our current and future shareholders.

Share capital decrease and formal share buyback program initiated

To better align the interests of current and future shareholders in connection with the dual listing, the Board of Directors convened an Extraordinary General Meeting on 22 November 2018. There it was proposed to reduce share capital by 53 million shares and initiate a formal share buyback program to purchase of up to 34 million shares, corresponding to 5% of issued share capital. The plan is to announce the final dual listing location at the 2019 Annual General Meeting, following which the execution phase is expected to take up to nine months. The precise timing will depend on both developments in Marel's business and general financial market conditions.

Unique position for sustainable value creation

Our growth targets are ambitious. We aim to increase revenues on average by 12% per year in 2017-2026, capitalizing on strong innovation and market reach, complemented by strategic acquisitions and partnerships.

Marel has both the premises and prerequisites for such growth. Our industry is experiencing robust global growth driven by population growth and changing consumer behavior, coupled with secular demands for traceability, food safety, nutrition and sustainability. The value of the consumer market for animal protein is estimated at EUR 1,200 billion annually. Marel, the global leader in food processing solutions, software and services for the poultry, meat and fish industries, had revenues of around EUR 1.2 billion in 2018. In spite of our leading position, therefore, our market is still fragmented and there is significant room for growth and consolidation.

Innovation is at the core of our strategy – and in our DNA. A key competitive strength is our long-standing commitment to research and development, where we invest around 6% of revenues annually, well above the industry standard. Our ongoing investment and strategic focus on exploiting opportunities offered by digitalization and automation have great potential. Not only are we improving yield and throughput in the food processing industry, resulting in higher quality products at better value, but also reducing waste and providing full traceability throughout the value chain.

EUR 74 MILLION
INVESTED IN INNOVATION 2018

The world's population is expected to rise from today's 7.6 billion to 10 billion by 2050 – an increase of almost one-third. Active consumers at the same time are expected to rise by 60 million a year, the equivalent of the UK population, as levels of well-being and purchasing power rise. Together with urbanization and changes in consumer behavior, this is expected to increase demand for food by 70% by 2050, a figure which is practically incomprehensible in view of the planet's limited land, water and other resources.

Waste in the food value chain is estimated at around 33%, equivalent to 1.3 billion tons of food lost. This needs to change. Innovation and optimization of food production, together with changes in consumer behavior, are the only solution to the enormous challenge of feeding the planet. Marel is at the forefront in adapting to prevailing trends and needs. In partnership with our customers, we have a unique opportunity to create economic and social value at the same time.

Our role in feeding the future

We view the future in a positive light. Despite a number of factors of uncertainty on the horizon, such as geopolitical concerns, trade constraints and Brexit, we are convinced that our determined advance in transforming how food is processed will continue to provide a strong foundation for long-term sustainable value creation - for all Marel's stakeholders.

6,000+
EMPLOYEES

Marel's success is the result of efforts by a united and diverse team of more than 6,000 people around the world, with a wealth of process know-how and industry experience. The company's senior management team has a clear vision and an excellent execution track record. Earlier this year, the Board of Directors had the privilege of visiting our expanding operations in Brazil – both our dedicated team in Piricicaba and our new team members from Sulmaq in Guapore – as well as our operations in Kansas, USA. It is truly spectacular to experience at first hand the relentless passion and dedication of our team around the world.

On behalf of the Board of Directors, I congratulate the Marel team on the impressive results and achievements of 2018, achieved not least thanks to their dedication and hard work. May I also express our appreciation of the continuing commitment and support of our shareholders.

Ásthildur Otharsdóttir,
Chairman of Marel's Board

> *"WHEN WE BROUGHT ACCURATE DATA COLLECTION TO THE FISHING GROUNDS WITH THE FIRST MARINE SCALES FORTY YEARS AGO, WE TIPPED THE SCALES TOWARDS INCREASED EFFICIENCY THROUGHOUT THE VALUE CHAIN.*

REVENUES

EUR 1.2 bn

CEO'S REVIEW

The year 2018 was yet another excellent one for Marel. We are delighted to report record revenues of EUR 1,200 million representing a 15% year-on-year revenue growth, of which 12.5% was organic. Operational performance was solid with 14.6% EBIT. We have been operating at close to 15% EBIT in the past three years with robust cash flow.

The strong cash flow enables us to invest in talent, innovation, infrastructure and global market presence. Operational cash flow was EUR 206 million in 2018, and free cash flow after our extensive investments and payments of taxes and interests amounted to EUR 121 million or over 10% of revenues.

Global market leader with blue-chip customer base worldwide

We are a global leader in providing advanced solutions and services to poultry, meat and fish processors. Our customer base ranges from small family-owned companies to the largest players in the food industry. Our long lasting customer relationships are due to our strong partnerships in transforming the way poultry, meat and fish are processed. Attracting new customers and retaining existing ones is driven by our constant commitment to service and innovation and being at the customer -for the customer out in the field. Today, we have more than 6,000 dedicated team members operating in over 30 countries serving our customers across 180 countries.

We have a healthy mix of revenues deriving from greenfield projects, modernization and maintenance of our existing customers' installed base worldwide. Maintenance is transitioning from reactive services to more preventative maintenance that include long-term service level agreements, spare parts packages and remote monitoring. Taking a proactive approach with our customers prevents unexpected downtime at their production facilities and ensures consistent peak productivity. 35% of total revenues derives from recurring service and spares business, underpinning our high quality of earnings. Our customer base is diverse with the single largest customer in any calendar year accounting for less than 5% of total revenues.

Growth driven by secular trends

Population growth, urbanization and technological disruption are significant trends shaping the world today. We are witnessing the most rapid urbanization and growth of the middle class in history or at around 3-4% annually. These active consumers are seeking and consuming a balanced diet that is rich in vegetables, fruits and proteins. The need for increased automation, improved productivity and more innovative solutions to process quality food safely and sustainably, is clearer than ever. We must find ways to do more with less. The only reliable solution is for food processors to step up investments and vertically integrate the supply chain.

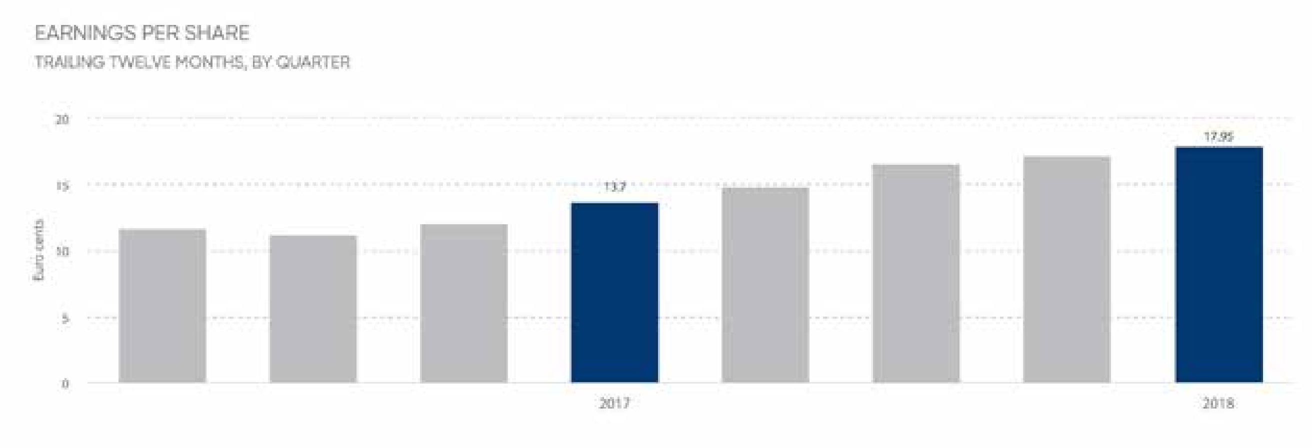
Marel is at the center point of prevailing trends. With continuous innovation and complementary acquisitions, we have managed to extend our playing field gradually.

ORDER BOOK

EUR 476m

INNOVATION INVESTMENT IN 2018

EUR 74m



Last year we successfully launched the ATLAS system, our live bird handling system that achieves new animal wellbeing standards while simultaneously increasing the quality of the inputs to the factory. Thereby moving our operating window from serving only the factory level to serving processors all the way from post-farm gate to dispatch of the final products.

A sizeable market serving the basic needs

The annual retail value of poultry, meat and fish products is estimated to be EUR1,200 billion. With current urbanization rates, there is a rapid transition from small back-yard grown farming into a fully commercialized approach. Consequently, the underlying demand for new greenfield processing plants is high, especially in poultry, pork and fish processing deriving from aquaculture. However, the current annual value of solutions and services to serve the needs within our playing field is estimated to be only EUR 12 billion, of which Marel revenues are EUR 1.2 billion.

Based on our position as a product pioneer with an extensive sales and service network around the globe, our target is to continue to grow organically above the market rate. Moreover, Marel is at the forefront of consolidating the fragmented market of equipment and solution providers. We have a solid track record in M&A where our primary focus is on closing application gaps to compliment innovation and accelerate the process of becoming a full-line provider to our customers.

31% INCREASE IN EARNINGS PER SHARE BETWEEN 2017 AND 2018

Innovation drives transformation

In 2018, we increased investments in innovation to a level of 6.2% of revenues compared with 5.6% of revenues for the previous year. The step up was mainly in investments in the overarching Innova software platform that collects and distributes data that improves operational efficiency and ensures full traceability of products throughout the value chain.

We are continuously becoming better and better in utilizing technologies and realizing synergies across the three industries we operate in. The best example of this is the SensorX, an X-ray detection system that was initially developed for the fish industry and has now become a huge success in the poultry industry by providing bone and contamination free meat for products like chicken nuggets. We are now further mirroring the SensorX technology into the red meat industry.

In addition to detecting bones and other contaminants, the SensorX-system is capable of monitoring and blending fat and lean muscles with high accuracy and speed to meet the growing demands for “home-style” premium burgers at affordable prices.

Are there any structural differences between the three industries?

Our poultry segment accounts for 53% of total revenues and delivered around 18% EBIT in 2018. At the same time the meat segment accounted for 32% of total revenues with 11% EBIT followed by Fish with 13% of revenues with around 8% EBIT.

We frequently get questions from our current and potential shareholders whether there are any structural differences between the poultry, meat and fish segments that explain the difference in margins. Management's view is that there is no fundamental difference across the three industries and the growth and value drivers are similar. It is all about comparative business advantages within the segments.

In poultry, we have been very successful in closing application gaps and providing full lines with the speed of 15,000 chickens per hour in a highly automated process. We interlink the processing steps seamlessly from primary processing to secondary and further processing to enable our customers to meet various consumer demands. With improved standardization and modularization, we lower the execution risk in large projects and simplify the modernization and maintenance business. This takes focus and time to build up and is difficult to replicate.

MAREL'S SHARE PRICE
ROSE 14.6% IN 2018

The task in the meat segment is to standardize and modularize the offering in primary processing and further drive our customer value creation by vertically integrating the value chain from primary to secondary and further processing. In the fish segment, we have successfully managed to improve standardization across our product line and we are already starting to reap the benefits mirrored in higher service and spare revenues and gradually improving operational margin. Within the fish segment, we are focusing on closing application gaps in primary processing and further automating all processes in line with what we already accomplished in the poultry segment. This is the journey ahead of us.

A global scene for a global leader

We have had great support from the Icelandic stock exchange and our shareholders since listing in 1992. The dual listing of Marel shares on an international stock exchange in addition to its listing in Iceland is on track. It is important for a global leader to have a global stage to support its ambitious growth plan. An international listing and access to a broader investor base is expected to drive fair day-to-day trading and continued shareholder returns.

Liquid and tradable shares are an important acquisition currency, as many of our potential acquisition targets are well-run family-owned companies. In many cases, the owners of these companies want to stay in this attractive industry and join forces with Marel, a product pioneer with a global sales and service network and strong digital platform. By offering them Marel shares that are listed on an international stock exchange they can become a part of the Marel growth story going forward.

We are in a partnership

Our team is dedicated and passionate. We are guided every single day by our shared vision and we share the values of Innovation, Unity and Excellence. We put great emphasis on being a dynamic workplace with diverse and well-educated team members.

For several years, we have run an internal Marel leadership program, where we select talent from across the company worldwide for a general management training in cooperation with universities and consultancies. Many of our senior managers come from the ranks of this leadership program, including two members of the executive team. Since mid-2017, we have also trained more than 500 employees to apply what they learned in "The 7 Habits" to their professional and personal lives.

This well-known leadership framework highlights important paradigms to become more effective through proactive behavior, prioritization, time management, empathic listening, and synergistic thinking.

I would like to sincerely thank our shareholders, customers, partners, and employees for their continued trust and support. We are all in this together! Together, we are transforming the way food is processed.

Árni Oddur Thórdarson,
Chief Executive Officer

MAREL IN BRIEF

WHO WE ARE

WE ARE UNITED IN OUR SUCCESS

WHO WE ARE

FOUNDED IN 1983

LISTED ON NASDAQ ICELAND IN 1992

GLOBAL COMPANY

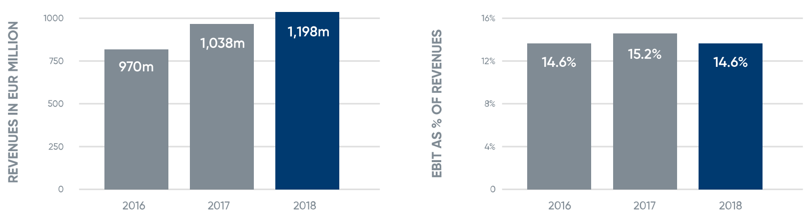
Marel is a leading global provider of advanced processing systems and services to the poultry, meat and fish industries

6,000+ EMPLOYEES

30+ COUNTRIES

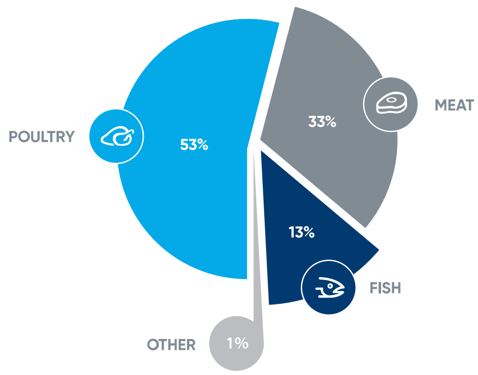
100 PARTNERS

REVENUES & EBIT



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

REVENUES BY INDUSTRY



ORDER BOOK
EUR 476m

INNOVATION INVESTMENT IN 2018
EUR 74m

SALES & SERVICE OPERATIONS

VISION AND VALUES

UNITED UNDER **ONE VISION** AND **ONE SET OF VALUES**

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.

UNITY

We are united in our success

EXCELLENCE

Excellence is what differentiates us

INNOVATION

Innovation drives the value we create

BUSINESS MODEL

Taking an innovative, high-tech approach has placed Marel in the forefront of the food processing equipment industry. As a leader in the field, we provide advanced equipment and systems for the fish, meat and poultry industries around the world. Our business model is based on maintaining a good balance between our industry segments, business mix and geographical operations.

Leading pure-play supplier
We sell advanced and high-end equipment, solutions and software to the poultry, meat and fish industries. We serve producers looking to increase the automation of their production processes.

Technology leader
We invest around 6% of revenues in innovation support of our strong focus on process and product innovation. Ensuring a seamless operating flow and integrating different applications boosts overall efficiency and production capacity.

Global reach
We have a dedicated team of about 6,000 employees in over 30 countries around the world. Through the years, we have built a unique sales and service network of over 500 employees in global sales and more than 1,000 in global services supporting clients around the world. We also complement our local presence with a network of over 100 agents and distributors.

Blue-chip customer base worldwide
Our customer base includes most of the world's blue-chip food processors in the poultry, meat and fish industries. Our long-standing partnerships are strong, built on co-operation and teamwork across industries and geographies.

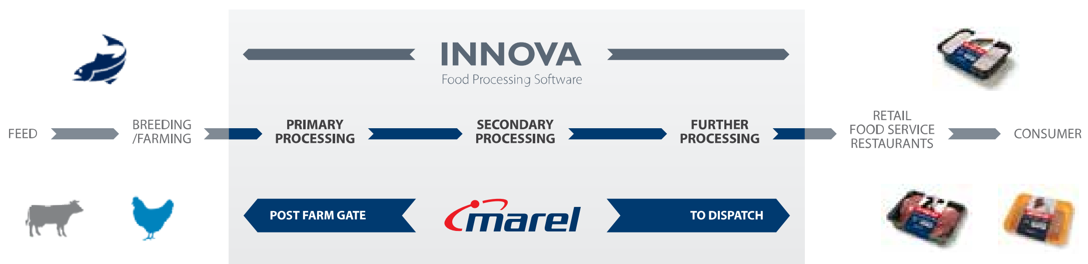
Innova software platform
We give our customers full control over their production with Innova, our advanced, overarching food production software. Designed to optimize production using our high-tech equipment lines, Innova software can integrate and increase the efficiency of third-party equipment as well.

Clear and focused growth strategy
Marel's playing field is gradually expanding to cover the entire production process from farm to fork and from catch to consumer. This entails a full-line offering of integrated systems, solutions and software for every step of the production process, available in all relevant geographical areas of our industries.

Strong culture of innovation
We are a company defined by our dedication to innovation, as reflected in our extensive investment in research and development. Marel began as an idea at the University of Iceland in 1977 and innovation is and has always been at its heart. We invest around 6% of revenues in research and development annually, which translated into EUR 74 million in 2018.

From the start, Marel has bundled software and equipment together. Our approach to innovation is not limited to mechanical engineering to optimize the performance of each application, but also encompasses integrated technologies and connectivity. Data analytics and software control are becoming increasingly important. Today, Marel is the focal point of information gathering for global food processing, one of the most significant value chains in the world.

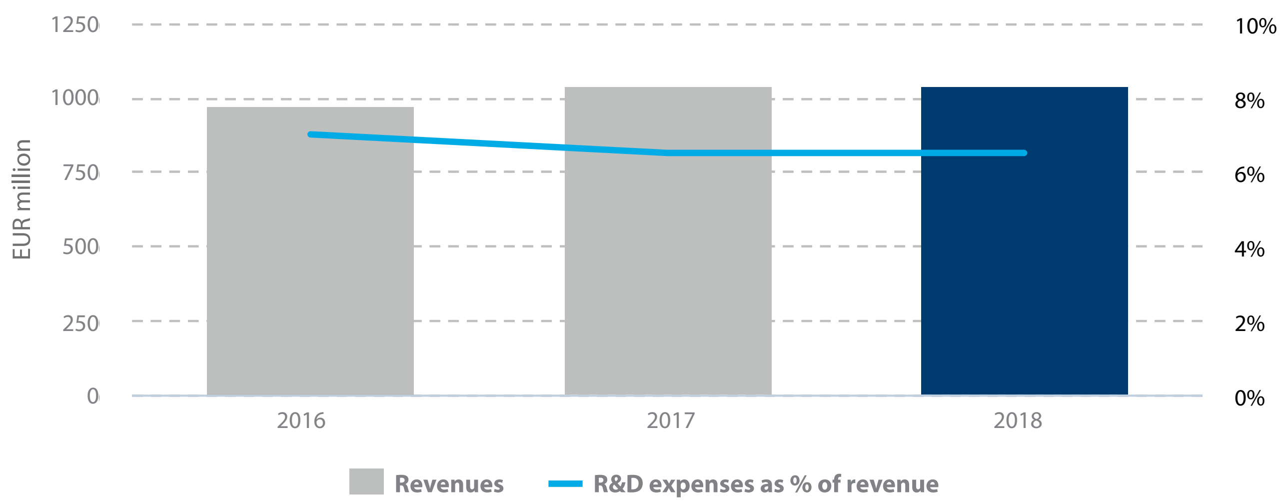
Marel is also known for applying its technology across different industries. In 2018, we continued to leverage our strong innovation investments in one field to successfully develop solutions for other protein product groups, across processes and geographies.



EUR 74 MILLION
INVESTED IN INNOVATION 2018

INNOVATION THROUGH PARTNERSHIP
WITH KEY PLAYERS

RESEARCH AND DEVELOPMENT EXPENSES



Three key industry segments
At Marel we focus our efforts on three main production industries: poultry, meat and fish. Our teams analyze trends and anticipate processing challenges, enabling us to stay on top of market developments and changes in the industries we serve.

Marel Poultry, Marel Meat and Marel Fish are constantly working on new ways to improve existing processes, increase automation and streamline product processing.

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

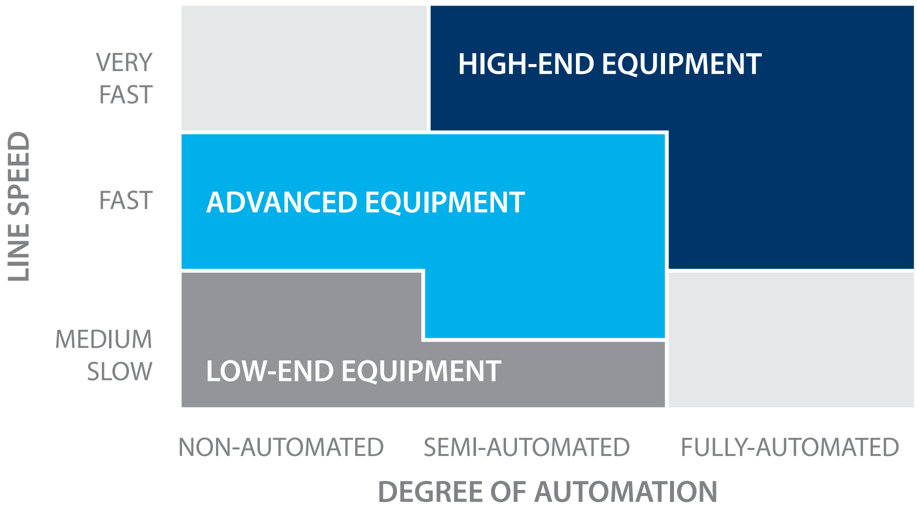
Marel Meat
Marel Meat supplies advanced equipment and systems to the red meat industry. We focus on slaughtering, deboning and trimming, case-ready and food-service solutions. Following acquisitions of MPS, Sulmaq and MAJA, we are now a full-line supplier from farm gate to finished pack.

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

Customer focus

Our strong and long-standing relationships with our customers form the bedrock of our business model. We're here to partner with our customers. Together we innovate and create products that set new benchmarks in the industry and achieve continuous improvements in line with our customers' needs.

We expect automation in food processing to increase steadily, especially in emerging markets. This means higher growth in advanced and high-end segments of the food processing equipment industry. Our expertise in this segment focuses on helping customers become more efficient, more sustainable and more profitable. This shared success creates higher margins and better value, both for our customers and for Marel.



Sales and service network

Marel's extensive sales and service network, spread over more than 30 countries on all continents, is a key competitive edge. This network is the first line of contact for customers at local level. It means first-rate service, consistency and continuity in our partnership with our clients. We are currently reinforcing this network on a regional level to strengthen our connection with customers.

We serve a diverse customer base around the world. Our professional team of field service engineers ensures the uptime and reliability of our large installed base. Service level agreements, a dedicated service commitment and our track record have earned us strong customer loyalty and repeat business.

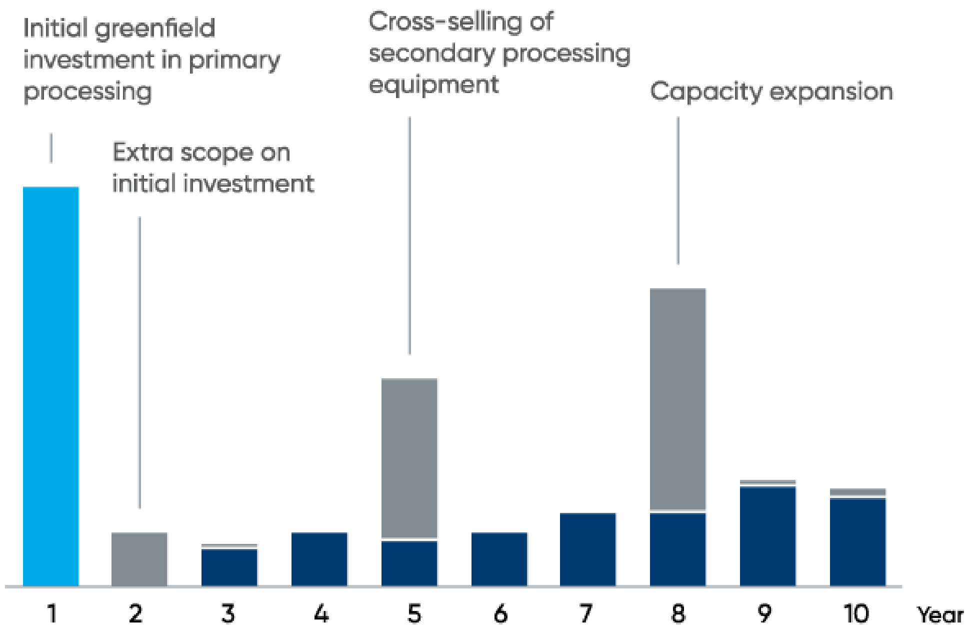
- Sales and service in over 30 countries
- Global sales organization of over 500 employees
- Global service organization of over 1,000 employees

Customer collaboration

As a high-tech provider at the forefront of the industry, we have built strong customer relationships based on collaboration and partnership. Our cooperation with customers in innovation, new projects and process improvements further supports our ability to transform the industry and increase customer value in the advanced and high-end segments.

This example of a ten-year relationship with a customer in the meat industry is a prime example of how we do business. It is also a good reflection of our revenue mix, where greenfield projects, modernization and standard equipment, and service and spare parts account for around a third each.

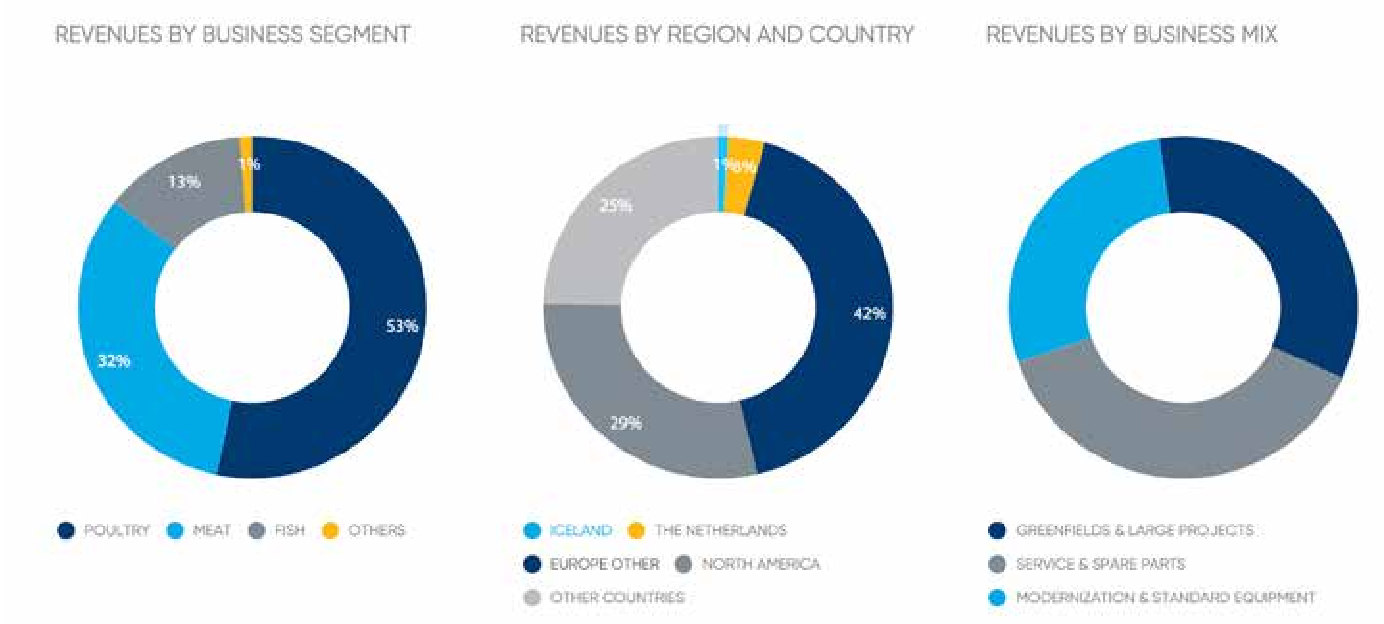
- Customer begins operation in primary processing and then expands into secondary processing.
- After-sales revenue from spare parts and service starts around year three.



Balanced revenue stream across business mix and geographies

Marel's presence across geographies and multiple protein segments serves as a countercyclical buffer. It gives us flexibility and the opportunity to transfer technical know-how, solutions and expertise across borders, both industrial and geographical. We strive to capitalize on the technological advances made in one sector by implementing them in another.

Our main revenue stream drivers are turnkey projects, encompassing brownfields, greenfields, modernization and maintenance as well as the production of modular, standardized equipment and processing lines. The stand-alone, modular portfolio is the building block for larger projects and the entry point for new customers. Our installed base is also large and growing, effectively driving our resilient service and parts revenues.



STRATEGY

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

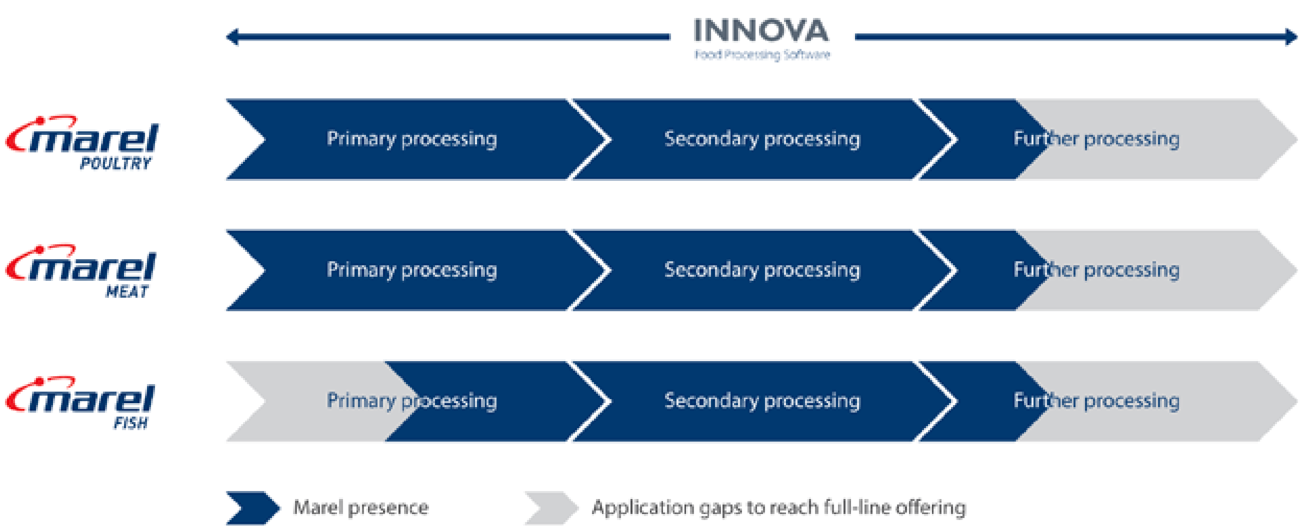
Leading global provider of systems and services

Marel's strategic objective is to be a full-line provider to the poultry, meat and fish industries. Our focus is to put our advanced, automated systems and solutions to work at every step of the production process and to cover the relevant geographical areas in our industries. Strong organic growth and strategic acquisitions have helped make Marel a leader in its field.

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

This offers our customers process control, real-time traceability and monitoring of throughput and yield that is hard to replicate. Seamless flow and integration between different applications result in higher overall efficiency and improved yield. Marel has thus become a one-stop shop for customers' needs for equipment, software and service.

In line with our strategy, we have actively reinforced our value chain in recent years. Strong cash flow has made it possible to support organic growth actively through innovation, advancing our manufacturing facilities and updating our IT platform across geographies. It has also allowed Marel to



undertake strategic acquisitions, such as Sulmaq in 2017 and MAJA in 2018, without issuing new shares or taking out new loans for that purpose. We will continue to fill the remaining application gaps in our value chain through innovation, organic growth, strategic partnerships and acquisitions.

Investing in growth

Marel aims to achieve on average 12% annual revenue growth in the period 2017-2026. The growth is expected to be a balanced mix of organic and acquired growth.

Organic growth

The market for food processing equipment is expected to grow 4-6% annually on average in the long term. Driven by our significant innovation investment, market penetration and extensive product portfolio, we aim at organic growth outperforming that of the market. Ongoing and continued investment in the future scalability of our platform, IT infrastructure and global reach supports organic growth going forward.

Acquired growth

We will also supplement our full-line offering and accelerate market penetration through acquisitions. We believe our solid operational performance and strong cash flow can support 5-7% revenue growth on average annually through acquisitions. This growth is not expected to be linear but reflect opportunities which become available and economic fluctuations. To capture the full value of acquired companies, we are further professionalizing our integration capabilities and expertise to become a solid integration partner.

MERGERS AND ACQUISITIONS

Acquisition of German food processing equipment manufacturer MAJA

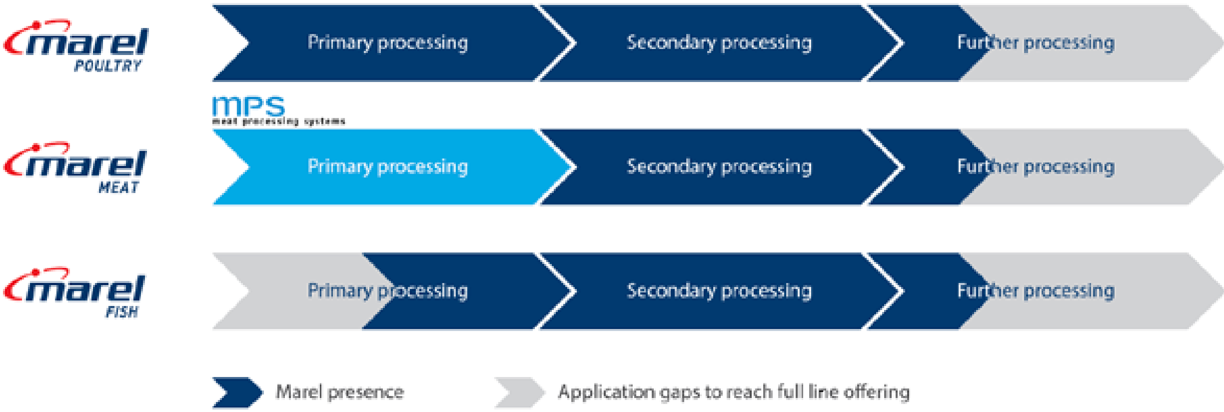
Marel was pleased to welcome MAJA, a German food processing equipment manufacturer, and its team of 200 employees to the group in 2018. Since its founding in 1955, MAJA has been a highly innovative manufacturer of food processing machinery, specializing in skinning and portioning with its main focus on the meat market. It also produces ice machines for the preservation of fresh food. MAJA has an excellent manufacturing site in Kehl-Goldscheuer and had annual revenues of roughly EUR 30 million in 2017.

The MAJA acquisition strengthens Marel's global market presence and is in line with the company's strategic objective to be a full-line supplier of advanced processing equipment and solutions to the food processing industry.

A prime example: how Marel fills value gaps

Acquisition of MPS paved the way for entry into primary meat processing

- Marel became a full-line provider to the meat industry
- Complementary geographical presence and product portfolio
- Integration is proceeding well with all meat solutions united under the Marel Meat brand



Another prime example: how Marel expands its geographical presence

The acquisition of Sulmaq strengthens Marel's market presence in Latin America.

- Improved foothold in the rapidly growing meat market in South and Central America
- Strong customer relationships enable further sales of complementary equipment
- Solid workforce with strong engineering know-how
- Future manufacturing hub that can be scaled to support the region

DELIVERING GROWTH

Celebrate less waste

Yield from poultry production increased from 60% to 75% in recent decades. Our use of real-time data to monitor yield has been key in improving the production process.

That's the power in numbers.

POULTRY
53%
OF REVENUES

POULTRY

Poultry is one of Marel's three key protein industries. With the most complete product range in the industry and the largest installed base worldwide, Marel Poultry is a leading global provider of advanced food processing systems and services for broilers, turkeys and ducks. Marel Poultry contributed EUR 638 million in revenue in 2018, or 53% of total revenues, translating to an EBIT of 18.4%.

The consumer value of the global poultry, meat and fish market is currently estimated to be around EUR 1,200 billion, with the poultry market accounting for EUR 400 billion. More specifically for Marel, the market for sale and maintenance of food processing equipment for poultry, meat and fish is estimated to be around EUR 10 billion. Of this, poultry processing equipment sales are estimated at around EUR 3 billion, a figure which is expected to grow annually by 4-6%.

Overview

Marel Poultry continued to increase its strong world-wide presence in 2018. Despite challenging market conditions in various parts of the world, we completed a large number of significant projects around the globe during the year.

Our high-tech systems and services time and time again proved to be the preferred choice for customers dealing with local market requirements. For example, our ATLAS live-bird handling system has been a great success, with the solution currently operating in countries including Germany, the UK, France, Portugal, Spain, Australia, Canada and the USA.

Scarcity of human labor was a prominent trend across many markets in 2018. Poultry processors across nearly all regions, from China to South America, Europe to the US, are struggling to find skilled workers, particularly in countries where workers have access to multiple job opportunities in a variety of industries.

This limited access to skilled employees has been a key reason why poultry processors are investing in greater levels of automation. Marel Poultry offers innovative solutions that can automate and streamline processes throughout the plant, reducing reliance on human labor, while increasing throughput and yield.

Products

In 2018, we worked in partnership with our customers to design fit-for-purpose solutions, ranging from modest plants to complete greenfield facilities. In response to processors' demands, we optimized both efficiency and product quality by bringing automation to higher levels.

Poultry processors embrace Innova

In 2018, Innova Food Processing Software became more integrated with Marel Poultry's products. In today's processing plants, sophisticated software is indispensable. Intelligent software is not only helpful in high-tech plants that process 15,000 birds per hour (bph), it can benefit any processing facility. Data-driven processors are able to reach higher performance levels and add value, resulting in less production loss and lower cost per product. Accurate data also facilitates quicker and more accurate decision-making.

By gathering data, Innova plays a major role in automation across all stages of the process. It enables processors to use this data to find the most efficient functioning of their machinery, allowing them to adapt to changing circumstances remotely and maintain a consistent product quality. With Innova, Marel is helping poultry processors around the globe to maintain a competitive edge in a challenging industry.

Further processing solutions for a wide variety of convenience foods

In 2018, Marel Poultry successfully added several further processing solutions to its range of primary and secondary poultry processing systems. We can now enable our customers to produce a wide variety of convenience foods rapidly and with high precision.

The highly automated further processing systems and solutions that we offer for poultry processors can be used for preparation, portioning and forming, coating, frying and cooking, but also for linking and peeling sausages and co-extrusion. Marel Poultry understands how processors think in this important part of the industry.

The 700mm wide Convenience Line for further processed products underwent a transformation in 2018.

The new, patented Helix Drum for the RevoPortioner was one important innovation in that line. In the Helix Drum, products are positioned along a helix shaped line, leading to continuous filling. The low-pressure method replaces the previous start-stop method and ensures an optimal and more consistent end product.

The combination of Helix Drum Technology with the new Active Batter Applicator, as well as the new RevoCrumb, unlocks opportunities for poultry processors. The crumb management of RevoCrumb guarantees perfect coverage of the product, keeping even the most vulnerable crumbs such as coarse panko and cornflakes, intact during processing.

Innovation

In 2018, we introduced several new, innovative solutions that have helped advance the poultry production process. In partnership with our customers, our innovative developments resulted in numerous successful implementations of new concepts for the industry.

15,000 BPH processing

In 2018, Marel Poultry rolled out 15,000 birds per hour (bph) processing, an increase from the previous maximum speed of 13,500 bph. Given that the global population is growing steadily, and each year more people move from rural to urban areas, the demand for poultry is expected to increase considerably. To keep up with consumer demand, processing plants need to intensify their operations and improve both efficiency and speed.

At the same time, strong market pressure to lower production costs per bird without compromising quality requires increased levels of effectiveness, which is a significant challenge.

Marel Poultry is the world's first supplier of integrated 15,000 bph lines. Reliability is paramount when dealing with such high speeds. The first plants to operate at 15,000 bph are located in Germany, with plants in the UK and elsewhere around the world soon to install the solution.

Robotic research with leading universities

Marel invests around 6% of its revenues annually in research and development. As a leading innovator in the industry, we are committed to collaborating with companies and other stakeholders, which includes working closely with leading universities.

In 2018, Marel Poultry invested in the Dutch FlexCRAFT research program, co-operating with Wageningen University & Research (WUR), Technical University Eindhoven, Technical University Delft, University of Twente, and University of Amsterdam.

The objective of the FlexCRAFT research program is to develop robots that can deal with a large variety of agri-food products. The parties involved are aware that intelligent robots will play a significant role in the food industry in the near future, making it essential that we devise ways to utilize such robots for optimal efficacy.

Marel's RoboBatcher marks a milestone in food processing automation. Similar robotic technology could be used to improve other processes in the poultry value chain, particularly for tasks such as planning, control, gripping, and manipulation.

We are committed to making our contribution to developing this technology. Through our participation in FlexCRAFT, we can support this development, particularly as one of the program's three cognitive robot projects focused primarily on poultry processing.

Tray styling with 3D-printed components

As part of the continuous development of the RoboBatcher, this year we launched an improved version featuring refined and specialized grippers for fillets, drumsticks, and whole legs.

The new gripper design can place products into trays according to patterns chosen by the user and with minimal giveaway. With supermarkets insisting on attractive presentations, tray styling is a hot topic among our customers. Improvements in styling performance minimize the need for restyling after the product has been placed in the tray, which helps processors save on labor.

Another important achievement in our tray styling innovation is the ability to print lightweight 3D plastic components for our equipment. As the design of the jaws in the RoboBatcher required advanced engineering, we utilized 3D printing, giving our engineers design flexibility and allowing them to keep the weight of the equipment as low as possible.

As the RoboBatcher needs to move quickly with powerful acceleration forces, a heavy gripper could potentially slow down performance and risk damage. Our new grippers feature many 3D-printed, lightweight plastic parts with fewer bolted joints needed, making them also easier to clean.

Projects

Mergers and acquisitions are frequent in the food processing industry, and something we follow closely.

The takeover of Crown Chicken by Cranswick in the UK, formerly a pork-only processor and a long-term customer of Marel Meat, resulted in an expanded and closer partnership between Cranswick and Marel. Now that the firm has entered the poultry business, it has chosen Marel Poultry as the primary supplier for its new facility.

A trend in the US

The year 2018 saw the breakthrough of modern live-bird supply and anesthetization in North America, with several conglomerates switching to the ATLAS system and CAS SmoothFlow for stunning.

For its Milford, Delaware, facility US poultry processor Perdue Farms invested in a higher-wellbeing CAS system, as well as a live bird handling process that will be the first of its kind in the US.

Perdue has officially committed itself to converting all its plants to CAS instead of electrical stunning. While both electric and CAS stunning systems are approved, proven, and accepted for bringing the highest levels of animal wellbeing to poultry processing in the US, a growing number of customers show interest in integrating CAS systems at poultry facilities.

We expect orders from poultry processors, including large conglomerates, for CAS stunning systems to grow following positive results from pilot projects.

CUSTOMER STORY

Cranswick aims to be best-in-class

In 2018, Cranswick PLC planned to build a £54 million chicken processing facility in Eye, Suffolk. Cranswick and Marel Poultry joined forces to realize this hypermodern greenfield project, by implementing Marel's latest innovations and state-of-the-art solutions, including our 15,000 bph integrated line system.

"We want to have the best chicken factory with the highest processing speed, to become the premium poultry processor in Britain," says Adam Couch, Chief Executive.

Throughout the plant, Marel Poultry's innovative solutions will support Cranswick's high-tech, high-value processing. As part of the project, we will install our ATLAS technology and CAS SmoothFlow stunning application, the AeroScalder, a complete evisceration department, a shock/maturation air-chilling tunnel, LineLink transfer units, two distribution lines with SmartWeigher and IRIS, breast deboning with AMF-i, thigh deboning with two Thigh Fillet Systems, and SensorX inspection technology.

The integrated Innova software solution allows plant management to control, monitor and report on the real-time status of production and yield.

Sustainability

Sustainability concerns, such as limiting the carbon footprint and reducing food waste, as well as animal wellbeing and food safety, are driving demands for new automated technologies in the poultry industry. With this in mind, Marel Poultry continues to focus on developing sustainable processing solutions.

Food safety

Any degree of bacterial contamination in the food chain can have significant consequences, making hygiene of paramount importance in the food processing industry. Marel Poultry offers solutions that help processors produce safe, high-quality food, with automation playing a key role by reducing the number of steps at which workers manually handle products.

Our maturation chilling system is an excellent example of such a solution, as it virtually eliminates the risk of product cross-contamination. The result is higher quality products with a longer shelf life.

Carbon footprint

Reducing the company's carbon footprint has become one of the key goals of Marel Poultry's innovation team. This objective is in line with Marel's commitment to the UN Sustainable Development Goals, including the goal of ensuring sustainable consumption and production patterns. To reduce our carbon footprint, we take water and energy use into account when designing all of our new technologies.

One example of carbon footprint reduction is ATLAS' SmartStack transport module. Its construction features a bottom tray, which doubles as a pallet. The dual function design enables transportation of more birds per module, and gives them the most headroom in the industry. The design also reduces truck movements from farm to processing plant, thereby lowering the carbon footprint in transportation of the birds.

Less waste with optimal carcass balancing

Maximum carcass balancing was an important trend in 2018. Perfect carcass balancing means being able to sell all parts of a chicken at the best possible price. Marel Poultry introduced two new products to optimize carcass balancing: total leg deboning and Q-Wing.

Total leg deboning

Deboning both thighs and drumsticks with the Thigh Fillet System and the Drumstick Deboning System adds value for processors by harvesting more boneless leg meat at a higher quality. Total leg deboning allows processors to upgrade lower value products to high-quality products in demand by consumers.

The fully inline, high capacity, total leg deboning solution from Marel Poultry helps poultry processors achieve optimal carcass balance. In adding more value to chicken legs, they are making optimal use of every part of the broiler. These solution show how sustainability and profitability can go hand-in-hand.

Higher quality and yield with Q-Wing

With previous methods, only a very labor-intensive process could detect a broken whole wing. As a result, processors would downgrade both broken and unbroken whole wings, even if some were high-grade pieces of meat. Wing products are becoming more popular and consumers demand consistent high quality wings. This provides incentive for poultry processors to invest in automated, accurate wing processing.

To address this challenge, Marel Poultry introduced Q-Wing, an automated quality assessment and distribution solution for wing parts. The system helps secure consistent quality and increase wing yields. Q-Wing makes it possible to harvest the highest value and yield from each part of the wing, thereby contributing to a better carcass balance.

Growth drivers

Automation and smarter processing are important growth drivers in the poultry industry, but there are various other secular trends that come to play.

From manual labor to automation

As the industry's focus on automation increases, poultry processors are assessing, and subsequently investing in, more advanced systems. Marel Poultry works in partnership with processors to help them introduce automated and robotized systems into their facilities without requiring a complete plant redesign.

Our solutions are designed to meet and exceed the yield and effectiveness of manual work, with a high return on investment, and the lowest possible impact on daily operation. We ensure processors can continue to deliver end products of consistent quality as they modernize their plants.

Traceability

In the poultry market, traceability is not just a buzzword. Food companies around the world are trying to minimize any loss of business and damage to their brand due to costly product recalls. Without an effective traceability system, food processors can be shut out of lucrative new markets, or could end up losing business to companies that demonstrate reliable traceability to ensure food safety.

Marel Poultry offers processors solutions that allow them to gather data and achieve end-to-end traceability. Sensors at crucial positions throughout the plant can deliver information to the control room, where Innova software can then identify and trace backwards every product in the plant.

Animal wellbeing

Increased attention to animal wellbeing is both a challenge and an opportunity for growth in the poultry industry.

Animal wellbeing in poultry processing is particularly important during live-bird handling and anesthetization, two steps which are currently under close scrutiny. To address this, we developed the ATLAS and CAS SmoothFlow systems, both of which have set new standards as the industry's most humane systems.

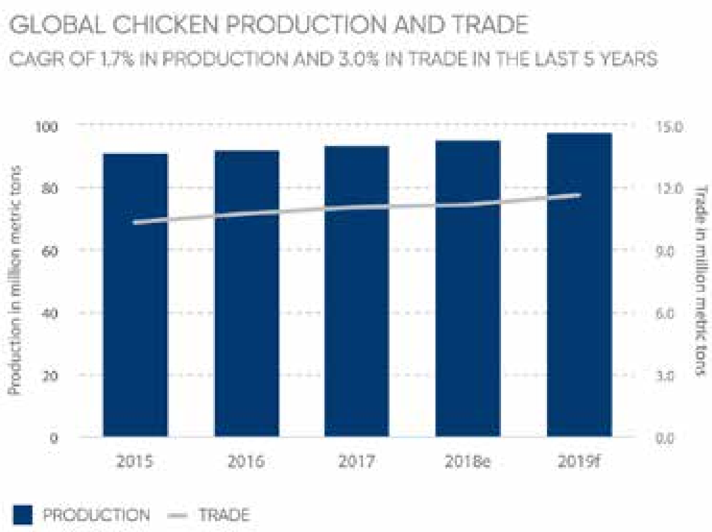
Global production and trade trends

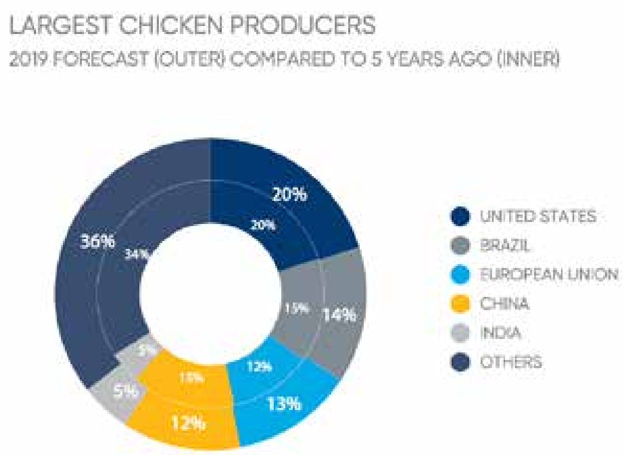
In 2019, global production of chicken meat is forecast to rise by 2.3% and reach 97.8 million tons. Global trade in chicken meat is expected to grow by 4.2% to 11.6 million tons.

The US is expected to continue to be the leading producer in 2019, accounting for 20% of total production, followed by Brazil with 14%.

In 2017, the European Union overtook China to become the third-largest producer of chicken meat in the world. It is expected to hold that position in 2019.

Brazil continues to be the world's leading exporter of chicken meat, although the figures are lower than forecasts.





Source: USDA Foreign Agricultural Service (2018, October 11). Chicken Meat Production and Trade. Retrieved from: https://apps.fas.usda.gov/

MEAT

33%

OF REVENUES

MEAT

Meat industry is one of Marel's three key protein industries. Marel Meat is a leading global supplier of integrated systems and advanced stand-alone processing equipment to the red meat industry. Our equipment handles all stages – from live animal receipt, to finished consumer packs – fresh, chilled, cooked or frozen. Marel Meat contributed EUR 387 million in revenues in 2018, or 33% of the total, translating to an EBIT of 11.3% (operating income adjusted for PPA related costs, including depreciation and amortization).

The consumer value of the global poultry, meat and fish market is estimated to be around EUR 1,200 billion. Meat is the largest market segment, with an estimated value of EUR 600 billion, followed by poultry and fish respectively. More specifically for Marel, the market for sale and maintenance of food processing equipment for poultry, meat and fish is estimated to be around EUR 10 billion. Of this, meat processing equipment is estimated to be around EUR 5.5 billion, a figure which is expected to grow annually by 4-6%.

GLOBAL MARKET FOR HOT DOGS AND SAUSAGES IN USD BILLIONS

MARKET TO REACH USD 80 BILLION IN 2021

Source: Transparency Market Research

Overview

Integration continued to be the key theme for Marel Meat in 2018. Over the course of the year, we worked diligently on the integration of new team members into the front-line sales team, following the MPS (Meat Processing Systems) acquisition that made us a full-line supplier to the meat processing industry.

We unified our product offering and the team providing it, following an approach as simple as it was effective. Our whole team is trained to be able to represent the full product line, from farm gate to final pack. Intralogistics and wastewater treatment were also areas of focus, with successful projects undertaken in both fields.

Market penetration through acquisitions

In 2016, we became a full-line supplier of primary, secondary and further processing solutions for meat with the acquisition of MPS (Meat Processing Systems). Another major milestone towards closing the remaining gaps in our product offering and geographical reach was the acquisition of Brazilian meat processing equipment manufacturer Sulmaq in 2017. In 2018, we further reinforced our full-line approach by acquiring the German firm MAJA. MAJA's product line and complementary geographical reach have strengthened our position in the meat industry globally and expanded market penetration.

Collaboration for improved customer experience

We continued our efforts on unifying our teams throughout 2018. A new structure for Marel Meat was introduced, with new management leading sales, service, innovation and engineering functions. Through training and leadership, our management is ensuring effective collaboration between sales and service to serve our customers better and deliver solutions that help them improve their processing operations from post-farm gate to consumer-ready packs.

Products

Our red meat product offerings link up to cover the entire value chain. Our position as a full-line supplier was reinforced in 2018, with both the launch of new products and improvements to existing solutions.

During 2018, Marel Meat added the Robot Bung Remover (MBR) to the M-Line robot series, which is already well established in pig slaughter plants. We also continued the development of the DeboFlex leg system and the trim handling systems, while at the same time introducing the portion cutters V-Cut 160 and V-Cut 200, which set new standards in volumetric portioning.

Intelligent processing

Our highly effective Innova software is a key element of our full-line processing equipment. This software is at the heart of many of our cutting and deboning solutions where product traceability is essential. It enables customers to mitigate operational risk, providing full traceability from farm to fork.

Food logistics

Sales of food logistics systems were particularly good in 2018. We offer intralogistics solutions that range from small conveying systems to large integrated turnkey projects. All our systems are modular, making them easy to fit into existing plants. Another key feature is seamless integration between the intralogistics systems and our Innova Food Processing Software. Coupled together, they can ensure full control of the products through processing, storage, and distribution.

Automation in hog slaughtering

Our automatic, robotic slaughter solutions (M-Lines) were installed at many customers across the globe in 2018. The M-line generation of hog floor slaughtering uses articulating arm robots and the latest techniques in 3D scanning to ensure high cutting accuracy. Automation reduces the need for manual labor in the slaughtering process and, with less manual handling needed, the risk of contamination is lower and hygiene is improved. This can extend the shelf-life of fresh pork products, adding value for both food processors as well as end consumers.

Innovation

In 2018, Marel Meat continued to work on innovative equipment and software solutions for the industry. As a company thriving on innovation and the development of high-tech applications, Marel sees opportunities where others see challenges. Our teams at Marel Meat are adept at turning ideas into reality, and challenges into solutions. Intelligent software applications have become a key facet of the meat production solutions we offer our clients.

Improving margins and safety with SensorX Electus

The SensorX Electus is a part of our trim handling system and is based on X-ray technology. It measures the precise lean-to-fat ratio (CL ratio) as well as detecting bones and contaminants. Since it became available as a standard solution in 2018, the system has been installed at many customer sites. SensorX Electus provides accurate information for informed decision making that can help further processors and grinding facilities processing meat trim produce products that meet their specifications. They improve their margins while increasing the safety of their products.

Precise thickness or weight every time with I-Saw

Since the I-Saw was released for sale in 2018, several processors have added this portioning solution to their operations. Using camera-vision scanning technology, the I-Saw cuts boneless as well as bone-in frozen meat products into portions of consistent thickness or weight. This portion cutter is designed with ultra-high-speed bandsaw blades that produce a clean-cut product with minimal smear or bone chips.

Deboning made easier with Deboflex

We continued improving and adding to our groundbreaking solution for pork deboning, DeboFlex, in 2018. Three new modules: shoulder blade pulling, shank pre-cutting and shank-sawing, make deboning and cutting easier and more efficient. The shackle-based logistical solution takes care of transporting fore-ends and legs through overhead conveyers and in a controlled flow past work stations. The solution creates a safer and more ergonomical working environment for operators who can focus fully on the task at hand.

Projects

Thanks to strategic acquisitions and organic growth, Marel Meat now covers the entire value chain from live animal intake to finished consumer product. Our projects in 2018 reflect this scope, as larger installations and greenfield projects became more prominent. Some of our largest greenfield projects took us to China, Japan, South Korea, Russia, Spain, and North America.

In China, we completed a greenfield project for the beef processor Zhejiang Aozhou Cattle Industry. The new plant is equipped with a slaughtering system, a StreamLine system for deboning and trimming, logistics and water treatment, all connected with overarching Innova Food Processing Software. Another customer, Pronaca upgraded their existing pork processing plant in Ecuador with a new slaughtering, cutting, deboning and logistics solutions from Marel Meat. In Vietnam, Masan Group Corporation inaugurated its new greenfield pork processing complex, fully supplied with Marel equipment and software for slaughtering, cutting, deboning and logistics. We also developed a complete greenfield plant for pig slaughtering for Litera Meat in Spain.

CUSTOMER STORY

Making the most of Argentinian beef

La Anónima is the fourth largest supermarket chain in Argentina, and operates 161 stores throughout the country. Each store has its own dedicated butcher, and the company is renowned for its quality beef cuts.

La Anónima is working toward a more centralized meat production and cutting operation to optimize their processing.

"Our two meat processing plants supply various cuts of beef and primals to the supermarkets, where they are further cut and processed. We want to make that process more efficient, which is why we also bought the StreamLine deboning and trimming system," says Nicolas Braun, CEO of La Anónima and the great-grandson of the company's founder.

With the StreamLine solution, La Anónima also added a system for traceability using barcodes that allow the firm to trace cuts and primals back to the carcasses.

Higher throughput and yield, in addition to better insights on traceability and food safety, are vital for La Anónima's objective of expanding into foreign markets once Argentina opens fully for beef exports.

"Implementing new technology demands a lot of commitment, but we felt that with Marel we had found a good long-term partner who would help us move forward. In fact, the co-operation with Marel – both here and in Iceland – is excellent," said Nicolas Braun, CEO of La Anónima.

Sustainability

Animal wellbeing is, and will always be, an issue of utmost importance in the protein sector. Increasingly conscious consumers want products that are produced sustainably and ethically. Marel Meat worked closely with customers in 2018 on these issues, delivering systems and equipment that improve production sustainability, both in terms of raw material utilization, as well as energy and water consumption. We emphasize helping processors to be flexible in their product offerings, while simultaneously adhering to animal wellbeing standards in the primary part of their processing and ensuring sustainability throughout the value chain. This applies to their processing facilities and their equipment set-up.

Marel Water Treatment

Wastewater treatment is an area where Marel Meat directly contributes to clients' sustainability efforts. The Marel water treatment division is part of Marel Meat. The systems are designed to ensure the most efficient use of water and include units that treat wastewater so that it can be re-used in food processing operations. This long-standing, internationally recognized division was integrated in 2017 and offers primary, secondary, and tertiary treatments for all types of food processing wastewater. Marel water treatment systems are efficient, easy to use, and characterized by low maintenance.

Growth drivers

Given the various trends governing our sector, Marel Meat sees opportunities for expansion in both traditional growth markets, as well as what some would call saturated markets. As a well-established provider with a full-line offering for primary, secondary and further processing, we see our basic growth being driven by traditional demands such as improvements in yield, quality and throughput.

In the more advanced sectors of the market, where automation and production optimization have already occurred, customers will need to continue their investments in order to sustain their margins. Our approach is to introduce new technologies to increase automation still further and boost yield. We have witnessed a clear trend in recent years towards greater requirements for automated systems and processing procedures. As processors face tougher competition, they realize that they need to implement new technologies to stay at the forefront and meet fluctuations in consumer demand.

Global production and trade trends

Beef and veal

In 2019, the global production of beef and veal is forecast to reach 63.6 million tons, an increase of 1.2% from previous year. Global trade in beef and veal is expected to grow by 0.2% and reach 10.6 million tons.

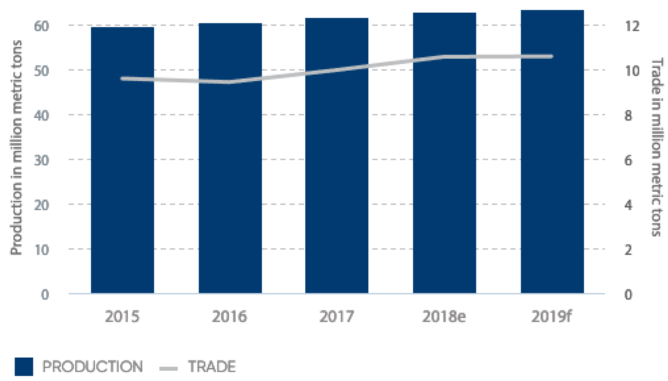
Brazil has replaced India as the world's largest exporter of beef and veal and is expected to remain the top exporter in 2019. Brazil's exports are expected to rise by 4.8% to reach 2.2 million tons in 2019.

The US is expected to continue as the leading producer in 2019, accounting for 20% of total production, followed by Brazil with 16%.

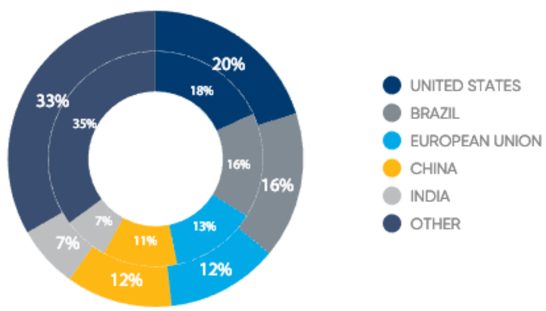
On the import side, China (including Hong Kong) has been the world's largest importer since 2017 and is expected to remain the leader in 2019.

BRAZIL IS THE WORLD'S LARGEST EXPORTER OF BEEF
EXPECTED TO INCREASE ITS SHARE IN 2019

GLOBAL BEEF AND VEAL PRODUCTION AND TRADE
CAGR OF 1.6% IN PRODUCTION AND 2.5% IN TRADE IN THE LAST 5 YEARS



LARGEST BEEF AND VEAL PRODUCERS
2019 FORECAST (OUTER) COMPARED TO 5 YEARS AGO (INNER)



Source: USDA Foreign Agricultural Service (2018, October 11). *Beef and Veal Production and Trade*. Retrieved from: https://apps.fas.usda.gov/

Pork

In 2019, global production of pork is forecast to rise by 1.4% to 114.6 million tons. Global trade in pork is expected to grow by 3.0% and reach 8.8 million tons.

China continues to dominate the pork market, accounting for an estimated 48% of world production in 2019, followed by the EU with 21%.

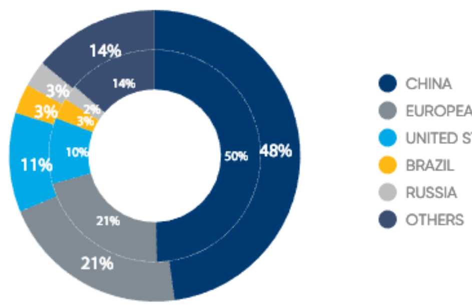
The EU is the world's largest exporter of pork. Its exports are expected to grow by 3.3% and reach 3.2 million tons in 2019.

China continues to be the largest importer followed by Japan, which it overtook in 2016.

THE EU IS THE WORLD'S LARGEST EXPORTER OF PORK
EXPECTED TO INCREASE ITS SHARE IN 2019

GLOBAL PORK PRODUCTION AND TRADE
CAGR OF 0.9% IN PRODUCTION AND 5.0% IN TRADE IN THE LAST 5 YEARS

LARGEST PORK PRODUCERS
2019 FORECAST (OUTER) COMPARED TO 5 YEARS AGO (INNER)



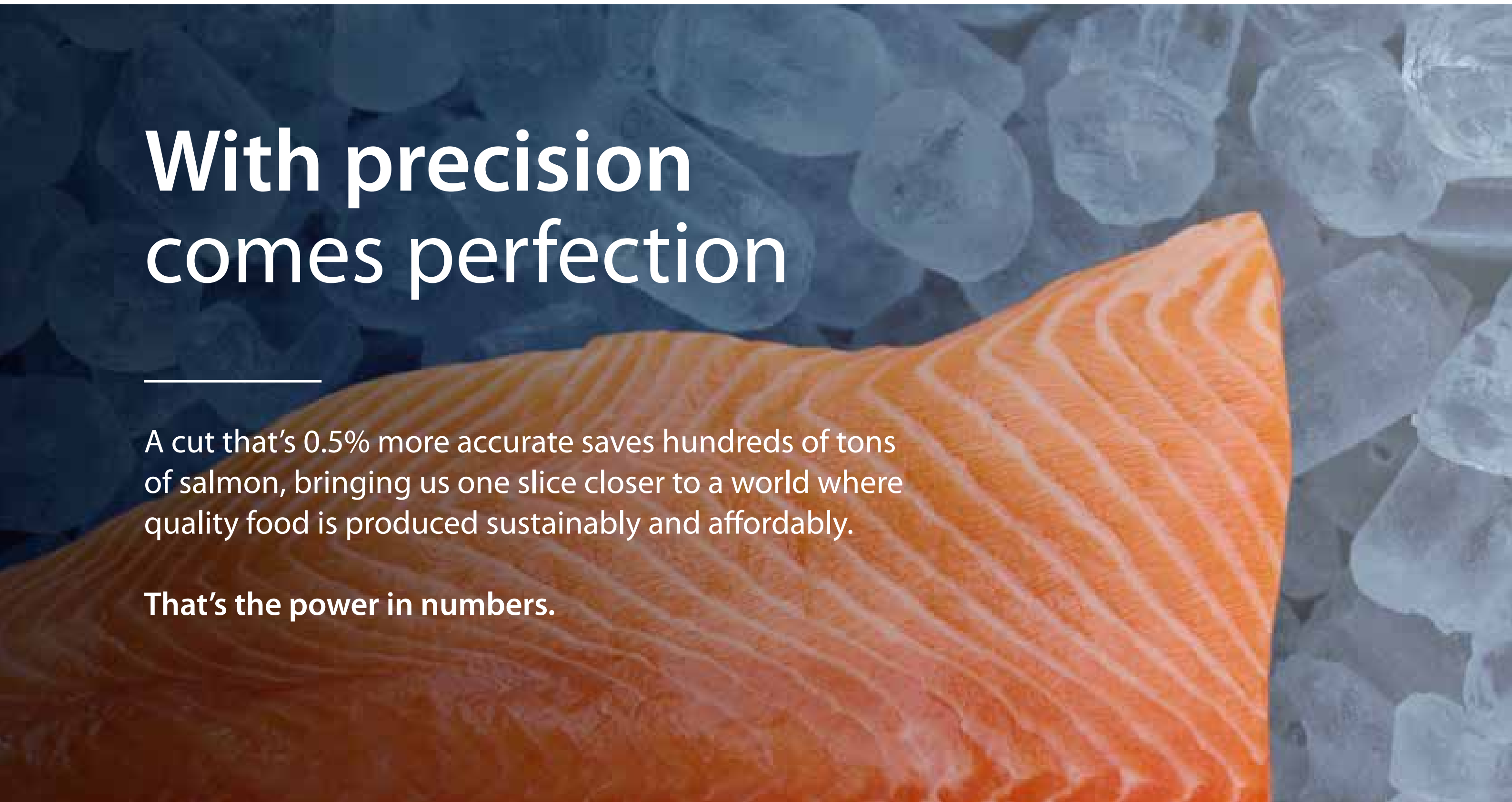
Source: USDA Foreign Agricultural Service (2018, October 11). *Pork Production and Trade*. Retrieved from: https://apps.fas.usda.gov/

FISH
13%
OF REVENUES

FISH

Fish is one of Marel's three key protein industries. Marel is a leading global supplier in the sector, providing both advanced standalone equipment and integrated systems for all stages of the fish processing value chain. Our systems range from single scales to integrated production lines and turnkey systems, both onboard and ashore. Marel Fish contributed EUR 159 million in revenues in 2018, or 13% of total revenues, translating to an EBIT of 7.9%. The business has been transformed in recent years, as investments in innovation and enhanced levels of standardization have increased orders and improved margins.

The consumer value of the global poultry, meat and fish market is estimated to be around EUR 1,200 billion, with the fish market accounting for an estimated 200 billion. More specifically for Marel, the market for sale and maintenance of food processing equipment for poultry, meat and fish is estimated to be around EUR 10 billion. Of this, fish processing equipment sales are estimated at around EUR 1.5 billion, a figure which is expected to grow annually by 4-6%.



Overview

In 2018, Marel Fish continued to enable fish processors to generate higher value through better utilization of raw material, maximization of throughput, and better quality and process control.

In the past year, we have focused on helping processors achieve gains by making the most of digital technology. With the latest technological advances increasingly influencing the way Marel serves and supports the fish processing industry, digital is only going to become more vital in the future.

The wild whitefish segment continues to occupy an important place in the Marel Fish portfolio due to its long-standing use of technology, as well as modern fishing and processing methods. Wild fish is a relatively fixed resource with limited potential for growth in terms of volume, largely due to the state of fish stocks and quota limitations. However, thanks to their investment in high-tech onboard solutions, whitefish processors can now meet the rising demand for wild fish products by improving the utilization and value of their catch.

Growth opportunities in the farmed fish sector

Aquaculture has been the fastest growing food production segment in the last decade, and Marel Fish has a strong foothold in the sector, especially in the salmon industry. We have also worked for many of the world's largest processors of tilapia, sea bream, and sea bass. Our efforts to extend our market penetration in this sector has strengthened our position as a leading provider of processing solutions for the farmed fish sector.

Leadership expertise

Marel was an active participant at global seafood conferences throughout 2018 in order to share its expertise in processing advances, as well as to nurture its close partnership with companies throughout the seafood industry.

Marel participated in the North Atlantic Seafood Forum in Norway, the Global Fishery Forum and Seafood Expo in Russia, and the China Salmon Summit, to name just a few. Gatherings such as these offer the chance to share processing knowledge and expertise with researchers, academics, investors, and influential organizations, both national and international.

Products

At Marel, we recognize the potential for significant improvement in yield, quality and safety by improving processing at every step in the plant. In 2018, we introduced a range of new solutions for fish processing, beginning the moment catch is hauled onboard and continuing to the finished consumer packs.

High-precision cutting with the new salmon deheader

Marel's new automatic MS2720 Deheading Machine for salmon was released for sale in January 2018. The new machine offers some of the highest levels of throughput, yield and quality ever achieved for this process. It allows salmon processors to achieve optimum yield from every fish, as well as enabling a better flow by performing high-precision cutting and allowing for the automatic transfer of deheaded fish into our MS2730 Filleting Machine. Besides boosting productivity, the deheader is easy to operate, with all settings and operations made on a touchscreen panel next to the operator platform at the machine's infeed.

Automated whitefish processing, both onboard and ashore

Marel has sold more than 35 FleXicut machines since the revolutionary pinboner and portioner was introduced in 2014, including several FleXicut Marine machines for onboard processing of boneless fillets. The automation of bone removal and portioning with FleXicut enables processors to raise productivity while greatly improving product handling and yield.

As the second generation of FleXicut emerges, greater levels of interconnectivity and new features are improving processing results further, while the reliability of existing systems is fueling the growing interest in FleXicut across the industry.

The pinboning and portioning system now also offers an integrated pre-trim solution and advanced product distribution system that automate this process even further.

Innovation

The global seafood value chain is facing unprecedented consumer demand, creating a fundamental need for processors to scale up their productivity. At the same time as fish processors face challenges to increase throughput and obtain better yields, they also need to respond to tighter quality and safety requirements.

Through continuous innovation and the incorporation of robotics, analytics software, and other Industry 4.0 technologies, we provide the fish processing sector with a viable means of raising its game and meeting current and future requirements.

Transferring technology between industries

The FleXicut pinboning and portioning system is a perfect example of how Marel transfers technology between processes and industries. Its technology is the result of innovation and development of X-ray technology that started with the SensorX in 2004 – a machine that is now the quality assurance standard in the poultry industry – and image processing and computer applications that Marel started using in its intelligent portioning machines in the 1990s.

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

Better food safety with automated data collection

The fish industry as a whole is increasingly recognizing that traceability is essential to ensuring food safety. The ability to demonstrate reliable data collection and a valid traceability system from source to shelf is essential to gaining and maintaining a competitive edge, as well as accessing new markets.

As the leading provider of automated data collection solutions to the food processing industry, Marel continues to take a very active role in realizing the vision of data-driven food safety in the fish industry. Our Innova Food Processing Software can provide relevant data to both sides of the supply chain, and guarantee that products meet the highest food safety standards.

New automated quality control

In 2018, we demonstrated the QC scanner (not yet released for sale) for the first time, a solution to automate the quality control process. The scanner color grades fillets, and automatically detects surface defects such as pearl stripes and melanin or blood spots after filleting and skinning. With this information, the scanner can determine if fillets need further manual trimming or can skip that step. With automated quality control, processors can both speed up production and raise value and quality.

Projects

For Marel Fish, 2018 was a productive year with both greenfield projects as well as standard equipment and system installations. The whitefish segment had steady sales of standard systems to current and new customers in all our regions and the farmed fish team participated in large greenfield projects in Scandinavia. The following examples illustrate the variety of those projects we undertook in 2018.

Primex greenfield plant

Primex's ultramodern whitefish plant at Myre, in northern Norway, became operational in 2018. The latest technology from Marel helps the company ensure high volume and economical processing with the best possible yield, quality, and productivity.

The new factory produces vacuum-packed cod loins and portions, as well as a variety of other products. The Marel equipment extends along the processing chain to include raw material grading, pre-trimming, automatic pinboning and portioning, all of which is followed by quality control and packing. FleXicut is a vital part of the Primex factory concept, and new robot technology from Marel is helping to increase the efficiency of product distribution and handling at the facility.

As well as achieving a very high level of automation, Primex also uses Innova Food Processing Software to manage and optimize the whole production process, controlling the distribution of raw material coming in and controlling production based on product orders.

Hi-Chain automation, China's first fully-automatic salmon processing line

Shanghai Hi-Chain Foods' salmon processing facility completed its first full year of operation in 2018, utilizing a new Marel processing line that was installed in 2017 - China's first automatic processing line for salmon.

In recent years, Chinese salmon processors have increasingly looked to technologically advanced processing equipment to improve performance and food safety, raise yields, and reduce costs. The installation marked a shift in the nature of many of the jobs at the factory, and Marel's service engineer were in close contact with Hi-Chain from the start to ensure successful installation of the plant.

The plant produces up to 30 metric tons of salmon products every day, and the Marel installation is vital to ensuring filleting, trimming, pinbone removal, skinning, portioning and slicing is carried out effectively and in a timely manner.

Leroy greenfield plant

Leroy Seafood Group's new plant in Norway became one of the most advanced salmon processing plants in the world when it began operating in 2018. The facility is equipped with high-tech salmon processing systems from Marel that are setting new industry benchmarks.

Marel supplied solutions for pre-rigor filleting lines, including new deheading machines that transfer fish to five parallel filleting lines, as well as whole fresh salmon packing and logistics solution for the plant.

The salmon is brought directly into the factory early each morning, and leaves the factory packed as fillets or whole fish later the same day. By filleting so close to source, Leroy saves on freight costs, raises the quality of the end product, and reduces the carbon footprint of the salmon that ends up on our plates.

FleXicut systems at G.Run

In 2018, Icelandic fish processor G.Run installed two FleXicut pinboning and portioning machines, a FleXitrim flowline and two packing lines. The installation was part of a major expansion of the company's facilities in Grundarfjordur, Iceland, which includes a new 2000m2 building.

The FleXicut systems enable G.Run to increase the primary product ration, which is extremely valuable to them. The upgrade also helps the processor meet its goals of significantly raising throughput without adding more staff. The project marks the first time the FleXicut has been used for processing redfish. With two FleXicut lines running, one can be used for redfish and the other for cod and similar species.

Marel's Innova Food Processing Software is a vital element of the installation. The software supports the complete integrated system and compliance with quality standards and food safety regulations, as well as improving utilization of the raw material.

CUSTOMER STORY

Filleting solutions for the future

Salmones Camanchaca is a salmon producer based in the Bío Bío region of Los Lagos Aysén, Chile. In 2018, the company installed a second Marel filleting line, two years after it installed its first Marel salmon filleting machine (MS2730), which achieved excellent results.

As Jorge Fernández, CEO at Camanchaca, explains: "*We invested in a Marel filleting line to improve our processing results. We have experienced an improvement of around 30% in productivity since the installation, with at least a 1% gain in yield.*"

Fernández says that the company recognizes the value of investing in a complete filleting line, rather than buying individual standalone units.

"*In this way, we keep waste to a minimum and we gain the most in yield. We like it so much that our idea now is to equip two more of our plants with Marel equipment.*"

Camanchaca now uses Marel equipment for all its processes, from deheading to fillet distribution, and enjoys greater efficiency and easy cleaning in addition to better performance control.

Sustainability

Marel Fish contributes both directly and indirectly to increased sustainability in the world of food processing. Improved raw material utilization preserves resources, both natural and economic. Our equipment is designed for optimal energy and water usage, as well as to facilitate cleaning, all of which is geared towards using resources more efficiently.

Growth drivers

For Marel, the key factors for future market growth include the expansion of the farmed whitefish segment, and the overall rise in automation in fish processing around the world. Automated factories are expected to aim at increasing their level of automation, while highly automated players will be eyeing robotics and hands-free processing. An increase in entry-level automation is also anticipated.

Reduction of manpower is also a key emphasis, with companies increasingly prepared to invest in technology to reduce costs and/or compensate for a diminishing supply of labor.

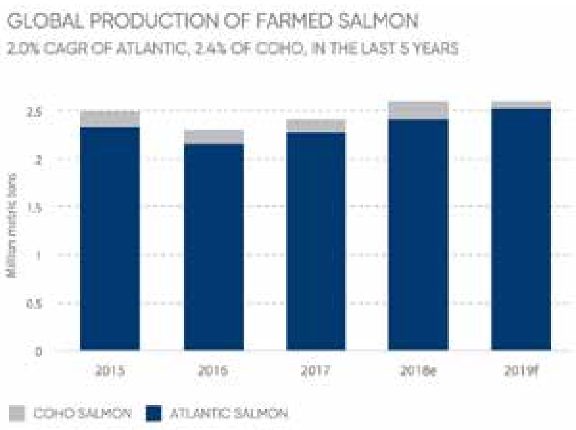
Changes in dietary habits have brought a continuous rise in the demand not only for seafood in general, but also for differentiated and value-added seafood products. This will continue to be a major growth driver for the industry. Innovative solutions in both salmon and whitefish will set new industry standards in the coming years, with major Norwegian and Icelandic processors leading the way. Watershed installations are already underway, and will likely set the tone for others to follow.

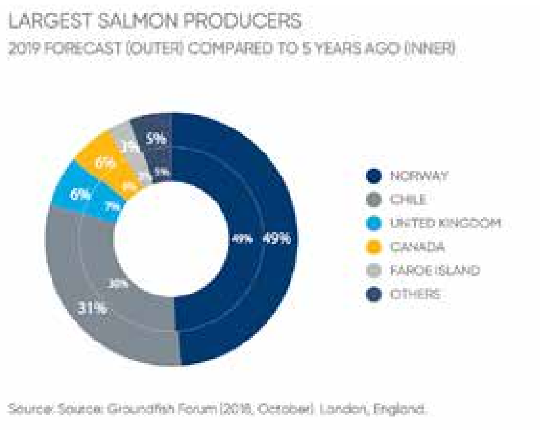
Global production and trade trends

Salmon

In 2019, global salmon production is forecast to rise by 3.6% to 2.7 million tons. Atlantic salmon will account for an estimated 93% of the production. Norway continues to dominate production with around 49% of the forecast production in 2019, followed by Chile with 31%. After an impressive 18% increase in 2018, salmon production in Chile is forecast to increase further by 2% in 2019, compared to an expected 4% increase in Norway. The two countries continue to dominate the market.

NORWAY DOMINATES THE SALMON MARKET
EXPECTED TO INCREASE ITS SHARE IN 2019



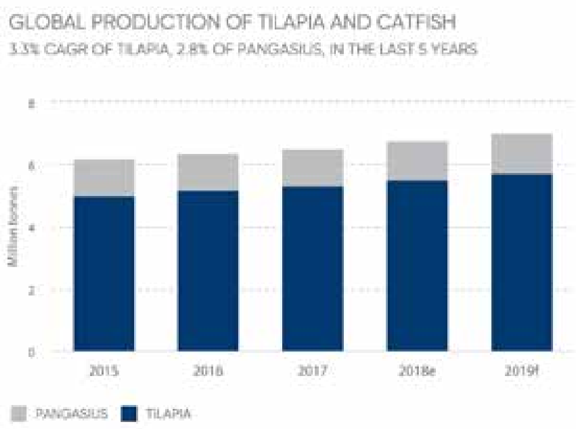


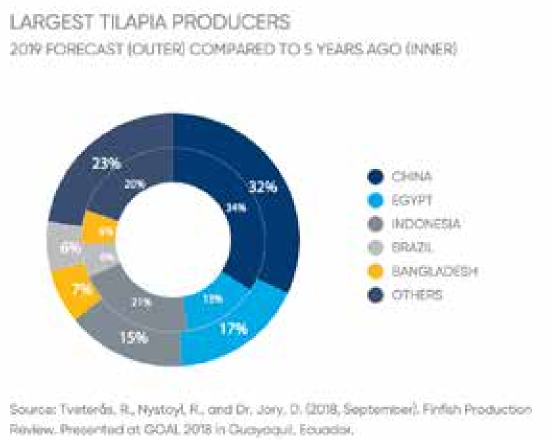
Tilapia and catfish

The global production of tilapia is now shown alongside pangasius, instead of catfish as last year. In 2019, global production of tilapia and pangasius is expected to rise by 3.2% to surpass 7.0 million tons, of which pangasius accounts for 1.3 million tons.

China continues to lead the tilapia market with a 32% share, followed by Egypt with 17%.

EGYPT'S TILAPIA PRODUCTION CONTINUES TO THRIVE
EXPECTED TO GROW BY 8% IN 2019





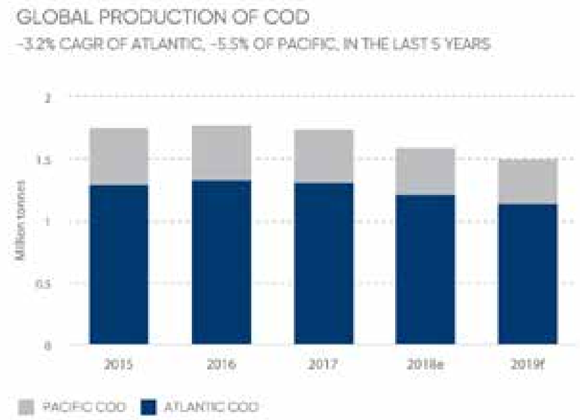
Cod

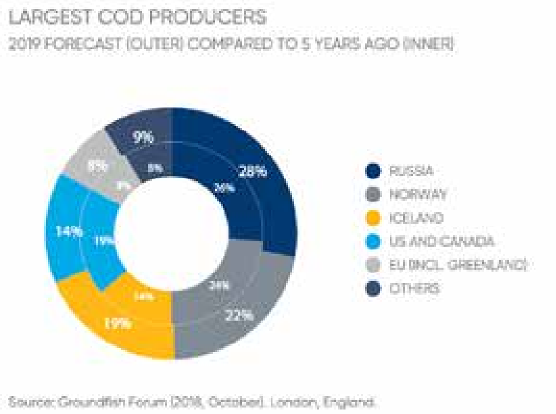
According to forecasts, global production of cod will continue to shrink, and amount to 1.5 million tons in 2019, a decrease of 5.6%. Atlantic cod is expected to account for 76% of production. Russia continues to lead with a 28% share of the market, followed by Norway with 22%.

In 2019, the cod catch is expected to decrease in all leading countries except Iceland. Icelandic production has increased gradually from 2014. Iceland overtook the US and Canada in 2018 as the third-largest supplier of cod and is expected to remain in this position in 2019.

ICELAND IS THE WORLD'S 3RD LARGEST PRODUCER OF COD

OVERTOOK THE US AND CANADA IN 2018

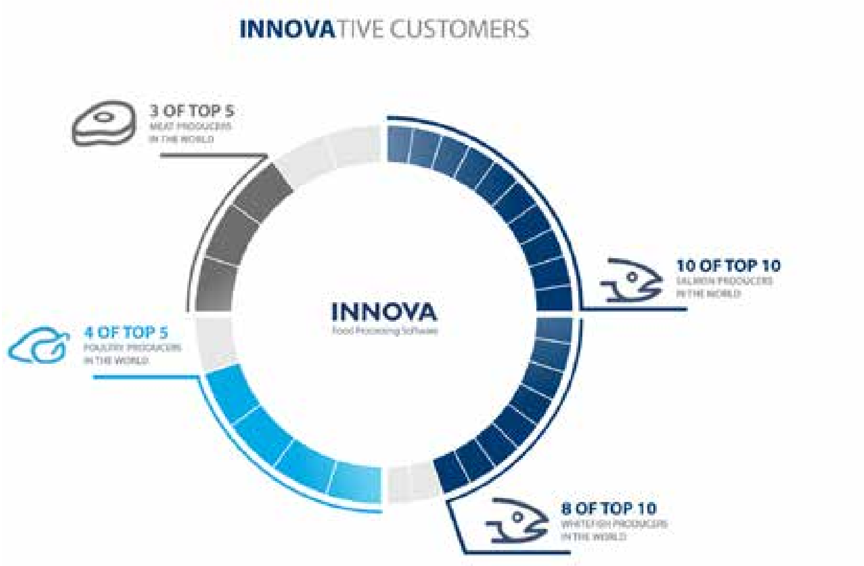




INNOVA FOOD PROCESSING SOFTWARE

Innova is our revolutionary food processing software that provides full production control and traceability, giving a complete overview of a product's journey through processing, from reception to dispatch.

To date, we have more than 2,000 Innova installations worldwide, meaning that many of the largest food processing companies in the world already use this cutting-edge software. Innova can be implemented as an all-inclusive production system, adapted for specific production units, and can even be connected to third party equipment.



Processing with an eye for detail

Our goal is to make the most of the valuable resources that run through our systems. Using real-time data, our Innova Food Processing Software helps our clients get the job done.

That's the power in numbers.

2,000
INSTALLATIONS WORLDWIDE

105,000
INNOVA LICENSES
(EQUIPMENT, USERS, PRINTERS, LINES INTERFACES, YIELD POINTS)

The future of intelligent production control

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

Food producers need to be able to keep pace with ever-increasing industry and regulatory demands for animal wellbeing, traceability and quality. Innova provides efficient, high-performing software solutions that enable them to do just that.

Meaningful insights through data visualization

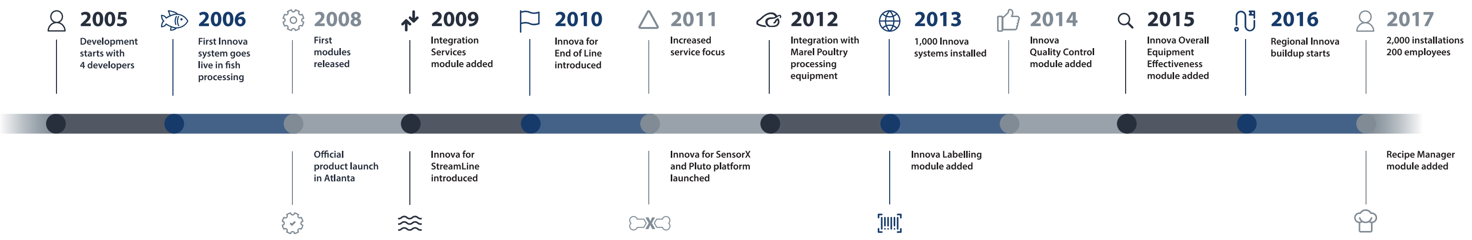
Innova provides processors with user-friendly tools to turn data into meaningful insights through visualization. In the day-to-day operations of a plant, key performance indicators such as yield, throughput, quality, capacity and labor efficiency are vital to processors. Most organizations across the food industry gather huge amounts of data on these key performance indicators, but the challenge lies in understanding what particular data can help optimize performance and putting this to use.

"THERE ARE MANY WAYS TO COLLECT DATA, BUT IF YOU DON'T PRESENT IT TO THE END USER IN THE RIGHT WAY, THEN IT'S NOT GOING TO HELP IMPROVE YOUR BUSINESS."

Jarred brand, director of manufacturing, engineering and technology, trident seafoods

Innova's comprehensive, real-time reporting presents data by using dashboards, giving clear visual interpretation of the relevant information. Smarter decisions can be made in real time to optimize production results, tailor processes to achieve specific goals, and respond immediately to any deviations.

Such insights enable processors to identify opportunities for improvement, while ensuring that production conforms to



quality and food safety standards.

Direct traceability

Innova controls and monitors animal reception and registration, the production flow, as well as the deboning, packing and dispatching processes. Having Innova manage the entire operation creates a direct traceability line between the slaughtered animal and the end customer.

The highest quality using the highest tech

Innova Food Processing Software has helped US-based Kuna FoodService achieve full traceability in its production, from start to finish. The ease of use, real-time data and reporting functionalities with built-in traceability allow the company to monitor individual suppliers and ensure high-quality products. By paying attention to the details at every stage of production, overall performance is optimized.

Streamlined order management and inventory control

Innova not only provides full production control and traceability, but also helps improve how the company fills its orders, making this more streamlined, and easier to manage. Innova can optimize workflows, enable cost-effective inventory control, and ensure efficient order management. The system includes purchase orders, production orders, inventory orders and sales orders.

Innova connects to third-party equipment

The software is set up to work with the third-party equipment, systems and solutions that are independent of Marel equipment. This means our customers can install a single software system to oversee production and integrate with their existing equipment.

> *“INNOVA ALLOWS US TO KEEP RECORDS THROUGHOUT EACH DAY AND TRACEABILITY FOR USDA REQUIREMENTS, NOT ONLY FROM THE START, BUT ALSO NOW RIGHT THROUGH TO THE FINISH.”*
>
> Dan Fernandez
> Meat Unit Production Manager, Kuna FoodService

It’s all in the label

The Innova label designer is a very powerful tool, as it ensures all traceability information on the product is collected accurately and incorporated in the final product label. The flexible labeling design system means processors can easily create their own designs and edit the content on the label to contain all relevant and necessary information for the final product package.

CUSTOMER STORY

Full production control at trident seafoods

Marel and Trident Seafoods have been working together to develop a software solution for the fish industry that solves key challenges concerning traceability, packaging, order control and inventory management.

Trident Seafoods currently operates close to 30 processing facilities around the world, 20 of which run Innova Food Processing Software. By implementing Innova across several of its plants, Trident Seafoods has been able to standardize its operations and scale its primary processing operations.

A key benefit of Innova for Trident has been the increased food safety resulting from standardized product labelling and palletizing.

"From a food safety standpoint, being able to do individual box identifiers – which are linked to a pallet, which is linked to a shipment – and being able to trace the raw material to the finished product and then to the container and the customer, is extremely important," says Jarred Brand, Director of Manufacturing, Engineering and Technology at Trident Seafoods.

OVER **850** EMPLOYEES
IN **9** COUNTRIES

6% OF REVENUE
INVESTED IN **INNOVATION**

OVER **15** PRODUCT
LAUNCHES IN **2018**

INNOVATION

Innovation is, and has always been, at the very heart of Marel. We invest around 6% of our revenues in research and development annually, which translated into EUR 74 million in 2018. With over 15 new solutions brought to market in 2018, it is safe to say that innovation is in the DNA of our people.

Our experts are relentless in their efforts to meet the next challenge with an effective solution. We have over 850 dedicated technology professionals located in nine countries, all of whom work in partnership with our key customers to improve the way food is processed. Our people, who are creative, passionate and brave, are our greatest asset in driving innovation.

With each passing year, data analytics and software control become increasingly important. With its full-line offering from farm to fork, Marel is in a unique position to gather information in the global food processing industry, one of the most important value chains in the world. Our approach to innovation is not limited to mechanical engineering, but also encompasses integrated technologies and connectivity.

Quite simply, we are focused on continually delivering solutions that add value for our customers, and also for our community, our environment and not least our shareholders.

Seeing the future is our business

We envision a world where quality food is produced sustainably and affordably. By using virtual reality to simulate food production, we speed up development and minimize waste.

That's the power in numbers.

> *GIVEN MAREL'S HISTORY OF **COMBINING SOFTWARE** AND **MECHANICS** TO TACKLE FOOD PROCESSING CHALLENGES, WE ARE READY TO **EMBRACE DIGITAL-AGE TECHNOLOGIES.***

Global trends demand innovation in food processing

At Marel, we conceive and deliver solutions that cater to a growing world population demanding high-quality food, produced sustainably and at affordable prices. On the market side, we see mega trends calling for industry-wide transformation in food processing. With automation as the driving force, we see changing dynamics emerging in the value chain, together with the need for increased flexibility and diversity in terms of end products.

There are number of enablers contributing to the transformation in food processing, including new scalable technologies and production channels, such as the Internet of Things (IoT), cloud services, advanced robotics and 3D printing, for example.

We work each day on new solutions by applying and expanding our broad-based industry know-how. We are dedicated to delivering unique products and services that will shape our customers' future business landscape. At the same time we help them create scaleable infrastructure that supports their growth and Marel's simultaneously. To that end, we are committed to collaborative innovation with customers and partners that both speeds up the innovation process while ensuring our products add value in a way that suits their specific needs.

Product launches 2018

In 2018, we introduced over 15 new, innovative products to the market. Our significant investment in innovation of EUR 74 million, more than any of our competitors, demonstrates our commitment to transforming the way meat, poultry and fish is processed.

- Animal wellbeing, traceability, sustainability, efficiency, and product quality all came together following the launch of our innovative and highly integrated solutions enabling the processing of 15,000 birds per hour. Innova software runs in the background to monitor all processes plant-wide and nsures full traceability.

- Salmon processors are constantly looking for ways to improve yield and attain a better flow. The new Salmon Deheader helps achieve this by performing high-precision cutting for optimum yield on every fish, and automatically transferring deheaded fish into our Filleting Machine. In addition, the QC Scanner enables better sorting of fillets downstream based on the quality of the raw material.

- In the meat industry, secondary processing was boosted by a number of innovations that increased automation and improved food safety and traceability. One of the break through 2017 innovations, the DeboFlex automatic deboning system, has been an incredible success, and new modules were added to the system in 2018.

- Twenty years ago, the Marel RevoPortioner - which reduced raw material waste to almost 0% - was revolutionary. Now, the Helix Drum Technology transforms rotational forming into continuous filling, further enhancing the Revo-Portioner's capabilities and reputation.

SALMON DEHEADER

Uniform, high-precision cutting

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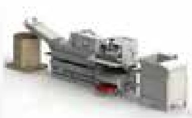

SENSORX MAGNA

Meat trimming with specific CL ratio for improved margins and increased safety

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LEG POSITIONER

Simplifying leg handling for batching and packing

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FRANK-A-MATIC

Sausage linker for filling, linking and handling cellulose and collagen casing

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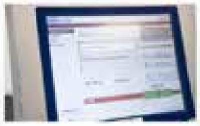

INNOVA RECIPE MANAGER

Full control over recipe-based production

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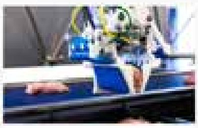

ROBOT WITH A KNIFE, INCL. TRIM SEPARATION

Intelligent chicken fillet cutting and batching with optimal value stream

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FLEXITRIM

The next step in high-tech method of whitefish processing

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DEBOFLEX IN-LINE DE-SKINNER

Higher deboning capacity for increased yields

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15,000 BIRDS PER HOUR

Uncompromised quality and efficiency at all-time high speed

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Q-WING

Labor-saving, quality assessment and distribution of chicken wings

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HELIX DRUM

Patended forming technology for the RevoPortioner

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M-LINE ROBOT MSS

A new generation of slaughter robotization

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VC-20 RS

Proven hygienic vent cutter for higest capacities and lower cost of ownership

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ROBOT PALLETIZER

A cost-effective, integrated solution for storage and distribution

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AUTO-INFEED & QC SCANNER

Improving the salmon filleting process

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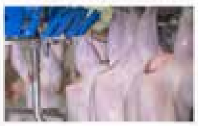


LINELINK (DE/EC)

Worry-free transfer with 15,000 bph

READ MORE

DEBOFLEX MODULES

Shoulder blade, shank pre-cutting, and shank sawing

READ MORE

ATLAS

An efficient live bird handling system, from farm to plant

READ MORE

I-SAW

Portions of constant weight or thickness

READ MORE

Smarter processing to make quality food available to everyone

The growing world population, fast-changing consumer behaviour, and a rising focus on sustainability and legislative compliance, means demands on our industry are constantly evolving. Our challenge is to make even better use of the raw material coming into the plant and ensure that the entire Marel team is focused on creating cutting-edge solutions that allow processors to deliver high-quality food at affordable prices. Insights from the digital revolution are opening up great opportunities for progress in this direction which Marel is ready to make the most of.

Given Marel's long history of combining software and mechanics to create innovative solutions to tackle food processing challenges, we are well equipped to fully embrace digital-age technologies. We want to ensure customers understand how to use data to support their processes and keep production at optimal levels for improved profitability.

In 2018, we worked on enablers for a successful, connected business. Central to this is our established standardized control platform, Marel Core. Once implemented, Marel Core offers simple solutions and improved service. It facilitates quick fault-finding and less need for spare parts, a higher level of flexibility for extensions and upgrades, and seamless integration of equipment and software. In this way, Marel Core enables us to implement leading industry 4.0 standards across the company. In addition, our Innova division has been scaled up to fully capitalize on the benefits of digital technology for smarter processing.

In the coming years, in collaboration with our customers, we will follow the course laid out in our digitalization roadmap, moving from pilot schemes to proven solutions. Combining equipment, process knowledge, service and data analytics will result in smarter processing and proactive service, meaning fewer disturbances in the customer's production process, and better support for the technicians on the factory floor.

Speeding up innovation with virtual reality

At Marel, innovation teams now use virtual reality to design and test new solutions, which increases the speed of innovation considerably. Rapid prototyping can be achieved by running a new idea in a simulated and virtual world to get immediate feedback.

Virtual reality makes simulations more valuable, giving product developers life-like input and enabling realistic interaction without having to wait weeks or months to try a new concept. Saving on time and materials by using virtual reality in innovation allows our teams to make greater strides towards novel solutions to food processing challenges.

From one industry to another

Marel is known for applying its technology across industries. In 2018, we continued to leverage our strong innovation investments across numerous product groups, processes and geographies. A recent example of this is the DeboFlex solution, where technology for overhead transportation and positioning of raw materials originally developed for poultry processing is now applied in meat processing.

We will continue to exploit the synergies available to a company of our scale, scope and ambition, delivering innovative products for our customers, and creating additional growth opportunities. In particular, major opportunities lie in the secondary and further processing parts of the value chain, e.g. portioning, batching, weighing and marinating, where the processing steps are becoming more similar across industries.

GLOBAL MARKETS AND SERVICE

Marel is constantly looking for ways to strengthen its partnerships with customers around the world. Our vision of a world where food is produced sustainably and affordably can only be realized through close collaboration with customers. Through our extensive global network, which stretches over 30 countries and all continents, our sales and service specialists are in close contact with our customers every single day.

To further strengthen its local reach and come closer to new and existing customers Marel has embarked on a journey aimed at reinforcing its local sales teams and strengthening its links as a service and maintenance partner to customers.

The first steps were taken in 2018. In June, Marel announced an organizational change, splitting the former Commercial function into two sections: Global Markets and Service. The move added two new Vice-Presidents to Marel's Executive Team. Ulrika Lindberg joined Marel and became Executive Vice-President of Service, while Einar Einarsson moved to the position of Executive Vice-President of Global Markets.

Ulrika Lindberg has over 20 years of experience in global services, having held senior positions at large international organizations such as Alfa Laval and Tetra Pak.

Einar Einarsson has over 15 years of experience in managing Marel's sales and service operations in North America. Einar became President of Marel US in 2003 and prior to that held several positions within Marel as a Sales Engineer, Area Sales Manager and Product Manager.

GLOBAL MARKETS

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

With such a large global presence, Marel can serve large and small food processors and food retailers on location, wherever they are. Each of our industry-specific segments – fish, meat and poultry – has specialized sales people, working in partnership with customers around the world. We are dedicated to bringing top-of-the-line services, consistency and excellence to each project we undertake and to providing our customers around the world with local proximity and intimacy, yet with the support and knowledge of a global leader. Our committed sales force has been and will always be the cornerstone of our operations around the globe.

Exhibitions around the world

Each year Marel participates in some 45 trade exhibitions around the globe where the latest innovative systems and technologies for the fish, meat, poultry and further processing industries are presented. Trade exhibitions are an excellent venue for customers to get to know at first hand Marel's state-of-the-art food processing systems and solutions. Marel exploits these opportunities to premier its latest technology, strengthen relationships with existing customers, and create new ventures with new customers.

In addition, Marel also hosts its own trade shows in Progress Point in Copenhagen, holding ShowHows annually for the meat and fish industries and biannually for the poultry industry.

42 EXHIBITIONS
HELD IN 30 COUNTRIES

In addition to Progress Point, Marel operates three demonstration facilities: one in Boxmeer, the Netherlands, and two in the USA, in Lenexa, Kansas, and Des Moines, Iowa. The facilities offer a hands-on environment where customers can see how Marel innovations can improve their food production, develop employee expertise and bring positive operational outcomes.

Enhanced online support

All of Marel's equipment is on display at Marel.com. Customers can browse through online product catalogues, watch videos and read customer testimonies. Our dedicated staff is available for live chat on request to answer questions and enquiries. Marel is constantly improving the online customer experience and in January 2019 a new website was launched with many new features to better serve our customers online. The new Marel.com improves the online user experience, benefits existing and potential customers, as well as future employees and other stakeholders.

GLOBAL MARKETS AND SERVICE

Marel opens in Namibia

In July 2018 Marel opened a new office in Namibia as part of our long-term strategy to step closer to our customers and to further strengthen customer support in southern Africa. There are multiple benefits to having a local office in the region, including more direct contact with customers, better customer service and an improved position to respond quickly to local market needs and changes.

The new office in Walvis Bay, Namibia, is part of the journey that includes the reorganization of Marel's sales and service structure. It is driven by our aim to continue growing and further enhance our customers' experience with strategic services and maintenance near at hand.

Namibia is the largest hake producer in the world. Having a local office deepens our relationship with the Namibian fish processing industry and opens the door to meat and poultry processors in the region.

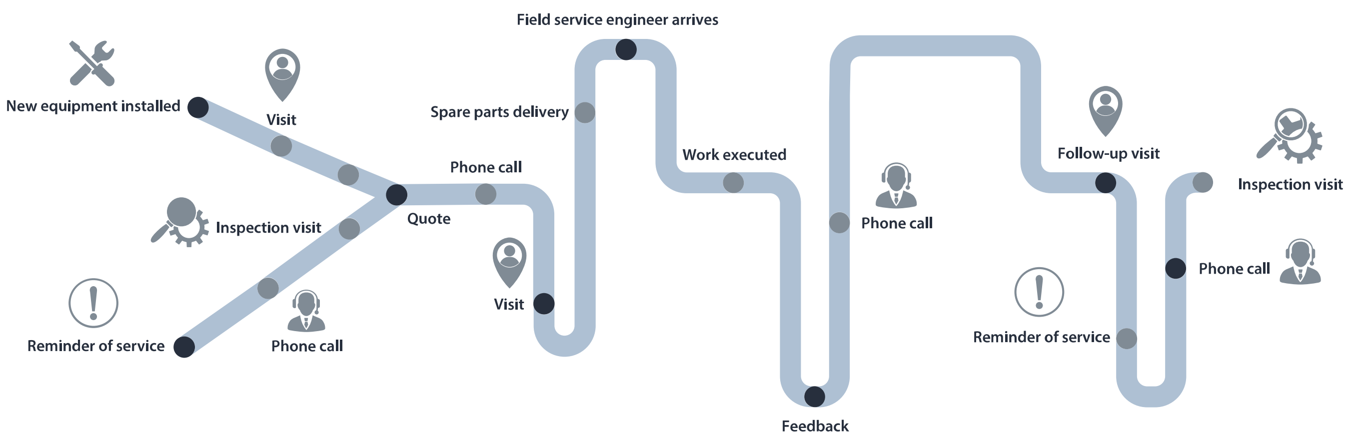
GLOBAL SERVICES

As a service-oriented operation, we emphasize assisting our customers in maintaining optimal production flow, uptime and output. We run a global, well-organized service and maintenance operation that is and will continue to be one of the main sources of our revenue and growth. Delivering around 35% of the company's revenues, the service and spare parts business is a clear growth opportunity, creating value for both customers and shareholders.

Our ambition is to serve our customers locally, backed up by the global wealth of competence we possess in both process technology and products. We continuously strive to introduce new technology for the benefit of both our customers as well as our staff, and with the ultimate objective of increasing uptime and utilization.

Our focus is on proactive service that includes preventative maintenance, spare parts packages and long-term service contracts. Our experience shows that an increasing number of customers prefer this model, working in close partnership with Marel. Taking a proactive approach with our customers prevents downtime in their production facilities and ensures consistent peak productivity.

We want to offer our customers the best possible experience through the entire customer journey: from the receipt of a service request until the service job has been performed. Every touchpoint is important – In Service, we will work hard to make sure that it is easy for our customers to work with us.



NPS rolled out globally to measure and improve service delivery

A vital factor in maintaining outstanding service is acquiring feedback on how Marel is performing. Net Promoter Score (NPS) is a simple survey method of obtaining data on customers' experience and loyalty that has gained popularity with companies in major global industries. Marel launched NPS in April 2018 as a tool to measure recent transactions or services rendered and take active steps to improve service delivery based on customer feedback.

The survey is now a standard part of Marel's after-service processes. Customer complete the simple survey after a service job has been performed. Our initial score revealed a positive view of the service organization, above the industry average. Marel will continue to use the findings of the survey to continue to improve all aspects of service provision, including on-site service, remote service, preventative service, and spare parts delivery.

Improved efficiency following implementation of ServiceMax

To improve its service even further, Marel has since 2016 been using ServiceMax, a global field service management platform, on a company-wide basis. Equipping all our field service engineers with iPads and dedicated software enables them to co-ordinate schedules and projects and deliver regular service reports. We plan on expanding the ServiceMax platform by introducing new features for our service engineers around the world. Because they are in constant contact with customers, our service personnel are crucial to customer satisfaction. Providing them with the best tools available bolsters our position as a preferred employer and means we can continue to deliver superior customer service.

Implementing ServiceMax has increased efficiency, as field data is shared with the office more quickly. The positive effects are evident in improved service delivery and sustained growth. Response times have shortened, on-time performance has improved, and productivity in the field has shown steady improvement.

832 ENGINEERS DELIVERED
1.2 MILLION HOURS
SERVICING OUR CUSTOMERS

A key source of recurring revenues

Service will continue to be a key source of revenue and growth for Marel in the coming years. Major investments have been made in business improvements in the last few years, including IT and employee development. This has created a solid foundation for future growth and profitability from the company's service operations.

Marel in Oceania

In the Oceania region, Marel has been strengthening and expanding its service team to deliver top quality installations and service to customers in the poultry, meat and fish industries across Australia and New Zealand. In 2018, the team completed a number of projects, ranging from complete greenfield installations to regular repair and maintenance jobs. A major installation for a poultry processing customer located in New South Wales in Australia started in September and is expected to conclude in mid-2019. SensorX Accuro has been gaining popularity amongst meat processors in the region with multiple systems installed during the year for large and smaller processors and more to come in 2019. The Oceania team also includes several Innova service specialists who support customers on the data-driven software side of their operations.

April Warman takes the lead

In February 2018, April Warman was appointed Territory General Manager for Oceania and took over the leadership in the region. April started her career as a field service engineer and brings valuable experience in business leadership including project management and customer service.

"At Marel, we are listening to our customers and responding to their feedback. To improve our service even further and ensure our customers can operate smoothly at all times, we are working on implementing a new customer contact system," says April. *"The system will cover New Zealand and Australia and improve our readiness in responding to our customers 24/7, taking into account the various time zones our customers operate in. The system is part of our drive to increase our service capability and deliver dedicated local support."*

Training for service personnel in Oceania

Marel is also strengthening its service team in the region with training and development to further enhance the customer experience for food processors in Oceania. In 2018, service technicians and engineers attended local and international training seminars, with a focus on specialization and on the quality of customer service. The team is made up of 28 service engineers who work across Australia and New Zealand in partnership with our customers to optimize their production.

GLOBAL SUPPLY CHAIN

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

A team of over 2,300 people in Marel's global supply chain supports innovation and manufacturing with equipment and spare parts. Our experts make sure that all our production, whether for modernization and large greenfield projects, of stand-alone equipment, or spare parts, runs on schedule and that orders are delivered and serviced according to our customer's requirements. To achieve this, we work closely with our distribution network and key suppliers of raw material and spare parts from around the world.

We now run 13 manufacturing sites for equipment and spare parts, together with four main distribution centers to support our extensive service platform.

Streamlined manufacturing, coupled with our co-location strategy introduced in 2017, allows us to share the production load across locations. This allows for greater flexibility to manage costs, mitigate global trade risks and ensure optimal lead-times.

Quality, responsiveness and efficiency are the cornerstones of this activity. 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.

Working at the speed of the future

Real-time data and equipment monitoring allow for preventive maintenance that reduces downtime and saves precious resources.

That's the power in numbers.

Enablers for growth

Marel's unique scalability and skills matrix across its global supply chain is a major competitive advantage.

Today, our 13 manufacturing sites are strategically positioned around the world. We continue to benefit from our scalability worldwide and anticipate that future growth will occur primarily in our key manufacturing hubs in Brazil, Slovakia and China.

Optimizing the manufacturing footprint is always on our agenda. This year has been the first full year of running our Slovakia operation in a single facility. The integration of the two previous locations has been very successful. We already note a rise in output and expect production volume in Nitra to rise even further.

Standardization was also key theme in 2018. We aligned processes and capabilities across manufacturing, innovation and procurement. By the same token, we worked in partnership with key stakeholders to standardize components and the format of our supplier relationships.

Scalable manufacturing to support growth

At Marel, we operate a mother-site plus co-location strategy in manufacturing. The mother site is responsible for product life cycle management and how the product is manufactured. The co-location sites are focused on scale manufacturing, producing large volumes with the two-fold advantage of cost effectiveness and close proximity to the customer. This results in improved lead-time and lower costs.

In 2018, we continued implementing our co-location strategy, which enabled us to achieve close to 20% year-on-year growth in manufacturing output.

By improving the manufacturing process and strengthening the local organization by focusing on key positions, we boosted the output of our plant in Nitra, Slovakia, by 40% in 2018. In addition, we expanded our US co-location activities and are now able to manufacture key solutions for the US market close to our customers. In Brazil, we initiated co-location programs with two products. These co-location activities have contributed to higher volumes without expanding our manufacturing footprint.

Deeper partnerships with our suppliers

Marel's suppliers and their sub-suppliers are critical links in our supply chain. Without them, we would not be able to deliver high quality products reliably to our customers. Working effectively with our suppliers is no less essential than internal efficiency.

In 2018, we further strengthened our relations with key partners, which will support our US and European operations. This is part of our strategy of outsourcing non-core activities to optimize our internal resources. Leaner manufacturing operations allow for agility and better flexibility to meet changes in orders from customers. To give better focus to this part of our operation we adjusted our key performance indicators' reporting accordingly. We also took steps to reduce the number of suppliers and shift our emphasis to partnerships with key suppliers of parts, assemblies and equipment.

We continued to strengthen our internal operations, improving processes and working procedures to optimize the way the supply chain is structured. Streamlined internal operations enable us to keep up with increasing demands from our customers and for new product development.

Co-location enables higher volumes of new products

As investments in IT systems progress, products can more easily be manufactured at co-location sites. In coming years, we will increase the effectiveness of our global supply chain network by leveraging acquisitions as either mother or co-location sites.

With successful co-operation and a flexible production platform, the supply chain was able to contribute significantly to the success of new product launches.

SensorX has been in high demand from customers around the globe. As a result of the recently launched co-location strategy, the SensorX is now manufactured in two locations and is a prime illustration of how Marel has been able to deliver on orders received for this popular product. Co-location manufacturing of SensorX allows us to continuously optimize and innovate the product at the mother site in Iceland while having the volume flexibility at our Nitra location.

In addition to enabling growth, our co-locating of manufacturing towards best-cost countries has reduced not only the direct manufacturing cost, and the cost of material and components, but also the indirect management cost.

The manufacturing focus in Nitra will remain on standard equipment and the more mature product lines.

The smart factory - automation and industry 4.0

Our own factories are getting smarter as we contribute to the development and implementation of automation in the food processing industry.

We strengthened our global industrial engineering approach with greater standardization in processes and investments at all sites.

We have always been a high-tech company, leading the automation of our industry as we continue exploring the potential of Industry 4.0. Automation drove supply chain performance to high levels that were sustained throughout manufacturing and set a new benchmark for future projects.

Most of our sites benefit from 3D printing of plastic parts in the development process. Additive manufacturing has improved product design and reduced the lead-time for bringing new products to the market. We have started exploring the impact of additive manufacturing of steel parts and expect this technology to give us even greater freedom in the design and development process.

Modernization of our manufacturing sites continues. In the past few years, we have improved our manufacturing output and product quality by increasingly using robotics. Going forward, we will focus on digitalization of our assembly environment to take advantage of its potential to support growth and improve our productivity, for example by introducing digital assembly instructions.

We are committed to investing in our global supply chain to enable sustainable growth in the future.

GLOBAL SUPPLY CHAIN

Steel cutters automate first steps in manufacturing

One of the key initial steps in manufacturing of Marel solutions is cutting sheet metal. Maintaining uptime during the first steps in manufacturing is important for a smooth flow through the production process further downstream. In 2018, Marel established a partnership with Trumpf GmbH, one of the world's leading providers of manufacturing solutions, to supply our facilities with four laser steel cutters. The steel cutters are a big advance towards increased automation in our manufacturing process and have been installed at major sites in Gainesville, Gardabaer, Lichtenvoorde and Boxmeer.

The automated solution has changed how raw material and cut parts are handled and has freed the hands of operators who are able to focus on activities that add more value in manufacturing, such as managing the overall flow of materials through production. The speed at which the steel cutters operate, combined with the resulting extra manpower available for value-adding tasks, reduces the lead-time in manufacturing, with positive effects further downstream in production.

Our investments in automation in manufacturing will prepare our supply chain for future growth, and allow us to operate flexibly to deliver the right quality on the right time to our customers.

INVESTORS

Last year's numbers are this year's discoveries

By analyzing vast amounts of data gathered by our Innova Food Processing Software, we discover opportunities for improvement. Every year our systems run, we learn more about the possibilities for growth.

That's the power in numbers.

APPROXIMATELY
2,500
SHAREHOLDERS

SHAREHOLDER INFORMATION

The largest company on Nasdaq Iceland, Marel had a market capitalization of ISK 252.6 billion (EUR 1.9 billion) at year-end 2018. Its share price rose by 15% and Marel shares were the most actively traded on Nasdaq Iceland in 2018 with a turnover rate of 36%.

Since its original listing in 1992, Marel has created excellent value for its almost 2,500 shareholders. As the only large cap listed company in Iceland, Marel's investor base consists predominately of Icelandic investors.

LARGEST COMPANY ON NASDAQ ICELAND
WITH MARKET CAPITALIZATION OF EUR 1.9 BN

Market capitalization

Marel is the largest company listed on Nasdaq Iceland by market capitalization. The market value of the company at year-end 2018 was ISK 252.6 billion (EUR 1.9 billion) compared to ISK 237.6 billion (EUR 1.9 billion) at year-end 2017, an increase of ISK 15.0 billion (decrease in EUR of 4.3 million due to exchange rate movements).

TRADING DATA FOR 2018 AND 2017

	2018	2017	Unit
Market capitalization	252,557	237,588	ISKm
Share price at year end	370.00	323.00	ISK
High / Low price per share	402.00 / 320.00	374.50 / 250.50	ISK
Dividend per share	4.19	2.14	EUR cents
Earnings per share	17.95	13.70	EUR cents
P/E ratio	15.47	18.85	-
Issued shares	682.59	735.59	Million
Outstanding shares*	671.82	693.84	Million

* Issued shares multipled by share price at last trading day of 2018

Share performance and liquidity

Marel's share price rose 14.6% over the year, in striking comparison to the modest 1.3% drop in the OMXI8 index for the top-listed companies in Iceland. At year-end 2018 Marel's share price was ISK 370.00, compared to ISK 323.00 at the end of 2017 (equivalent to EUR 2.78 per share at year-end 2018, compared to EUR 2.58 at the end of 2017). Marel's average end-of-day spread was 0.88%. Since the company's shares are traded in ISK, fluctuations of the Icelandic krona during 2018 affect its market value expressed in euros.

MAREL'S SHARE PRICE
ROSE 15% IN 2018

Most actively traded

Indeed, Marel's shares were the most actively traded on Nasdaq Iceland in 2018, comprising 19% of all trading in listed equities. Shares in Marel were traded 3,680 times in 2018 (2017: 3,197 times) for a total market value of ISK 96.8 billion (2017: ISK 114.5 billion), which corresponds to a turnover rate of 36%. However, it should be borne in mind that the daily turnover of the Icelandic exchange (all-share index) is limited compared to turnover on leading European indices.

Market making

Marel has agreements with Landsbankinn hf., Kvika banki hf. and Íslandsbanki hf. for market making in its shares. The

MAREL SHARES WERE THE MOST
ACTIVELY TRADED SHARES
ON NASDAQ ICELAND IN 2017

purpose of these agreements is to improve liquidity and to enhance transparent price formation in the company's shares on Nasdaq Iceland. The agreements have an unspecified duration but can be terminated with one month's notice.

SHARES

Share buyback Program initiated

The EGM held on 22 November 2018 approved an authorization for the company to initiate a formal share buyback program. The main purpose of the program is to reduce the company's share capital and meet its obligations under share incentive programs with employees.

Up to 34.1 million shares, equivalent to 5% of the issued share capital of the company, may be acquired under the buyback program.

The purchase price for shares may not exceed the price of the last independent trade or the last independent bid in Nasdaq Iceland, whichever is higher. Purchases under the program shall be divided into numerous transactions. However, the total transactions on a single day may not exceed 25% of the average daily volume of the shares traded in the previous month.

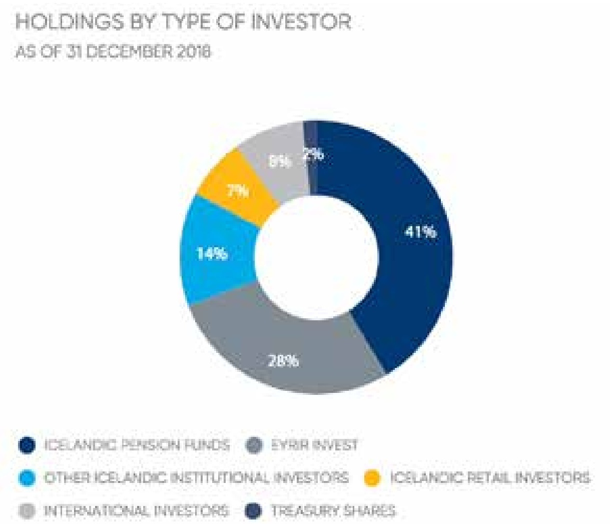
Buybacks will be made in two periods. During the first period, from 4 December 2018 up until and including 5 March 2019, total buybacks will amount to a maximum of 17,305,940 shares, or the equivalent of 2.5% of issued shares.

Shareholder structure

According to its shareholders' register, Marel had 2,491 shareholders at year-end 2018, compared to 2,206 at year-end 2017. As of 31 December 2018, Marel held 10,762,406 (1.6%) treasury shares.

Eyrir Invest hf. is Marel's largest shareholder, with 27.9% of issued shares, followed by the Pension Fund of Commerce (LIVE) (10.0%) and the pension fund Gildi (6.8%).

The ten largest shareholders held 67.2% of Marel's issued shares, with Icelandic pension funds holding a total of 41.4%. International shareholders owned 6.7% at year-end 2018. The free float of Marel shares was 72% and free-float adjusted market value of the company was EUR 1.4 billion.



TOP 10 SHAREHOLDERS AS OF 31 DECEMBER 2018

			Year-end 2018		Year-end 2017	
	Shareholder	Type	Million of shares	%	Million of shares	%
1	Eyrir Invest hf.	Investment company	190.4	27.9	190.4	25.9
2	The Pension Fund of Commerce	Pension fund	68.0	10.0	69.4	9.4
3	Gildi	Pension fund	46.2	6.8	47.0	6.4
4	LSR A, B & S divisions and Nurses	Pension fund	46.0	6.7	47.4	6.4
5	Birta	Pension fund	27.6	4.0	30.3	4.1
6	MSD Partners Luxembourg	Investment company	24.6	3.6	24.6	3.3
7	Stapi	Pension fund	15.0	2.2	14.5	2.0
8	Stefnir - IS 15	Asset management	14.4	2.1	23.4	3.2
9	Festa	Pension fund	13.4	2.0	13.0	1.8
10	Frjálsi	Pension fund	13.1	1.9	10.4	1.4
		Top 10 total	**458.7**	**67.2**	**470.4**	**63.9**
		Others	213.1	31.2	223.5	30.4
	Marel hf.	Treasury shares	10.8	1.6	41.7	5.7
		Total issued shares	**682.6**	**100.0**	**735.6**	**100.0**

Share capital

At year-end 2018, there were 682.6 million Marel shares issued, all in one class. Of the total share capital base, Marel holds 1.6% or 10.8 million shares (2017: 41.7 million treasury shares).

Marel's Extraordinary General Meeting (EGM), held on 22 November 2018, approved the two proposals that were on the agenda. Firstly, to reduce the company's share capital by ISK 53.0 million nominal value, by cancelling 53.0 million of the company's own shares. The company's share capital was thus reduced from ISK 735.6 million to ISK 682.6 million nominal value.

Secondly, to initiate a formal share buyback program, under which the company may purchase up to 34,129,296 shares in total, corresponding to 5% of share capital. The main purpose of the program is to reduce the company's share capital and to meet its obligations under share incentive programs with employees.

At year-end 2018, Marel hf. had purchased a total of 4.1 million shares under the buyback program, which corresponds to 0.6% of issued shares in the company, for a total purchase price of EUR 11.3 million.

During the year, Marel purchased 24.1 million shares for a total amount of EUR 71.7 million, thereof 4.1 million shares for EUR 11.3 million according to the buyback program. Marel sold 2.1 million treasury shares for EUR 2.2 million to fulfill employees' stock option schedules and subsequently cancelled 53.0 million own shares.

Stock options are granted to management and selected key employees. Granted and unexercised stock options totaled 11.9 million shares, of which 1.7 million were exercisable at the end of 2018. The remainder will become vested in the years 2019 to 2021.

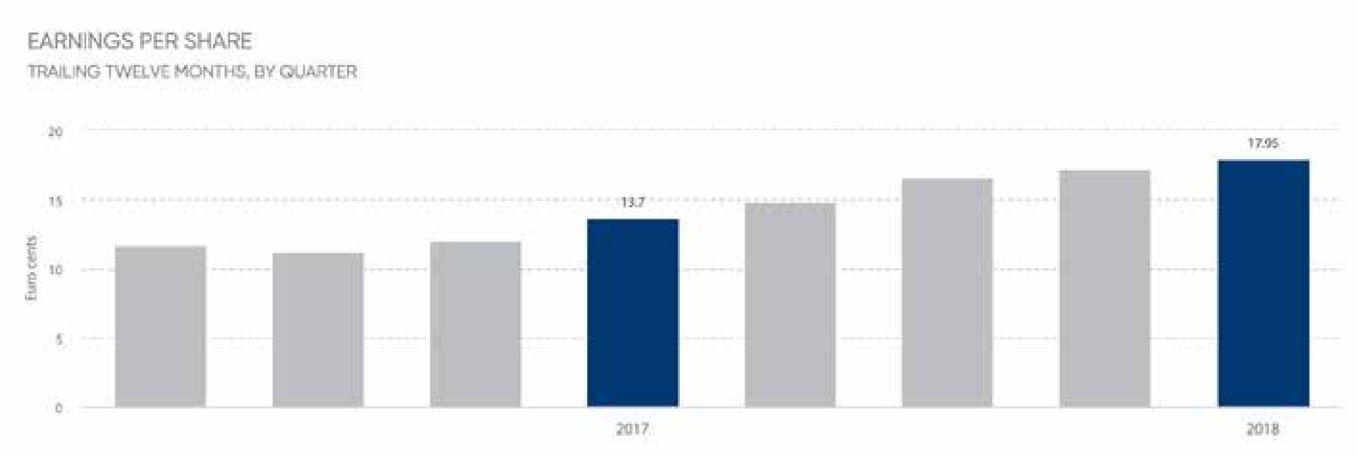
At the company's 2014 Annual General Meeting (AGM), shareholders authorized the Board of Directors to increase the company's share capital by 35 million shares to fulfill stock option agreements. This authorization is valid for five years following its adoption. No new shares were issued in 2018 under this resolution.

DISTRIBUTION OF SHARES, AS OF 31 DECEMBER 2018

Number of shares	Shareholders	%	Shares	%
1 - 9,999	1,607	64.51	5,360,170	0.79
10,000 - 99,999	714	28.67	21,134,295	3.10
100,000 - 9,999,999	155	6.22	139,559,123	20.45
10,000,000 - 99,999,999	14	0.56	315,403,089	46.21
100,000,000 and more	1	0.04	190,366,838	27.89
Total without treasury shares	**2,491**	**100.00**	**671,823,515**	**98.42**
Treasury shares			10,762,406	1.58
Total with treasury shares			**682,585,921**	**100.00**

Earnings per share

Earnings per share (EPS), measuring the amount of net income earned per share of stock outstanding, was 17.95 euro cents in 2018, increasing by 31% over the previous year. Earnings per share are expected to grow faster than revenues.



Dividends

The Board of Directors has proposed that a dividend of 5.57 euro cents per share be paid for the operational year 2018, corresponding to approximately 30% of profits for the year.

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

DIVIDENDS FOR 2018

30%

OF NET PROFIT

DIVIDEND HISTORY

Year of payment (for previous year of operations)	2018	2017	2016	2015	2014*
Dividend per share EUR cents	4.19	2.14	1.58	0.48	0.00
Dividend yield, %**	1.6%	1.0%	0.9%	0.5%	-
Payout ratio, %***	30.0%	20.0%	20.0%	30.0%	-
Ex. Dividend date	Mar 7	Mar 3	Mar 3	Mar 5	-
Record date	Mar 8	Mar 6	Mar 4	Mar 6	-
Payment date	Mar 27	Mar 23	Mar 23	Mar 27	-

*No dividend was paid in 2014 for the operational year 2013.

****Dividend yield, %:** Dividend per share / Price per share at previous year-end

*****Payout Ratio:** Total dividend paid / Net income of previous year

Perfect slices of data

Innovation requires accuracy. Using decades of precise data, we've tirelessly developed products that ensure quality food at the lowest cost—to businesses and to the environment.

That's the power in numbers.

FINANCIAL RESULTS

For the full year, revenues were EUR 1.2 billion with 14.6% adjusted EBIT margin.

- Revenues reached an all-time high
- Strong organic growth
- Strong earnings growth and healthy profit margin
- Solid cash flow enables substantial investments in innovation and future platform

REVENUES	ADJUSTED EBIT	ORDERS RECEIVED	ORDER BOOK
€1,198 MILLION	€175 MILLION	€1,184 MILLION	€476 MILLION

Árni Oddur Thórdarson, CEO:

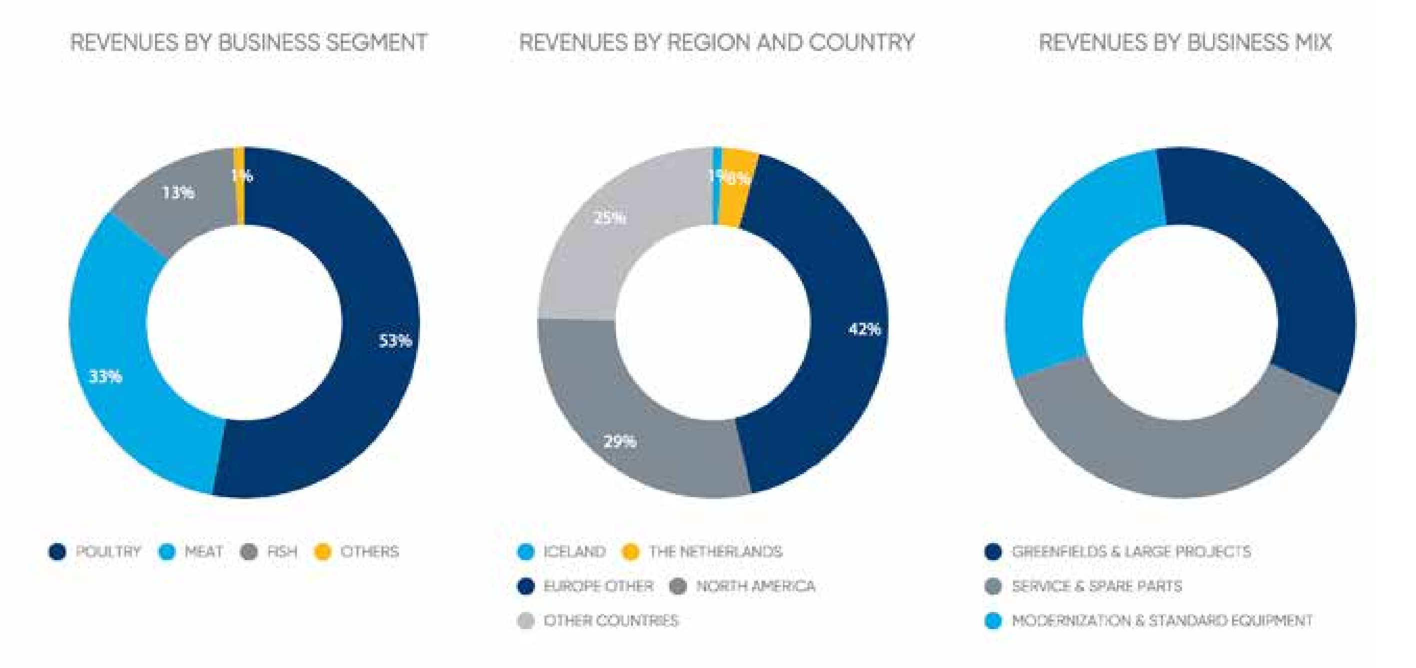
"Revenues for the full year 2018 were up 15%, of which 12.5% was organic growth. With one of the largest installed base worldwide and our proactive service mindset, 35% of our total revenues are recurring maintenance revenues. Adjusted EBIT was solid at 14.6% for the full year.

The orders received for the full year 2018 were solid at EUR 1,184 million, and rose marginally when compared with the robust growth in 2017. Trade constraints and geopolitical issues make timing of orders harder to predict. In such circumstances however, Marel as a product pioneer with extensive global reach, is well positioned to capitalize on the markets' requirement to match the supply and demand of food. We still expect the underlying annual growth of the total market to be 4-6% on average and our aim is to continue to grow faster.

Our cash flow generation continues to be best in class and we continuously reinvest in innovation, global reach and infrastructure. We also complement our product portfolio and global reach with acquisitions to accelerate our journey to transform the way food is processed. Last year we acquired MAJA for the enterprise value of 35 million, acquired treasury shares and paid out dividends for close to a 100 million. Our strong operational cash flow and improvements in operating performance lead us to a leverage of x2 Net debt/EBITDA, which is at a similar level to last year despite these high investments.

The dual listing of Marel shares on an international stock exchange in addition to its listing in Iceland is proceeding well and the primary focus is now on Nasdaq Copenhagen and Euronext Amsterdam. It is important for a global leader to have a global stage to support its ambitious growth plan, and drive fair day-to-day trading and continued shareholder returns."

Good quality of earnings



Eventful year

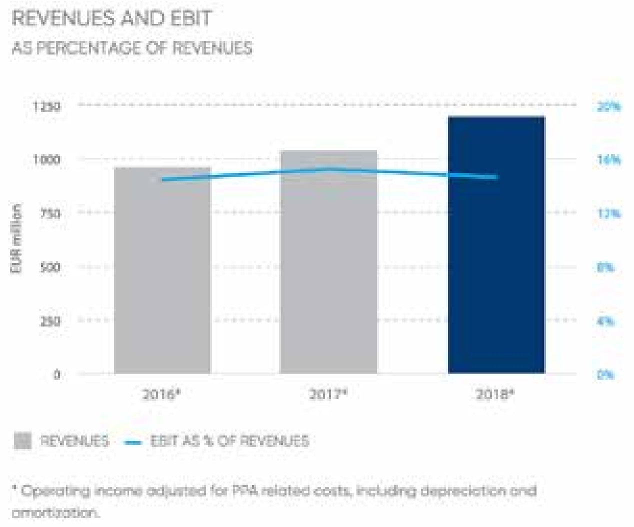
The review of alternative listing options for Marel remains firmly on track. Marel believes that a dual listing of shares on an international stock exchange, in addition to its current listing in Nasdaq Iceland, is the optimal way to align the interests of current and future shareholders. Initially, three locations were considered as listing locations. The selection has now been narrowed to two; Euronext Amsterdam and Nasdaq Copenhagen. Next step in the process is to finalize the listing location by the 2019 AGM.

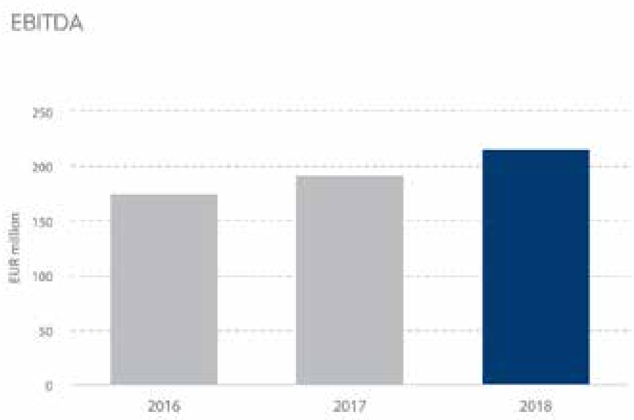
In June 2018, Marel announced an organizational change where the Commercial function was split into two new functions, Service and Global Markets and new appointments were made to Marel's Executive Team. This new structure will allow for closer proximity to customers and better scalability to support Marel's ambitious growth strategy going forward.

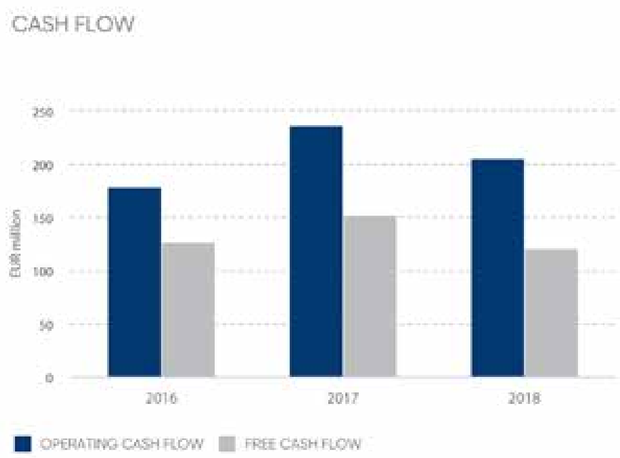
The acquisition of MAJA, the German food processing equipment manufacturer, was announced on 25 July 2018. The MAJA transaction was closed on 14 August 2018 and the results of MAJA have been included in the Consolidated Financial Statements from that date. In accordance with IFRS requirements, Marel performs a Purchase Price Allocation (PPA). Based on information currently available, a provisional goodwill amount of EUR 0.7m is reported in the 2018 financial statements. This amount will be adjusted based on the final outcome of the PPA-process.

In October, Marel announced the completion of its first issue in the Schuldschein market. This new financing adds further diversification to our long term funding structure, providing additional operational flexibility to support our growth strategy and continued value creation. The issue was oversubscribed and was subsequently raised to EUR 140 million. The vast majority was placed in the 5-year tranche priced at 110 basis points over EURIBOR, and the 7-year tranche was priced at 130 basis points over EURIBOR.

Robust earnings and profitability







Order book at good level

Balanced exposure to global economies and local markets

Orders received were EUR 1,184 million in 2018, up 3.5% from EUR 1,144 million in 2017. Orders received from newly acquired MAJA was EUR 10 million since the acquisition date. The order book stood at EUR 476 million at year-end, or close to 40% of trailing twelve month revenues. Greenfields and projects with long lead times constitute the vast majority of these orders.

Overall, Marel's commercial position continues to benefit from its full-line offering and steady launch of innovative high-tech products for smarter processing. Global reach and focus on full-line offering across the poultry, meat and fish industries counterbalances fluctuations in operations. Market conditions have been exceptionally favorable in recent quarters and are now adjusting towards more normalized levels. With one of the largest installed base worldwide, a significant proportion of Marel's revenues derive from recurring maintenance revenues or around 35% for the full year of 2018.

The order book was EUR 476 million at year-end, compared to 472 million at year-end 2017. The book-to-bill ratio was 0.99 in 2018 compared to 1.10 in 2017, reflecting strong demand and underpins Marel's ability to deliver the right quality at the right time. The strong order book continues to provide a good foundation for the full operational year 2019.

High quality earnings

Marel continues to deliver double digit revenue growth year-on-year. Revenues for the full year were EUR 1,198 million, up 15.4% compared to 2017. EBIT was EUR 175 million, up 11.3% YoY from EUR 157 million. Adjusted EBIT margin in 2018 was 14.6%, compared to 15.2% in 2017.

Gross profit margin continues to be stable at around 39% and gross profit increased 14.9% in 2018 to EUR 468 million compared to EUR 407 million in 2017. Basic earnings per share (EPS) were EUR 17.95 cents in 2018, compared to 13.70 cents in 2017.

Marel Poultry

Marel Poultry's competitive position remains strong on the back of its established full-line product range. Marel Poultry continued to deliver solid operational performance in 2018, with good orders received. Projects were well distributed geographically, Europe and Poland in particular as well as smaller orders coming in from the US.

In 2018, revenues for Marel Poultry were EUR 638 million, up 13.9% from 2017, EBIT was up 7.0% to EUR 117 million and the EBIT margin was 18.4%. Primary processing in the US is experiencing a temporary slowdown but there are opportunities to move US customers up the value chain.

Marel Meat

Orders received for Marel Meat have risen throughout the year and 2019 will start with a record high order book. Large projects include slaughter and logistics greenfield projects in Russia, Spain and Vietnam. The upselling of secondary and further processing equipment is also firming up, which is a key focus area in order to reach long-term targets.

In 2018, revenues for Marel Meat were EUR 387 million, up 15.7% over the year. Adjusted EBIT margin for the same period was 11.3%. Management is targeting medium and long-term adjusted EBIT margin expansion for Marel Meat, through increased efficiency with further standardization and improved upselling.

Marel Fish

The order book for Marel Fish has slowed down after a good first half of the year in 2018. There was good geographical and product diversity in orders received in 2018, including greenfield projects and salmon sector orders in Chile, France and Norway.

The full year of 2018 delivered strong revenues for Marel Fish. EBIT for the full year was EUR 12.6 million, compared to 5.6 million in 2017 and the EBIT margin was 7.9%. Marel has shown operational improvements in the past few quarters but as previously stated, the short-term operational margin for Marel Fish was likely to adjust downwards, however management is targeting medium and long-term EBIT margin expansion for the industry segment.

Free cash flow generation and superior working capital cycle

Free cash flow was EUR 121 million in 2018, compared to 153 million in 2017. The difference year-on-year is due to fluctuations and timing of orders received and down payments for large projects. Marel continues to invest in the business to prepare for future growth and its full potential. Investment activities are expected to be above normalized levels for the coming quarters.

Net debt/EBITDA including lease liabilities was x2.0 at year-end 2018, compared to x1.9 at the end of 2017. Currently leverage is at the lower end of the targeted capital structure of x2-3 net debt/EBITDA, which underpins the financial capacity to support further growth and value creation.

KEY FIGURES

FIGURES IN MILLIONS OF EUR

	2018	2017	Change
Revenues	1,197.9	1,038.2	15.4%
Gross profit	467.5	406.7	14.9%
Gross profit as a % of revenues	39.0%	39.2%	
Adjusted result from operations (EBIT)*	175.2	157.4	11.3%
Adjusted EBIT as a % of revenues*	14.6%	15.2%	
EBITDA	215.5	192.0	12.2%
EBITDA as a % of revenues	18.0%	18.5%	
PPA related costs	(14.3)	(17.1)	
Result from operations (EBIT)	160.9	140.3	14.7%
EBIT as a % of revenues	13.4%	13.5%	
Orders received	1,184.1	1,143.7	3.5%
Order book	476.0	472.1	0.8%

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

2018 CONSOLIDATED FINANCIAL ACCOUNTS

RESULTS IN MILLIONS OF EUR

	2018	2017	2016
Revenues	1,197.9	1,038.2	969.7
Gross profit	467.5	406.7	397.0
Result before depreciation and amortization (EBITDA)	215.5	192.0	175.4
Result from operations (EBIT)*	160.9	140.3	114.8
Net result for the period	122.5	96.9	75.8

ORDER BOOK IN MILLIONS OF EUR

	2018	2017	2016
Orders received	1,184.1	1,143.7	1,006.1
Order book	476.0	472.1	349.5

CASH FLOW STATEMENT IN MILLIONS OF EUR

	2018	2017	2016
Cash generated from operating activities, before interest & tax	205.8	236.2	179.0
Net cash from (to) operating activities	166.8	195.6	137.1
Net cash from (used in) investing activities	(84.5)	(77.7)	(408.1)
Net cash from (used in) financing activities	(60.2)	(122.2)	220.4

FINANCIAL POSITION IN MILLIONS OF EUR

	2018	2017	2016
Total assets	1,565.9	1,440.6	1,392.4
Working capital	(43.7)	(71.9)	(13.3)
Group equity	560.9	541.9	525.6
Net debt	431.6	365.1	403.6

VARIOUS FIGURES IN PROPORTION TO SALES

	2018	2017	2016
Gross profit	39.0%	39.2%	40.9%
Selling and marketing expenses	11.2%	11.6%	13.3%
Research and development expenses	6.2%	5.6%	6.5%
Administrative expenses	7.0%	6.8%	6.8%
Wages and benefits	34.3%	35.0%	35.0%
Result before depreciation (EBITDA)	18.0%	18.5%	18.1%
Depreciation/amortisation	4.6%	5.0%	5.7%
Result from operations (EBIT)*	13.4%	13.5%	11.8%
Net result for the period	10.2%	9.3%	7.8%

OTHER KEY RATIOS

	2018	2017	2016
Current ratio	0.9	0.8	1.0
Quick ratio	0.6	0.6	0.6
Equity ratio	35.8%	37.6%	37.7%
Return on total equity	22.2%	18.2%	15.6%
Return on total assets	8.1%	6.8%	5.4%

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

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]

Leverage
Net interest bearing debt/ Last twelve months EBITDA

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

Net cash
Cash and cash equivalents

Order book
Accumulated net order intake, where revenue is booked off orders

Orders received
When full responsibility to maintain an order is assumed, the order is formally registered in the system

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)

INVESTOR RELATIONS

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

Sources of investor information

Marel aims to meet the highest standards in its investor relations by continuously improving the quality, transparency and consistency of its information disclosure. Investors can follow annual and quarterly results presentations broadcast live over the Internet and have access to archived financial reporting, webcasts and other relevant investor material at marel.com/investors.

Financial reports

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

Annual report

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

IR website

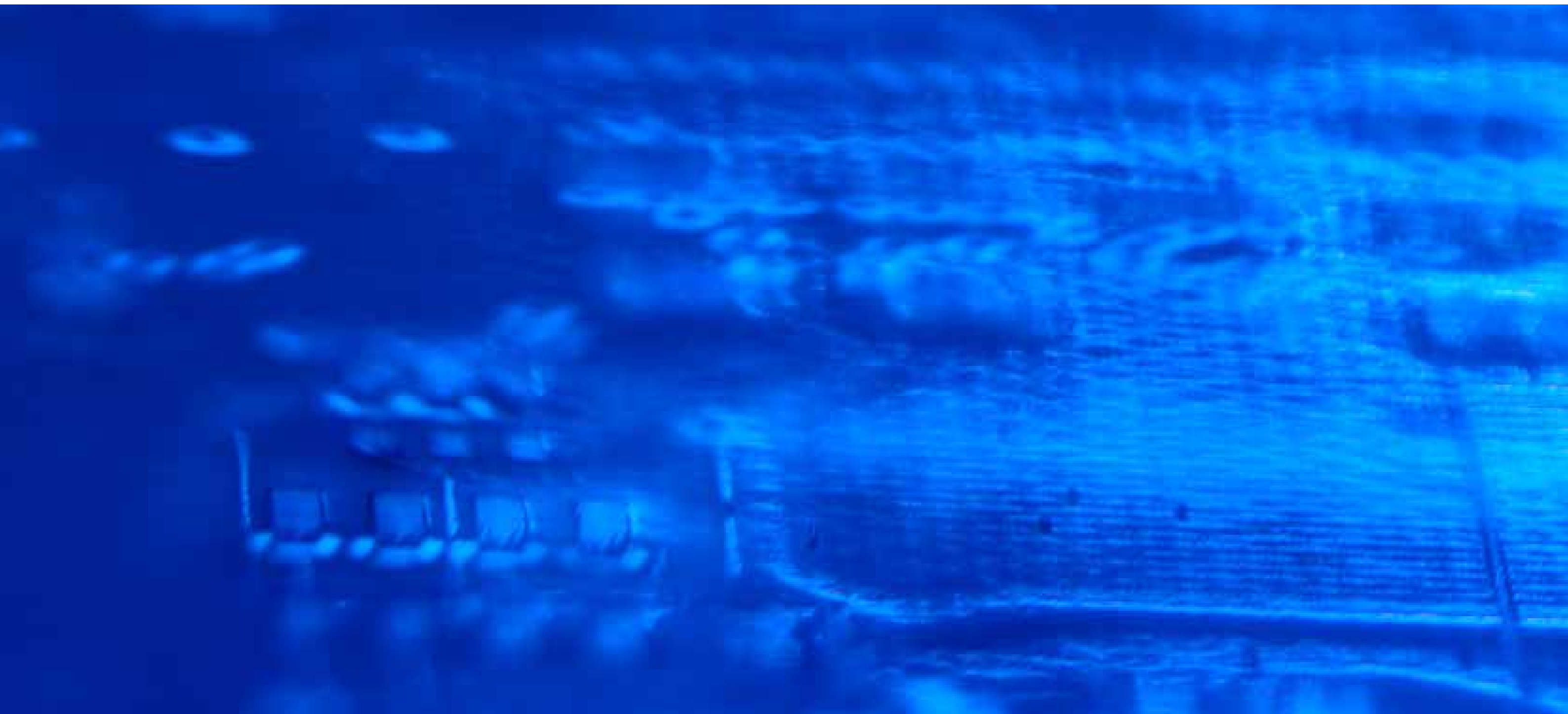
The investor relations site at www.marel.com/investors provides extensive news and background information on Marel for both analysts and investors.

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

Analyst coverage

Marel is covered by five analysts in total, four Icelandic and one international, who actively track and publish opinions on Marel and its stock.

ANALYST COVERAGE
OF 5 INSTITUTIONS, 4 DOMESTIC AND 1 INTERNATIONAL



INVESTOR RELATIONS

International listing of shares

In line with the company's intention to pursue a dual listing of its shares, at its 2019 AGM shareholders will be asked to authorize the issuance of new share capital of up to 15% to support a successful international listing, fair valuation and liquidity.

In order to align the interests of current and future shareholders regarding the anticipated share capital increase the Board of Directors decided to call an Extraordinary General Meeting on 22 November 2018.

The two proposals on the agenda were both approved by the meeting. Firstly, to reduce the company's share capital in connection with preparations for possible dual listing of the company, for the benefit of shareholders. Article 2.1 of the Articles of Association for Marel hf. was amended accordingly and now states as follows: "The share capital of the company amounts to ISK 682,585,921." This amounted to EUR 6.2 million at year-end 2018.

Secondly, authorization was granted to the Board of Directors to initiate a formal share buyback program, under which the company may purchase up to 34,129,296 shares in total, corresponding to 5% of share capital. All relevant information and documents in relation to the Extraordinary General Meeting are available and archived on marel.com/egm.

FINANCIAL CALENDAR FOR 2019

Event	Date
Annual General Meeting	6 March, 2019
Q1 2019	29 April, 2019
Q2 2019	24 July, 2019
Q3 2019	23 October, 2019
Q4 2019	5 February, 2019
Annual General Meeting 2020	4 March, 2020

Nasdaq Iceland

Marel has been listed on the Icelandic stock exchange Nasdaq Iceland since 1992 and all of its regulatory announcements can be found at www.Nasdaqomxnordic.com.

35 YEARS SINCE ESTABLISHMEN

LISTED COMPANY SINCE 1992

Tickers

Information on Marel is available on Bloomberg and Reuters under the tickers MARL1:PZ and MARL.IC respectively.

MARL1:PZ

MARL.IC

Contact us

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RESPONSIBLE GROWTH

More data means less waste

Feeding a growing world population means minimizing waste at every stage of the production chain. With vast caches of data at our disposal, we've made it our mission to transform the way food is processed.

That's the power in numbers.

CORPORATE SOCIAL RESPONSIBILITY

Marel's Board of Directors and Executive Team approved a corporate social responsibility guidance policy for the company in 2016. We are reporting on the company's activities as measured against its corporate social responsibility guidelines for the third time.

Marel does not operate as a business in isolation but is part of the larger society - in which we have responsibilities, duties, and rights. Our approach is to go beyond merely complying with laws and regulations. We look at our contribution to society as a whole and how we can add value where we operate. To turning these words into action, we are a signatory of the United Nations Global Compact. In 2018, we were also part of the Nasdaq Sustainable Markets Initiative for the second time and complied with the Nasdaq ESG reporting guidelines.

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

February 12, 2019

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

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

Sincerely yours,
Árni Oddur Þórðarsson
CEO

UN GLOBAL COMPACT
COMMUNICATION ON PROGRESS

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

We welcome feedback on its contents.

Our contribution to the un sustainable development goals

Marel focuses its efforts to benefit people, the planet and its operations on three of the United Nations Sustainable Development Goals:

2 ZERO HUNGER

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

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Goal 12: Ensure sustainable consumption and production patterns

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

To ensure sustainable consumption and production patterns (Goal 12), we work hard to create solutions that reduce food waste, increase efficiency in resource use, boost yields, add recycling options, and optimize portion sizes. Marel takes part in building and supporting infrastructure that promotes sustainable industrialization and fosters innovation through modern technology.

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

Partnerships for a sustainable world

In 2018, Marel's CEO Árni Oddur Thórdarson joined Nordic CEOs, an initiative formed by the CEOs of some of the Nordic region's largest companies who share a commitment to integrate the UN Sustainable Development Goals in their respective business strategies. Through this forum, CEOs exchange experiences and explore initiatives that can accelerate the collective efforts of achieving the UN Sustainable Development Goals and the Paris Agreement.

Marel CSR guidance policy

Social responsibility

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

Environmental responsibility

Through an ongoing dialogue with our customers and suppliers, we strive to increase yields and minimize waste in food production while promoting food safety, traceability, quality, and animal welfare. Sustainability is the central goal in our innovation process. We focus on creating new methods and finding approaches that minimize environmental impacts, such as CO2 emissions, and maximize the efficient use of resources including raw materials, water, and energy.

Economic responsibility

Our purpose is to generate value for our partners and shareholders through fair trade practices. We seek to promote long-term profitability and good business practices along our entire value chain. Continuous improvements are made to make sure we comply with international laws, anti-corruption rules, and local regulations. We believe that all parties must contribute fairly towards the societies in which they operate.

Nasdaq ESG reporting guidelines

In 2017, Marel participated in the Nasdaq Sustainable Markets Initiative for the first time and follows the Nasdaq ESG reporting guidelines. Marel is now part of the initiative for the second time.

ENVIRONMENTAL REPORTING GUIDELINES

	Metric	2018	2017
E1	Direct & indirect GhG emissions	31,475 tCO_2e	28,193* tCO_2e
E2	Emission intensity	26.27 $kgCO_2e$ Per 1000 €	27.10 $kgCO_2e$ Per 1000 €
E3	Energy usage	62.9 GWh	61.6* GWh
E4	Energy intensity	253 KWh per m^2 10.86 MWh per FTE	244* KWh per m^2 12.54* MWh per FTE
E5	Energy mix	Renewables	Natural gas
E6	Water Usage	35,292 m^3 4,982 m^3 reclaimed	- -
E7	Environmental operations	Yes	Yes
E8	Climate related risk oversight	No	No
E9	Sustainability issue oversight	Yes	Yes
E10	Climate risk mitigation	-	-

* Restated due to improved data accuracy.

SOCIAL REPORTING GUIDELINES

	Metric	2018	2017
S1	CEO pay ratio	12.5:1	15.2:1
S2	Gender pay ratio	1.1:1	-
S3	Employee turnover ratio	11.9%	12.2%
S4	Gender diversity	15.4/84.6	15.4/84.6
S5	Contractors/Part-time worker ratio	16%	16%
S6	Non-discrimination policy	Yes	Yes
S7	Injury rate	3.2	-
S8	Global health & safety policy	Yes	Yes
S9	Child & forced labor policy	Yes	Yes
S10	Human rights policy	Yes	Yes

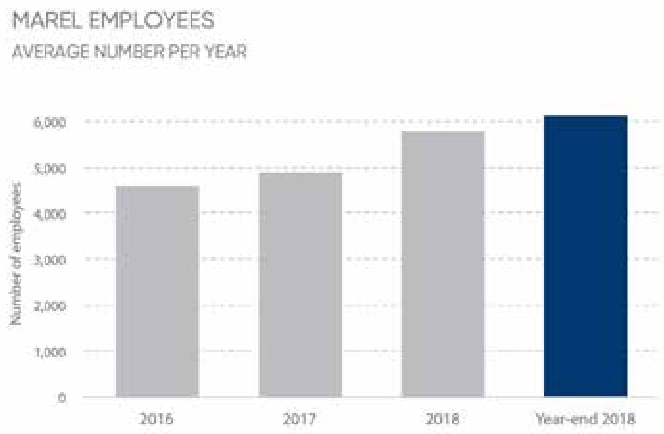
CORPORATE GOVERNANCE REPORTING GUIDELINES

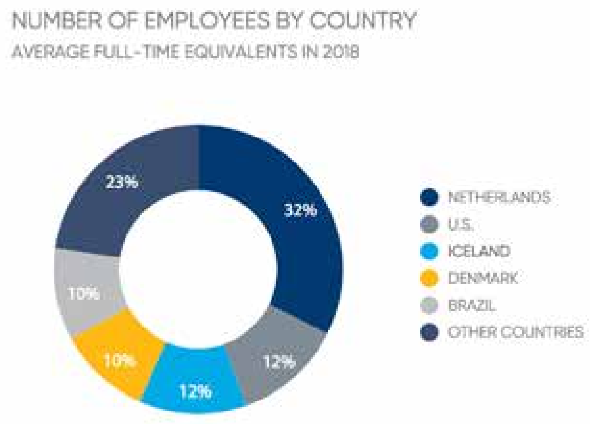
	Metric	2018	2017
G1	Board diversity	42.1/57.9 *All independent of Marel*	42.1/57.9 *All independent of Marel*
G2	Board independence	Yes	Yes
G3	Incentivized pay	No	No
G4	Collective bargaining	Yes	Yes
G5	Supplier code of conduct	Yes	Yes
G6	Ethics & anti-corruption	Yes	Yes
G7	Data privacy	Yes	Yes
G8	Sustainability report	Yes	Yes
G9	Disclosure practices	UN's SDGs	-
G10	External validation assurance	Partial	Partial

SOCIAL RESPONSIBILITY

At Marel, our objective is to develop food processing solutions that help feed the needs of a growing world more safely and efficiently, while minimizing any adverse environmental and social impacts. To meet these objectives, we need to act responsibly towards society, including our employees, our customers, and other stakeholders. Making social responsibility a priority of our corporate culture means we are dedicated to providing a safe and healthy working environment with equal opportunities for all of our employees. We feel it is imperative to foster individual and team development and to ensure the right of freedom of association for all of our employees.

One aspect of our social responsibility is to engage with local communities and stakeholders where we operate to seek local participation and insights. We are investing in these locations for the long term. Engagement at this level is not only good for our business; it helps spur innovation and education among our local labor force. Naturally, human rights violations, including any forced labor, underage labor or illegal labor conditions, are not tolerated under any circumstances.





Human resources

Our human resources mission is to engage competent employees and to provide them with a supportive and ambitious work environment that motivates and encourages them to make Marel's vision their own. To do this, we offer excellent work training with opportunities for further education and job development. We work hard to promote a spirit of teamwork and co-operation throughout the whole organization.

We recognize the value of cultural diversity, while at the same time encouraging and strengthening our values of unity, innovation, and excellence. A policy of open communication, as well as promoting a culture that seeks a healthy balance between work and personal life, is essential, and our employees value this, too.

We are convinced that this will not only help our employees maintain a creative and stimulating work environment but also foster innovation and employee satisfaction that will benefit our company in the long run.

To deal with seasonal fluctuations in order processing and other variations in project loads, Marel employs a number of temporary workers. In 2018, the ratio for full-time temporary workers was 16.2% of the total workforce.

Corporate responsibility

Fostering unity through the 7 habits leadership philosophy

At Marel, unity is one of our core values. In 2018, we initiated our global career development program, a shared framework to foster unity and enhance professional and personal development. "The 7 Habits of Highly Effective People" was chosen as Marel's leadership training program. This well-known leadership framework highlights important principles to become more effective through proactive behavior, prioritization, time management, empathic listening, and synergistic thinking.

"The 7 Habits leadership philosophy is our shared language that unites us and enables us to synergize to achieve outcomes that exceed the sum of the contribution of each team member," says Elín María Björnsdóttir, Marel's Global Learning and Development Manager who has been leading the initiative.

Since mid-2017, we have trained more than 500 employees to apply what they learned in "The 7 Habits" to become more effective in their professional and personal lives. Seven of our managers have been trained as 7 Habits facilitators to expand the program's reach, with another 15 expected to graduate as certified trainers in January 2019.

"The 7 Habits training demonstrates Marel's commitment to help each of us be our best in all areas of our lives." - Maria Bozaan, Human Resource Director for Global Markets and Global Service

Health, safety and environment

Providing a healthy and safe working environment for all of our employees, contractors, and visitors working in Marel facilities is the right thing to do and we take pride in doing it well. Health, safety, and the environment concern all of us and we do our utmost to make sure our employees have the necessary competence, tools, and instructions to perform their work professionally and safely.

Marel employees are accountable for their own safety. Local management of all Marel entities is responsible for ensuring that processes and procedures are established within their entity that comply with Marel's Health, Safety and Environment Policy and all applicable local laws.

A global Marel Health, Safety, and Environment (HSE) team monitors compliance with the Marel HSE Policy and facilitates the process for improvement.

HEALTH, SAFETY AND ENVIRONMENT STATISTICS

	2018		2017	
	Total	Per 100 employees	Total	Per 100 employees
Number of accidents with fatalities or severe injuries	0	0	0	0
Number of serious accidents resulting in absence from work	30	0.5	50	1.2
Number of accidents	158	2.8	179	4.2
Number of near accidents / Safety concerns	765	13.7	44	1.0
Number of environmental accidents	2	0.04	2	0.05

Diversity

A global diversity and inclusion policy was adopted by the Board of Directors in 2017 and has been in force since 2018. Its objective is to ensure diversity and inclusion within Marel as well as increasing job satisfaction and general wellbeing in the workplace. We aim to make sure that employees are not discriminated against on the grounds of their gender, beliefs, nationality, race, sexual orientation, religion, color, personal finances, family, age or on any other grounds.

We believe this policy helps make Marel a more desirable and responsible workplace that will, in turn, attract and keep the most qualified employees. Our global diversity and inclusion policy applies to all Marel employees and governance bodies, including the Board of Directors, its sub-committees and the Executive Team.

The diversity policy rests on the four following pillars, each equally important:

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

The data and statistics on diversity that we collect are systematically evaluated to ensure successful implementation of the policy. The results will be presented in a clear and organized method and used to help management understand where we need to improve, and where we are performing well regarding diversity.

NEW HIRES BY GENDER

	2018	2017
Female	19.3%	19.9%
Male	80.7%	80.1%

TURNOVER RATE

	2018	2017
Marel total	11.8%	12.2%

COMPOSITION OF GOVERNANCE BODIES AND BREAKDOWN BY GENDER

	2018			2017		
	Female	Male	Total	Female	Male	Total
Board of Directors	43%	57%	7	43%	57%	7
Executive Team	17%	83%	12	9%	91%	11
Employees	15.4%	84.6%	5,794	15.4%	84.6%	4,912

Forced labor and under-age workers

We have a zero-tolerance policy at Marel where human rights violations are concerned, including child labor, or any illegal labor conditions. All of our employees must have reached the legal working age in the country where they work. None of our facilities allow illegal labor practices or forced labor conditions. In 2018, we required all new suppliers to comply with the same standards as Marel does on issues related to human rights and labor, as described in our Code of Conduct.

There were no reports of human rights violations in 2018.

Freedom of association

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

Engagement with local communities

Our primary involvement in local communities occurs through our operations in the countries where we work. We focus mainly on educational outreach in collaboration with local educational institutions and through continuing education of our employees. Many of our production facilities have internships and trainee programs to assist talented young individuals to enter the workforce and to develop their skills in a professional and safe working environment.

Another aspect of engaging with local communities is our commitment to fast-track economic development in developing countries. By introducing new food processing technologies to these locales, we have immediate and radical effects on production capabilities, worker safety, and food traceability. One of the main growth sectors for us is the creation of shared value through partnerships in new and emerging markets. We intend to deliver market-altering solutions that increase both general wellbeing and economic progress in all the markets where we operate.

In 2018 we implemented a global philanthropy and social participation policy

Well-designed charitable activities and social participation programs can 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. Our guidelines are designed to direct the company's efforts in being the partner, neighbor, employer, customer, and primary supplier of choice around the world. Through partnerships, we aims to empower external organizations, customers, and employees to support the communities where we operate.

ENVIRONMENTAL RESPONSIBILITY

Throughout our value chain, we encourage and promote the most efficient use of resources to minimize environmental impact and prioritize environmental protection. Innovation is at the core of this strategy. We continuously strive to create new methods for improving yields and decreasing waste in food production by reducing the use of scarce resources such as energy and water while promoting food safety, traceability, and animal welfare.

One of our sustainability goals is to help our customers use less water and energy while minimizing their CO2 footprint during production. Many projects have been implemented to support precautionary approaches to environmental challenges. We have undertaken initiatives to promote greater environmental responsibility along our entire value chain.

In 2017 we added a sustainability scorecard to the product development process, which encourages the inclusion of sustainable features right from the beginning of the product development process. By the end of 2018, we completed a full-year evaluation of our new product development projects according to the environmental and social criteria that make up the sustainability scorecard.

Energy

The projects that we have instituted to minimize energy consumption at Marel include installing car-charging points for employees and visitors who own electric vehicles, replacing regular light bulbs with LED lighting where feasible, and undertaking many local projects that prioritize energy efficiency, including the installation of energy management systems in our major manufacturing locations. We are also continually upgrading our manufacturing equipment to increase energy efficiency along with other capabilities.

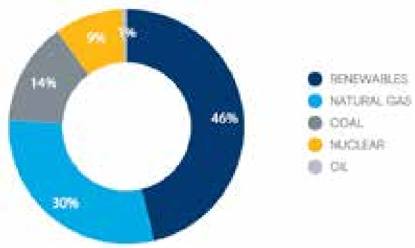
Our primary energy sources are natural gas and renewables with almost 46% of all energy consumed by Marel produced by burning natural gas and 40% obtained from renewable sources.

46% FROM RENEWABLES
OF ALL ELECTRICITY CONSUMED BY MAREL

ENERGY CONSUMPTION & INTENSITY

	2018	2017
Total GWh	62.9	61.6
KWh per m^2	253	244
MWh per employee	10.86	12.54

MAREL'S ELECTRICITY CONSUMPTION IN 2018 BY ORIGIN



CORPORATE RESPONSIBILITY

Understanding the carbon footprint of Marel's solutions

Environmental impact and sustainability have always been a part of our thinking when we design systems and solutions.

In 2018, we took our first steps towards understanding the full carbon footprint of our machinery during its lifetime by performing a meticulous study of the carbon footprint on a few of our products. The study was conducted according to an internationally recognized methodology, using acknowledged databases on components and parts.

We now have a better understanding of how much greenhouse gases are emitted during the entire lifecycle of some of our key machinery. We took into consideration raw material extraction, manufacturing, transportation, use, maintenance, and end-of-life disposal, accounting for variations such as the country of production, primary type of energy during use, and obsolescence scenarios. The study pointed to three key areas where the carbon footprint of our products could potentially be reduced: to minimize energy consumption during the use-phase, ensure the durability and longevity of our products, and reducing food processing waste.

Our early exploration of measuring the carbon footprint of our equipment is a proactive step to stay in the forefront in understanding the environmental impact of the total value chain of food production. Ultimately, our goal is to work in partnership with our customers to design and manufacture solutions that contribute to the sustainable production of food for a growing world population.

Waste management

Waste management is a factor in our processes that we take seriously at Marel. In 2018, a full-scale analysis of all our waste-streams was carried out to provide us with a comprehensive overview of our waste footprint, how much of our waste ends in landfills, and how much is either reused or recycled. Over the year, we recycled or reused 75% of our total waste volume.

Carbon emissions

Despite our efforts to continually minimize our environmental footprint, overall carbon emissions have risen merely because our company continues to expand. The two largest indirect contributors to our carbon footprint are energy consumption in Marel facilities and employee air travel.

To better understand the indirect carbon footprint of the energy we consume in our facilities, all locations now report on the generation source(s) of energy used to produce the electricity used in our facilities.

We provide our energy consumption details to our collaborators at Circular Solutions who then process our data and verify our carbon footprint.

- Scope 1 emissions are very limited because no Stationary Combustion occurs in facilities controlled by Marel. Mobile Combustion from the ca. 1,000 vehicles operated by the company is included. Scope 1 emissions are calculated for the first time in 2018
- Scope 2 emissions data are solely from the electricity and heating used in our offices and manufacturing facilities.
- Scope 3 emissions are primarily the result of employee air travel. Logistics are not included.

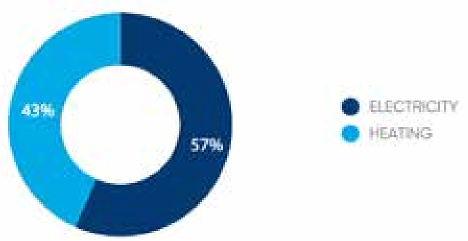
To understand and minimize our indirect carbon footprint, all of our more extensive facilities are installing energy monitoring systems from eTactica. Locations undergoing renovation are also installing solar cells on their roofs to generate some of the energy consumed on site locally.

Because Marel's company network spans the globe, air travel by Marel employees has a negative impact on the environment. As carbon emissions from the aviation industry are considered a leading contributor to global warming, we feel it is essential to understand our role and what we can to make improvements.

In 2016, we established a new travel platform to monitor the environmental impact caused by employee travel. By collecting and visualizing this data, we have already made improvements and identified possibilities for reducing our carbon footprint when it comes to employee travel.

Through our travel policy, we will strive to continuously lower our carbon footprint by actively encouraging employees to use alternative means of meeting and communicating with each other and our customers.

HEATING AND ELECTRICITY IN 2018



* Restated due to improved data accuracy.

Total carbon emissions

We will continue to diligently work on measuring our environmental footprint and identify areas where we can improve, and better understand our company's impacts and efforts to respond appropriately.

Marel is currently not participating in carbon-offsetting programs or green energy certification. We will continue to increase the share of renewable energy used by procuring cleaner energy whenever and wherever possible and continue to improve efficiency in our production processes, employee travel, and other operations.

CARBON EMISSION AND INTENSITY

	2018	2017
Total tCO_2e	31,475	28,193
$kgCO_2e$ per FTE	5,432	5,040
$kgCO_2e$ per €1,000 of revenues	26.27	27.10

Animal wellbeing

Our commitment to social responsibility extends beyond our employees and customers. Because we are in the food processing business, animal wellbeing is high on our agenda particularly in the area of research and development. In 2017, the introduction of a sustainability scorecard became a part of Marel's innovation process, where many sustainability indicators play a role in deciding the feasibility of proceeding with projects into further development. By highlighting animal wellbeing in the sustainability scorecard, we are ensuring environmental and economic responsibility in the most crucial stages of the lifecycle of the product. By instituting appropriate animal wellbeing practices in general, we can increase the quality of products and production.

Over the years, we have introduced a number of innovative solutions that take animal wellbeing into more significant consideration. These include:

- CAS SmoothFlow stunner
- ATLAS system
- CO2 Stunning
- Live Pig Handling

Throughout the food processing industry, it has become mandatory for companies to follow guidelines of social responsibility and sustainability in their operations and to consider the effects their operations have on people, the planet and profits. We are determined to lead the way and continue to focus on developing solutions that promote the highest standards of animal wellbeing.

ECONOMIC RESPONSIBILITY

Throughout our company, we promote ethical business practices along our value chain through transparency, innovation, and collaboration with all our partners. We strive to conduct our business to ensure long-term profitability and fair trade. Continuous improvements make sure that our partners, our customers, our suppliers and we ourselves are compliant with international laws, anti-corruption rules, and local regulations. We believe that all parties must have a positive economic impact in the societies in which they operate.

Economic value generated

We operate a global network of sales and service units and produce a range of products with manufacturing facilities in the Netherlands, the United States of America, Iceland, Denmark, England, Brazil, Germany, and Slovakia.

The economic value generated by our operations in 2018 amounted to EUR 1,197.9 million, including sales and gains on sales of assets. Furthermore, we directly employed 5,794 full-time employees on average in 2018.

Our contribution to the societies in which we operate consist of many different elements, including salaries paid to employees and goods and services purchased from local suppliers.

Salaries paid during the year, excluding related expenses, amounted to EUR 343.6 million, or 28.7% of the economic value generated.

CORPORATE RESPONSIBILITY

Sustainability becomes the benchmark for innovation

Through continuous innovation, implemented in close co-operation with its customers, Marel enables food processors to make the most of their raw materials. We visit plants and talk to the people working there to create technology that increases yield, reduces waste, and creates valuable by-products, while at the same time using less water, energy, and other resources. 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 permanent criterion for evaluating all of our new product developments.

The sustainability scorecard raises awareness and stimulates discussion amongst our innovation experts during the product development process, as they develop new solutions for food processors. Since we implemented the scorecard in January 2018, we have systematically considered a range of social and environmental factors during the innovation process.

By taking these steps today, we are ensuring our customers keep ahead of consumers' growing demand for sustainably produced food.

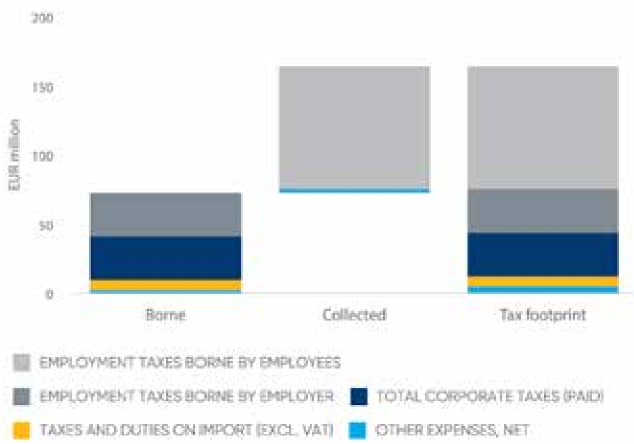
Tax footprint

Taxes paid by Marel in 2018 amounted to EUR 72.9 million (2017: 63.2 million) or 6.1% of the economic value generated.

Employment taxes represented 43.5% of the levies during the period, while 42.8% are corporate income taxes. In addition to the direct taxes, Marel collects and pays various state and local taxes and duties on behalf of the governments in which we operate.

Total taxes and duties collected in 2018 amounted to EUR 91.7 million (2017: 77.2 million).

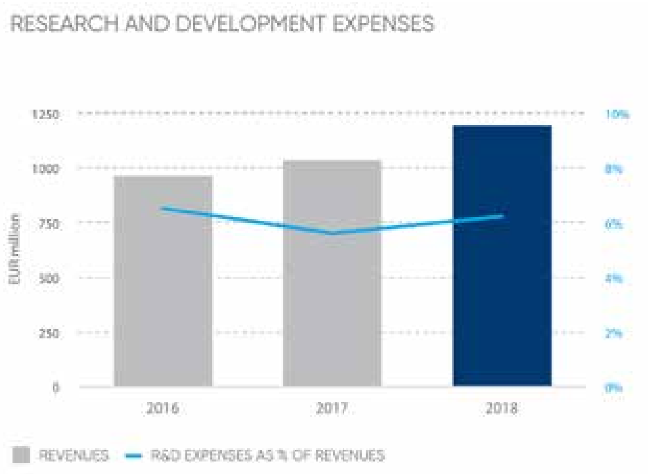
In 2018, the total tax footprint amounted to EUR 164.6 million (2017: 140.4 million).



Innovation

Innovation is the creation and delivery of new customer value in the marketplace. In our experience, innovation most often originates from partnerships between customers and our employees with the common aim of solving problems and improving processing in a new way.

We invested around EUR 74 million, or 6.2% of revenues, in creating and delivering new value for our customers through innovation in 2018. These innovative efforts represent a full range of endeavors: from breakthrough improvements in our products, to design upgrades and incremental additions to existing machines and systems. By working closely with our customers and employees, we are building durable equipment that remains competitive and meets the diverse needs of our customers.



Anti-bribery Anti-corruption

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

The policy applies to all employees, officers, and directors as well as any contractors, consultants, agents, and other business partners engaged in business on behalf of Marel. As an international company, we adhere to the anti-bribery and anti-corruption laws of all the countries in which we operate.

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 directed 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. In 2015, Marel launched an external audit of its corporate governance structure and procedures, followed by a certification of the same. In January 2016, the company received recognition as "Exemplary in Corporate Governance" from the Center for Corporate Governance at the University of Iceland.

1. Corporate governance framework and compliance

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

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

The company does not have a Nomination Committee. Marel's Board of Directors regularly evaluates its work, composition and directors' independence to ensure the members of the Board jointly possess the relevant knowledge, experience and skills to perform the Board's tasks and responsibilities in the company's best interest. The Board has taken the initiative in discussing with the company's largest shareholders the composition of the Board of Directors and long-term succession planning.

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

The CEO is responsible for ensuring adequate internal controls and risk management in connection with financial reporting. The Board of Directors maintains an ongoing dialogue with the CEO to identify, describe and manage the business risks to which the company may be exposed. Material risks are discussed in the 2018 Consolidated Financial Statements.

Internal audit and control

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

External audit

An independent auditing firm is elected at the Annual General Meeting (AGM) for a term of one year. The external auditors examine the company's annual accounts in accordance with generally 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 6 March 2018. Auditors on KPMG's behalf are Saemundur Valdimarsson and Hrafnhildur Helgadóttir, both Certified Public Accountants (CPAs). They have audited and endorsed without reservation Marel's consolidated financial statements for the year 2018.

3. The company's values, code of conduct and social responsibility policy

Values

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

Corporate social responsibility (CSR) and diversity

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

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

Code of conduct

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

Marel's Code of Conduct can be found on the company's website:

4. Composition and activities of the board of directors, its sub-committees, the CEO and Executive Team

The company has a two-tier management structure consisting of the Board of Directors and 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 seven directors who were elected at the company's AGM on 6 March 2018.

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 publication of financial results, two off-site strategy sessions and an operational planning meeting for the coming year. A number of on-site visits to company locations as well as to customers are conducted each year. In addition, the Board of Directors meets at least once a year without management to structure its own agenda and conduct a self-assessment. Additional meetings are convened as needed. All matters dealt with at Board meetings are decided by 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 taken unless all directors have been given an opportunity to discuss the matter.

The Board of Directors convened 14 times in 2018, with an average attendance of 95.9%.

The Board of Directors has assessed which directors are independent according to the Guidelines on Corporate Governance. All seven directors, Ann Elizabeth Savage, Arnar Thór Másson, Ásthildur Margrét Otharsdóttir, Helgi Magnússon, Margret Jonsdottir, Ástvaldur Jóhannsson and Ólafur S. Gudmundsson, are considered independent of the company. Furthermore, five of the Board members, Ann Elizabeth Savage, Arnar Thór Másson, Ásthildur Margrét Otharsdóttir, Helgi Magnússon and Ástvaldur Jóhannsson, are considered independent of the company's major shareholders.

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

Sub-committees

A major share of the Board's work is carried out in its sub-committees, the Remuneration Committee and Audit 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 2018: Ásthildur Margrét Otharsdóttir (Chair), Ann Elizabeth Savage, Arnar Thór Másson and Ólafur S. Gudmundsson.

The Remuneration Committee met 3 times in 2018. All meetings were fully attended.

THE REMUNERATION COMMITTEE
WAS COMPOSED OF FOUR BOARD DIRECTORS

3 THE REMUNERATION COMMITTEE
CONVENED 3 TIMES IN 2018

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 its 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 2018 are Arnar Thór Másson (Chairman), Ástvaldur Jóhannsson, Margrét Jónsdóttir and Helgi Magnússon. All members are independent of the company and its auditors, while Arnar, Ástvaldur and Helgi are independent of large shareholders.

The Audit Committee convened 7 times in 2018. All meetings were fully attended.

THE AUDIT COMMITTEE
WAS COMPOSED OF FOUR BOARD DIRECTORS

7 THE AUDIT COMMITTEE
CONVENED 7 TIMES IN 2018

Structure of Board´s subcommittiees	Board of directors	Remuneration committee	Audit committee
Ásthildur Margrét Otharsdóttir	Chairman	Chair	
Arnar Thór Másson	Vice-Chairman	Member	Chair
Ann Elizabeth Savage	Director	Member	
Ástvaldur Jóhannsson	Director		Member
Helgi Magnússon	Director		Member
Margrét Jónsdóttir	Director		Member
Ólafur S. Gudmundsson	Director	Member	
Convened in 2018	14 Times	3 Times	7 Times

Member

Chair

Chief Executive Officer

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

Together with related parties his direct holding is 131,869 shares in Marel. He is a major shareholder of Eyrir Invest, which on 6 February 2019 held 190,366,838 shares in Marel hf. (27.89% of total issued shares).

I. 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 which are unusual or extraordinary. The CEO may only take such measures if specifically authorized by the Board or unless it 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.

II. The CEO is responsible for the work and results of the Executive Team.

III. The CEO shall act as Chairman of the Board in the company's significant subsidiaries connected with its sales and manufacturing activities or other core activities of the company, unless the Board decides otherwise.

IV. The CEO shall ensure that the accounts of the company comply with law and accepted financial reporting practice and that the treatment of company assets is secure. The CEO shall provide any information requested by the company's auditors.

At least once a year the CEO shall evaluate the work and results of the Executive Team which 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 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.

Upper left: Davíd Freyr Oddson, Einar Einarsson, Vidar Erlingsson, Árni Oddur Thórdarson, Jesper Hjortshøj, David Wilson.
Lower left: Sigurdur Ólason, Folkert Bölger, Ulrika Lindberg, Árni Sigurdsson, Linda Jónsdóttir, Anton de Weerd.

Executive Team

The company's Executive Team is composed of eleven members:

Executive
Árni Oddur Thórdarson, Chief Executive Officer
Linda Jónsdóttir, Chief Financial Officer
Árni Sigurdsson, EVP Strategy and Corporate Development

Business units
Anton de Weerd, Managing Director (EVP) of Poultry
David Wilson, Managing Director (EVP) of Meat
Sigurdur Ólason, Managing Director (EVP) of Fish
Jesper Hjortshøj, Managing Director (EVP) of Further Processing

Operations
Einar Einarsson, EVP Global Markets
Ulrika Lindberg, EVP Service
Folkert Bölger, EVP Supply Chain
Vidar Erlingsson, EVP Innovation
Davíd Freyr Oddsson, EVP Human Resources

5. Communication between shareholders and the Board of Directors

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

The Chairman is the Board's authorized spokesperson. The Board of Directors does not engage in communication regarding 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.

From left: Ásthildur Otharsdóttir, Ástvaldur Jóhannsson, Ann Savage, Arnar Másson, Ólafur S. Gudmundsson, Margrét Jónsdottir and Helgi Magnússon.

Chairman of the Board

Ásthildur Margreét Otharsdóttir
Ásthildur Margrét Otharsdóttir is an independent consultant and a director of several companies with extensive experience of business management. Otharsdóttir served as the Director of Treasury and Corporate Development at Össur hf. and as a Senior Account Manager at Kaupthing Bank (now Arion Bank), as well as a consultant at Accenture in Copenhagen. She is the Chairman of the Board of the investment fund Frumtak Ventures and a director of Icelandair Group and Promote Iceland. Otharsdóttir is on the Board of Governors of the University of Iceland and Board of the Nordic Arbitration Centre at the Icelandic Chamber of Commerce.

Education
MBA, Rotterdam School of Management, the Netherlands
Cand. Oecon., University of Iceland
Elected
2013 Chairman of the Board
2010 Director
Sub-Committees
Remunaeration committee (chair)
Holdings in Marel
32,000 shares

Vice-chairman of the Board

Arnar Thór Másson

Arnar Thór Másson is currently the Alternate Director at the European Bank for Reconstruction and Development in London and serves as Chairman of Marel's Audit Committee. He has extensive experience in re-organization, strategy and project management. Másson served as Director General of the Department of Administrative Development in the Prime Minister's Office in Iceland and Deputy Director General of the Financial Management Department at the Ministry of Finance. From 2000-2008 Másson held an adjunct lecturer position at the Department of Political Science of the University of Iceland.

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)
Holdings in Marel
0

Board director

Dr Ólafur S. Gudmundsson

Dr Ólafur S. Gudmundsson is the Head of Discovery Pharmaceutics and Analytical Science at Bristol-Myers Squibb, a global biopharma company. He has previously held various senior-level management positions within R&D in the pharmaceutical industry, both for Bristol-Myers Squibb and Genentech Inc. Gudmundsson is also associated with the Pharmaceutical Chemistry department at Purdue University.

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

Board director

Ástvaldur Jóhannsson

Ástvaldur Jóhannsson is Business Development Director at Controlant. His previous international business experience includes senior management positions at Össur hf. and that of Executive Director leading the International Division of Valitor hf. Jóhannsson served as a member of the Executive Team of the IT company Nyherji hf., as Sales and Marketing Director at Penninn, and as a System Analyst Expert in the IT sector focusing on process design and development.

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

Board director

Margrét Jónsdóttir

Margrét Jónsdóttir is Managing Director of Operations for Eyrir Invest hf. Previously, she was Director of Finance at Edda Publishing, Director of Finance at Kreditkort/ MasterCard and Manager of Accounts at FBA Investment Bank. Prior to that, Jónsdóttir spent a decade as the Director of Finance at the Industrial Loan Fund (the FBA Investment Bank's predecessor).

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

Board director

Helgi Magnússon

Helgi Magnússon is Chairman of the Board of the Blue Lagoon, Harpa Holding and Husasmidjan. He also serves as a director of several Icelandic companies. Magnússon was Chairman of the Federation of Icelandic Industries from 2006 to 2012 and a director and member of the Executive Board of the Confederation of Icelandic Employers from 2006 to 2013. Magnússon has also been a director of Islandsbanki hf., the Framsyn Pension Fund, the Pension Fund of Commerce, Siminn and the Iceland Chamber of Commerce. He was Managing Director of Harpa and HarpaSjöfn paint manufacturers for several years and Chairman of the Board of Harpa, HarpaSjöfn and Flügger Iceland.

Education
Certified Public Accountant (CPA), University of Iceland
Cand. Oceon., Business Administration, University of Iceland
Elected
2005
Sub-Committees
Audit Committee
Holdings in Marel
3,039,044 shares

Board director

Ann Elizabeth Savage

Ann Savage previously served as Technical Director of Bakkavor Group. Her main responsibilities included food safety, health and safety management, manufacturing excellence and environmental management. She was also a member of the management board. Savage has held a variety of roles in technical and R&D departments within the retail and food industry over her 35-year career. She worked for the Cooperative Wholesale Society (CWS), Northern Foods from 1990 till 1999 and at Geest/Bakkavor for over 16 years. Savage is also a member of the Board of Governors for Boston College and a food safety consultant.

Education
Studied at the Open University.
Post Graduate Diploma in Management Studies, Nottingham University.
Elected
2013
Holdings in Marel
0

ALL HOLDINGS AT DECEMBER 31, 2018

Chief Executive Officer

Árni Oddur Thórdarson

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

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

Chief Financial Officer

Linda Jónsdóttir

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

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

Executive Vice President of Strategy and Development

Árni Sigurdsson

Sigurdsson has extensive experience in the finance and investment management industry. Before joining Marel in 2014, he was an associate at AGC Partners investment bank. Prior to that, he worked at the commercial bank Landsbanki Íslands, where he was instrumental in advising Marel on the acquisition of Stork Food Systems.

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

Managing director (EVP) of Marel Further Processing

Jesper Hjortshøj

Jesper Hjortshøj joined the Executive Team in February 2017, but has been with Marel since 2006, serving in a number of different positions within the company. His broad experience in the food industry prior to that include that of manager of Marketing, Product Center and Strategy and Portfolio for Global Innovation.

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

Managing director (EVP) of Marel Fish

Sigurdur Ólason

Sigurdur Ólason took up his current position in 2014. Ólason has extensive international experience in the seafood industry and worked in product development at Marel from 2001 to 2006. Before rejoining Marel in 2014, Ólason was Director of Business Development at Samherji, one of Iceland's leading seafood companies.

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

Managing director (EVP) of Marel Poultry

Anton De Weerd

Anton De Weerd began in his current position in 2007. He has decades of experience in the poultry industry, having been with Marel and its predecessors since 1982. During his time at Marel, De Weerd has served in various sales and marketing positions, including as Commercial Director, Managing Director and as President.

Education
BS, Mechanical Engineering, Avans University
Holdings in Marel
120,000 shares

Managing director (EVP) 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. Prior to that he served as Vice-President of Sales and Marketing and as a Regional Sales Manager.

Education
MS, Animal Science, Aberdeen University
BS (Hons), Agricultural and Business Management, Aberdeen University
Holdings in Marel
87,367 shares

Executive Vice President Global Supply Chain

Folkert Bölger

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

Education
MSc, Mechanical Engineering, Delft University of Technology
CPIM, American Production and Inventory Control Society (APICS)

Holdings in Marel
17,862 shares

Executive Vice-President of Global Markets

Einar Einarsson

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

Education
BSc, Mechanical Engineering, University of Iceland
Diplom-Ingenieur, Mechanical Engineering, University of Karlsruhe
Holdings in Marel
524,272 shares

Executive Vice President of Innovation

Vidar Erlingsson

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

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

Executive Vice-President of Service

Ulrika Lindberg

Ulrika Lindberg joined Marel in 2018. She has extensive 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 has held various management positions worldwide for Alfa Laval and Tetra Pak.

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

Executive vice president of human resources

Davíd Freyr Oddsson

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

Education
MBA, Reykjavik University
Cand. Theologius, University of Iceland

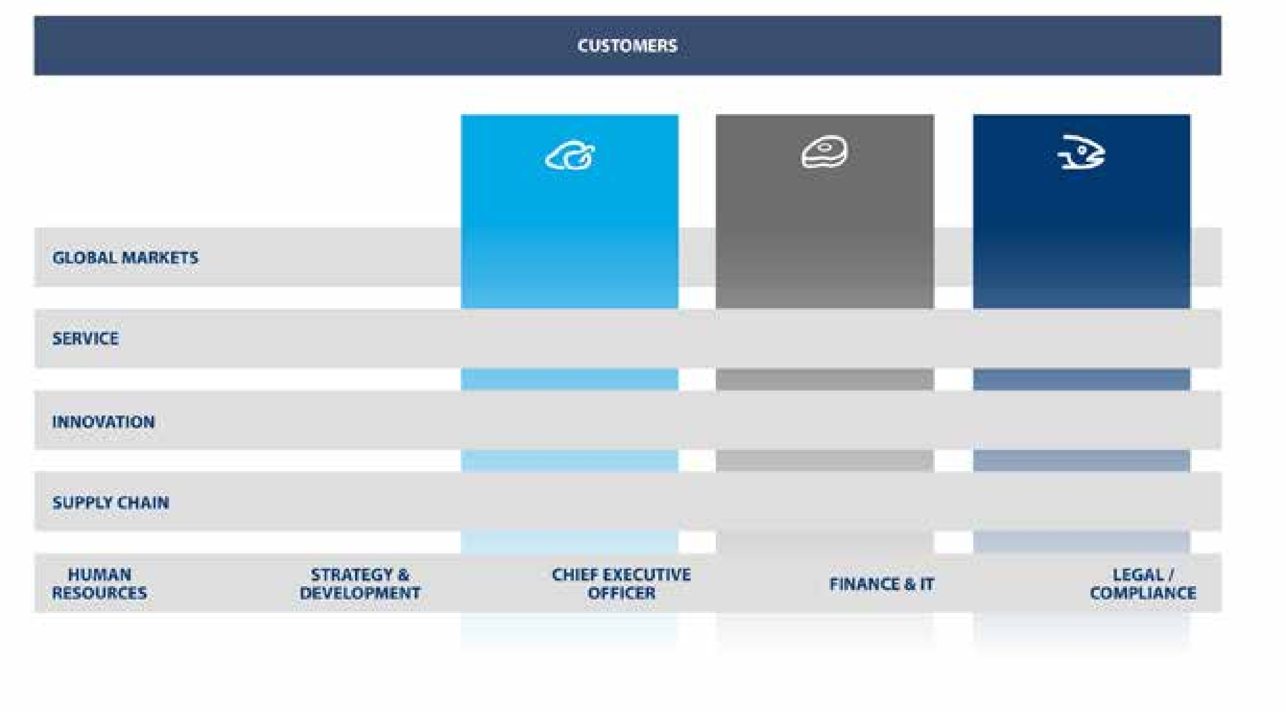
Holdings in Marel
135,000 shares

ALL HOLDINGS AS OF DECEMBER 31, 2017

ORGANIZATIONAL CHART

To further align execution with strategy, Marel's organizational structure was simplified in 2014. The new organizational structure supports our goal of becoming a simpler, smarter and faster company.

In the new structure, the poultry, fish, and meat industries will remain the three pillars of the company. These three industries are then supported by the company's global divisions: Innovation, Commercial and Supply Chain. The aim is to serve the customer better, reduce time to market and penetrate markets faster and more efficiently.



RISK MANAGEMENT

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

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

Risk appetite

All business operations involve some form of risk. Marel has identified ten Risk Appetite Categories and defined how they relate to its strategic operations.

Risk Appetite Category	Business Objective
Profit and earnings volatility	Marel maintains a strong EBIT margin throughout economic cycles. High quality earnings, that are well diversified by geography, industry and business mix, together with investments in operational excellence improve profitability.
Capital ratios and credit ratings	Marel endeavors to be considered a good corporate borrower and build a relationship of trust with its creditors.
Innovation	Marel continues to be an innovative company, support new product development and ensure continued competitiveness of existing products, solutions and software.
Human Resources	Marel continues to be an interesting and desirable place ot work, attracting and retaining highly talented employees.
Business Diversification	Marel strives to have well diversified revenue streams across industries, business segments and geographies.
Consolidation	Marel pursues consolidation in the marketplace without negatively affecting the existing operations.
Customer choice	Marel aims to be the customer's first choice and follow up on orders received with expert installation and service.
Corporate Social Responsibility	Marel aims to develop food-processing solutions to help feed a growing planet while minimizing environmental impact. This is in line with Marel's vision of a world where quality food is produced sustainably and affordably. Marel also takes great pride setting excellent health and safety standards across its operations.
Reputation	Marel strives to preserve and enhance brand value, build resilience, and create emotionally connected customers, employees and stakeholders.
Compliance	Marel strives to comply with all industry, regulatory and other general standards of significance.

The Board of Directors reviews and approves the company's risk appetite on an annual basis, or more frequently in the event of unexpected changes to the risk environment, to ensure it remains consistent with Marel's strategy, business and regulatory environment and stakeholder requirements. Reports on the company's risk profile and risk appetite are presented regularly to the Board of Directors.

Taking risks is an integral part of daily business activities. By carefully balancing our objectives against the risks we are prepared to take, we strive to conduct business operations in a socially responsible and sustainable manner. This approach helps Marel attain its strategic objectives.

Risk management process

Marel has a vigorous risk management process which consists of 5 steps:

Risk appetite sets out the amount of risk the company is willing to accept in pursuit of value.

Risk assessment involves mechanisms for identification of risks, e.g. a brainstorming session to assess risk and controls. Risks are ranked by the likelihood of their occurrence and magnitude of their impact in a risk register.

Risk treatment is the process of selecting and implementing measures to minimize the probability of identified risks materializing and alleviate their potential effects.

Monitoring is done through dashboard reporting and updating of the self-assessment document.

Communication of priority risks to the Board is made via a designated dashboard. Predetermined parameters are measured against the risk appetite to give a clear visual overview.

Risk categories

Marel's activities expose the company to a variety of risks, which are categorized in four categories: Strategic, Operational, Financial Reporting and Compliance.

Each category has sub-categories that can be defined broadly as follows:

STRATEGIC RISK	Risks that affect Marel's strategic ambitions, including economic and political developments	FINANCIAL REPORTING RISK	Risk related to treasury and accounting, including finance, market and credit risk
BUSINESS RISK	Risk related to customers, competition, government policy etc.	MARKET RISK	Risk related to financial markets, including FX and interest rate risks
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	CREDIT RISK	Risks that relates to credit quality of our customers and other business partners
OPERATIONAL RISK	Risk related to inadequate internal processes, people and systems	COMPLIANCE RISK	Risk arising from failure to comply with laws and regulations, including internal standards and policies

Marel's risk management has focused especially on financial risks (including market and credit risk), which are managed by the Treasury department.

Market risk

Foreign exchange risk

As an international company, Marel is exposed to foreign exchange risk arising from various currency movements, primarily with respect to the EUR/USD exchange rate for revenues and EUR/ISK rate on the cost side. The general policy is to take advantage of natural currency hedges by matching revenues and operational costs as economically as possible.

The company's funding is denominated in its main operational currencies to create natural hedging in the balance sheet. Where necessary, financial exposure is hedged in accordance with Marel's general policy on permitted instruments and exposure limits.

Cash flow and fair-value

Interest rate risk

The company's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates of financial leases, where the company is lessor or lessee, are fixed at their inception. These leases expose the company to fair-value interest rate risk. The company reports separately an embedded 0% floor in its long-term EUR borrowing. The valuation of this embedded derivative depends on market interest rates and is reported in the income statement. The company's cash-flow interest rate risk arises from long-term borrowings.

Borrowings at variable rates expose the company to cash-flow interest rate risk, while borrowings at fixed rates expose it to fair-value interest rate risk. Marel manages its cash-flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting floating-rate financing to fixed rates. The company obtains long-term financing at floating rates and swaps a portion of this to fixed rates. The risk involved, measured as the potential increase in interest paid during the coming year based on a defined movement in interest rates, is monitored and evaluated regularly.

Credit risk

Marel minimizes credit risk by closely monitoring credit granted to customers and by obtaining security to cover potential losses. The company has policies in place to ensure that sales of products and services are made to customers with an acceptable credit history and that products are not delivered until payments are secured.

Marel does its banking with a diversified set of financial institutions around the world. Policies are in place to limit the amount of credit exposure to any one financial institution.

Liquidity risk

Due to the dynamic nature of its underlying businesses, the company has prudent liquidity risk management to ensure sufficient flexibility of funding under the revolving part of facilities agreements and by maintaining sufficient current financial assets.

Insurance policies

The company maintains both global and local insurance policies. Coverage includes property damage, business interruption, general and product liability, marine cargo/mounting, directors' and officers' liability, employers' practice liability, business travel, and accidents. The company believes its current insurance coverage to be adequate.

CONSOLIDATED FINANCIAL STATEMENTS 2018

CONSOLIDATED FINANCIAL STATEMENTS 2018

ADVANCING
FOOD PROCESSING

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Contents Consolidated Financial Statements

The Board of Directors' and CEO's Report

Marel is a leading global provider of advanced equipment, systems and services for the Poultry, Meat and Fish industries. Marel has offices and subsidiaries in 32 countries and a global network of more than 100 agents and distributors.

The Consolidated Financial Statements for the year 2018 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.

Acquisition of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG

On 25 July 2018, Marel signed an agreement to acquire the limited partner interest in the company of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG to get transferred all business assets and liabilities and to acquire 100% of the shares of related companies in France and the United States ("MAJA"). This transaction is in line with Marel's strategic objective to be a full-line supplier of advanced food processing solutions and accelerate market penetration through acquisitions.

Founded in 1955, MAJA is a highly innovative manufacturer of food processing machinery, specializing in skinning and portioning with main focus on the meat market as well as ice machines for the preservation of fresh food. Based in Kehl-Goldscheuer in Germany, MAJA has around 200 employees and annual revenues of roughly EUR 30 million in 2017.

This bolt-on acquisition supports Marel in achieving its goals for future growth and value creation. With MAJA's innovative product offering and complimentary geographical reach, Marel is strengthening its product offering and market presence.

The transaction was finalized on 14 August 2018. Closing was subject to anti-trust approval and standard closing conditions. The transaction is funded from cash on hand and available facilities.

Further information is provided in note 4 of the Consolidated Financial Statements.

Acquisition of Sulmaq Industrial e Comercial S.A.

On 31 August 2017, Marel concluded the acquisition of 100% of the shares of Sulmaq Industrial e Comercial S.A. ("Sulmaq") from a consortium of shareholders. Further information is provided in note 4 of the Consolidated Financial Statements.

New long-term financing

On 7 December 2018 Marel finalized an issue of Schuldschein promissory notes for EUR 140 million with a mixture of floating and fixed tranches in maturities of five and seven years. The vast majority of the Schuldschein was placed in the 5-year tranche priced at 110 basis points over EURIBOR, and the 7-year tranche was priced at 130 basis points over EURIBOR. The investors were a mixture of Central European and Asian commercial banks. The Joint book runners on the transaction were ABN AMRO, Bayerische Landesbank and UniCredit.

Change in Dutch corporate tax percentage

In December 2018, a new corporate tax law was substantially enacted in the Netherlands. Consequently, as of 1 January 2020, the corporate tax rate in the Netherlands will be reduced from 25.00% to 22.55% and will be further reduced to 20.50% as of 1 January 2021. This change resulted in a gain of EUR 7.6 million related to the remeasurement of deferred tax assets and liabilities of the Group's Dutch subsidiaries being recognized during the year ended 31 December 2018.

Operations in 2018

The consolidated revenues for Marel for the full year 2018 are EUR 1,197.9 million (2017: EUR 1,038.2 million). The adjusted result from operations for the same period is EUR 175.2 million or 14.6% of revenues (2017: EUR 157.4 million or 15.2% of revenues).

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

	2018	2017
Adjusted result from operations	175.2	157.4
PPA related costs	(14.3)	(17.1)
Result from operations	**160.9**	**140.3**

At 31 December 2018 the Company's order book amounted to EUR 476.0 million (at 1 January 2018: EUR 487.8 million and at the 31 December 2017: EUR 472.1 million).

The average number of full time employees was 5,794 in 2018 (2017: 4,912). Total salaries and wages were EUR 343.6 million (2017: EUR 306.2 million).

According to the Consolidated Statement of Financial Position, the Company's assets amounted to EUR 1,565.9 million at the end of 2018 (2017: EUR 1,440.6 million). Total equity amounted to EUR 560.9 million at the end of 2018 (at year-end 2017: EUR 541.9 million) or 35.8% of total assets (at year-end 2017: 37.6%). Net interest bearing debt increased from EUR 365.0 million at the end of 2017 to EUR 431.6 million at the end of 2018.

Based on the decision taken at the Company's 2018 Annual General Meeting, a dividend was declared and paid to shareholders for the operational year 2017 amounting to EUR 28.7 million, EUR 4.19 cents per share, corresponding to approximately 30% of net result for the year 2017 (2017: a dividend of EUR 15.3 million, EUR 2.14 cents per share, corresponding to approximately 20% of net result for the year 2016, was declared and paid out to shareholders for the operational year 2016).

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.

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 24 to the Consolidated Financial Statements.

Capital reduction, share buy-back program and articles of association

Marel's extraordinary shareholders' meeting, held on 22 November 2018, resolved that the Company's share capital should be reduced by EUR 0.5 million nominal value, by way of cancelling 53.0 million of the Company's own shares. The company's share capital was reduced from EUR 6.7 million (ISK 735.6 million) to EUR 6.2 million (ISK 682.6 million) nominal value, divided into the same amount of shares. One vote is attached to each share. Marel's Articles of Association were changed accordingly.

At year-end Marel's issued shares totaled 682.6 million (31 December 2017: 735.6 million).

At the same extraordinary shareholders' meeting it was resolved to authorize the Board of Directors of Marel to initiate a share buy-back program that complies with the provisions of the Icelandic Act on Securities Transactions No. 108/2007 and appendix to Regulation on Insider Information and Market Manipulation No. 630/2005. The main purpose of the program is to reduce the Company's share capital, where the shares purchased may also be used to meet the Company's obligations under share incentive programs with employees. The number of shares to be acquired under the buy-back program shall be up to 34.1 million, which amounts to 5% of issued share capital of the Company.

At year-end Marel has already purchased 4.1 million shares (EUR 11.3 million) according to the buy-back program.

Marel holds, at year-end 2018, 10.8 million treasury shares (2017: 41.7 million treasury shares). The number of shareholders at year-end 2018 was 2,491 compared to 2,206 at the end of 2017.

The ten biggest shareholders were:

		2018		2017	
		Number of shares million	%	Number of shares million	%
Eyrir Invest hf.	Investment company	190.4	27.9%	190.4	25.9%
Lífeyrissjóður verslunarmanna	Pension fund	68.0	10.0%	69.4	9.4%
Gildi - lífeyrissjóður	Pension fund	46.2	6.8%	47.0	6.4%
LSR A/B/S-division	Pension fund	46.0	6.7%	47.4	6.4%
Birta lífeyrissjóður	Pension fund	27.6	4.0%	30.3	4.1%
MSD Partners Luxembourg S.á.r.l.	Investment company	24.6	3.6%	24.6	3.3%
Stapi lífeyrissjóður	Pension fund	15.0	2.2%	14.5	2.0%
Stefnir - ÍS 15	Asset management	14.4	2.1%	23.4	3.2%
Festa - lífeyrissjóður	Pension fund	13.4	2.0%	13.0	1.8%
Frjálsi lífeyrissjóðurinn	Pension fund	13.1	1.9%	10.4	1.4%
	Top 10 total	**458.7**	**67.2%**	**470.4**	**63.9%**
	Others	213.1	31.2%	223.5	30.4%
Marel hf.	Treasury shares	10.8	1.6%	41.7	5.7%
	Total issued shares	**682.6**	**100.0%**	**735.6**	**100.0%**

During 2018 Marel purchased 24.1 million treasury shares for EUR 71.7 million. Marel sold 2.1 million shares for EUR 2.2 million in order to fulfill obligations of stock option agreements. As a result of the approval in the extraordinary shareholders' meeting 53.0 million shares have been cancelled.

In 2017, Marel purchased 22.2 million treasury shares for a total amount of EUR 63.4 million. Thereof 19.7 million treasury shares were purchased to be used as a payment for potential future acquisitions and 2.5 million treasury shares were purchased to fulfill future stock options obligations.

During 2017 Marel sold 0.9 million treasury shares for EUR 2.5 million to the management of Sulmaq in relation to Marel's acquisition of Sulmaq. The sold shares include a lock-up period of 18 months from the date of closing which was 31 August 2017. Marel also sold 1.1 million treasury shares for EUR 1.2 million in order to fulfill obligations of stock option agreements.

Stock options are granted to management and selected employees. Total granted and unexercised stock options at end of the year 2018 were 11.9 million shares (2017: 9.9 million shares), of which 1.7 million are exercisable at the end of 2018 (2017: 1.7 million) and the remainder will vest in the years 2019 to 2022. Further information is disclosed in note 20 to the Consolidated Financial Statements.

The Board of Directors will propose to the 2019 Annual General Meeting that EUR cents 5.57 dividend per outstanding share will be paid for the operational year 2018, corresponding to approximately 30% of net results. This is a 33% increase in dividend per share compared with previous year. The proposed dividend is in line with Marel's targeted capital allocation and dividend policy.

If approved by Marel's shareholders, the Company's shares traded on and after 7 March 2019 (Ex-date) will be ex-dividend and the right to a dividend will be constricted to shareholders identified in the Company´s shareholders registry at the end of 8 March 2019, which is the proposed record date. The Board will propose that payment date of the dividend is 27 March 2019.

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. In compliance with the guidelines, the Board of Directors has prepared a Corporate Governance Statement.

The Board of Directors is comprised of 3 female Directors and 4 male Directors, which is in accordance with the statutory gender ratio of Boards of Directors of Public Limited Companies in Iceland, with more than 50 employees (ratio of each gender shall be no less than 40%).

Candidates for the Board of Directors of the Company have to notify the Board of Directors thereof in writing at least five full days before the beginning of the Annual General Meeting. The Company's Articles of Association can only be amended with the approval of 2/3 of casted votes and approval of shareholders who control at least 2/3 of the shares represented in a legal shareholders' meeting, provided that the notification calling the meeting thoroughly informs on such amendment.

Non-financial information

The Corporate Social Responsibility Principles, addressing environmental, social and ethical matters, can be summarized as follows:

Social Responsibility

Marel provides a safe and healthy working environment and equal opportunities. It fosters individual and team development and ensures the right to freedom of association for all its employees. Human rights violations, illegal labor conditions and illegal and unethical business behavior are never tolerated. Marel engages with local communities, where innovation and education serve as the main areas of social participation.

Environmental Responsibility

Marel encourages efficient use of resources in its value chain and promotes positive environmental impact and environmental protection. Innovation is 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 welfare.

Economical Responsibility

Marel promotes long term value creation, fair trade and good business practices in its value chain through transparency, innovation and collaboration with all its partners.

Our guidance policy on corporate responsibility implements the ISO 26000 standards, and we are signatory to the United Nations Global Compact.

In 2017, we took part in the NASDAQ sustainable markets initiative for the first time, which makes use of NASDAQ's ESG reporting guidelines.

The Corporate Responsibility Statement is explained and discussed in more detail in a separate document distributed with the Consolidated Financial Statements as well as included in the Annual Report 2018.

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 2018, operating performance and the cash flows for the year ended 31 December 2018 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 Board of Directors and CEO of Marel hf. hereby ratify the Consolidated Financial Statements of Marel hf. for the year 2018 with their signatures.

Garðabær, 6 February 2019

Board of Directors

Ásthildur Margrét Otharsdóttir
Chairman of the Board

Arnar Þór Másson

Ann Elizabeth Savage

Ástvaldur Jóhannsson

Helgi Magnússon

Margrét Jónsdóttir

Ólafur S. Guðmundsson

Chief Executive Officer

Árni Oddur Þórðarson

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 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and additional disclosure requirements for listed companies in Iceland.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of consolidated financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in our audit
Recoverability of Goodwill Refer to note 2.10 and note 15. Goodwill amounted to EUR 641 million and represents 41% of total assets as at 31 December 2018. The goodwill is allocated to three cash generating units (CGUs). Management prepared value-in-use model to estimate the present value of forecast future cash flows for each CGU, which was compared with the carrying value of the net assets of each CGU. Determining if an impairment charge is required for goodwill involves significant judgements about forecast future performance and cash flows of the CGUs, including growth in revenues and operating profit margins. It also involves determining an appropriate discount rate and long-term growth rate. The risk that we focused on during the audit was that	We have performed the following procedures to address this risk: • We evaluated the cash flow projections included in the goodwill impairment test. We considered the level of historical budgeting inaccuracies and how the assumptions compared with the actual performance achieved in prior years. • For our audit 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 analysing 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

the goodwill may be overstated and that an impairment charge may be required. No charge for impairment of goodwill has been recognized in the current financial year.	historical accuracy of management's estimates. • We also assessed the adequacy of the disclosures in note 15 to the Consolidated Financial Statements.
Revenue recognition Refer to note 2.5, note 3(f) and note 6. Recognition of the Group's revenue is complex due to several types of customer contracts utilized, including sale of standard and customized equipment, service contracts and sale of spare parts. Revenue recognition for production contracts is based on over time accounting or point in time accounting following the requirements of IFRS15. For over time accounting, the assessment of the stage of the contract is made by reference to the proportion of contract cost incurred for the work performed to the reporting date relative to the estimated total contract costs to completion. The recognition of revenue therefore relies on estimates in relation to the final outcome of expected costs on each contract, which can be judgmental and could be susceptible to a material misstatement. Revenue recognition is therefore a key audit matter.	We have performed the following procedures to address the risk: • We audited the accuracy of the revenue streams by testing on a sample basis the revenue amounts recorded in the general ledger against the underlying contracts and orders, invoices, payments and if relevant proofs of delivery. • We tested a sample of credit notes issued after year-end to agree that revenue were not reversed after year-end. • We performed procedures to test the correctness of the transactions in the appropriate period. • We performed test of details on a sample of year-end open equipment projects. We selected projects based on size and risk assessment. We agreed the selected items to contracts, precalculations and invoices. • We considered the progress of per year-end open equipment projects, verified the accrued cost on the selected projects and agreed that the over time revenues are valid. • We scrutinised specific revenue journal entries in the context of journal entries testing, e.g. regarding manual entries on revenues. • We assessed whether the accounting policies for revenue recognition and other financial statements disclosures related to revenue were in accordance with International Financial Reporting Standards as adopted by the EU.

Other information

The Board of Directors and CEO are responsible for the other information. The other information comprises the information included in the Annual Report of the Group, but does not include the

Consolidated Financial Statements and our auditor's report thereon. Our opinion on the

Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The annual report is not available at our reporting date but is expected to be made available to us after that date.

Responsibilities of the Board of Directors and CEO for the Consolidated Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRSs as adopted by the EU, and for such internal control as they determine is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Board of Directors and CEO are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and CEO are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the Consolidated Financial Statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Consolidated Financial Statements.

The engagement partner on the audit resulting in this independent auditor's report is Hrafnhildur Helgadóttir.

Reykjavik, 6 February 2019

KPMG ehf.

Sæmundur Valdimarsson Hrafnhildur Helgadóttir

Consolidated Statement of Income

In EUR million unless stated otherwise	Notes	2018	2017
Revenues	5 & 6	1,197.9	1,038.2
Cost of sales	7	(730.4)	(631.5)
Gross profit		**467.5**	**406.7**
Selling and marketing expenses	7	(133.7)	(120.5)
Research and development expenses	7	(73.7)	(57.8)
General and administrative expenses	7	(84.9)	(71.0)
Adjusted result from operations*)		**175.2**	**157.4**
PPA related costs	4 & 7	(14.3)	(17.1)
Result from operations		**160.9**	**140.3**
Finance costs	8	(17.2)	(21.2)
Finance income	8	2.3	0.9
Net finance costs	8	(14.9)	(20.3)
Result before income tax		**146.0**	**120.0**
Income tax	11	(23.5)	(23.1)
Net result		**122.5**	**96.9**
Of which:			
- Net result attributable to Shareholders of the Company	12	122.4	96.8
- Net result attributable to non-controlling interests	20	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	12	17.95	13.70
- diluted	12	17.86	13.63

*) Adjusted result from operations: result has been adjusted for PPA related costs, including depreciation and amortization.

The notes on pages 15-75 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

In EUR million	Notes	2018	2017
Net Result		**122.5**	**96.9**
Items that are or may be reclassified to profit or loss:			
Currency translation differences	20	(3.3)	(7.5)
Cash flow hedges	20	1.6	1.8
Income tax relating to cash flow hedges	18 & 20	(0.4)	(0.4)
Other comprehensive income / (loss) for the period, net of tax		(2.1)	(6.1)
Total comprehensive income for the period		**120.4**	**90.8**
Of which:			
- Comprehensive income attributable to Shareholders of the Company		120.3	90.7
- Comprehensive income attributable to non-controlling interests	20	0.1	0.1

The notes on pages 15-75 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Financial Position

In EUR million	Notes	2018	2017
ASSETS			
Property, plant and equipment	13	175.6	144.7
Right of use assets	14	33.3	-
Goodwill	15	641.3	643.9
Intangible assets	16	267.0	262.7
Trade and other receivables	17	3.2	4.0
Derivative financial instruments	24	1.3	0.9
Deferred income tax assets	18	10.2	4.4
Non-current assets		**1,131.9**	**1,060.6**
Inventories	19	149.9	124.4
Contract assets	6	44.0	48.2
Trade receivables	17	138.8	128.9
Other receivables and prepayments	17	45.0	46.6
Cash and cash equivalents		56.3	31.9
Current assets		**434.0**	**380.0**
TOTAL ASSETS		**1,565.9**	**1,440.6**
EQUITY AND LIABILITIES			
Share capital	20	6.1	6.3
Share premium reserve	20	161.7	229.6
Other reserves	20	(10.3)	(8.2)
Retained earnings	20	403.2	313.9
Shareholders' equity		**560.7**	**541.6**
Non-controlling interests	20	0.2	0.3
Total equity		**560.9**	**541.9**
LIABILITIES			
Borrowings	21	429.3	370.5
Lease liabilities	14 & 21	27.1	0.2
Deferred income tax liabilities	18	57.3	61.3
Provisions	22	9.2	8.6
Other payables	25	3.0	3.6
Derivative financial instruments	24	1.4	2.7
Non-current liabilities		**527.3**	**446.9**
Contract liabilities	6	212.1	209.6
Trade and other payables	25	217.0	195.9
Current income tax liabilities		9.3	11.0
Borrowings	21	24.8	26.2
Lease liabilities	14 & 21	6.7	-
Provisions	22	7.8	9.1
Current liabilities		**477.7**	**451.8**
Total liabilities		**1,005.0**	**898.7**
TOTAL EQUITY AND LIABILITIES		**1,565.9**	**1,440.6**

The notes on pages 15-75 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Changes in Equity

In EUR million	Share capital	Share premium reserve [1]	Other reserves [2]	Retained earnings	Share-holders' equity	Non-controlling interests	Total equity
Balance at 31 December 2017	**6.3**	**229.6**	**(8.2)**	**313.9**	**541.6**	**0.3**	**541.9**
Impact IFRS 9 & 15				(4.8)	(4.8)		(4.8)
Balance at 1 January 2018	**6.3**	**229.6**	**(8.2)**	**309.1**	**536.8**	**0.3**	**537.1**
Net result for the period				122.4	122.4	0.1	122.5
Total other comprehensive income			(2.1)		(2.1)		(2.1)
Transactions with owners of the Company							
Treasury shares purchased	(0.2)	(71.5)			(71.7)		(71.7)
Treasury shares sold		2.2			2.2		2.2
Value of services provided		1.1			1.1		1.1
Other movements		0.3		0.4	0.7		0.7
Dividend				(28.7)	(28.7)	(0.2)	(28.9)
	(0.2)	**(67.9)**	**(2.1)**	**94.1**	**23.9**	**(0.1)**	**23.8**
Balance at 31 December 2018	**6.1**	**161.7**	**(10.3)**	**403.2**	**560.7**	**0.2**	**560.9**
Balance at 1 January 2017	**6.5**	**288.7**	**(2.1)**	**232.2**	**525.3**	**0.2**	**525.5**
Net result for the period				96.8	96.8	0.1	96.9
Total other comprehensive income			(6.1)		(6.1)		(6.1)
Transactions with owners of the Company							
Treasury shares purchased	(0.2)	(63.2)			(63.4)		(63.4)
Treasury shares sold	0.0	3.7			3.7		3.7
Value of services provided		0.6			0.6		0.6
Other movements		(0.2)		0.1	(0.1)		(0.1)
Dividend				(15.3)	(15.3)	0.0	(15.3)
	(0.2)	**(59.1)**	**(6.1)**	**81.6**	**16.3**	**0.1**	**16.4**
Balance at 31 December 2017	**6.3**	**229.6**	**(8.2)**	**313.9**	**541.6**	**0.3**	**541.9**

[1] Includes reserve for share based payments as per 31 December 2018 of EUR 2.6 million (31 December 2017: EUR 1.4 million).
[2] For details on Other reserves refer to note 20.

The notes on pages 15-75 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Cash Flows

In EUR million	Notes	2018	2017
Cash flows from operating activities			
Result from operations		**160.9**	**140.3**
Adjustments to reconcile result from operations to net cash provided by / (used in) operating activities:			
Depreciation of property, plant and equipment and right of use assets	13 & 14	21.9	11.9
Amortization and impairment of intangible assets	16	32.7	39.7
Changes in non-current receivables and payables		0.3	0.9
Working capital provided by / (used in) operating activities		**215.8**	**192.8**
Changes in working capital:			
Inventories and contract assets and liabilities		(17.8)	44.1
Trade and other receivables		(4.0)	(26.5)
Trade and other payables		15.0	25.6
Provisions		(3.2)	0.2
Changes in operating assets and liabilities		**(10.0)**	**43.4**
Cash generated from operating activities		**205.8**	**236.2**
Taxes paid		(31.2)	(26.2)
Interest and finance income		2.2	0.8
Interest and finance costs		(10.0)	(15.2)
Net cash from operating activities		**166.8**	**195.6**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(34.0)	(34.0)
Investments in intangibles	16	(23.0)	(23.9)
Proceeds from sale of property, plant and equipment		3.0	0.4
Acquisition of subsidiary, net of cash aquired	4	(30.5)	(20.2)
Net cash provided by / (used in) investing activities		**(84.5)**	**(77.7)**
Cash flows from financing activities			
Purchase of treasury shares	20	(71.7)	(63.4)
Sale of treasury shares	20	2.2	3.7
Proceeds from borrowings	24	289.0	130.0
Repayments of borrowings	24	(241.6)	(177.2)
Payments lease liabilities		(9.2)	-
Dividends paid	20	(28.9)	(15.3)
Net cash provided by / (used in) financing activities		**(60.2)**	**(122.2)**
Net increase (decrease) in net cash		**22.1**	**(4.3)**
Exchange gain / (loss) on net cash		2.3	(9.3)
Net cash at beginning of the period		31.9	45.5
Net cash at end of the period		**56.3**	**31.9**

The notes on pages 15-75 are an integral part of the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1 General information

1.1 Reporting entity

Marel hf. ("the Company") is a limited liability company incorporated and domiciled in Iceland. The address of its registered office is Austurhraun 9, Garðabær.

The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as "the Group" or "Marel”).

The Group is a leading global provider of advanced equipment, systems and services for the Poultry, 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 6 February 2019. 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 6 March 2019.

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

1.2 Basis of Accounting

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and additional Icelandic disclosure requirements for consolidated financial information of listed companies in accordance with Icelandic Financial Statements Act No. 3/2006 and rules for issuers of financial instruments at the Nasdaq in Iceland. The accounting policies applied by Marel comply with IFRS and the pronouncements of the International Financial Reporting Interpretation Committee (IFRIC) effective at 31 December 2018.

These Consolidated Financial Statements have been prepared under the historical cost convention, except for the valuation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) which are valued at fair value through the Consolidated Statement of Comprehensive Income.

Details of the Group’s significant accounting policies are included in note 2.

1.3 Functional and presentation currency and exchange rates

Items included in the Consolidated Financial Statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“the functional currency”). The Consolidated Financial Statements are presented in Euro (EUR), which is the Group's reporting currency and the functional currency of Marel hf.. All financial information presented in EUR has been rounded to the nearest million, unless otherwise indicated.

Exchange rates
The currency exchange rates that were used in preparing the Consolidated Financial Statements are listed below for the most relevant currencies.

	2018		2017	
1 euro =	Year-end rate	Average rate	Year-end rate	Average rate
USD	1.14	1.18	1.19	1.13
GBP	0.90	0.88	0.89	0.88
ISK	132.93	127.54	125.03	120.68

1.4 Use of estimates and judgments

The preparation of the Consolidated Financial Statements in accordance with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 3. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values.

Further information about the assumptions made in measuring fair values is included in notes 2.13 Financial instruments and 24 Financial instruments and risks.

2 Summary of significant accounting policies

2.1 General

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below.

Changes in accounting policies

The accounting policies set out in this section have been applied consistently for all periods presented in these Consolidated Financial Statements, except for the following new standards which apply to the Group's Consolidated Financial Statements for the annual periods beginning on 1 January 2018:

- IFRS 9 Financial instruments.
- IFRS 15 Revenue from Contracts with Customers.
- IFRS 16 Leases.

Marel initially applied IFRS 15 (see note 2.5) and IFRS 9 (see note 2.13) from 1 January 2018 and has early applied IFRS 16 (see note 2.11) from 1 January 2018.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

Impact of the adoption of IFRS 9, IFRS 15 and IFRS 16

The Group has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The Group has assessed the impact that the initial application of IFRS 9 and IFRS 15, as described below, have on its Consolidated Financial Statements.

Marel adopted IFRS 16 Leases as well on 1 January 2018. The transition approach for IFRS 16 is the cumulative catch up approach, as a result there is no impact on Retained earnings as at 1 January 2018.

The impact of the adoption of IFRS 9 and IFRS 15, as per 1 January 2018, on the Group's equity as at 1 January 2018 is summarized below.

Retained earnings	
31 December 2017 [1]	313.9
IFRS 9 [2]	4.1
IFRS 15 [3]	(8.9)
1 January 2018 [4]	**309.1**

[1] Retained earnings as presented in the Consolidated Statement of Financial Position.
[2] Adjustments due to adoption of IFRS 9.
[3] Adjustments due to adoption of IFRS 15.
[4] Adjusted opening balance at 1 January 2018

The total adjustment, net of tax, to the opening balance of the Group's equity at 1 January 2018 amounts to EUR 4.8 million (decrease of Retained earnings). The principal components of the estimated adjustments are as follows:

- IFRS 9: An increase in Retained earnings of EUR 3.7 million relating to modifications in the Group's loan facilities and an increase in Retained earnings of EUR 0.4 million as a result of a reduction in the impairment of Trade receivables.
- IFRS 15: A decrease in Retained earnings of EUR 3.0 million due to later recognition of revenues (and some associated costs) for standard equipment and a decrease in Retained earnings of EUR 5.9 million due to alignment of margins for all phases of the complete system or solution.

The impact of IFRS 16 as at 1 January 2018 is additional assets (Right of use assets) and liabilities (Lease liabilities) in the Consolidated Statement of Financial Position amounting to EUR 33.2 million.

Consolidated Statement of Financial Position In EUR million	**31 December 2017**	**Impact IFRS 9, 15 & 16**	**1 January 2018**
ASSETS			
Right of use assets	-	33.2	33.2
Other non-current assets	1,060.6	-	1,060.6
Non-current assets	**1,060.6**	**33.2**	**1,093.8**
Contract assets	48.2	(11.9)	36.3
Trade receivables	128.9	0.4	129.3
Other current assets	202.9	-	202.9
Current assets	**380.0**	**(11.5)**	**368.5**
TOTAL ASSETS	**1,440.6**	**21.7**	**1,462.3**
EQUITY AND LIABILITIES			
Share capital	6.3	-	6.3
Share premium reserve	229.6	-	229.6
Other reserves	(8.2)	-	(8.2)
Retained earnings	313.9	(4.8)	309.1
Shareholders' equity	**541.6**	**(4.8)**	**536.8**
Non-controlling interests	0.3	-	0.3
Total equity	**541.9**	**(4.8)**	**537.1**
LIABILITIES			
Borrowings	370.5	(4.9)	365.6
Lease liabilities	0.2	33.2	33.4
Deferred income tax liabilities	61.3	(1.8)	59.5
Other non-current liabilities	14.9	-	14.9
Non-current liabilities	**446.9**	**26.5**	**473.4**
Current liabilities	**451.8**	**-**	**451.8**
Total liabilities	**898.7**	**26.5**	**925.2**
TOTAL EQUITY AND LIABILITIES	**1,440.6**	**21.7**	**1,462.3**

Prior-year information

The presentation of prior-year disclosures is in line with the current year disclosures, except for the impact of new disclosure requirements as a result of the implementation of IFRS 9, 15 and 16.

Specific choices with IFRS

Sometimes IFRS allows alternative accounting treatment for measurement and / or disclosure. The most important of these alternative treatments are mentioned below:

Tangible and intangible fixed assets

Under IFRS an entity shall disclose either the cost model or the revaluation model as its accounting for tangible and intangible fixed assets. In this respect, Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if applicable. The useful lives and residual values are evaluated annually. The Company chose to apply the cost model meaning that costs relating to product development, the development and purchase of software for internal use and other intangible assets are capitalized and subsequently amortized over their estimated useful life.

Presentation of Consolidated Statement of Income

Marel presents expenses in the Consolidated Statement of Income in accordance with their function. This allows the presentation of gross profit on the face of the Consolidated Statement of Income, which is a widely used performance measure in the industry. The composition of the costs allocated to the individual functions is explained as follows:

- Cost of sales encompasses all manufacturing costs (including raw materials, employee benefits, and depreciation and amortization) related to goods and services captured in net sales. They are measured at their actual cost based on “first in, first out” or weighted average cost;
- Selling and marketing expenses relate to the selling and marketing of goods and services;
- Research and development expenses consist of:
  - research, which is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding; and,
  - development, which is defined as the application of research findings or other knowledge to a plan or (re-)design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use;
- General and administrative expenses relate to the strategic and governance role of the general management of the Company as well as the representation of Marel as a whole in the financial, political or business community. General and administrative expenses also relate to business support activities of staff departments that are not directly related to the other functional areas.

Presentation of Consolidated Statement of Cash Flows

Under IFRS, an entity shall report cash flows from operating activities using either the direct method (whereby major classes of gross cash receipts and gross cash payments are disclosed) or the indirect method (whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows). In this respect, the Company chose to prepare the Consolidated Statement of Cash Flows using the indirect method.

2.2 Consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

Acquisitions by Marel as part of business combinations will result in recognition of goodwill and other intangible assets. The amounts assigned to the acquired assets and liabilities are based on assumptions and estimates about their fair values. In making these estimates, management consulted independent, qualified appraisers if appropriate. A change in assumptions and estimates could change the values allocated to certain assets and their estimated useful lives, which could affect the amount or timing of charges to the Consolidated Statement of Income, such as amortization of intangible assets.

Any goodwill that arises is tested annually for impairment. Any gain on a purchase is recognized in the Consolidated Statement of Income immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the Consolidated Statement of Income.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as Equity, then it is not re-measured and settlement is accounted for within Equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in the Consolidated Statement of Comprehensive Income.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's award), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combinations. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Details of the acquisition of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG and of Sulmaq Industrial e Comercial S.A. 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 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.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealized gains on transactions between Group companies 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.

Associates

Associates are all entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures 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 equity-accounted investees, until the date on which significant influence or joint control 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.

2.3 Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Business activities reported in the core industries reflect the recurring operational activities of those segments. All operating segments' operating results are reviewed regularly by the Group's CEO and strategic decisions are based on these operating segments.

2.4 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of Group entities, and from there into the Group's reporting currency using the exchange rates prevailing at the dates of the transactions or valuation where items are revaluated.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Income, except when deferred in equity as permanent loan, as qualifying cash flow hedges and as qualifying net investment hedges as explained in note 2.14. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents as well as all other foreign exchange gains and losses are recognized immediately in the Consolidated Statement of Income within 'Finance income' or 'Finance costs'.

Group companies

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 Consolidated Statement of Income are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions.
- translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to financing of subsidiaries are recognized as a separate component of Equity (Translation reserve).

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognized in Other Comprehensive Income and accumulated in Translation reserve. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in Other Comprehensive Income are recognized in the Consolidated Statement of Income for the period as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

In case of a non-wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the Non-Controlling Interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the Translation reserve related to that foreign operation is reclassified to Consolidated Statement of Income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to Non-Controlling Interests. 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 Other Comprehensive Income.

2.5 Revenue recognition

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (with practical expedient: completed contract method), with the effect of 1 January 2018, being the date of initial application. Accordingly, the information presented for 2017 has not been restated and is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Marel recognizes revenue, 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.

In the comparative period, revenue from fixed-price contracts for delivering designed services and solutions was recognized under the percentage of completion ("POC") method. Under the POC method, revenue was generally recognized based on the services performed and direct expenses incurred to date as a percentage of the total services to be performed and total expenses to be incurred.

The following is a description of the principal activities from which the Group generates its revenues.

Sales of goods

In Marel's business model, sales of goods relate to sales of standard equipment and sales of complete solutions or systems.

Standard equipment requires no or minor modifications as requested by customers. Sales of complete solutions or systems require significant modifications either requested by the customer or required to fulfill the customer's needs. Under IFRS 15 revenue will be recognized when or as the customer obtains control of the goods or services.

Revenues for standard equipment, under IAS 11 accounted for by the percentage of completion method, are since 1 January 2018 recognized later, as the IFRS 15 criteria for revenue recognition over time are not met. Revenues for standard equipment are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods. Invoices are issued at that point in time and are usually payable within 30 days from the date of invoice issued according to the contractual terms.

For the sale of complete solutions or systems, revenue was under the previous accounting standards, IAS 11 and IAS 18, recognized over time. Revenue was recognized as the Group manufactures the equipment. Under IFRS 15, the recognition of revenue for these categories will not change. Under IFRS 15, all these complete solutions or systems are deemed to not have an alternative use and Marel has an enforceable right to payment and therefore related revenues will be recognized over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. An expected loss on the contract is recognized as an expense immediately. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

For the sale of complete solutions or systems and for most of the standard equipment down payments are requested. For these down payments payment terms are usually 30 days from the date of invoice issued according to the contract terms.

Based on the Group's assessment, the previous accounting practice of the Group for complete solutions or systems is in line with IFRS 15 guidance. Therefore, the application of IFRS 15 does not result in differences in the timing of revenue recognition for such solutions or systems. Under IFRS 15, complete solutions or systems should have a similar margin for all components of the solution or system. As a result of the adoption of IFRS 15, Marel aligned the margins for all phases of the solution or systems.

The impact on deferred revenues for standard equipment was a decrease in Retained earnings at 1 January 2018 of EUR 3.0 million. The impact in 2018 is a decrease of EUR 2.5 million in Revenues and an increase in Cost of sales of EUR 1.3 million.

The impact on aligned margins for complete solutions or systems was a decrease in Retained earnings at 1 January 2018 of EUR 5.9 million. The impact in 2018 is an increase of EUR 1.3 million in both Revenues and Gross profit.

Consolidated Statement of Income In EUR million	**2018 as reported**	**IFRS 15 adjustments**	**Amounts without adoption of IFRS 15**
Revenues	1,197.9	1.2	1,199.1
Cost of sales	(730.4)	(1.3)	(731.7)
Gross profit	**467.5**	**(0.1)**	**467.4**
Adjusted result from operations*)	**175.2**	**(0.1)**	**175.1**
Result from operations	**160.9**	**(0.1)**	**160.8**
Result before income tax	**146.0**	**(0.1)**	**145.9**
Income tax	(23.5)	0.0	(23.5)
Net result	**122.5**	**(0.1)**	**122.4**
Comprehensive income	**120.4**	**(0.1)**	**120.3**

Consolidated Statement of Financial Position In EUR million	**31 December 2018**	**Adjustments**	**Amounts without adoption of IFRS 15**
ASSETS			
Deferred income tax assets	10.2	(3.1)	7.1
Other non-current assets	1,121.7	-	1,121.7
Non-current assets	**1,131.9**	**(3.1)**	**1,128.8**
Contract assets	44.0	11.8	55.8
Other current assets	390.0	-	390.0
Current assets	**434.0**	**11.8**	**445.8**
TOTAL ASSETS	**1,565.9**	**8.7**	**1,574.6**
EQUITY AND LIABILITIES			
Share capital	6.1	-	6.1
Share premium reserve	161.7	-	161.7
Other reserves	(10.3)	-	(10.3)
Retained earnings	403.2	8.7	411.9
Shareholders' equity	**560.7**	**8.7**	**569.4**
Non-controlling interests	0.2	-	0.2
Total equity	**560.9**	**8.7**	**569.6**
LIABILITIES			
Non-current liabilitie:	527.3	-	527.3
Current liabilities	477.7	-	477.7
Total liabilities	**1,005.0**	**-**	**1,005.0**
TOTAL EQUITY AND LIABILITIES	**1,565.9**	**8.7**	**1,574.6**

Rendering of services

The Group is involved in manufacturing of equipment, as well as performing related maintenance services to the equipment. Under the previous accounting standards, revenue is recognized using the percentage of completion method.

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions. Revenue relating to maintenance services is recognized over time under the percentage of completion method as described above, although the customer pays up-front in full for these services. A contract liability is recognized for revenue relating to the maintenance services at the time of the initial sales transaction and is recognized as revenue over the service period. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

Commissions

The Group will apply the practical expedient in relation to the incremental costs of obtaining a contract. The Group will recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. Costs for obtaining a contract for which the contract exceeds one year will be capitalized and amortized over the contract period.

Interest income

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

Impairment of receivables

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.6 Contract assets and contract liabilities

The Group presents as a contract asset the gross amount due from customers for contract work for all contracts in progress in which costs incurred plus recognized profits or less recognized losses exceeds progress billings.

The Group presents as a contract liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits or less recognized losses.

2.7 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (stock options) of the Group. The fair value of the employee services received in exchange for the grant of the stock options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the stock options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of stock options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At reporting date, the entity revises its estimates of the number of stock options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the Consolidated Statement of Income, with a corresponding adjustment to Equity. The proceeds received net of any directly attributable transaction costs are credited to Share capital (nominal value) and Share premium when the stock options are exercised. The fair value of the employee stock options granted is measured using the Black-Scholes formula.

Measurement inputs include share price on measurement date, exercise price of the stock options, expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life of the instruments based on historical experience and general stock option holder behavior, expected dividends, and the risk-free interest rate based on government bonds. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Profit sharing and bonus plans

Under some circumstances, a liability for key employee benefits in the form of profit sharing and bonus plans is recognized in other provisions when it is management intention to settle the liability and at least the condition is met that there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Pension plans

Marel has several pension plans in accordance with local rules and conditions. Based on IAS 19, Employee Benefits, only one arrangement with regards to early retirement rights can be classified as defined benefit pension plan until the moment of settlement expected in 2020 (VPL in the Netherlands). Two other defined benefit obligations refer to jubilee rights in the Netherlands and the postretirement medical benefit plan in the United States of America. Because of their non-material character, these arrangements are not disclosed separately.

For the majority of its employees, the Group has pension plans classified as defined contribution plans. Obligations relating to defined contribution pension plans are charged to the Consolidated Statement of Income as employee remuneration expenses when the contributions are payable. Contributions paid in advance are presented as assets to the extent that cash repayment or a reduction in future contributions is available.

2.8 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Consolidated Statement of Income except to the extent that it relates to business combinations, or items recognized directly in Shareholders' equity or in Other Comprehensive Income. 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company’s subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 by reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

2.9 Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Consolidated Statement of Income in the period in which they are incurred.

Land is not depreciated. Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Buildings	30-50 years
Plant and machinery	4-15 years
Vehicles and equipment	3-7 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. Equipment included in rented buildings is depreciated over the remaining useful life of the related equipment or over the remaining rental period, whichever is shorter.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount (note 2.12).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognized within other operating income (expenses) in the Consolidated Statement of Income.

Borrowing cost is expensed as incurred except when directly attributable to acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use. Such borrowing cost is capitalized as part of the cost of the asset when it is probable that it will result in future economic benefits to the entity and the cost can be measured reliably.

2.10 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to Cash Generating Units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose.

Technology, research and development

Technology costs have a finite useful life and are capitalized and amortized using the straight line method over the period of 20 years.

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will generate future economic benefits, considering its commercial and technological feasibility, costs can be measured reliably and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized as an expense as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

Customer relationships, patents & trade names

Customer relationships have been acquired as part of recent acquisitions and are capitalized and amortized using the straight line method over their useful life of maximum 20 years.

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

Other intangible assets

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use.
- management intends to complete the software product and use or sell it.
- there is an ability to use or sell the software product.
- it can be demonstrated how the software product will generate probable future economic benefits.
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- the expenditure attributable to the software product during its development can be measured reliably.

Directly attributable costs capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overhead.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as intangible assets are amortized over their estimated useful lives, which can vary from 3 to 5 years.

General

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the Consolidated Statement of Income as incurred.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets with an indefinite useful life or that are not depreciated are tested annually for impairment.

2.11 Right of use assets

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Marel applied the recognition exemptions for short-term leases and leases of low-value items.

As a lessee, the Group has applied IFRS 16 on 1 January 2018, using the cumulative catch up approach (the modified retrospective approach) and measuring the amounts equal to liability at adoption, with no restatement of comparative information, therefore the comparative information continues to be reported under IAS 17 and IFRIC 4.

The right of use 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 and equipment.

As at 1 January 2018, the additional assets and liabilities on the Consolidated Statement of Financial Position amounted to EUR 33.2 million. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Lease categories

Marel is mainly using the following leases:

- Office buildings: Marel is leasing office building for regional offices. The lease terms, and the remaining lease terms at the date of the initial application, vary between one month and 10 years. The lease payments are adjusted every year based on the change in the consumer price index in the preceding year.
- Lease cars: Marel is leasing cars for which the lease terms and remaining lease terms at the date of initial application vary between 1 month and 5 years.

Short-term leases and leases of low-value assets

Marel has elected not to recognize right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight line bases over the lease term.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date. Assets held for sale which are valued at fair value, are reviewed at each reporting date.

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from business combinations is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in the Consolidated Statement of Income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.13 Financial instruments

IFRS 9 Financial instruments

In July 2014 the International Accounting Standards Board ("IASB") issued the final version of IFRS 9 Financial Instruments which has been endorsed by the European Union. The new version, with minor amendments in 2017, includes revised requirements for the classification and measurement of financial assets and liabilities and regulations on the impairment of financial instruments; with the new expected credit loss ("ECL") model losses are recognized earlier because both existing and expected losses are recognized.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, Fair Value Through Other Comprehensive Income ("FVOCI") and Fair Value Through Profit or Loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1, Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the Consolidated Statement Income and Consolidated Statement of Comprehensive Income. Previously, the Group's approach was to include the impairment of trade receivables in Selling and Marketing expenses. As the impairment of financial assets is not material, Marel continued to report impairment losses on trade receivables and contract assets as other expenses within Selling and Marketing Expenses. Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the Consolidated Statement of Income and Consolidated Statement of Comprehensive Income due to materiality considerations.

Based on the impairment methodology described, the Group calculated that application of IFRS 9's impairment requirements at 1 January 2018 resulted in a reduction of impairment losses of EUR 0.4 million for Trade receivables.

The Group's assessment did not indicate any other material impact regarding the classification of financial assets and liabilities at 1 January 2018.

Financial instruments other than derivatives

The Group classifies its financial assets and liabilities in the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in the Consolidated Statement of Income as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the Consolidated Statement of Income. If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity.

Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking expected credit loss model ("ECL"). This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

Under IFRS 9, loss allowances will be measured based on the ECLs that result from all possible default events over the expected life of a financial instrument. Marel's financial assets are currently limited to trade receivables and contract assets without significant financing components and are as such always impaired based on lifetime ECLs. The Group expects impairments losses to remain at similar levels as they are currently going forward, although they become more volatile for assets in the scope of the IFRS 9 impairment model.

Impairment – Trade and other receivables, including contract assets

The estimated ECLs were calculated based on actual credit loss experience over the past five years. The Group takes a holistic view of it financial assets and applies the same expected credit loss rate over all Trade receivables.

Cash and cash equivalents

Cash and cash equivalents can include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the Consolidated Statement of Financial Position.

Impairment – Cash and cash equivalents

The majority of cash and cash equivalents are held with bank and financial institution counterparties, which have a rating of A, based on Standard & Poor's ratings as at 31 December 2018. Marel holds majority of its cash and cash equivalents with financial institutions that are lending partners to the Group to minimize further credit risks.

The Group does not expect any impairment on cash and cash equivalents as the Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

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 24.

Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of derivative liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI.
- the remaining amount of change in the fair value is presented in profit or loss.

Under IFRS 9, entities will have to account for modifications and revisions on its financial liabilities and report any (expected) gain or loss as a result in the Consolidated Statement of Income at the day of modification or revision. IFRS 9 transition requires a retrospective application and as a result of the modification of the borrowings of 5 May 2017 Marel recognized an adjustment in Retained earnings in the opening balance sheet of 1 January 2018. This increased Retained earnings by EUR 3.7 million and reduced the carrying amount of borrowings by EUR 4.9 million.

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.

Transition

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 have been recognized in Retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

2.14 Derivative financial instruments and hedging activities

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group has chosen to continue to apply the requirements of IAS 39.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently revaluated at their fair value. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risk of the host contract and the embedded derivative are not directly closely related.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge). Or
- Hedges of a net investment in a foreign operation (net investment hedge). Or
- Derivatives at fair value through profit or loss are accounted for at fair value through profit or loss.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedge reserve in Equity are shown in the Consolidated Statement of Changes in Equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current asset or liabilities.

(a) 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 Other Comprehensive Income and presented in the Hedge reserve in Equity. The profit or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Income within Finance income or Finance costs.

Amounts accumulated in Equity are recycled in the Consolidated Statement of Income for the period in the periods when the hedged item affects profit or loss.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or non-current assets) the gains and losses previously deferred in Equity are transferred from Equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in case of inventory or in depreciation in case of non-current assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the Consolidated Statement of Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in Equity is immediately transferred to the Consolidated Statement of Income within Finance income or Finance costs.

(b) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in Other Income and presented in the Hedge reserve in Equity. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Income within Finance income or Finance costs.

Gains and losses accumulated in Equity are included in the Consolidated Statement of Income when the foreign operation is partially disposed of or sold.

(c) Derivatives at fair value through profit or loss are accounted for at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognized immediately in the Consolidated Statement of Income within Finance income or Finance costs.

2.15 Inventories

Inventories are measured at the lower of historical cost or net realizable value. Cost is determined using the weighted average method and an adjustment to net realizable value is considered for items, which have not moved during the last 12 months. The cost of finished goods and work in progress comprise raw materials, direct labor, other direct costs and related production overhead based on normal operating capacity but exclude borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and any applicable variable selling expenses.

2.16 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefits and investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for sale and subsequent gains or losses on re-measurement are recognized in the Consolidated Statement of Income.

Once classified as assets held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or stock options are shown in Shareholders' equity as a deduction, net of tax, from the proceeds.

When any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from Equity attributable to the Company's shareholders until the shares are cancelled or reissued. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included within Share premium.

Private placements need to be approved by the shareholders at the Company's Annual General Meeting. Based on such resolution, where the shareholders waive their pre-emptive rights, the Board of Directors can approve for a private placement.

2.18 Provisions

Provisions for restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

The Group provides a guarantee on certain products and undertakes to repair or replace items that fail to perform satisfactorily. If the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

A provision for guarantee commitments is recognized when the underlying product and services are sold based on historical warranty data and a weighting of possible outcomes against their associated probabilities. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.19 New standards and standards issued but not yet effective

Standards, amendments and interpretation to existing standards that are not yet effective have not been early adopted by the Group, except IFRS 16 Lease which has an effective date of 1 January 2019.

The standard IFRS 17 Insurance Contracts is not applicable for the Group.

In May 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments. The interpretation clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. In assessing the uncertainty, an entity shall consider whether it is probable that a taxation authority will accept the uncertain tax treatment. IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019, while earlier application is permitted. The Group is currently assessing the impacts of adopting the interpretation on the Group's Consolidated Financial Statements.

3 Critical accounting estimates and assumptions

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these Consolidated Financial Statements, the Group has made judgments and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. The Group further makes estimates and assumptions concerning the future. The actual results will, by definition, seldom be exactly equal to the related accounting estimates used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Purchase price adjustments

Acquisitions by Marel as part of business combinations, which will be accounted for by the acquisition method, will result in recognition of goodwill and other intangible assets. The amounts assigned to the acquired assets and liabilities are based on assumptions and estimates about their fair values. In making these estimates, management consulted independent, qualified appraisers, if appropriate. A change in assumptions and estimates could change the values allocated to certain assets and their estimated useful lives, which could affect the amount or timing of charges to the Consolidated Statement of Income, such as amortization of intangible assets.

(b) Estimated impairment

The Group annually tests whether the financial and non-financial assets, including goodwill, were impaired in accordance with the accounting policy stated in note 2.10 and 2.12. The recoverable amounts of CGUs have been determined based on value in use calculation. These calculations require the use of estimates (note 15).

(c) 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.

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.

(d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

(e) Capitalized development cost

The recoverability of the capitalized development cost is tested regularly and is subject to the annual impairment tests, to verify if expected future economic benefits justify the values captured in the intangible fixed assets. The Group uses discounted cash flow analysis for this purpose.

(f) 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.

(g) 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.

In the following table the book values of the assets and liabilities which include an element of estimation are disclosed.

		2018		2017	
	Notes	Assets	Liabilities	Assets	Liabilities
Goodwill	15	641.3	-	643.9	-
Intangible assets	16	267.0	-	262.7	-
Current and deferred income taxes	18	10.2	57.3	4.4	61.3
Derivative financial instruments	24	1.3	1.4	0.9	2.7
Contract assets	6	44.0	212.1	48.2	209.6

4 Business combinations

Acquisition of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG

On 25 July 2018, Marel signed an agreement to acquire the limited partner interest in the company of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG to get transferred all business assets and liabilities and to acquire 100% of the shares of related companies in France and the United States ("MAJA"). This transaction is in line with Marel's strategic objective to be a full-line supplier of advanced food processing solutions and accelerate market penetration through acquisitions.

Founded in 1955, MAJA is a highly innovative manufacturer of food processing machinery, specializing in skinning and portioning with main focus on the meat market as well as ice machines for the preservation of fresh food. Based in Kehl-Goldscheuer in Germany, MAJA has around 200 employees and annual revenues of roughly EUR 30 million in 2017.

This bolt-on acquisition supports Marel in achieving its goals for future growth and value creation. With MAJA's innovative product offering and complimentary geographical reach, Marel is strengthening its product offering and market presence.

The transaction was finalized on 14 August 2018. Closing was subject to anti-trust approval and standard closing conditions. The transaction is funded from cash on hand and available facilities.

The amounts recorded for the acquisition as disclosed below are provisional. In accordance with IFRS 3, Business Combinations, the purchase price of MAJA will be allocated to identifiable assets and liabilities acquired.

Immediately after the acquisition date the Purchase Price Allocation activities started. Due to the short timeframe the process is still ongoing and is expected to be finished during 2019. As a consequence all of the numbers recorded for the acquisition are provisional, and include a preliminary estimate for Property, plant and equipment. Provisional Goodwill amounted to EUR 0.7 million. The resulting Goodwill from this acquisition is primarily related to the strategic (and cultural) fit of MAJA and Marel with highly complementary product portfolios and geographic presence. The goodwill is tax deductible in Germany.

Under IFRS 3, up to one year from the acquisition date, the initial accounting for business combinations needs to be adjusted to reflect additional information that has been received about facts and circumstances that existed at the acquisition date and would have affected the measurement of amounts recognized as of that date. As a result of such adjustments the values of assets and liabilities recognized may change in the one-year period from the acquisition date which did not result in adjustments to the opening balance sheet of MAJA.

MAJA contributed EUR 9.7 million to revenues since the acquisition date and affected result from operations positively.

The following table summarizes the consideration paid for MAJA and the recognized provisional amounts of assets acquired and liabilities assumed at the acquisition date being 14 August 2018.

14 August 2018	
Property, plant and equipment	9.6
Intangible assets (excl goodwill)	14.7
Inventories	11.7
Trade receivables, current and non-current	4.4
Other receivables and prepayments	2.2
Cash and cash equivalents	0.8
Assets acquired	**43.4**
Borrowings, current and non-current	7.3
Provisions, current and non-current	0.3
Trade and other payables	5.2
Liabilities assumed	**12.8**
Total net identified assets	**30.6**
Consideration paid in cash for the transaction on 14 August 2018	31.3
Consideration transferred	**30.6**
Provisional goodwill on acquisition	**0.7**

PPA related costs, including depreciation and amortization of acquisition-related (in)tangible assets for MAJA relate to the following lines in the Consolidated Statement of Income:

	2018
Cost of sales	3.8
Selling and marketing expenses	0.1
Research and development expenses	0.1
General and administrative expenses	0.2
	4.2

Sulmaq Industrial e Comercial S.A.

On 25 July 2017, Marel signed an agreement to acquire 100% of the shares of Sulmaq Industrial e Comercial S.A. ("Sulmaq") from a consortium of shareholders. Sulmaq is domiciled in Brazil. The closing of the acquisition of Sulmaq took place on 31 August 2017.

Sulmaq is involved in development of projects and supply of complete slaughtering, deboning and industrialized equipment lines for hog, cattle and sheep processors according to customer's needs and operates in Brazil and internationally. The acquisition enhances Marel's position as a leading global provider of advanced equipment and solutions to the Poultry, Meat and Fish industries and is fully in line with the Company's previously announced growth strategy. This step supports Marel's full line offering in the meat processing industry.

In accordance with IFRS 3, Business Combinations, the purchase price of Sulmaq was allocated to identifiable assets and liabilities acquired. Goodwill amounted to EUR 10.3 million and is allocated to the Meat segment. The resulting goodwill from this acquisition is primarily related to the strategic (and cultural) fit of Sulmaq and Marel with highly complementary product portfolios and geographic presence, new customers and synergies. The goodwill is, under certain conditions, deductible for income tax purposes.

Sulmaq contributed EUR 30.0 million to revenues for the year 2018 and affected result from operations positively.

Under IFRS 3, up to one year from the acquisition date, the initial accounting for business combinations needs to be adjusted to reflect new information that is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the 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.

The Purchase Price Allocation of Sulmaq is finalized. The impact of the valuation of Property, plant and equipment, and as a consequence the impact on Intangible assets and Goodwill, is described in note 13, note 15 and note 16 and is included in the numbers as presented below.

The following table summarizes the consideration paid for Sulmaq and the recognized amounts of assets and liabilities at the acquisition date being 31 August 2017.

31 August 2017	
Property, plant and equipment	10.3
Intangible assets	3.3
Inventories	6.1
Trade receivables, current and non-current	5.5
Other receivables and prepayments	0.5
Cash and cash equivalents	5.8
Assets acquired	**31.5**
Borrowings, current and non-current	5.0
Deferred and other tax liabilities	2.7
Provisions, current and non-current	0.6
Trade and other payables	7.5
Liabilities assumed	**15.8**
Total net identified assets	**15.7**
Consideration paid in cash for the transaction on 31 August 2017	26.0
Consideration transferred	**26.0**
Goodwill on acquisition	**10.3**

Amortization of acquisition-related (in)tangible assets for Sulmaq relate to the following lines in the Consolidated Statement of Income (no amortization was recorded in 2017 as the Purchase Price Allocations was only finalized in 2018):

	2018	2017
Cost of sales	0.8	-
Selling and marketing expenses	0.2	-
Research and development expenses	0.1	-
General and administrative expenses	0.2	-
	1.3	**-**

5 Segment information

Operating segments

The identified operating segments comprise the three industries, which are the reporting segments. These operating segments form the basis for managerial decision taking. The following summary describes the operations in each of the Group's reportable segments:

- Poultry processing: Our poultry processing product range offers integrated systems for processing broilers, turkeys and ducks.
- Meat processing: Our Meat Industry specializes in the key processes of slaughtering, deboning and trimming, case ready food service and bacon processing.
- Fish processing: Marel provides advanced equipment and systems for salmon and whitefish processing, both farmed and wild, onboard and ashore.
- The 'Others' segment includes any revenues, result from operations and assets which do not belong to the three core industries.

The reporting entities are reporting their revenues per operating segment based on the industry for which the customer is using Marel's product range.

Therefore inter-segment revenues do not exist, only intercompany revenues within the same segment.

Results are monitored and managed at the operating segment level, up to the Adjusted result from operations. Adjusted result from operations is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

The Group's CEO reviews the internal management reports of each segment on a monthly basis. Fluctuations between quarters are mainly due to timing of receiving and delivery of orders, margin on projects and business mix. Decisions on tax and financing structures including cash and cash equivalents are taken at a corporate level, therefore no financial income and expenses nor tax are allocated to the operating segments. The profit or loss per operating segment is the Adjusted result from operations (before PPA related costs including depreciation and amortization of acquisition-related (in)tangible assets); finance costs and taxes are reported in the column Total.

Intercompany transactions are entered at arm's length terms and conditions comparable to those available to unrelated parties. Information on assets per operating segment is reported; however, decisions on liabilities are taken at a corporate level and as such are not included in this disclosure.

	Poultry	Meat	Fish	Others	Total
31 December 2018					
Third Party Revenues	**638.2**	**387.0**	**159.1**	**13.6**	**1,197.9**
Adjusted result from operations	**117.2**	**43.8**	**12.6**	**1.6**	**175.2**
PPA related costs					(14.3)
Result from operations					**160.9**
Net finance costs					(14.9)
Result before income tax					**146.0**
Income tax					(23.5)
Net result for the period					**122.5**
Assets	**673.6**	**689.0**	**140.4**	**62.9**	**1,565.9**
Investments	31.0	18.3	7.7	-	57.0
Depreciation and amortization	(22.8)	(25.3)	(6.5)	-	(54.6)
Of which Impairments	-	(2.2)	-	-	(2.2)

	Poultry	Meat	Fish	Others	Total
31 December 2017					
Third Party Revenues	**560.2**	**334.4**	**132.3**	**11.3**	**1,038.2**
Adjusted result from operations	**109.5**	**38.5**	**5.6**	**3.8**	**157.4**
PPA related costs					(17.1)
Result from operations					**140.3**
Net finance costs					(20.3)
Result before income tax					**120.0**
Income tax					(23.1)
Net result for the period					**96.9**
Assets	**640.3**	**642.4**	**115.8**	**42.1**	**1,440.6**
Investments	31.6	18.9	7.4	-	57.9
Depreciation and amortization	(19.7)	(26.3)	(5.6)	-	(51.6)

Geographical information

The Group's three operating segments operate in four main geographical areas, even though they are managed on a global basis. The three main operating companies are located in Iceland, The Netherlands and the United States.

Total assets excluding Cash and cash equivalents	2018	2017
Iceland	101.2	118.0
The Netherlands	953.5	939.5
Europe other	204.8	146.9
North America	183.1	138.4
Other countries	67.0	65.9
	1,509.6	**1,408.7**

Total assets exclude the Group's cash pool which the Group manages at corporate level.

Capital expenditure	2018	2017
Iceland	11.0	7.6
The Netherlands	29.8	27.9
Europe other	9.3	16.5
North America	5.4	5.1
Other countries	1.5	0.8
	57.0	**57.9**

6 Revenue

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in note 2. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

Revenue

The Group's revenue is derived from contracts with customers. Within the segments and within the operating companies Marel is not relying on major customers.

Disaggregation of revenue

The Group's three operating segments operate in four main geographical areas, even though they are managed on a global basis. The home country of the Group is Iceland. The three main operating companies are located in Iceland, The Netherlands and the United States of America.

In the following table, revenue is disaggregated by primary geographical markets (revenue is allocated based on the country were the customer is located):

31 December 2018	Poultry	Meat	Fish	Others	Total
Primary geographical markets					
Iceland	0.5	0.3	9.7	0.0	**10.5**
The Netherlands	21.3	17.1	1.7	0.7	**40.8**
Europe other	250.4	158.4	94.1	2.3	**505.2**
North America	218.1	101.3	25.9	1.2	**346.5**
Other countries	147.9	109.9	27.7	9.4	**294.9**
	638.2	**387.0**	**159.1**	**13.6**	**1,197.9**

31 December 2017	Poultry	Meat	Fish	Others	Total
Primary geographical markets					
Iceland	0.2	0.4	6.5	0.1	**7.2**
The Netherlands	12.8	16.2	3.6	1.0	**33.6**
Europe other	231.6	149.3	73.1	5.7	**459.7**
North America	163.2	98.6	28.0	1.9	**291.7**
Other countries	152.4	69.9	21.1	2.6	**246.0**
	560.2	**334.4**	**132.3**	**11.3**	**1,038.2**

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2018	2017
Receivables, which are included in Trade and other receivales	138.8	128.9
Ordered work in progress	526.7	419.4
Advances received on ordered work in progress	(694.8)	(581.0)
	(168.1)	**(161.4)**
Contract assets	44.0	48.2
Contract liabilities	(212.1)	(209.6)
	(168.1)	**(161.4)**

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.

An amount of EUR 248.2 million (2017: EUR 241.0 million) has been included in the Revenues of 2018 as included in the Consolidated Statement of Income. For this portion of the revenues the conditions of sale of goods are not met, therefore the IFRS treatments of revenue recognition have been applied.

No information is provided about remaining performance obligations at 31 December 2018 that have an original expected duration of one year or less, as allowed by IFRS 15.

Marel continuously reassesses the impaired Trade receivables. A part of the impairment is related to product risk. This part has been transferred from Write-down to net-realizable value of Trade receivables to Construction contracts for an amount of EUR 0.4 million (see also note 17).

7 Expenses by nature and Adjusted result from operations

The table below shows the Expenses by nature:

	2018	2017
Cost of goods sold	426.4	359.8
Employee benefits	411.3	363.9
Depreciation and amortization	54.6	51.6
Maintenance and rent of buildings and equipment	15.0	16.6
Other	129.7	106.0
	1,037.0	**897.9**

Management has presented Adjusted result from operations as a performance measure in the Consolidated Statement of Income 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 including depreciation and amortization of acquisition-related (in)tangible assets. No other adjustments are included in Adjusted results from operations.

The table below shows the PPA related costs including depreciation and amortization of acquisition-related (in)tangible assets for the acquisition of MPS Holding III B.V. in 2016, Sulmaq in 2017 and MAJA in 2018, which relate to the following lines in the Consolidated Statement of Income:

	2018	2017
Cost of sales	4.7	8.3
Selling and marketing expenses	6.3	2.8
Research and development expenses	3.0	6.0
General and administrative expenses	0.3	-
	14.3	**17.1**

Adjusted result from operations is not a defined performance measure in IFRS. The Group's definition of Adjusted Result from operations may not be comparable with similarly titled performance measures and disclosures by other companies.

8 Net finance costs

The effect of initially applying IFRS 9 is described in note 2.

	2018	2017
Finance costs:		
Interest on borrowings	(10.1)	(12.8)
Interest on leases	(0.9)	(0.0)
Other finance expenses	(5.9)	(4.9)
Net foreign exchange transaction losses	(0.3)	(3.5)
Subtotal finance costs	**(17.2)**	**(21.2)**
Finance income:		
Interest income	2.3	0.9
Net finance costs	**(14.9)**	**(20.3)**

9 Staff costs

	2018	2017
Salaries and wages	343.6	306.2
Social security contributions	41.5	35.2
Expenses related to equity-settled share-based payments	1.2	0.6
Post retirement costs	25.0	21.9
	411.3	**363.9**

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:

	2018	2017
Cost of sales	181.8	164.0
Selling and marketing expenses	103.9	93.5
Research and development expenses	71.8	59.6
General and administrative expenses	53.8	46.8
	411.3	**363.9**

For further information on post-employment benefit costs, see note 23.

For details on the remuneration of the members of the Board of Directors and the CEO, see note 28.

The average number of employees in FTEs per cost category is summarized as follows:

Employees in FTEs	2018	2017
Cost of sales	2,839	2,380
Selling and marketing expenses	1,176	1,028
Research and development expenses	753	651
General and administrative expenses	516	446
Employees	**5,284**	**4,505**
3rd party workers	510	407
	5,794	**4,912**

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.

10 Fees to Auditors

The following table shows the fees to KPMG attributable to the fiscal years 2018 and 2017.

	2018	2017
Financial Statement audit fees	0.8	0.7
Other fees, including tax services	0.1	0.2
	0.9	**0.9**

11 Income tax

Income tax recognized in the Consolidated Statement of Income	**2018**	**2017**
Current tax	(32.9)	(24.4)
Deferred tax	9.4	1.3
	(23.5)	**(23.1)**

In December 2018, a new corporate tax law was substantially enacted in the Netherlands. Consequently, as of 1 January 2020, the corporate tax rate in the Netherlands will be reduced from 25.00% to 22.55% and will be further reduced to 20.50% as of 1 January 2021. This change resulted in a gain of EUR 7.6 million related to the remeasurement of deferred tax assets and liabilities of the Group's Dutch subsidiaries being recognized during the year ended 31 December 2018.

The 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.

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.

Reconciliation of effective income tax	**2018**		**2017**	
		%		%
Result before income tax	146.0		120.0	
Income tax using Icelandic rate	(29.2)	20.0	(24.0)	20.0
Effect of tax rates in other jurisdictions	(6.3)	4.3	(8.1)	6.8
Weighted average applicable tax	(35.5)	24.3	(32.1)	26.8
Foreign exchange effect Iceland	(0.5)	0.3	(0.4)	0.3
Research and development tax incentives	5.7	(3.9)	5.1	(4.3)
Permanent differences	0.0	0.0	0.2	(0.2)
Tax losses (un)recognized	0.0	0.0	(0.1)	0.1
(Impairment)/reversal of tax losses	0.0	0.0	0.3	(0.3)
Effect of tax rate changes	7.0	(4.8)	1.1	(0.9)
Others	(0.2)	0.2	2.8	(2.3)
Tax charge included in the profit or loss for the period	**(23.5)**	**16.1**	**(23.1)**	**19.3**

12 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)	**2018**	**2017**
Net result attributable to Shareholders	122.4	96.8
Weighted average number of outstanding shares in issue (millions)	682.1	706.6
Basic earnings per share (EUR cent per share)	**17.95**	**13.70**

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)	**2018**	**2017**
Net result attributable to Shareholders	122.4	96.8
Weighted average number of outstanding shares in issue (millions)	682.1	706.6
Adjustments for stock options (millions)	3.3	3.8
Weighted average number of outstanding shares for diluted earnings per share (millions)	**685.4**	**710.4**
Diluted earnings per share (EUR cent per share)	**17.86**	**13.63**

13 Property, plant and equipment

	Land & buildings	Plant & machinery	Under con-struction	Vehicles & equipment	Total
1 January 2018					
Cost	146.4	96.8	19.7	42.2	305.1
Accumulated depreciation	(50.6)	(73.2)	-	(36.6)	(160.4)
Net book value	**95.8**	**23.6**	**19.7**	**5.6**	**144.7**
Year ended 31 December 2018					
Opening net book value	95.8	23.6	19.7	5.6	144.7
Divestments	-	(2.2)	-	-	(2.2)
Effect of movements in exchange rates	(1.6)	0.1	0.1	-	(1.4)
Additions	4.7	6.5	20.3	2.5	34.0
Business combinations, note 4	12.5	(0.1)	-	0.9	13.3
Transfer between categories	22.9	5.0	(28.1)	0.2	-
Depreciation charge	(4.6)	(5.9)	-	(2.3)	(12.8)
Closing net book value	**129.7**	**27.0**	**12.0**	**6.9**	**175.6**
At 31 December 2018					
Cost	182.6	95.1	12.0	44.7	334.4
Accumulated depreciation	(52.9)	(68.1)	-	(37.8)	(158.8)
Net book value	**129.7**	**27.0**	**12.0**	**6.9**	**175.6**

	Land & buildings	Plant & machinery	Under con-struction	Vehicles & equipment	Total
At 1 January 2017					
Cost	130.1	93.4	1.6	41.0	266.1
Accumulated depreciation	(41.8)	(69.8)	-	(35.5)	(147.1)
Net book value	**88.3**	**23.6**	**1.6**	**5.5**	**119.0**
Year ended 31 December 2017					
Opening net book value	88.3	23.6	1.6	5.5	119.0
Divestments	(0.1)	0.0	-	(0.3)	(0.4)
Effect of movements in exchange rates	(1.4)	(0.7)	(0.1)	(0.3)	(2.5)
Additions	2.6	5.3	23.3	2.8	34.0
Business combinations, note 4	6.5	-	-	-	6.5
Transfer between categories	4.2	0.9	(5.1)	0.0	0.0
Depreciation charge	(4.3)	(5.5)	-	(2.1)	(11.9)
Closing net book value	**95.8**	**23.6**	**19.7**	**5.6**	**144.7**
At 31 December 2017					
Cost	146.4	96.8	19.7	42.2	305.1
Accumulated depreciation	(50.6)	(73.2)	-	(36.6)	(160.4)
Net book value	**95.8**	**23.6**	**19.7**	**5.6**	**144.7**

Depreciation of Property, plant and equipment and of acquisition-related tangible assets analyzes as follows in the Consolidated Statement of Income:

	2018	2017
Cost of sales	6.2	6.2
Selling and marketing expenses	0.5	0.7
Research and development expenses	0.3	0.4
General and administrative expenses	5.6	4.6
	12.6	**11.9**
Depreciation of acquisition-related property, plant and equipment	0.2	0.0
	12.8	**11.9**

14 Right of use assets

The Group has early adopted IFRS 16 and started reporting as of 1 January 2018. As a consequence, the Group recognizes a Right of use assets representing its right to use the underlying assets and a Lease liability representing its obligation to make lease payments.

The following table shows the Right of use assets:

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2018				
Cost	22.4	1.0	9.8	33.2
Net book value	22.4	1.0	9.8	33.2
Year ended 31 December 2018				
Opening net book value	22.4	1.0	9.8	33.2
Divestments	-	-	(0.4)	(0.4)
Effect of movements in exchange rates	(0.1)	-	0.2	0.1
Additions	5.5	-	4.0	9.5
Depreciation charge	(4.1)	(0.2)	(4.8)	(9.1)
Closing net book value	**23.7**	**0.8**	**8.8**	**33.3**
At 31 December 2018				
Cost	27.8	1.0	13.3	42.1
Accumulated depreciation	(4.1)	(0.2)	(4.5)	(8.8)
Net book value	**23.7**	**0.8**	**8.8**	**33.3**

Depreciation of Right of use assets analyzes as follows in the Consolidated Statement of Income:

	2018
Cost of sales	2.2
Selling and marketing expenses	1.9
Research and development expenses	0.2
General and administrative expenses	4.8
	9.1

For the annual maturity of the Lease liabilities, refer to note 24.

15 Goodwill

At 1 January 2018	
Cost	643.9
Net book value	**643.9**
Year ended 31 December 2018	
Opening net book value	643.9
Business combinations, note 4	(1.6)
Exchange differences	(1.0)
Closing net book value	**641.3**
At 31 December 2018	
Cost	641.3
Net book value	**641.3**

At 1 January 2017	
Cost	635.2
Net book value	**635.2**
Year ended 31 December 2017	
Opening net book value	635.2
Business combinations, note 4	12.6
Exchange differences	(3.9)
Closing net book value	**643.9**
At 31 December 2017	
Cost	643.9
Net book value	**643.9**

Business combinations for 2018 relate to the acquisition of MAJA (increase in provisional goodwill of EUR 0.7m) and Sulmaq (decrease in goodwill of EUR 2.3m due to the finalization of the PPA) and for 2017 to the acquisition of Sulmaq. Further information on the acquisitions is disclosed in note 4 to the Consolidated Financial Statements.

Impairment testing

Annually goodwill is tested for impairment at the level of the CGUs. For Marel, the CGUs are based on the market oriented business model, Poultry, Meat and Fish, in accordance with IFRS 8 Operating Segments. Poultry, Meat and Fish serve the customer needs in primary, secondary and further processing. Only at the level of the operating segments the connection can be made between the businesses for which the goodwill was originally paid and the results of the synergies after the acquisitions.

The annual impairment test includes Property, plant and equipment, Right of use assets, Goodwill, Other intangible assets and net working capital allocated to CGUs to determine the final recoverable amount.

The purpose of impairment testing is to determine whether the recoverable amount exceeds the carrying amount of the above mentioned assets. The recoverable amount of an operating segment is determined as the present value of the future cash flows expected to be derived from a CGU, based on amongst others:

- the estimated future cash flows that the Group expects the CGU to earn.
- possible variations in the amount or timing of those future cash flows.
- the time value of money, which is reflected by using a discount rate based on the current market risk-free rate of interest.
- the price for the uncertainty inherent in the CGU.

The sales growth rates and margins used to estimate future cash flows are based on management estimates that take into account past performance and experience, external market growth assumptions and industry long term averages. The weighted growth rate for the period 2020 to 2023 of forecast cash flows is between 4% and 7% for all CGUs, which is management's best estimate. These growth rates are in line with external market predictions of the worldwide industry for providing equipment and solutions for the protein industry as well. Revenues, operating results and cash flows beyond the 5 year forecast period are extrapolated using estimated growth rates of 1.9% (31 December 2017: 1.9%) as shown in the table on the next page. The time value of money and price of uncertainty, calculated as the Weighted Average Cost of Capital ("WACC"), are based on external market information about market risk, interest rates and some CGU specific elements like country risk. The post-tax discount rate is calculated at CGU level and is in the range of 6.5% - 6.9% (2017: 6.9% - 7.2%) for all CGUs (refer to the table below). The pre-tax discount rate for the three CGUs is calculated in the range of 8.1% - 8.6% (2017: 8.7% - 8.9%).

The Goodwill impairment test performed in the fourth quarter, which is based on the numbers of 30 September 2018, is rolled forward to 31 December 2018, and exceeds the recoverable value of existing goodwill. Breakeven scenarios and the current scenario used show that there is sufficient headroom and that there are no triggers indicating that impairment is necessary. For all three operating segments the recoverable amount exceeds the carrying amount by a substantial amount. A stress test was performed on the impairment tests of the CGUs where the following items have been tested: the potential changes in increase in pre-tax discount rates, decrease in compound long-term growth rates or decrease in terminal value growth rates. This test showed that the conclusions of these tests would not have been different if significant adverse changes in key parameters had been assumed.

Key assumptions used in the impairment tests for the segments were sales growth rates, EBITDA and the rates used for discounting the projected cash flows. These cash flow projections were determined using managements' internal forecasts that cover an initial period from 2019. Projections were extrapolated with stable growth rates for a period of 4 years, after which a terminal value was calculated. For terminal value calculation, growth rates were capped at the lower of the historical long-term average growth rate and the long-term expected risk-free rate.

The sales growth rates and EBITDA used to estimate cash flows are based on past performance, external market growth assumptions and industry long-term growth averages. EBITDA in all segments mentioned in this note is expected to increase over the projected period as a result of volume growth and cost efficiencies.

The key assumptions used for the impairment tests are listed below.

2018	**Poultry**	**Meat**	**Fish**	**Total**
Goodwill	328.0	284.5	28.8	641.3
Infinite Intangible assets	-	-	-	-
Terminal growth rate	1.9%	1.9%	1.9%	1.9% [1]
Discount rate	6.9%	6.7%	6.5%	6.8% [2]

2017	**Poultry**	**Meat**	**Fish**	**Total**
Goodwill	332.9	284.0	27.0	643.9
Infinite Intangible assets	-	-	-	-
Terminal growth rate	1.9%	1.9%	1.9%	1.9% [1]
Discount rate	7.2%	7.1%	6.9%	7.1% [2]

[1] Weighted average growth rate used to extrapolate cash flows beyond strategic plan period.
[2] Discount rate applied to the cash flow projections.

16 Intangible assets

	Techno-logy & develop-ment costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2018				
Cost	232.4	171.6	73.3	477.3
Accumulated amortization	(117.7)	(46.2)	(50.7)	(214.6)
Net book value	**114.7**	**125.4**	**22.6**	**262.7**
Year ended 31 December 2018				
Opening net book value	114.7	125.4	22.6	262.7
Divestments	-	-	(0.5)	(0.5)
Business combinations, note 4	8.2	6.1	-	14.3
Exchange differences	0.1	(0.1)	0.2	0.2
Additions	16.3	-	6.7	23.0
Impairment charge	(2.2)	-	-	(2.2)
Amortization charge	(15.8)	(10.5)	(4.2)	(30.5)
Closing net book value	**121.3**	**120.9**	**24.8**	**267.0**
At 31 December 2018				
Cost	255.3	178.6	79.2	513.1
Accumulated amortization	(134.0)	(57.7)	(54.4)	(246.1)
Net book value	**121.3**	**120.9**	**24.8**	**267.0**

	Techno-logy & develop-ment costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2017				
Cost (including transfers between categories)	218.9	172.8	63.9	455.6
Accumulated amortization (including transfers between categories)	(102.1)	(39.2)	(36.8)	(178.1)
Net book value	**116.8**	**133.6**	**27.1**	**277.5**
Year ended 31 December 2017				
Opening net book value	116.8	133.6	27.1	277.5
Business combinations, note 4	0.4	3.2	0.1	3.7
Exchange differences	(2.2)	(0.4)	(0.1)	(2.7)
Additions	15.5	-	8.4	23.9
Amortization charge	(15.8)	(11.0)	(12.9)	(39.7)
Closing net book value	**114.7**	**125.4**	**22.6**	**262.7**
At 31 December 2017				
Cost	232.4	171.6	73.3	477.3
Accumulated amortization	(117.7)	(46.2)	(50.7)	(214.6)
Net book value	**114.7**	**125.4**	**22.6**	**262.7**

Business combinations for 2018 relate to the acquisition of MAJA and for 2017 to the acquisition of Sulmaq. Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

The additions for 2018 predominantly comprise internally generated assets of EUR 23.0 million (31 December 2017: EUR 23.9 million) for product development and for development of software products.

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

	2018	2017
Research and development expenses	2.2	-
	2.2	**-**

Amortization of Intangible assets and amortization of acquisition-related intangible assets analyzes as follows in the Consolidated Statement of Income:

	2018	2017
Cost of sales	0.0	0.0
Selling and marketing expenses	1.3	1.6
Research and development expenses	13.6	13.9
General and administrative expenses	6.2	7.1
	21.1	**22.6**
Amortization of acquisition-related intangible assets	9.4	17.1
	30.5	**39.7**

17 Trade receivables, Other receivables and prepayments

	2018	2017
Trade receivables	143.4	135.2
Less: write-down to net-realizable value	(1.4)	(2.3)
Trade receivables - net	**142.0**	**132.9**
Less non-current portion	(3.2)	(4.0)
Current portion of Trade receivables	**138.8**	**128.9**
Prepayments	6.6	6.2
Other receivables	38.4	40.4
Other receivables and prepayments	**45.0**	**46.6**

Non-Current receivables

Non-Current receivables are mainly associated with an escrow account regarding the acquisition of Sulmaq for EUR 3.2 million (2017: EUR 4.0 million long term outstanding debtors). All non-current receivables are due within one and five years.

Current receivables

The carrying amounts of Trade receivables and Other receivables and prepayments approximate their fair value.

Trade receivables that are less than 90 days past due are not considered impaired. As of 31 December 2018, Trade receivables of EUR 41.4 million (2017: EUR 32.8 million) were past due but not impaired. In 2018 the write-down of Trade receivables to net realizable value amounted to EUR 0.4 million (2017: EUR 0.2 million) and relate to a number of independent customers for whom there is no recent history of default. Due to the insignificant amount of write-downs, these are not shown separately in the Consolidated Statement of Income.

As of 31 December 2018, Trade receivables of EUR 13.0 million (2017: EUR 19.8 million) were tested for impairment and written down when necessary. The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations.

The aging of Trade receivables is as follows:

	2018		2017	
	Gross amount	Provision for Impairment	Gross amount	Provision for Impairment
Not overdue	89.0	-	82.6	-
Up to 90 days overdue	41.4	-	32.8	-
Over 90 days overdue	13.0	(1.4)	19.8	(2.3)
	143.4	**(1.4)**	**135.2**	**(2.3)**

The carrying amounts of the Group's Trade receivables (current portion) are denominated in the following currencies:

	2018	2017
EUR	76.3	70.3
USD	44.3	38.1
GBP	5.3	4.9
Other Currencies	14.3	17.9
	140.2	**131.2**
Write-down to net-realizable value	(1.4)	(2.3)
	138.8	**128.9**

Movements on the Group Trade receivables impaired to net-realizable value are as follows:

	2018	2017
At 31 December	**2.3**	**5.1**
Impact IFRS 9 & 15	(0.4)	-
Balance at 1 January	**1.9**	**5.1**
Provision for receivables impairment	0.3	0.2
Receivables written off during the year as uncollectible	(0.4)	(0.2)
Business combinations	0.0	0.3
Reclassification to Production contracts and unsused amounts reversed	(0.4)	(3.1)
At 31 December	**1.4**	**2.3**

The impairment to net-realizable value and reversals has been included in Selling and marketing expenses in the Consolidated Statement of Income.

Marel continuously reassesses the impaired Trade receivables. A part of the impairment related to product risk. This part has been transferred from Write-down to net-realizable value of Trade receivables to Construction contracts for an amount of EUR 0.4 million (31 December 2017: EUR 3.1 million), see also note 6.

The other classes within Other receivables and prepayments do not contain impaired assets. Information about the Group's exposure to credit and market risks, is included in note 24.

18 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:

	2018	2017
At 31 December	**(56.9)**	**(56.2)**
Impact IFRS 9 & 15	1.8	-
At 1 January	**(55.1)**	**(56.2)**
Exchange differences and changes within the Group	0.1	0.1
Consolidated Statement of Income charge (excluding tax rate change)	2.4	0.2
Effect of change in tax rates	7.0	1.1
Business combinations, note 4	(1.1)	(1.7)
Hedge reserve & translation reserve recognized in Other Comprehensive Income	(0.4)	(0.4)
At 31 December	**(47.1)**	**(56.9)**

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, in Other Comprehensive Income, during the period is as follows:

Fair value reserves in Shareholders' equity	**2018**	**2017**
Employer's contribution social charges on stock option exercises	-	-
Hedge reserve	(0.4)	(0.4)
	(0.4)	**(0.4)**

The deferred tax charge recognized in the Consolidated Statement of Financial Position is as follows:

	2018	2017
Deferred income tax assets	10.2	4.4
Deferred income tax liabilities	(57.3)	(61.3)
	(47.1)	**(56.9)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. Based on future profits expected in the strategic plan, the recoverability has been tested; a reversal of EUR 0.2 million (2017: a reversal of EUR 0.3 million) has been applied. Sensitivity analysis on impairment of tax losses used the assumption of decreasing the forecast profit before tax by 5%. Based on the outcome of this calculation the impairment is not substantially affected.

The Group has no unrecognized deferred tax liabilities.

Taxable effects of losses will expire according to below schedule:

	2018		2017	
	Total tax losses	Of which not capitalised	Total tax losses	Of which not capitalised
Less than 6 years	16.2	1.3	5.6	2.8
Between 6 and 10 years	26.1	-	40.7	-
More than 10 years	1.7	1.7	1.4	-
Indefinite	20.5	18.8	21.9	18.6
	64.5	**21.8**	**69.6**	**21.4**

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Movement in deferred tax balances	**At 31 December 2017**	Impact IFRS 9 & 15	**At 1 January 2018**	Recognized in income statement	Other [1]	**At 31 December 2018**	Assets	Liabilites
Property, plant and equipment	(7.9)		(7.9)	(0.4)	(0.7)	(9.0)	0.7	(9.7)
Intangible assets	(61.9)		(61.9)	2.3	7.0	(52.6)	2.5	(55.1)
Right of use assets	-		-	0.1	(0.0)	0.1	0.1	-
Other financial assets	(0.2)		(0.2)	(0.0)	(0.4)	(0.6)	0.0	(0.6)
Receivables	(2.3)	3.0	0.7	0.7	0.1	1.5	4.3	(2.8)
Inventories	2.0		2.0	(0.3)	0.0	1.7	2.7	(1.0)
Long term liabilities	(0.0)	(1.2)	(1.2)	0.2	0.1	(0.9)	0.0	(0.9)
Current liabilities	2.5		2.5	1.4	(0.5)	3.4	3.8	(0.4)
Provisions for pensions	0.4		0.4	0.0	(0.0)	0.4	0.4	(0.0)
Provisions for guarantees	0.2		0.2	0.0	0.0	0.2	0.5	(0.3)
Provisions others	0.3		0.3	(0.2)	(0.1)	0.0	0.1	(0.1)
Subtotal	**(66.9)**	**1.8**	**(65.1)**	**3.8**	**5.5**	**(55.8)**	**15.1**	**(70.9)**
Subtotal tax losses	10.0	-	10.0	(1.4)	0.1	8.7	12.7	(4.0)
Overall total	**(56.9)**	**1.8**	**(55.1)**	**2.4**	**5.6**	**(47.1)**	**27.8**	**(74.9)**

[1] Other includes the movements of assets and liabilities recognized in OCI, which includes foreign currency translation differences, acquisitions and divestments.

Movement in deferred tax balances	**At 31 December 2016**			Recognized in income statement	Other [1]	**At 31 December 2017**	Assets	Liabilites
Property, plant and equipment	(7.5)			0.1	(0.5)	(7.9)	0.6	(8.5)
Intangible assets	(67.5)			3.9	1.7	(61.9)	1.8	(63.7)
Other financial assets	0.5			(0.4)	(0.3)	(0.2)	0.0	(0.2)
Receivables	(1.5)			(0.9)	0.1	(2.3)	0.4	(2.7)
Inventories	4.0			(0.6)	(1.4)	2.0	2.4	(0.4)
Long term liabilities	(0.3)			0.2	0.1	(0.0)	0.1	(0.1)
Current liabilities	2.4			0.3	(0.2)	2.5	0.8	1.7
Provisions for pensions	0.6			(0.0)	(0.2)	0.4	0.4	0.0
Provisions for guarantees	1.2			(0.2)	(0.8)	0.2	0.5	(0.3)
Provisions others	0.2			0.0	0.1	0.3	0.4	(0.1)
Subtotal	**(67.9)**			**2.4**	**(1.4)**	**(66.9)**	**7.4**	**(74.3)**
Subtotal tax losses	11.7			(2.6)	0.9	10.0	13.9	(3.9)
Overall total	**(56.2)**			**(0.2)**	**(0.5)**	**(56.9)**	**21.3**	**(78.2)**

[1] Other includes the movements of assets and liabilities recognized in OCI, which includes foreign currency translation differences, acquisitions and divestments.

19 Inventories

	2018	2017
Raw materials	19.8	16.0
Semi-finished goods	116.7	95.4
Finished goods	35.5	33.3
	172.0	**144.7**
Allowance for obsolescence and/or lower market value	(22.1)	(20.3)
	149.9	**124.4**

The cost of inventories recognized as an expense and included in Cost of sales amounted to EUR 590.1 million (2017: EUR 496.8 million).

In 2018 the write-down of inventories to net-realizable value amounted to EUR 3.3 million (2017: EUR 4.8 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.

20 Equity

Share Capital	Ordinary shares (thousands)	Treasury shares (thousands)	Outstanding number of shares (thousands)
At 1 January 2018	735,569	(41,747)	693,822
Treasury shares - purchased	-	(24,072)	(24,072)
Treasury shares - sold	-	2,074	2,074
Capital reduction	(52,983)	52,983	-
At 31 December 2018	**682,586**	**(10,762)**	**671,824**
	100.00%	1.58%	98.42%
At 1 January 2017	735,569	(21,543)	714,026
Treasury shares - purchased	-	(22,200)	(22,200)
Treasury shares - sol(	-	1,996	1,996
At 31 December 2017	**735,569**	**(41,747)**	**693,822**
	100.00%	5.68%	94.32%

Class of share capital	2018	2017
Nominal value	6.1	6.3
Share premium reserve	159.1	228.2
Reserve for share based payments	2.6	1.4
Total share premium reserve	**161.7**	**229.6**

During the Extraordinary shareholders' meeting on 22 November 2018 the proposal to reduce the Company's share capital by 53.0 million shares, from 735.6 million shares to 682.6 million shares, was approved. The reduction was executed by way of cancelling 53.0 million of the Company's own shares of ISK 1 each, in accordance with the provisions of the Icelandic Act No. 2/1995 on Public Limited Companies. The Company's share capital was reduced in connection with the preparation of a potential dual listing of the Company, for the benefit of shareholders. Marel's Articles of Association were changed accordingly.

At year-end, Marel's issued shares totaled 682.6 million (31 December 2017: 735.6 million). All outstanding shares are fully paid.

At the same extraordinary shareholders' meeting it was resolved to authorize the Board of Directors of Marel to initiate a share buy-back program that complies with the provisions of the Icelandic Act on Securities Transactions No. 108/2007 and appendix to Regulation on Insider Information and Market Manipulation No. 630/2005. The main purpose of the program is to reduce the Company's share capital, where the shares purchased may also be used to meet the Company's obligations under share incentive programs with employees. The number of shares to be acquired under the buy-back program shall be up to 34.1 million, which amounts to 5% of issued share capital of the company.

At the year-end Marel has already purchased 4.1 million shares (EUR 11.3 million) according to the buy-back program.

Dividends

In March 2018 a dividend of EUR 28.7 million (EUR 4.19 cents per share) was declared for the operational year 2017 of which EUR 25.9 million was paid in Q1 2018 and EUR 2.8 million was paid in Q2 2018 (in 2017, a dividend of EUR 15.3 million (EUR 2.14 cents per share) was declared and paid for the operational year 2016).

Treasury shares

In the beginning of the year 2018 Marel had 41.7 million treasury shares. During the year 2018, Marel purchased 24.1 million treasury shares for a total amount of EUR 71.7 million.

Marel sold 2.1 million treasury shares for EUR 2.2 million in order to fulfill obligations of stock option agreements. At the end of 2018 Marel had 10.8 million treasury shares.

In 2017 Marel purchased 22.2 million shares for EUR 63.4 million. Thereof 19.7 million treasury shares were purchased to be used as a payment for potential future acquisitions and 2.5 million treasury shares were purchased to fulfill future stock options obligations. At the end of 2017 Marel had 41.7 million treasury shares.

Stock options

Stock options are granted to Executive Management and to selected employees. The exercise prices of options granted, in December 2014, in August 2015 and in May 2016 are higher than the market price of the shares on the date of grant. For options granted in March 2017 and February 2018 the exercise price is the same as the market price at the date of grant. The option holders in the 2014, 2015, 2016, 2017 and 2018 programs are required to hold shares orresponding to approximately the net gain after tax from exercising the options, whilst employed by Marel.

Options are conditional on the employee completing particular periods' / years' service (the vesting period).

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price per share	Stock options (thousands)
At 1 January 2018	**EUR 1.780**	**9,884**
Granted in 2018	EUR 2.881	4,100
Exercised 2018	EUR 1.048	(2,074)
At 31 December 2018	**EUR 2.256**	**11,910**
Exercisable stock options at 31 December 2018		**1,650**
At 31 December 2017	**EUR 1.339**	**8,796**
Granted in 2017	EUR 2.772	3,200
Exercised 2017	EUR 1.067	(1,079)
Forfeited in 2017	EUR 1.668	(1,033)
At 31 December 2017	**EUR 1.780**	**9,884**
Exercisable stock options at 31 December 2017		**1,684**

Stock options granted in the year	2014	2015	2016	2017	2018
Stock options expire in year	2021	2021	2022	2020	2021
The exercise prices* per share after:					
28 April 2019	EUR 0.891	-	-	-	-
28 April 2020	EUR 0.917	-	-	-	-
28 April 2021	EUR 0.943	-	-	-	-
28 April 2019	-	EUR 1.418	-	-	-
28 October 2019	-	EUR 1.438	-	-	-
28 October 2020	-	EUR 1.479	-	-	-
28 October 2021	-	EUR 1.519	-	-	-
28 April 2019	-	-	EUR 1.839	-	-
28 April 2020	-	-	EUR 1.875	-	-
28 April 2021	-	-	EUR 1.911	-	-
28 April 2022	-	-	EUR 1.947	-	-
28 April 2020	-	-	-	EUR 2.737	-
13 February 2021	-	-	-	-	EUR 2.881

*) 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 and dividend payment in 2018; EUR 0.0419.

In 2018 the following shares were exercised: 1,010 thousand shares at exercise price EUR 0.997 per share and 1,064 thousand shares at exercise price EUR 1.097 per share. No options were cash settled.

In 2017 the following shares were exercised: 390 thousand shares at exercise price EUR 1.057 per share and 689 thousand shares at exercise price EUR 1.072 per share. No options were cash settled.

The fair value of the employee stock options granted is measured using the Black-Scholes model. Variables used in the Black Scholes calculation:

	Exercise price per share (EUR)	Expected term (years)	Annual dividend yield	Expected risk-free interest rate	Estimated volatility	Weighted average remaining contr. life in months *)
Option plan December 2014						
60% exercisable > 28 April 2018	0.949	3.0	0.00%	3%	22.04%	28
20% exercisable > 28 April 2019	0.975	4.0	0.00%	3%	22.04%	28
20% exercisable > 28 April 2020	1.001	5.0	0.00%	3%	22.04%	28
Option plan August 2015						
60% exercisable > 28 October 2018	1.477	3.0	0.00%	3%	22.04%	34
20% exercisable > 28 October 2019	1.517	4.0	0.00%	3%	22.04%	34
20% exercisable > 28 October 2020	1.558	5.0	0.00%	3%	22.04%	34
Option plan May 2016						
60% exercisable > 28 April 2019	1.902	3.0	0.00%	2%	21.52%	40
20% exercisable > 28 April 2020	1.938	4.0	0.00%	2%	21.52%	40
20% exercisable > 28 April 2021	1.974	5.0	0.00%	2%	21.52%	40
Option plan March 2017						
100% exercisable > 28 April 2020	2.779	3.0	0.00%	2%	23.72%	28
Option plan February 2018						
100% exercisable > 13 February 2021	2.923	3.0	0.00%	2%	21.16%	37

*) Based on last possible exercise dates in each stock option plan.

Share premium reserve

The Share premium reserve comprises of payment in excess of par value of ISK 1 per share that shareholders have paid for shares sold by the Company, less payments in excess of par value that the Company has paid for treasury shares. According to the Icelandic Companies Act, 25% of the nominal value share capital must be held in reserve which cannot be paid out as dividend to shareholders. Marel is compliant with this requirement.

Other reserves

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

- Hedge reserve: comprises revaluations on derivatives, on which hedge accounting is applied. The value of 31 December 2018 and 31 December 2017 relates to derivatives for the Group, the interest rate swap contracts.
- Translation reserve: comprises the translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to financing of subsidiaries.

	Hedge reserve	Translation reserve	Total other reserves
Balance at 1 January 2018	**0.6**	**(8.8)**	**(8.2)**
Total other comprehensive income	1.2	(3.3)	(2.1)
Balance at 31 December 2018	**1.8**	**(12.1)**	**(10.3)**
Balance at 1 January 2017	**(0.8)**	**(1.3)**	**(2.1)**
Total other comprehensive income	1.4	(7.5)	(6.1)
Balance at 31 December 2017	**0.6**	**(8.8)**	**(8.2)**

Limitation in the distribution of Shareholders' equity

As at 31 December 2018, 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 74.7 million as at 31 December 2018 (31 December 2017: EUR 65.3 million).

Since the profits retained in Marel hf.'s subsidiaries can be distributed and received in Iceland, no legal reserve for any legal or economic restrictions to the ability of affiliated companies to transfer funds to the parent company in the form of dividends is required.

The amount of the legal reserve for the share of profit of affiliates is reduced by dividends received from those companies and those dividends from them which can be claimed. Therefore Marel could, based on its control as the parent company, decide to let its subsidiaries pay dividends. The dividends would lower the amount of legal reserves within equity and therefore leave more room for Marel to make dividend payments to its shareholders. The new provision of the act does not prevent Marel from making dividend payments to its shareholders in 2018 since the Company has sufficient retained earnings from previous years.

The legal reserves as required by Icelandic law are required as of effective date 1 January 2016.

Non-Controlling Interests

Non-Controlling Interests ("NCI") 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 in 2018 (31 December 2017: EUR 0.1 million).

The NCI relates to MPS France S.A.R.L., France, in which the managing director of MPS France holds an ownership percentage of 24%.

21 Borrowings and lease liabilities

The Company's policy is to finance its operations in its revenue currencies. More than 99% of Marel's revenues originate outside of Iceland and there is a good currency balance between the Company's revenues and costs. Efforts have been made to systematically reduce currency risk in the Company's financing and to reduce interest cost. At the end of 2018 Marel has two main funding facilities.

Schuldschein promissory notes

On 7 December 2018 Marel finalized an issue of Schuldschein promissory notes for EUR 140 million. The investors were a mixture of Central European and Asian commercial banks. The notes where split in 5 and 7 year terms and a mixture of fixed and floating rates:

- EUR 8.5 million at 1.83% fixed interest for 7 years.
- EUR 15.5 million at 1.366% fixed interest for 5 year.
- EUR 106 million with floating rate and 1.1% margin for 5 years.
- EUR 10 million with floating rate and 1.3% margin for 7 years.

The floating rate tranches include a 0% floor on the 6m Euribor. At inception of the loan the 0% floor did not have an intrinsic value and is not separated in from the original contract in the Consolidated Statement of Financial Position.

Syndicated Loan

The Group has a 640 EUR million equivalents facilities agreement with seven international banks, led by ING bank, Rabobank and ABN AMRO. The terms and conditions are generally in line with Loan Market Association corporate standards. It is an all senior facility, which matures in 2022.

The key elements of the financing are:

- A five-year all senior loan and revolver, consisting of a EUR 243 million and a USD 75 million long term loan and EUR 325 million revolving credit facility, all with final maturity in May 2022.
- Initial interest terms are EURIBOR/LIBOR + 185 bps, which will vary in line with Marel's leverage ratio (Net debt/EBITDA) at the end of each quarter.

The Group has a financing structure which can accommodate the Group's financing requirements until 2022 with USD and EUR borrowings matching the Group's exposure in these currencies to a large extent. The facility has an embedded 0% floor in the EURIBOR and LIBOR rates. At the date of utilization of the loans (5 May 2017) the 5 year EURIBOR curve was negative and consequently the floor has intrinsic value at the date of inception.

In accordance with IFRS 9 Financial Instruments, Marel has separated the embedded derivative from the facility and reports the intrinsic value on a fair value basis as a financial derivative on the Consolidated Statement of Financial Position.

	2018	2017
Borrowings	429.3	370.5
Lease liabilities	27.1	0.2
Non-current	**456.4**	**370.7**
Borrowings excluding bank overdrafts	24.8	26.2
Lease liabilities	6.7	-
Current	**31.5**	**26.2**
Total borrowings and lease liabilities	**487.9**	**396.9**
Borrowings	454.1	396.7
Lease liabilities	33.8	0.2
Total borrowings and lease liabilities	**487.9**	**396.9**

As of 31 December 2018, interest bearing debt amounted to EUR 502.3 million including lease liabilities (31 December 2017: EUR 411.8 million), of which for 31 December 2018 and 31 December 2017 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 2018 and 2017 the Group complies with all restrictive covenants.

The Group has the following headroom in committed ancillary facilities:

Floating rate	31/12 2018	31/12 2017
Expiring within one year	-	-
Expiring beyond one year	213.5	150.2
	213.5	**150.2**

Liabilities in currency recorded in EUR in 2018	Borrowings	Capitalized finance charges	Embedded derivatives and revaluation	Lease liabilities	Total
Liabilities in EUR	402.2	(7.7)	(4.3)	11.4	401.6
Liabilities in USD	65.6	(1.3)	(1.2)	8.0	71.1
Liabilities in other currencies	0.7	-	-	14.4	15.1
	468.5	(9.0)	(5.5)	33.8	487.8
Current maturities	(30.7)	3.7	2.3	(6.7)	(31.4)
Non-current maturities	**437.8**	**(5.3)**	**(3.2)**	**27.1**	**456.4**

Liabilities in currency recorded in EUR in 2017	Borrowings	Capitalized finance charges	Embedded derivatives	Lease liabilities	Total
Liabilities in EUR	346.0	(10.1)	(3.0)	-	332.9
Liabilities in USD	63.3	(1.8)	-	-	61.5
Liabilities in other currencies	2.3	-	-	0.2	2.5
	411.6	**(11.9)**	**(3.0)**	**0.2**	**396.9**
Current maturities	(30.8)	3.6	1.0	-	(26.2)
Non-current maturities	**380.8**	**(8.3)**	**(2.0)**	**0.2**	**370.7**

31/12/2018 Annual maturity of non-current bank borrowings	Borrowings	Capitalized finance charges	Embedded derivatives and revaluation	Lease liabilities	Total
Between 1 and 2 years	30.7	(3.7)	(2.1)	11.0	35.9
Between 2 and 3 years	30.7	(1.3)	(1.0)	3.3	31.7
Between 3 and 4 years	233.8	(0.2)	(0.1)	2.1	235.6
Between 4 and 5 years	122.2	(0.1)	-	2.6	124.7
After 5 years	20.4	0.0	-	8.1	28.5
	437.8	**(5.3)**	**(3.2)**	**27.1**	**456.4**

31/12/2017 Annual maturity of non-current borrowings	Borrowings	Capitalized finance charges	Embedded derivatives	Lease liabilities	Total
Between 1 and 2 years	30.3	(3.5)	(0.7)	-	26.1
Between 2 and 3 years	30.4	(3.5)	(0.6)	-	26.3
Between 3 and 4 years	30.4	(1.3)	(0.6)	-	28.5
Between 4 and 5 years	289.2	-	(0.1)	-	289.1
After 5 years	0.5	-	-	0.2	0.7
	380.8	**(8.3)**	**(2.0)**	**0.2**	**370.7**

Reconciliation of movements of liabilities to cash flows arising from financing activities:

		Derivatives		Equity				
	Borrowings	Interest rate swap and forward exchange contracts used for hedging –assets	Interest rate swap and forward exchange contracts used for hedging –liabilities	Share capital and Share premium reserve	Other reserves	Retained earnings	NCI	Total
At 31 December 2017	**396.8**	**0.9**	**2.7**	**235.9**	**(8.2)**	**313.9**	**0.3**	**942.3**
Impact IFRS 9, 15 & 16	33.2					(4.8)		**28.4**
Balance at 1 January 2018	**430.0**	**0.9**	**2.7**	**235.9**	**(8.2)**	**309.1**	**0.3**	**970.7**
Changes from financing cash flows								
Proceeds from loans and borrowings	289.0							**289.0**
Purchase of treasury shares				(71.7)				**(71.7)**
Sale of treasury shares (inlcuding value of services provided)				3.6				**3.6**
Proceeds from settlement of derivatives	1.0							**1.0**
Repayment of borrowings/lease liabilities	(250.8)							**(250.8)**
Dividend paid						(28.7)	(0.2)	**(28.9)**
Total changes from financing cash flows	**469.2**	**0.9**	**2.7**	**167.8**	**(8.2)**	**280.4**	**0.1**	**912.9**
Changes arising from obtaining or losing control of subsidiaries or other businesses	7.3							**7.3**
The effect of changes in foreign exchange rates	2.6							**2.6**
Changes in fair value	**9.9**	**-**	**-**	**-**	**-**	**-**	**-**	**9.9**
Other changes								
Liability related	(3.5)	0.4	(1.3)					**(4.4)**
New leases	9.5							**9.5**
Capitalised borrowing costs	2.8							**2.8**
Total liability-related other changes	**8.8**	**0.4**	**(1.3)**	**-**	**-**	**-**	**-**	**7.9**
Total equity-related other changes					(2.1)	122.8	0.1	**120.8**
At 31 December 2018	**487.9**	**1.3**	**1.4**	**167.8**	**(10.3)**	**403.2**	**0.2**	**1,051.5**

	Borrowings	Derivatives: Interest rate swap and forward exchange contracts used for hedging –assets	Derivatives: Interest rate swap and forward exchange contracts used for hedging –liabilities	Equity: Share capital and Share premium reserve	Equity: Other reserves	Equity: Retained earnings	Equity: NCI	Equity: Total
At 1 January 2017	**449.1**	**0.4**	**4.9**	**295.2**	**(2.1)**	**232.3**	**0.2**	**980.0**
Changes from financing cash flows								
Proceeds from loans and borrowings	130.0							**130.0**
Purchase of treasury shares				(63.4)				**(63.4)**
Sale of treasury shares (inlcuding value of services provided)				4.1				**4.1**
Proceeds from settlement of derivatives	0.6							**0.6**
Repayment of borrowings	(177.2)							**(177.2)**
Dividend paid						(15.3)		**(15.3)**
Total changes from financing cash flows	**402.5**	**0.4**	**4.9**	**235.9**	**(2.1)**	**217.0**	**0.2**	**858.8**
Changes arising from obtaining or losing control of subsidiaries or other businesses	5.0							**5.0**
The effect of changes in foreign exchange rates	(11.7)							**(11.7)**
Changes in fair value	**(6.7)**	-	-	-	-	-	-	**(6.7)**
Other changes								
Liability related	(1.0)	0.5	(2.2)					**(2.7)**
New finance leases	0.2							**0.2**
Capitalised borrowing costs	1.8							**1.8**
Total liability-related other changes	**1.0**	0.5	(2.2)	-	-	-	-	**(0.7)**
Total equity-related other changes					(6.1)	96.9	0.1	**90.9**
At 31 December 2017	**396.8**	**0.9**	**2.7**	**235.9**	**(8.2)**	**313.9**	**0.3**	**942.3**

22 Provisions

	Guarantee commit-ments	Pension commit-ments *)	Other provisions	Total
Balance at 1 January 2018	**7.9**	**8.3**	**1.5**	**17.7**
Additions	1.5	1.5	0.2	3.2
Business combinations, note 4	0.3	-	-	0.3
Used	(0.6)	(0.4)	(1.0)	(2.0)
Release	(2.1)	-	(0.1)	(2.2)
Balance at 31 December 2018	**7.0**	**9.4**	**0.6**	**17.0**

	Guarantee commit-ments	Pension commit-ments *)	Other provisions	Total
Balance at 1 January 2017	**9.0**	**7.6**	**3.9**	**20.5**
Additions	1.3	1.0	0.1	2.4
Business combinations, note 4	0.3	0.1	0.2	0.6
Used	(2.1)	(0.2)	(2.2)	(4.5)
Release	(0.6)	(0.2)	(0.5)	(1.3)
Balance at 31 December 2017	**7.9**	**8.3**	**1.5**	**17.7**

*) Including the provision for early retirement rights, which has increased to EUR 6.1 million 31 December 2018 (31 December 2017: EUR 5.0 million).

Analysis of total provisions	**2018**	**2017**
Current	7.8	9.1
Non-current	9.2	8.6
	17.0	**17.7**

Nature of obligation for 2018	**Country**	**Maturity**	**Likelihood**	**Amount**
Guarantee	Netherlands	Dynamic	Dynamic	2.5
Guarantee	US	Dynamic	Dynamic	1.4
Guarantee	Denmark	Dynamic	Dynamic	0.8

Nature of obligation for 2017	**Country**	**Maturity**	**Likelihood**	**Amount**
Guarantee	Netherlands	Dynamic	Dynamic	4.3
Guarantee	US	Dynamic	Dynamic	1.2
Guarantee	Denmark	Dynamic	Dynamic	1.1

Guarantee commitments

The provisions for guarantee commitments reflect the estimated costs of replacement and free-of-charge services that will be incurred by the Company with respect to products sold.

Pension commitments

Refer to note 23.

23 Post-employment benefits

The Group maintains various pension plans covering the majority of its employees.

The Company's pension costs for all employees for 2018 were EUR 25.0 million (2017: EUR 21.9 million). This includes defined contribution plans for EUR 15.1 million (2017: EUR 13.0 million), as well as a pension plan based on multi-employer union plan for EUR 9.8 million (2017: EUR 8.9 million).

The Company's employees in the Netherlands, 1,568 FTEs (2017: 1,471), participate in a multi-employer union plan ("Bedrijfstakpensioenfonds Metalektro", PME). This plan is determined in accordance with the collective bargaining agreements effective for the industry in which Marel operates. This pension plan is treated as a defined contribution scheme based on the following grounds:

- It is an industry-wide pension fund, used by the Company in common with other legal entities.
- Under the regulations of the PME, the only obligation for the affiliated businesses towards the PME is to pay the annual premium liability.
- The affiliated businesses are under no obligation whatsoever to pay off any deficits the PME may incur, nor have they any claim to any potential surpluses.

The multi-employer plan covers approximately 1,300 companies and 145,000 contributing members. The plan monitors its risks on a global basis, not by company or employee, and is subject to regulation by Dutch governmental authorities.

By law (''the Dutch Pension Act''), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan's assets to its obligations. This coverage ratio must exceed 104.3 percent for the total plan. Every company participating in a Dutch multi-employer union plan contributes a premium calculated as a percentage of its total pensionable wages and salaries, with each company subject to the same percentage contribution rate.

The Company's net periodic pension cost for this multi-employer plan for any period is the amount of the required contribution for that period.

The coverage ratio ("Beleidsdekkingsgraad") of the multi-employer plan increased to 101.3 percent as per 31 December 2018 (31 December 2017: 100.1). The increase 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", which was approved by the board of the pension fund on 25 June 2015, indicates that the coverage ratio will increase within 12 years to 121.2%.

In 2019 the pension premium will be 22.7 percent of the total pensionable salaries (2018: 23.0%), 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.

24 Financial instruments and risks

The effect of initially applying IFRS 9 on the Group's financial instruments is described in note 2. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

Financial risk factors

This note presents information about the Group's exposure to each of the below mentioned risks, the Group's objectives, policies and processes for measuring and managing the risk. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

Risk management framework

The main financial risks faced by Marel relate to liquidity risk and market risk (comprising currency risk, interest rate risk, price risk and credit risk). Risk management is carried out by a central treasury department (Group Treasury) under policies and with instruments approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group´s financial performance. The Group uses derivative financial instruments to hedge certain risk exposures and does not enter into financial contracts for speculative purposes.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

(a) Foreign exchange risk

The Group operates internationally and is exposed to currency risk arising from mainly the USD and ISK, primarily with respect to the EUR, as the EUR is the Group's reporting currency. Generally Marel maintains a good natural hedge in its operations with a good match between revenue and cost in most currencies although only a fraction of a percentage of revenues is denominated in ISK, while around 8.24% (2017: 8.50%) of costs is in ISK. Financial exposure is hedged in accordance with the Group's general policy and within set limits. The Group monitors foreign exchange risk arising from commercial transactions, recognized assets and liabilities (transaction risk) that are determined in a currency other than the entity's functional currency. Derivative hedging is applied if the exposure is outside of the risk tolerance band on a consolidated basis. Currently all exposures are within risk tolerance and the Group has no FX derivatives in place.

Currency exposure arising from net assets of the Group's major foreign operations (translation risk) is managed primarily through borrowings denominated in the relevant foreign currencies as the policy is to apply natural exchange rate hedging where possible. Economic risk is defined as the extent to which currency fluctuations can alter a company's future operating cash flows, that is future revenues and costs. Economic risk is not hedged.

The year end and average rates used for the main currencies mentioned above are:

	2018		2017	
1 euro =	Year-end rate	Average rate	Year-end rate	Average rate
USD	1.14	1.18	1.19	1.13
GBP	0.90	0.88	0.89	0.88
ISK	132.93	127.54	125.03	120.68

The following table details the Group's sensitivity of transaction and translation risk to a 10% increase and decrease in the EUR against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a 10% change in foreign currency rates.

The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or loss or Equity where the EUR strengthens 10% against the relevant currency. For a 10% weakening of the EUR against the relevant currency, there would be a comparable impact on the profit or loss or Equity, and the balances below would be opposite.

	2018		2017	
	USD impact	ISK impact	USD impact	ISK impact
Profit or (loss)	(1.6)	0.6	(2.0)	0.8
Equity	0.0	0.0	0.0	0.0

(b) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risk is managed by maintaining a mix between fixed and floating interest rate on borrowings. Generally the Group raises long term borrowings and pays a floating interest rate. To hedge the resulting cash flow interest rate risk the Group uses interest rate swaps, where it pays a fixed interest rate and receives a floating interest rate. The floating rates are fixed on a quarterly 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 34% (2017: 39%) of the core debt has floating interest rates and the rest is fixed. As at reporting date a total of EUR 281.2 million (2017: EUR 248.7 million) of liabilities were swapped into fixed interest rates or in fixed rate debt instruments. The weighted average fixed rate of the interest swaps currently is 0.0% (2017: 0.48%). In 2008 the Group started applying Cash flow hedge accounting to hedge the variability in the interest cash outflows of the 3 months EURIBOR/LIBOR Senior Secured Floating Rate Notes.

Throughout the year 2018 as well as per year end the cash flow hedge accounting relationships were effective. The amounts deferred in Equity at year-end are expected to affect interest costs within the coming 3 years.

At year-end 2018, 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 (2017: EUR 0.4 million) lower/higher.

At year-end 2018, if US LIBOR 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 0.0 million (2017: EUR 0.0 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) Capital Management

The Board of Directors’ policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board monitors on leverage, defined as Net Debt divided by EBITDA, as well as on the return on capital, which the Group defines as result from operations divided by total Equity. The Board also monitors the level of dividends to ordinary shareholders.

At present employees will hold 1.74% (2017: 1.34%) of the shares, assuming that all outstanding stock options are vested and / or are executed.

The Board seeks to maintain a balance between the higher returns on equity that might be possible with higher levels of borrowings and the advantages and security of a sound capital position. The Group uses the leverage ratio in their approach to capital management.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2018	2017
Total borrowings	487.9	396.9
Cash and cash equivalents	(56.3)	(31.9)
Net Interest Bearing Debt	**431.6**	**365.0**
Total Equity	560.9	541.9
Hedge Reserve	(1.8)	(0.6)
Adjusted Capital	**559.1**	**541.3**
Debt to adjusted capital ratio	0.77	0.67

From time to time the Group purchases its own shares in the market. Primarily the shares are intended to be used for issuing shares under the Group's stock option plans. The timing of these purchases depends on the requirement to settle employee’s stock option exercises. Buy and sell decisions are taken by the Board of Directors. Based on a motion approved in the Annual General Meeting of shareholders, the Board of Directors can acquire up to 10% of its own shares at a price which is not higher than 10% over and not lower than 10% under the average price of shares in the Company for the two weeks immediately preceding the acquisition. Secondarily, shares are intended to be used as payment for potential future acquisitions, per the Company's announcement on 29 April 2015.

(d) 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.

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.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

	2018	2017
Trade receivables	142.0	132.9
Other receivables and prepayments	45.0	46.6
Cash and cash equivalents	56.3	31.9
	243.3	**211.4**

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties (refer to note 17).

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and products are not delivered until payments are secured. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables (refer to note 17).

The Group has banking relations with a diversified set of financial institutions around the world. The Group has policies that limit the amount of credit exposure to any one financial institution and has International Swaps and Derivatives Association agreements in place with counterparties in all derivative transactions.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and committed credit facilities to give reasonable operating headroom. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by maintaining availability under committed credit lines. The Group has EUR 323.0 million of committed ancillary facilities, which can be used both as a revolver and to issue guarantees for down payments. At year end the Group had drawn EUR 74.5 million (2017: EUR 133.0 million) on the revolver, issued EUR 35.0 million (2017: EUR 33.0 million) of guarantees under the facility and allocated EUR 0.0 million to the Group's cash pool (2017: EUR 7.2 million), therefore the total usage is EUR 109.5 million (2017: EUR 174.7 million), leaving a headroom of EUR 213.5 million (2017: EUR 151.8 million). All facilities are subject to operational and Consolidated Statement of Financial Position covenants (interest cover and leverage). At the end of 2018 there is sufficient headroom.

Cash flow forecasts are done at the local levels and monitored by Group Treasury. Group liquidity reports are viewed by management on a weekly basis. The Group has a cross border notional cash pool with the aim of making better use of the Group cash position and to further decrease the amount of idle cash.

The table below analyzes cash outflows per maturity group based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2018	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	30.7	386.7	20.4
Interest on borrowings	6.0	16.7	0.5
Finance lease liabilities	6.7	19.0	8.1
Trade and other payables	217.0	-	-
Interest rate swaps	1.2	2.3	-
	261.6	**424.7**	**29.0**

At 31 December 2017	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	26.2	370.5	-
Interest on borrowings	7.1	23.8	-
Finance lease liabilities	-	0.2	-
Trade and other payables	195.9	-	-
Interest rate swaps	0.8	1.8	-
	230.0	**396.3**	**-**

The Company's policy is to finance its operations in its revenue currencies. More than 99% of Marel's revenues originate outside of Iceland and there is a good currency balance between the Company's revenues and costs. Efforts have been made to systematically reduce currency risk in the Company's financing and to reduce interest cost. At the end of 2018 Marel has two main funding facilities.

Schuldschein promissory notes

On 7 December 2018 Marel finalized an issue of Schuldschein promissory notes for EUR 140 million. The investors were a mixture of Central European and Asian commercial banks. The notes where split in 5 and 7 year terms and a mixture of fixed and floating rates:

- EUR 8.5 million at 1.83% fixed interest for 7 years.
- EUR 15.5 million at 1.366% fixed interest for 5 year.
- EUR 106 million with floating rate and 1.1% margin for 5 years.
- EUR 10 million with floating rate and 1.3% margin for 7 years.

Syndicated Loan

The Group has a 640 EUR million equivalents facilities agreement with seven international banks, led by ING bank, Rabobank and ABN AMRO. The terms and conditions are generally in line with Loan Market Association corporate standards. It is an all senior facility, which matures in 2022.

The key elements of the financing are:

- A five-year all senior loan and revolver, consisting of a EUR 243 million and a USD 75 million long term loan and EUR 325 million revolving credit facility, all with final maturity in May 2022.
- Initial interest terms are EURIBOR/LIBOR + 185 bps, which will vary in line with Marel's leverage ratio (Net debt/EBITDA) at the end of each quarter.

The Group has a financing structure which can accommodate the Group's financing requirements until 2022 with USD and EUR borrowings matching the Group's exposure in these currencies to a large extent. The facility has an embedded 0% floor in the EURIBOR and LIBOR rates. At the date of utilization of the loans (5 May 2017) the 5 year EURIBOR curve was negative and consequently the floor has intrinsic value at the date of inception

In accordance with IFRS 9 Financial Instruments, Marel has separated the embedded derivative from the facility and reports the intrinsic value on a fair value basis as a financial derivative on the Consolidated Statement of Financial Position.

Fair value estimation

The Group generally does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. The only fair value instrument accounted for in the profit and loss statement is the

0% floor embedded in the EUR term loan and revolving facility. During 2018 the floor results in a profit of EUR 0.3 million in finance cost. If 3 months EURIBOR restores to values above 0% the result would be a profit EUR 2.3 million.

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, such as trading and available-for-sale securities, is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2:
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These valuation techniques are based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Derivatives are valued by an independent third party based on market conditions, which takes into account Credit Value Adjustment and Debit Value Adjustment corrections.

Level 3:
Valuation techniques using significant unobservable inputs.

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant and is classified as Level 2 in the fair value hierarchy. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 1.66% (2017: 2.16%).

The weighted average interest rate on borrowings in 2018, including effect of floating to fixed interest rates swaps is 1.66% (2017: 2.16%).

The fair value of the lease liabilities equals its carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the average interest rate of the relevant currency and applicable average credit spreads of the company's external funding sources.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Statement of Financial Position, are as follows:

2018	Cash flow-hedging instruments	Loans & receivables	Other financial liabilities	Total carrying amount	Fair Value
Cash and cash equivalents	-	56.3	-	56.3	56.3
Receivables	-	187.0	-	187.0	187.0
	-	**243.3**	**-**	**243.3**	**243.3**
Interest rate swaps used for hedging	(0.1)	-	-	(0.1)	(0.1)
Bank loans	-	-	(454.1)	(454.1)	(454.1)
(Finance) Lease liabilities	-	-	(33.8)	(33.8)	(33.8)
Trade and other payables	-	-	(220.0)	(220.0)	(220.0)
	(0.1)	**-**	**(707.9)**	**(708.0)**	**(708.0)**
2017					
Cash and cash equivalents	-	31.9	-	31.9	31.9
Receivables	-	179.5	-	179.5	179.5
	-	**211.4**	**-**	**211.4**	**211.4**
Interest rate swaps used for hedging	(1.8)	-	-	(1.8)	(1.8)
Bank loans	-	-	(396.7)	(396.7)	(396.7)
Finance lease liabilities	-	-	(0.2)	(0.2)	(0.2)
Trade and other payables		-	(199.5)	(199.5)	(199.5)
	(1.8)	**-**	**(596.4)**	**(598.2)**	**(598.2)**

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

Derivatives liabilities held for risk management	**Level 1**	**Level 2**	**Level 3**	**Total**
At 31 December 2018	-	1.2	-	1.2
At 31 December 2017	-	1.8	-	1.8

No financial instruments were transferred from Level 1 to Level 2 or from Level 2 to Level 3 of the fair value hierarchy.

Interest-rate swap

To protect Marel from fluctuations in Euribor-EUR-Reuters/Libor-BBA ("British Bankers Association") and in accordance with the interest hedge policy Marel has entered into interest rate swaps (the hedging instruments) to receive floating interest and to pay fixed interest.

This is in line with Marel's risk management policy to have 50 - 70% of core debt fixed for 3 – 5 years.

The notional principal amount of the outstanding active interest rate swap contracts at 31 December 2018 was EUR 281.2 million (31 December 2017: EUR 248.7 million).

31/12 2018	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	USD	10.0	2020	1.3
Interest rate SWAP	USD	60.0	2020	1.6
Forward starting interest rate SWAP	EUR	80.0	2022	0.4
Forward starting interest rate SWAP	EUR	40.0	2022	0.4
Forward starting interest rate SWAP	USD	50.0	2022	2.3
Embedded floor (0,00% cap on interest rates in financing agreements)	EUR	257.5	2022	0.0
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	0.8	2027	5.2

31/12 2017	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	40.0	2018	0.2
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	2018	2.2
Forward starting interest rate SWAP	EUR	80.0	2022	0.4
Forward starting interest rate SWAP	EUR	40.0	2022	0.4
Forward starting interest rate SWAP	USD	60.0	2020	1.6
Forward starting interest rate SWAP	USD	50.0	2022	2.3
Embedded floor (0,00% cap on interest rates in financing agreements)	EUR	346.0	2022	0.0
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	1.1	2027	5.2

25 Trade and other payables

	2018	2017
Trade payables	92.9	90.0
Accruals	10.4	7.6
Personnel payables	53.9	48.6
Other payables	62.8	53.3
Total Trade and other payables	**220.0**	**199.5**
Less non-current portion	(3.0)	(3.6)
Current portion of Trade and other payables	**217.0**	**195.9**

Information about the Group's exposure to currency and liquidity risks is included in note 24.

26 Commitments and insurance

The Group has covered Business Interruption Risks with an insurance policy underwritten by an independent insurance company for a maximum period of 24 months for Marel Stork Poultry Processing B.V. and 18 months for all other Marel entities. The insurance benefits for Business Interruption amount to EUR 597 million for 2018 (2017: EUR 631 million) for the whole Group.

The Group Insurance value of buildings amounts to EUR 150 million (2017: EUR 130 million), production machinery and equipment including software and office equipment amount to EUR 160 million (2017: EUR 147 million) and inventories to EUR 179 million (2017: EUR 142 million). Currently there are no major differences between appraisal value and insured value.

27 Contingencies

Contingent liabilities

At 31 December 2018 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 49.0 million (31 December 2017: EUR 50.3 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.

28 Related party transactions and information on remuneration

At 31 December 2018 and 2017 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 2018 and 2017.

Board of Directors' fee for the year 2018 and shares at year-end (EUR 1,000)	Board fee	Pension contribution[1]	Stock options[2]	Bought shares acc. to stock options[2]	Shares at year-end [2]
Ásthildur Margrét Otharsdóttir , Chairman	134.0	14.0	-	-	32
Arnar Þór Másson, Vice Chairman	93.0	10.0	-	-	-
Ann Elizabeth Savage, Board Member	52.0	6.0	-	-	-
Ástvaldur Jóhannsson, Board Member	52.0	6.0	-	-	-
Helgi Magnússon, Board Member	52.0	6.0	-	-	3,039
Margrét Jónsdóttir, Board Member	52.0	6.0	-	-	195 [3]
Ólafur S. Guðmundsson, Board Member	52.0	6.0	-	-	1,705 [4]
Board of Directors' fee for the year 2017 and shares at year-end (EUR 1,000)					
Ásthildur Margrét Otharsdóttir , Chairman	116.0	11.0	-	-	32
Arnar Þór Másson, Vice Chairman	81.0	8.0	-	-	-
Ann Elizabeth Savage, Board Member	45.0	4.0	-	-	-
Ástvaldur Jóhannsson, Board Member	45.0	4.0	-	-	-
Helgi Magnússon, Board Member	45.0	4.0	-	-	2,779
Margrét Jónsdóttir, Board Member	45.0	4.0	-	-	195 [3]
Ólafur S. Guðmundsson, Board Member	44.0	4.0	-	-	1,705 [4]

1) Pension contributions for all board members and the management are part of a defined contribution plan.
2) Number of shares * 1,000.
3) Margrét Jónsdóttir is the Managing Director of Operation of Eyrir Invest hf. and Árni Oddur Þórðarson is a major shareholder of Eyrir Invest hf., which on 31 December 2018 held 190,366,838 shares in Marel hf. (27.89% of total issued shares).
4) Ólafur S. Guðmundsson is a Board Member of and a shareholder in Eyrir Invest hf.

Key management remuneration 2018 (EUR 1,000)	Salary and benefits	Share based benefits	Incentive payments	Pension contribution[1]	Stock options [2]	Bought shares acc. to stock options[2]	Shares at year-end [2]
Árni Oddur Þórðarson, Chief Executive Officer	634	-	278	111	1,610	-	132 [3]
Executive Management	3,082	869	1,008	373	8,795	690	1,256 [4]
Key management remuneration 2017 (EUR 1,000)							
Árni Oddur Þórðarson, Chief Executive Officer	581	-	198	83	960	-	132 [3]
Executive Management	2,838	795	728	309	7,645	432	739 [4]

1) Pension contributions for all board members and the management are part of a defined contribution plan.
2) Number of shares * 1,000.
3) Margrét Jónsdóttir is the Managing Director of Operation of Eyrir Invest hf. and Árni Oddur Þórðarson is a major shareholder of Eyrir Invest hf., which on 31 December 2018 held 190,366,838 shares in Marel hf. (27.89% of total issued shares).
4) Marel has identified eleven executives who have material significance for Marel's operations. This group consists of Chief Financial Officer, executive vice president ("EVP") Poultry, EVP Meat, EVP Fish, EVP Further Processing, EVP Global Markets, EVP Global Service, EVP Supply Chain, EVP Human Resources, EVP Strategy and Corporate Development and EVP Innovation. Two of them jointed the Executive Team in June 2018 and one left the Team at the same time.

Stock options 2017	Options granted	2018 Number of shares *)	2018 Average exercise price EUR per share	2017 Number of shares *)	2017 Average exercise price EUR per share
Árni Oddur Þórðarson, Chief Executive Officer	2016	360	1.860	360	1.902
	2017	600	2.737	600	2.779
	2018	650	2.881	-	-
Executive Management	2014	1,305	0.896	1,800	0.923
	2015	1,280	1.434	1,600	1.464
	2016	1,260	1.860	1,440	1.902
	2017	2,200	2.737	2,400	2.779
	2018	2,750	2.881	-	-

*) Number of shares * 1,000.

29 Subsequent events

No significant events have taken place since the reporting date, 31 December 2018.

30 Subsidiaries

The following lists presents the material subsidiaries as per 31 December 2018 representing greater than 1% of either the consolidated Group revenues or total asset value. All of the entities are fully consolidated in Group financial statements. Companies are listed in alphabetical order of the country of incorporation:

	Country of Incorporation	Ownership Interest
Marel Australia Pty. Ltd.	Australia	100%
Marel Brasil Commercial e Industrial Ltda	Brazil	100%
Sulmaq Industrial e Comercial S.A.	Brazil	100%
Marel A/S	Denmark	100%
Butina A/S	Denmark	100%
Marel Salmon A/S	Denmark	100%
Marel France S.A.R.L .	France	100%
MAJA-Maschinenfabrik Hermann Schill GmbH	Germany	100%
Marel GmbH & Co. KG	Germany	100%
Marel Iceland ehf.	Iceland	100%
Marel Holding B.V.	Netherlands	100%
Marel Meat B.V.	Netherlands	100%
Marel Stork Poultry Processing 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 Polska Sp. z.o.o.	Poland	100%
Marel Food Systems LLC	Russia	100%
Marel Slovakia s.r.o.	Slovakia	100%
Marel Spain & Portugal S.L.	Spain	100%
Marel Ltd.	UK	100%
Marel GB Ltd.	UK	100%
Marel Inc.	USA	100%
Marel Seattle Inc.	USA	100%

31 Quarterly results

	2018 Q1	2018 Q2	2018 Q3	2018 Q4	Total
Revenue	288.4	296.7	282.0	330.8	1,197.9
Cost of sales	(176.9)	(181.7)	(171.3)	(200.5)	(730.4)
Gross profit	**111.5**	**115.0**	**110.7**	**130.3**	**467.5**
Selling and marketing expenses	(32.6)	(33.5)	(32.0)	(35.6)	(133.7)
Research and development expenses	(17.4)	(16.7)	(18.4)	(21.2)	(73.7)
General and administrative expenses	(17.7)	(21.6)	(20.3)	(25.3)	(84.9)
Adjusted result from operations*)	**43.8**	**43.2**	**40.0**	**48.2**	**175.2**
PPA related costs	(2.3)	(2.3)	(2.4)	(7.3)	(14.3)
Result from operations (EBIT)	**41.5**	**40.9**	**37.6**	**40.9**	**160.9**
Net finance costs	(6.0)	(3.1)	(2.9)	(2.9)	(14.9)
Result before income tax	**35.5**	**37.8**	**34.7**	**38.0**	**146.0**
Income tax	(7.2)	(8.3)	(8.0)	(0.0)	(23.5)
Net result for the period	**28.3**	**29.5**	**26.7**	**38.0**	**122.5**
Result before depreciation & amortization (EBITDA)	**55.3**	**53.9**	**50.0**	**56.3**	**215.5**

*) Adjusted result from operations: result has been adjusted for PPA related costs, including depreciation and amortization.

	2017 Q1	2017 Q2	2017 Q3	2017 Q4	Total
Revenue	252.5	244.0	247.0	294.7	1,038.2
Cost of sales	(153.0)	(147.6)	(153.0)	(177.9)	(631.5)
Gross profit	**99.5**	**96.4**	**94.0**	**116.8**	**406.7**
Selling and marketing expenses	(31.0)	(29.1)	(28.2)	(32.2)	(120.5)
Research and development expenses	(13.9)	(14.2)	(13.0)	(16.7)	(57.8)
General and administrative expenses	(16.9)	(17.2)	(15.3)	(21.6)	(71.0)
Adjusted result from operations*)	**37.7**	**35.9**	**37.5**	**46.3**	**157.4**
PPA related costs	(6.2)	(6.3)	(2.2)	(2.4)	(17.1)
Result from operations (EBIT)	**31.5**	**29.6**	**35.3**	**43.9**	**140.3**
Net finance costs	(3.8)	(6.7)	(5.4)	(4.4)	(20.3)
Result before income tax	**27.7**	**22.9**	**29.9**	**39.5**	**120.0**
Income tax	(6.3)	(4.3)	(6.8)	(5.7)	(23.1)
Net result for the period	**21.4**	**18.6**	**23.1**	**33.8**	**96.9**
Result before depreciation & amortization (EBITDA)	**46.0**	**44.2**	**45.8**	**56.0**	**192.0**

*) Adjusted result from operations: result has been adjusted for PPA related costs, including depreciation and amortization.

32 Definitions and abbreviations

BBA
British Bankers Association

BPS
Basis points

CGU
Cash Generating Units

EBIT
Earnings before interest and tax

EBITDA
Earnings before interest, tax, depreciation and amortization

ECL
Expected credit loss

EURIBOR
Euro Interbank Offered Rates

FVOCI
Fair Value Through Other Comprehensive Income

FVTPL
Fair Value Through Profit or Loss

FTE
Full-time equivalent

FX
Foreign exchange

GAAP
Generally Accepted Accounting Principles

IAS
International Accounting Standard

IFRIC
International Financial Reporting Interpretation Committee

IFRS
International Financial Reporting Standards

LIBOR
London Interbank Offered Rate

NCI
Non-Controlling Interest

OCI
Other Comprehensive Income

POC
Percentage of completion

PPA
Purchase Price Allocation

SIC
Standard interpretation committee

VPL
Wet aanpassing fiscale behandeling VUT-prepensioen en introductie levensloopregeling (Law relating to adjustments of fiscal treatment of (pre)pension and the introduction of a life plan scheme)

WACC
Weighted Average Cost of Capital