CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2019

ADVANCING
FOOD PROCESSING

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Contents Condensed Consolidated Interim Financial Statements

The Board of Directors' and CEO's Report

Marel is a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries with over 6,000 full-time equivalent employees ("FTEs") and a presence in over 30 countries and six continents and a global network of more than 100 agents and distributors.

The Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2019 comprise the financial statements of Marel hf. ("the Company") and its subsidiaries (together "the Group" or "Marel"). The Condensed Consolidated Interim Financial Statements are prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's Annual Consolidated Financial Statements as at and for the year ended 31 December 2018.

The Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understand the changes in the Group's financial position and performance from year end 2018.

Dual listing

On 7 June 2019, Marel began trading on Euronext Amsterdam, marking the dual listing of Marel on both Nasdaq Iceland and Euronext Amsterdam. The dual listing on Euronext Amsterdam complements our existing listing on Nasdaq Iceland and is a natural next step in Marel's growth strategy. By listing on an international stock exchange in addition to Nasdaq Iceland, Marel increases the visibility of its brand and access to a broader international investor base. In addition, the dual listing strengthens Marel's capital structure and provides us with a global currency for acquisitions to support our ambitious growth strategy.

The offering was multiple times oversubscribed with strong demand from both international institutional and retail investors. The share price was set at EUR 3.70, implying a market capitalization for Marel of EUR 2.85 billion. In total 100.0 million ordinary shares were offered which is equivalent to approximately 15% of Marel's total issued share capital before dual listing. The offering was comprised of a public offering in the Netherlands and Iceland and private placements to certain institutional investors in various other jurisdictions.

As a result of the dual listing Shareholders' equity increased by EUR 370.0 million partly offset by transaction costs net of tax of EUR 14.6 million.

Strategic minority investment in Worximity

On 19 June 2019, Marel acquired a 14.3% interest in the Canadian software company Worximity Technology ("Worximity").

Marel's initial investment of EUR 1.8 million (CAD 2.5 million) in new share capital in Worximity corresponds to 14.3% of the total share capital on a fully diluted basis. Marel will invest an additional CAD 2.5 million in new share capital in the company in the next twelve months, bringing Marel's total ownership to 25.0%.

Acquisition of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG

On 14 August 2018, Marel concluded the acquisition of the limited partner interest in the company of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG. Further information on this acquisition and the status of the Purchase Price Allocation is provided in note 5 of the Condensed Consolidated Interim Financial Statements.

Operations in the six-month period ended 30 June 2019

The consolidated revenues for Marel for the six-month period ended 30 June 2019 are EUR 651.1 million (2018: EUR 585.1 million). The adjusted result from operations for the same period is EUR 97.1 million or 14.9% of revenues (2018: EUR 87.0 million or 14.9% of revenues).

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

	YTD 2019	YTD 2018
Adjusted result from operations	97.1	87.0
PPA related costs	(5.3)	(4.6)
Result from operations	**91.8**	**82.4**

At 30 June 2019 the Company's order book amounted to EUR 459.4 million (at 31 December 2018: EUR 476.0 million).

Cash generated from operating activities for the six-month period ended 30 June 2019 is EUR 81.9 million (2018: 112.0 million). Decrease in cash generated from operating activities is mainly due to an increase in Inventories, timing of production and receipts of payments from large projects and high taxes paid. The increase in Net cash provided by financing activities is mainly due to the cash generated as a result of the equity raise, EUR 370.0 million, of which a part is used to repay borrowings.

Based on the decision taken at the Company's 2019 Annual General Meeting, a dividend of EUR 36.7 million (EUR 5.57 cents per share, corresponding to 30% of net result for the year 2018) was declared and paid out to shareholders for the operational year 2018 (in 2018: a dividend of EUR 28.7 million, EUR 4.19 cents per share, corresponding to 30% of net result for the year 2017, was declared and paid out to shareholders for the operational year 2017).

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

During the extraordinary shareholders' meeting on 22 November 2018 it was resolved to authorize the Board of Directors of Marel to initiate a share buy-back program 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 buyback program shall be up to 34.1 million, which amounts to 5% of issued share capital of the Company.

As part of the share buy-back program, as approved in the extraordinary shareholders' meeting on 22 November 2018, Marel has purchased 16.2 million shares (EUR 48.8 million) in the period 5 December 2018 to 5 March 2019, of which 12.1 million shares (EUR 37.6 million) have been purchased in 2019. No buy-back of shares has taken place after the Annual General Meeting of Shareholders on 6 March 2019. During 2019 Marel sold 0.2 million treasury shares for EUR 0.2 million.

At the Annual General Meeting of Shareholders on 6 March 2019 it was resolved to reduce the Company's share capital by 11.6 million shares, from 682.6 million shares to 671.0 million shares. The reduction was executed by way of cancelling 11.6 million of the Company's own shares of ISK 1 each, in accordance with the provisions of the Icelandic Act No. 2/1995 on Public Limited Companies. The Company's share capital was reduced in connection with the preparation of the dual listing of the Company, for the benefit of shareholders. Marel's Articles of Association were changed accordingly.

At the same shareholders' meeting it was resolved to authorize the Board of Directors to increase share capital by as much as ISK 100 million nominal value by issuing new shares. Shareholders waived their pre-emptive rights to subscribe for these new shares, which were used in an offering of shares in connection with the dual listing of the company's shares. The Board of Directors was authorized to make necessary changes to the company's Articles of Association resulting from the issue.

At 30 June 2019 Marel's issued shares totaled 771.0 million (31 December 2018: 682.6 million).

Statement by the Board of Directors and the CEO

According to the Board of Directors' and CEO's best knowledge, the Condensed Consolidated Interim Financial Statements give a true and fair view of the consolidated financial performance of the Group for the six-month period ended 30 June 2019, its assets, liabilities and consolidated financial position as at 30 June 2019 and its consolidated cash flows for the six-month period ended 30 June 2019.

Furthermore, in our opinion the Condensed Consolidated Interim Financial Statements and the endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describe the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statements of Marel hf. for the six-month period ended 30 June 2019 and ratify them with their signatures.

Garðabær, 24 July 2019

Board of Directors

Ásthildur Margrét Otharsdóttir
Chairman of the Board

Arnar Þór Másson

Ann Elizabeth Savage

Ástvaldur Jóhannsson

Margrét Jónsdóttir

Ólafur S. Guðmundsson

Ton van der Laan

Chief Executive Officer

Árni Oddur Þórðarson

Consolidated Statement of Income

In EUR million unless stated otherwise	Notes	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Revenues	6 & 7 & 8	326.5	296.7	651.1	585.1
Cost of sales	6 & 9	(196.3)	(181.7)	(395.5)	(358.6)
Gross profit	6	**130.2**	**115.0**	**255.6**	**226.5**
Selling and marketing expenses	6 & 9	(41.3)	(35.0)	(80.3)	(69.2)
Research and development expenses	6 & 9	(21.4)	(17.4)	(42.8)	(35.5)
General and administrative expenses	6 & 9	(20.6)	(21.7)	(40.7)	(39.4)
Result from operations	6	**46.9**	**40.9**	**91.8**	**82.4**
Finance costs	10	(4.0)	(3.6)	(8.6)	(10.0)
Finance income	10	1.5	0.5	2.3	0.9
Net finance costs	10	(2.5)	(3.1)	(6.3)	(9.1)
Share of result of associates	17	0.0	-	0.0	-
Result before income tax		**44.4**	**37.8**	**85.5**	**73.3**
Income tax	11	(10.1)	(8.3)	(19.0)	(15.5)
Net result		**34.3**	**29.5**	**66.5**	**57.8**
Of which:					
- Net result attributable to Shareholders of the Company	12	34.3	29.5	66.5	57.8
- Net result attributable to non-controlling interests	21	0.0	0.0	0.0	0.0
Earnings per share for result attributable to Shareholders of the Company during the period (expressed in EUR cent per share):					
- basic	12	5.16	4.31	9.86	8.42
- diluted	12	5.11	4.28	9.79	8.37

The notes on pages 9-33 are an integral part of the Condensed Consolidated Interim Financial Statements

Consolidated Statement of Comprehensive Income

In EUR million	Notes	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Net result		34.3	29.5	66.5	57.8
Items that are or may be reclassified to profit or loss:					
Currency translation differences	21	(3.4)	(0.7)	1.4	(2.7)
Cash flow hedges	21	0.8	0.9	0.7	1.5
Income tax relating to cash flow hedges	19 & 21	0.0	(0.2)	(0.1)	(0.3)
Other comprehensive income / (loss) for the period, net of tax		(2.6)	0.0	2.0	(1.5)
Total comprehensive income for the period		**31.7**	**29.5**	**68.5**	**56.3**
Of which:					
- Net result attributable to Shareholders of the Company		31.7	29.5	68.5	56.3
- Net result attributable to non-controlling interests	21	0.0	0.0	0.0	0.0

The notes on pages 9-33 are an integral part of the Condensed Consolidated Interim Financial Statements

Consolidated Statement of Financial Position

In EUR million	Notes	30/06 2019	31/12 2018
ASSETS			
Property, plant and equipment	13	178.5	175.6
Right of use assets	14	35.7	33.3
Goodwill	15	644.1	641.3
Intangible assets	16	259.3	267.0
Investments in associates	17	1.8	-
Trade and other receivables	18	3.2	3.2
Derivative financial instruments	25	1.4	1.3
Deferred income tax assets	19	15.7	10.2
Non-current assets		**1,139.7**	**1,131.9**
Inventories	20	165.3	149.9
Contract assets	8	59.4	44.0
Trade receivables	18	142.2	138.8
Other receivables and prepayments	18	61.8	45.0
Cash and cash equivalents		276.7	56.3
Current assets		**705.4**	**434.0**
TOTAL ASSETS		**1,845.1**	**1,565.9**
EQUITY AND LIABILITIES			
Share capital	21	6.8	6.1
Share premium reserve	21	480.1	161.7
Other reserves	21	(8.3)	(10.3)
Retained earnings	21	432.9	403.2
Shareholders' equity		**911.5**	**560.7**
Non-controlling interests	21	0.2	0.2
Total equity		**911.7**	**560.9**
LIABILITIES			
Borrowings	22	342.6	429.3
Lease liabilities	14 & 22	27.5	27.1
Deferred income tax liabilities	19	56.9	57.3
Provisions	23	10.4	9.2
Other payables	24	3.1	3.0
Derivative financial instruments	25	0.4	1.4
Non-current liabilities		**440.9**	**527.3**
Contract liabilities	8	210.1	212.1
Trade and other payables	24	222.7	217.0
Current income tax liabilities		18.3	9.3
Borrowings	22	24.8	24.8
Lease liabilities	14 & 22	8.5	6.7
Provisions	23	8.1	7.8
Current liabilities		**492.5**	**477.7**
Total liabilities		**933.4**	**1,005.0**
TOTAL EQUITY AND LIABILITIES		**1,845.1**	**1,565.9**

The notes on pages 9-33 are an integral part of the Condensed Consolidated Interim 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 1 January 2019	**6.1**	**161.7**	**(10.3)**	**403.2**	**560.7**	**0.2**	**560.9**
Net result for the period				66.5	66.5	0.0	66.5
Total other comprehensive income			2.0		2.0	0.0	2.0
Transactions with owners of the Company							
New shares issued	0.8	369.2			370.0		370.0
Transaction costs		(14.6)			(14.6)		(14.6)
Treasury shares purchased	(0.1)	(37.5)			(37.6)		(37.6)
Treasury shares sold	0.0	0.2			0.2		0.2
Value of services provided		1.1			1.1		1.1
Other movements				(0.1)	(0.1)		(0.1)
Dividend				(36.7)	(36.7)	(0.0)	(36.7)
	0.7	**318.4**	**2.0**	**29.7**	**350.8**	(0.0)	**350.8**
Balance at 30 June 2019	**6.8**	**480.1**	**(8.3)**	**432.9**	**911.5**	**0.2**	**911.7**

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				57.8	57.8	0.0	57.8
Total other comprehensive income			(1.5)		(1.5)	0.0	(1.5)
Transactions with owners of the Company							
Treasury shares purchased	(0.1)	(30.3)			(30.4)		(30.4)
Treasury shares sold		1.0			1.0		1.0
Value of services provided		0.7			0.7		0.7
Other movements				0.2	0.2		0.2
Dividend				(28.7)	(28.7)	(0.1)	(28.8)
	(0.1)	**(28.6)**	**(1.5)**	**29.3**	**(0.9)**	**(0.1)**	**(1.0)**
Balance at 30 June 2018	**6.2**	**201.0**	**(9.7)**	**338.4**	**535.9**	**0.2**	**536.1**
Net result for the period				64.6	64.6	0.1	64.7
Total other comprehensive income			(0.6)		(0.6)	0.0	(0.6)
Transactions with owners of the Company							
Treasury shares purchased	(0.1)	(41.2)			(41.3)		(41.3)
Treasury shares sold		1.2			1.2		1.2
Value of services provided		0.4			0.4		0.4
Other movements		0.3		0.2	0.5		0.5
Dividend						(0.1)	(0.1)
	(0.1)	**(39.3)**	**(0.6)**	**64.8**	**24.8**	**(0.0)**	**24.8**
Balance at 31 December 2018	**6.1**	**161.7**	**(10.3)**	**403.2**	**560.7**	**0.2**	**560.9**

[1] Includes reserve for share based payments as per 30 June 2019 of EUR 3.6 million (31 December 2018: EUR 2.6 million).
[2] For details on Other reserves refer to note 21.

The notes on pages 9-33 are an integral part of the Condensed Consolidated Interim Financial Statements

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Consolidated Statement of Cash Flows

In EUR million	Notes	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Cash Flow from operating activities					
Result from operations		**46.9**	**40.9**	**91.8**	**82.4**
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	5.8	5.5	11.8	10.5
Amortization and impairment of intangible assets	16	8.4	7.4	16.6	16.2
Changes in non-current receivables and payables		-	0.2	0.1	0.2
Working capital provided by / (used in) operating activities		**61.1**	**54.0**	**120.3**	**109.3**
Changes in working capital:					
Inventories and contract assets and liabilities		(32.8)	(13.0)	(32.5)	17.4
Trade and other receivables		2.3	9.3	(12.8)	(10.5)
Trade and other payables		(8.8)	6.2	6.0	(1.1)
Provisions		0.5	(0.1)	0.9	(3.1)
Changes in operating assets and liabilities		**(38.8)**	**2.4**	**(38.4)**	**2.7**
Cash generated from operating activities		**22.3**	**56.4**	**81.9**	**112.0**
Taxes paid		(16.0)	(9.0)	(20.8)	(18.5)
Interest and finance income		0.8	0.5	1.6	0.8
Interest and finance costs		(4.9)	(2.2)	(8.2)	(4.4)
Net cash from operating activities		**2.2**	**45.7**	**54.5**	**89.9**
Cash Flow from investing activities					
Purchase of property, plant and equipment	13	(4.0)	(8.6)	(9.2)	(13.9)
Investments in intangibles	16	(4.4)	(6.2)	(10.4)	(12.4)
Proceeds from sale of property, plant and equipment		0.4	2.2	0.8	2.5
Investments in associates	5 & 17	(1.8)	-	(1.8)	-
Net cash provided by / (used in) investing activities		**(9.8)**	**(12.6)**	**(20.6)**	**(23.8)**
Cash Flow from financing activities					
New shares issued	21	370.0	-	370.0	-
Transaction costs	21	(8.6)	-	(8.6)	-
Purchase of treasury shares	21	-	-	(37.6)	(30.3)
Sale of treasury shares	21	0.2	1.0	0.2	1.0
Proceeds from borrowings	22	10.0	7.5	40.0	79.5
Repayments of borrowings	22	(129.3)	(31.6)	(129.3)	(89.0)
Payments lease liabilities		(3.3)	(2.5)	(12.7)	(4.5)
Dividends paid	21	(4.1)	(2.9)	(36.7)	(28.8)
Net cash provided by / (used in) financing activities		**234.9**	**(28.5)**	**185.3**	**(72.1)**
Net increase (decrease) in net cash		**227.3**	**4.6**	**219.2**	**(6.0)**
Exchange gain / (loss) on net cash		(0.7)	4.2	1.2	2.0
Net cash at beginning of the period		50.1	19.1	56.3	31.9
Net cash at end of the period		**276.7**	**27.9**	**276.7**	**27.9**

The notes on pages 9-33 are an integral part of the Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Interim Financial Statements

1 General information

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 Condensed Consolidated Interim Financial Statements of the Company as at and for the six-month period ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as "the Group" or "Marel").

The Group is a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries and is involved in the manufacturing, development, distribution and sales of solutions for these industries.

The Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2019 have not been audited nor reviewed by an external auditor.

All amounts are in millions of EUR and have been rounded to the nearest million, unless otherwise indicated.

These Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors and CEO on 24 July 2019.

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

2 Basis of preparation and use of judgements and estimates

Base of preparation

These Condensed Consolidated Interim Financial Statements of the Company and its subsidiaries are for the six-month period ended 30 June 2019 and have been prepared in accordance with IAS 34 as adopted by the European Union.

The Condensed Consolidated Interim Financial Statements should be read in conjunction with the Group’s Annual Consolidated Financial Statements for the year ended 31 December 2018. The Consolidated Financial Statements for the Group for the period ended 31 December 2018 are available upon request from the Company's registered office at Austurhraun 9, Garðabær, Iceland or at www.marel.com.

These Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

IFRS 9, IFRS 15 and IFRS 16 have been applied as of 1 January 2018. Changes to significant accounting policies are described in note 3.

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

Items of each entity in the Group, as included in the Condensed Consolidated Interim Financial Statements, 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 Condensed Consolidated Interim Financial Statements are presented in Euro (EUR), which is the Group's reporting currency.

Use of judgements and estimates

In preparing these Condensed Consolidated Interim Financial Statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last Group's Annual Consolidated Financial Statements for the year ended 31 December 2018.

3 Accounting policies

The accounting policies applied in these Condensed Consolidated Interim Financial Statements are consistent with those applied and described in the Annual Consolidated Financial Statements for the year ended 31 December 2018.

The accounting policies have been applied consistently for all periods presented in these Condensed Consolidated Interim Financial Statements.

In 2019, Marel adopted certain modifications to the presentation of its Consolidated Statement of Income to bring it in line with recommendations from the European Securities and Market Authority. This new presentation resulted in a reclassification of the Purchase Price Allocation ("PPA") related costs into expenses by function (Selling and marketing expenses, Research and development expenses and General and administrative expenses).

Transaction costs, net of tax, for transactions in shares are deducted from the Share premium reserve.

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

The Group has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018.

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

The impact of the adoption of IFRS 9 and IFRS 15, as per 1 January 2018, on the Group's equity as at 1 January 2018 is summarized in the following table:

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

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

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

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

4 Financial management

The Company's policy is to finance its operations in its revenue currencies. More than 99% of Marel's revenues originate outside of Iceland and there is a good currency balance between the Company's revenues and costs. Efforts have been made to systematically reduce currency risk in the Company's financing and to reduce interest cost.

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 were split in 5 and 7 year terms and a mixture of fixed and floating rates:

- EUR 8.5 million at 1.83% fixed interest for 7 years.
- EUR 15.5 million at 1.366% fixed interest for 5 years.
- EUR 106 million with floating EURIBOR rate and 1.1% margin for 5 years.
- EUR 10 million with floating EURIBOR rate and 1.3% margin for 7 years.

The floating rate tranches include a 0% floor on the 6 month EURIBOR. At inception of the loan, the 0% floor did not have an intrinsic value and is not separated in from the original contract in the Consolidated Statement of Financial Position.

Syndicated Loan

The Group has a 640 EUR million equivalent facilities agreement with seven international banks, led by ING bank, Rabobank and ABN AMRO. The terms and conditions are generally in line with Loan Market Association corporate standards. It is an all senior facility, which matures in 2022.

The key elements of the Syndicated loan are:

- A five-year all senior loan and revolver, consisting of a EUR 243 million term loan and a USD 75 million term loan and a 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 had 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.

5 Acquisitions

Acquisition of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG

On 14 August 2018, Marel concluded the acquisition of the limited partner interest in the company of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG to get transferred all business assets and liabilities. As part of this transaction Marel also acquired 100% of the shares of related companies in France and the United States ("MAJA"). This transaction is in line with Marel's strategic objective to be a full-line supplier of advanced food processing solutions and accelerate market penetration through acquisitions.

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

Closing of the transaction was subject to anti-trust approval and standard closing conditions. The transaction was funded from cash on hand and available facilities.

In accordance with IFRS 3, Business Combinations, the purchase price of MAJA was allocated to identifiable assets and liabilities acquired. Provisional goodwill amounted to EUR 3.3 million and is allocated to the meat segment. The resulting goodwill from this acquisition is primarily related to the strategic (and cultural) fit of MAJA and Marel with highly complementary product portfolios and geographic presence. The goodwill is 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.

The Purchase Price Allocation of MAJA is finalized. The impact of the valuation of Property, plant and equipment, and as a consequence the impact on Intangible assets and Goodwill, is described in note 13, note 15 and note 16 and is included in the numbers as presented below. The valuation of Intangible assets are further impacted by a reduction of the remaining useful life of Technology and development costs. Goodwill is further impacted by the increase in Consideration transferred of EUR 1.2 million as a result of contractual obligations with the sellers. If no new facts occur which would result in adjustments, then the provisional amounts of assets acquired and liabilities assumed will not change as at 14 August 2019.

MAJA contributed EUR 9.7 million to revenues for the year 2018 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
Right of use assets	0.6
Intangible assets (excl goodwill)	13.2
Deferred income tax	0.4
Inventories	11.5
Trade receivables, current and non-current	4.0
Other receivables and prepayments	2.1
Cash and cash equivalents	0.8
Assets acquired	**42.2**
Borrowings, current and non-current	6.5
Lease liabilities, current and non-current	0.6
Provisions, current and non-current	0.4
Trade and other payables	5.5
Liabilities assumed	**13.0**
Total net identified assets	**29.2**
Consideration transferred	32.5
Provisional goodwill on acquisition	**3.3**

PPA related costs, including depreciation and amortization of acquisition-related (in)tangible assets for MAJA relate to the following lines in the Consolidated Statement of Income:

	YTD 2019	**YTD 2018**
Selling and marketing expenses	0.2	-
Research and development expenses	0.4	-
General and administrative expenses	0.1	-
	0.7	**-**

6 Non-IFRS measurement

Reconciliation of non-IFRS information

In this note to the Condensed Consolidated Interim Financial Statements Marel presents certain financial measures when discussing Marel's performance that are not measures of financial performance or liquidity under IFRS ('Non-IFRS'). Non-IFRS measures do not have standardized meanings under IFRS and not all companies calculate non-IFRS measures in the same manner or on a consistent basis. As a result, these measures may not be comparable to measures used by other companies that have the same or similar names.

Management has presented Adjusted result from operations as a performance measure in the Consolidated Statement of Income and believes that this measure is relevant to an understanding of the Group's financial performance. Adjusted result from operations is calculated by adjusting Result from operations to exclude the impact of PPA related costs (consisting of depreciation and amortization of acquisition-related (in)tangible assets). No other adjustments are included in Adjusted results from operations.

The reconciliation of Adjusted result from operations to the most directly comparable IFRS measure, Result from operations, for the period indicated is included in the following tables.

	2019 as reported	PPA related charges	2019 non-IFRS measures	2018 as reported	PPA related charges	2018 non-IFRS measures
	Q2	**Q2**	**Q2**	**Q2**	**Q2**	**Q2**
In EUR million	**2019**	**2019**	**2019**	**2018**	**2018**	**2018**
Revenues	326.5	-	326.5	296.7	-	296.7
Cost of sales	(196.3)	-	(196.3)	(181.7)	-	(181.7)
Gross profit	**130.2**	**-**	**130.2**	**115.0**	**-**	**115.0**
Selling and marketing expenses	(41.3)	1.6	(39.7)	(35.0)	1.5	(33.5)
Research and development expenses	(21.4)	1.0	(20.4)	(17.4)	0.7	(16.7)
General and administrative expenses	(20.6)	0.1	(20.5)	(21.7)	0.1	(21.6)
Adjusted result from operations		**2.7**	**49.6**		**2.3**	**43.2**
PPA related costs		(2.7)	(2.7)		(2.3)	(2.3)
Result from operations	**46.9**	**-**	**46.9**	**40.9**	**-**	**40.9**

In EUR million	2019 as reported YTD 2019	PPA related charges YTD 2019	2019 non-IFRS measures YTD 2019	2018 as reported YTD 2018	PPA related charges YTD 2018	2018 non-IFRS measures YTD 2018
Revenues	651.1	-	651.1	585.1	-	585.1
Cost of sales	(395.5)	-	(395.5)	(358.6)	-	(358.6)
Gross profit	**255.6**	**-**	**255.6**	**226.5**	**-**	**226.5**
Selling and marketing expenses	(80.3)	3.3	(77.0)	(69.2)	3.1	(66.1)
Research and development expenses	(42.8)	1.8	(41.0)	(35.5)	1.4	(34.1)
General and administrative expenses	(40.7)	0.2	(40.5)	(39.4)	0.1	(39.3)
Adjusted result from operations		**5.3**	**97.1**		**4.6**	**87.0**
PPA related costs		(5.3)	(5.3)		(4.6)	(4.6)
Result from operations	**91.8**	**-**	**91.8**	**82.4**	**-**	**82.4**

The reconciliation of Earnings before interest (Net finance costs), Tax (Income Tax), Depreciation and Amortization ("EBITDA") to the most directly comparable IFRS measurement, Result from operations, for the period indicated is included in the table below.

	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Result from operations (EBIT)	46.9	40.9	91.8	82.4
Depreciation, Amortization and Impairments	14.2	13.0	28.4	26.7
Result before depreciation & amortization (EBITDA)	**61.1**	**53.9**	**120.2**	**109.1**

7 Segment information

Operating segments

The identified operating segments comprise the three industries, which are the reporting segments. These operating segments form the basis for managerial decision taking. The following summary describes the operations in each of the Group's reportable segments:

- Poultry processing: Our poultry processing product range offers integrated systems for processing broilers, turkeys and ducks.
- Meat processing: Our meat industry specializes in the key processes of slaughtering, deboning and trimming, and case ready food service for processing pork, beef, veal and sheep.
- Fish processing: Marel provides advanced equipment and systems for salmon and whitefish processing, both farmed and wild, on-board and on-shore.
- The 'Others' segment includes any Revenues, Result from operations and assets which do not belong to the three core industries.

The reporting entities are reporting their revenues per operating segment based on the industry for which the customer is using Marel's product range. Therefore inter-segment revenues do not exist, only intercompany revenues within the same segment.

Results are monitored and managed at the operating segment level, up to the Adjusted result from operations. Adjusted result from operations is used to measure performance as management believes that this information is the most relevant in evaluating the results of the respective Marel segments relative to other entities that operate in the same industries.

The Group's CEO reviews the internal management reports of each segment on a monthly basis. Fluctuations between quarters are mainly due to timing of receiving and delivery of orders, margin on projects and business mix. Decisions on tax and financing structures including cash and cash equivalents are taken at a corporate level, therefore no financial income and expenses nor tax are allocated to the operating segments. The profit or loss per operating segment is the Adjusted result from operations (before PPA related costs including depreciation and amortization of acquisition-related (in)tangible assets); finance costs and taxes are reported in the column Total.

Intercompany transactions are entered at arm's length terms and conditions comparable to those available to unrelated parties. Information on assets per operating segment is reported; however, decisions on liabilities are taken at a corporate level and as such are not included in this disclosure.

	Poultry	Meat	Fish	Others	Total
30 June 2019					
Third Party Revenues	**356.5**	**204.9**	**75.8**	**13.9**	**651.1**
Adjusted result from operations	**67.4**	**24.4**	**3.8**	**1.5**	**97.1**
PPA related costs					(5.3)
Result from operations					**91.8**
Net finance costs					(6.3)
Result before income tax					**85.5**
Income tax					(19.0)
Net result for the period					**66.5**
Assets	**722.9**	**700.9**	**133.2**	**288.1**	**1,845.1**
Investments (including Right of use assets)	15.0	8.5	3.2	-	26.7
Depreciation and amortization	(12.0)	(12.5)	(3.6)	(0.3)	(28.4)

	Poultry	Meat	Fish	Others	Total
30 June 2018					
Third Party Revenues	**312.2**	**183.0**	**83.2**	**6.7**	**585.1**
Adjusted result from operations	**56.2**	**22.8**	**7.1**	**0.9**	**87.0**
PPA related costs					(4.6)
Result from operations					**82.4**
Net finance costs					(9.1)
Result before income tax					**73.3**
Income tax					(15.5)
Net result for the period					**57.8**
Assets	**678.4**	**625.7**	**144.9**	**32.1**	**1,481.1**
Investments (including Right of use assets)	15.2	8.8	4.0	0.1	28.1
Depreciation and amortization	(11.4)	(12.1)	(3.2)	-	(26.7)
Of which Impairments	-	(1.3)	-	-	(1.3)

Geographical Information

The Group's three operating segments operate in four main geographical areas, although 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.

Total assets exclude the Group's cash pool which the Group manages at corporate level.

Total assets excluding Cash and cash equivalents	30/06 2019	31/12 2018
Iceland	127.7	101.2
The Netherlands	973.9	953.5
Europe other	210.2	204.8
North America	190.7	183.1
Other countries	65.9	67.0
	1,568.4	**1,509.6**

Capital expenditures include investments in Property, plant and equipment, Right of use assets and Intangible assets.

Capital expenditure	YTD 2019	YTD 2018
Iceland	5.7	5.2
The Netherlands	12.1	14.7
Europe other	4.5	5.7
North America	3.0	2.4
Other countries	1.4	0.1
	26.7	**28.1**

8 Revenues

Revenues

The Group's operations and main revenue streams are those described in the last Annual Consolidated Financial Statements. The Group's revenue is derived from contracts with customers. Within the segments and within the operating companies, Marel is not relying on any individual major customers.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical markets (revenue is allocated based on the country were the customer is located):

30 June 2019	Poultry	Meat	Fish	Others	Total
Primary geographical markets					
Iceland	0.3	0.2	3.4	-	**3.9**
The Netherlands	13.9	8.2	1.1	0.8	**24.0**
Europe other	123.6	92.8	42.7	7.5	**266.6**
North America	140.4	43.6	14.9	1.2	**200.1**
Other countries	78.3	60.1	13.7	4.4	**156.5**
	356.5	**204.9**	**75.8**	**13.9**	**651.1**

30 June 2018	Poultry	Meat	Fish	Others	Total
Primary geographical markets					
Iceland	0.4	0.1	2.6	-	**3.1**
The Netherlands	10.3	8.8	0.8	0.4	**20.3**
Europe other	118.9	71.7	53.2	3.0	**246.8**
North America	101.5	53.3	13.4	1.0	**169.2**
Other countries	81.1	49.1	13.2	2.3	**145.7**
	312.2	**183.0**	**83.2**	**6.7**	**585.1**

In the following table revenue is disaggregated by equipment revenue (comprising revenue from greenfield and large projects, standard equipment and modernization equipment) and aftermarket revenue (comprising maintenance, service and spare parts).

	YTD 2019	YTD 2018
Equipment revenue	424.2	382.7
Aftermarket revenue	226.9	202.4
Total revenue	**651.1**	**585.1**

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contract with customers.

	30/06 2019	31/12 2018
Ordered work in progress	551.0	526.7
Advances received on ordered work in progress	(701.7)	(694.8)
	(150.7)	**(168.1)**
Contract assets	59.4	44.0
Contract liabilities	(210.1)	(212.1)
	(150.7)	**(168.1)**

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.

No information is provided about remaining performance obligations at 30 June 2019 that have an original expected duration of one year or less, as allowed by IFRS 15.

9 Expenses by nature

Expenses by nature

The table below shows the Expenses by nature:

	YTD 2019	YTD 2018
Cost of goods sold	226.0	204.8
Employee benefits	227.5	202.1
Depreciation and amortization	28.4	26.7
Maintenance and rent of buildings and equipment	7.3	7.5
Other	70.1	61.6
	559.3	**502.7**

10 Net finance costs

	YTD 2019	YTD 2018
Finance costs:		
Interest on borrowings	(5.3)	(4.8)
Interest on leases	(0.4)	(0.5)
Other finance expenses	(2.9)	(3.2)
Net foreign exchange transaction losses	-	(1.5)
Subtotal finance costs	**(8.6)**	**(10.0)**
Finance income:		
Interest income	1.6	0.9
Net foreign exchange transaction gains	0.7	-
Subtotal finance income	**2.3**	**0.9**
Net finance costs	**(6.3)**	**(9.1)**

11 Income tax

Income tax recognized in the Consolidated Statement of Income	YTD 2019	YTD 2018
Current tax	(21.2)	(17.1)
Deferred tax	2.2	1.6
	(19.0)	**(15.5)**

Income tax expense is recognized at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in the interim period. As such, the effective tax rate in the interim financial statements may differ from the effective tax rate for the annual financial statements.

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.

In December 2018, a new corporate tax law in the Netherlands was proposed which is enacted in 2019. 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.

Reconciliation of effective income tax	**YTD 2019**	%	**YTD 2018**	%
Result before income tax	85.5		73.3	
Income tax using Icelandic rate	(17.1)	20.0	(14.7)	20.0
Effect of tax rates in other jurisdictions	(3.8)	4.4	(3.6)	4.9
Weighted average applicable tax	(20.9)	24.4	(18.3)	24.9
Foreign exchange effect Iceland	(0.5)	0.6	0.1	(0.1)
Research and development tax incentives	2.8	(3.3)	2.9	(4.0)
Permanent differences	(0.6)	0.7	(0.1)	0.1
Effect of tax rate changes	0.4	(0.5)	(0.1)	0.1
Others	(0.2)	0.3	-	-
Tax charge included in the profit or loss for the period	**(19.0)**	**22.2**	**(15.5)**	**21.0**

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)	**YTD 2019**	**YTD 2018**
Net result attributable to Shareholders (EUR millions)	66.5	57.8
Weighted average number of outstanding shares in issue (millions)	674.2	686.9
Basic earnings per share (EUR cent per share)	**9.86**	**8.42**

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 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)	**YTD 2019**	**YTD 2018**
Net result attributable to Shareholders (EUR millions)	66.5	57.8
Weighted average number of outstanding shares in issue (millions)	674.2	686.9
Adjustments for stock options (millions)	4.8	4.1
Weighted average number of outstanding shares for diluted earnings per share (millions)	**679.0**	**691.0**
Diluted earnings per share (EUR cent per share)	**9.79**	**8.37**

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13 Property, plant and equipment

	Land & buildings	Plant & machinery	Under con-struction	Vehicles & equipment	Total
1 January 2019					
Cost	182.6	95.1	12.0	44.7	334.4
Accumulated depreciation	(52.9)	(68.1)	-	(37.8)	(158.8)
Net book value	**129.7**	**27.0**	**12.0**	**6.9**	**175.6**
Six months ended 30 June 2019					
Opening net book value	129.7	27.0	12.0	6.9	175.6
Divestments	-	-	-	(0.2)	(0.2)
Effect of movements in exchange rates	0.2	0.0	0.0	-	0.2
Additions	0.4	0.6	6.6	1.6	9.2
Business combinations, note 5	(0.9)	1.4	-	0.2	0.7
Reclassifications between categories	(2.0)	1.2	-	0.8	-
Transfer between categories	0.8	3.4	(4.2)	-	-
Depreciation charge	(2.6)	(3.2)	-	(1.2)	(7.0)
Closing net book value	**125.6**	**30.4**	**14.4**	**8.1**	**178.5**
At 30 June 2019					
Cost	178.1	101.8	14.4	48.1	342.4
Accumulated depreciation	(52.5)	(71.4)	-	(40.0)	(163.9)
Net book value	**125.6**	**30.4**	**14.4**	**8.1**	**178.5**

	Land & buildings	Plant & machinery	Under con-struction	Vehicles & equipment	Total
At 1 January 2018					
Cost	146.4	96.8	19.7	42.2	305.1
Accumulated depreciation	(50.6)	(73.2)	-	(36.6)	(160.4)
Net book value	**95.8**	**23.6**	**19.7**	**5.6**	**144.7**
Year ended 31 December 2018					
Opening net book value	95.8	23.6	19.7	5.6	144.7
Divestments	-	(2.2)	-	-	(2.2)
Effect of movements in exchange rates	(1.6)	0.1	0.1	-	(1.4)
Additions	4.7	6.5	20.3	2.5	34.0
Business combinations, note 5	12.5	(0.1)	-	0.9	13.3
Transfer between categories	22.9	5.0	(28.1)	0.2	-
Depreciation charge	(4.6)	(5.9)	-	(2.3)	(12.8)
Closing net book value	**129.7**	**27.0**	**12.0**	**6.9**	**175.6**
At 31 December 2018					
Cost	182.6	95.1	12.0	44.7	334.4
Accumulated depreciation	(52.9)	(68.1)	-	(37.8)	(158.8)
Net book value	**129.7**	**27.0**	**12.0**	**6.9**	**175.6**

Depreciation of Property, plant and equipment and of acquisition-related tangible assets analyzes as follows in the Consolidated Statement of Income:

	YTD 2019	YTD 2018
Cost of sales	3.2	3.0
Selling and marketing expenses	0.3	0.2
Research and development expenses	0.1	0.1
General and administrative expenses	3.4	2.7
	7.0	**6.0**

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 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 2019				
Cost	27.8	1.0	13.3	42.1
Accumulated depreciation	(4.1)	(0.2)	(4.5)	(8.8)
Net book value	**23.7**	**0.8**	**8.8**	**33.3**
Six months ended 30 June 2019				
Opening net book value	23.7	0.8	8.8	33.3
Divestments	(0.2)	-	(0.4)	(0.6)
Effect of movements in exchange rates	0.1	-	-	0.1
Business combinations, note 5	0.2	-	0.4	0.6
Additions	3.5	0.2	3.4	7.1
Depreciation charge	(2.3)	(0.2)	(2.3)	(4.8)
Closing net book value	**25.0**	**0.8**	**9.9**	**35.7**
At 30 June 2019				
Cost	30.8	1.2	16.4	48.4
Accumulated depreciation	(5.8)	(0.4)	(6.5)	(12.7)
Net book value	**25.0**	**0.8**	**9.9**	**35.7**

	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:

	YTD 2019	YTD 2018
Cost of sales	1.2	1.1
Selling and marketing expenses	0.9	1.0
Research and development expenses	0.1	0.1
General and administrative expenses	2.6	2.3
	4.8	**4.5**

For the annual maturity of lease liabilities refer to note 22.

15 Goodwill

At 1 January 2019	
Cost	641.3
Net book value	**641.3**
Six months ended 30 June 2019	
Opening net book value	641.3
Business combinations, note 5	2.5
Exchange differences	0.3
Closing net book value	**644.1**
At 30 June 2019	
Cost	644.1
Net book value	**644.1**

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 5	(1.6)
Exchange differences	(1.0)
Closing net book value	**641.3**
At 31 December 2018	
Cost	641.3
Net book value	**641.3**

Impairment testing

The Group tested at the end of 2018 whether Goodwill had suffered any impairment. The conclusion was there were no triggers indicating that impairment was necessary.

At 30 June 2019, there is no reason to deviate from the conclusions taken at year-end.

16 Intangible assets

	Techno-logy & develop-ment costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2019				
Cost	255.3	178.6	79.2	513.1
Accumulated amortization	(134.0)	(57.7)	(54.4)	(246.1)
Net book value	**121.3**	**120.9**	**24.8**	**267.0**
Six months ended 30 June 2019				
Opening net book value	121.3	120.9	24.8	267.0
Divestments	-	-	(0.1)	(0.1)
Business combinations, note 5	(1.5)	-	-	(1.5)
Exchange differences	-	0.1	0.0	0.1
Additions	7.6	-	2.8	10.4
Amortization charge	(8.7)	(5.1)	(2.8)	(16.6)
Closing net book value	**118.7**	**115.9**	**24.7**	**259.3**
At 30 June 2019				
Cost	261.4	178.7	81.9	522.0
Accumulated amortization	(142.7)	(62.8)	(57.2)	(262.7)
Net book value	**118.7**	**115.9**	**24.7**	**259.3**

	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 5	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**

The additions for 2019 predominantly comprise internally generated assets of EUR 10.4 million (31 December 2018: EUR 23.0 million) for product development and for development of software products.

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

	YTD 2019	YTD 2018
Research and development expenses	-	1.3
	-	**1.3**

Amortization of Intangible assets and amortization of acquisition-related intangible assets analyzes as follows in the Consolidated Statement of Income:

	YTD 2019	YTD 2018
Cost of sales	0.0	0.0
Selling and marketing expenses	0.5	0.7
Research and development expenses	7.3	6.4
General and administrative expenses	3.7	3.2
	11.5	**10.3**
Amortization of acquisition-related intangible assets	5.1	4.6
	16.6	**14.9**

Impairment testing

The Group tested at the end of 2018 whether indefinite Intangible assets had suffered any impairment. The conclusion was there were no triggers indicating that impairment was necessary. At 30 June 2019, there is no reason to deviate from the conclusions taken at year-end.

17 Investments in associates

On 19 June 2019, Marel acquired a 14.3% interest in the Canadian software company Worximity Technology ("Worximity").

Marel's initial investment of EUR 1.8 million (CAD 2.5 million) in new share capital in Worximity corresponds to 14.3% of the total share capital on a fully diluted basis. Marel will invest an additional CAD 2.5 million in new share capital in the company in the next twelve months, bringing Marel's total ownership to 25.0%.

The carrying value of the equity investments, in associates amounted to EUR 1.8 million. In 2019, the share of profit and loss in associates amounted to EUR 0.0 million.

18 Trade receivables, Other receivables and prepayments

	30/06 2019	31/12 2018
Trade receivables	147.2	143.4
Less: write-down to net-realizable value	(1.8)	(1.4)
Trade receivables - net	**145.4**	**142.0**
Less non-current portion	(3.2)	(3.2)
Current portion of Trade receivables	**142.2**	**138.8**
Prepayments	6.9	6.6
Other receivables	54.9	38.4
Other receivables and prepayments	**61.8**	**45.0**

Non-current receivables

Non-current receivables are mainly associated with an escrow account regarding the acquisition of Sulmaq for EUR 3.1 million (31 December 2018: EUR 3.2 million long term outstanding debtors). All non-current receivables are due within one and five years.

Current receivables

The carrying amounts of Trade receivables and Other receivables and prepayments approximate their fair value.

There were no material reversals of write-downs of Trade receivables. Due to the insignificant amount of write-downs, these are not shown separately in the Consolidated Statement of Income.

19 Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method.

The gross movement on the deferred income tax account is as follows:

At 31 December 2018	**(47.1)**
Exchange differences and changes within the Group	0.0
Consolidated Statement of Income charge (excluding tax rate change)	2.0
Effect of change in tax rates	0.4
Hedge reserve & translation reserve recognized in Other Comprehensive Income	(0.1)
Listing Euronext Amsterdam	3.6
At 30 June 2019	**(41.2)**

At 31 December 2017	**(56.9)**
Impact IFRS 9 & 15	1.8
At 1 January 2018	**(55.1)**
Exchange differences and changes within the Group	0.1
Consolidated Statement of Income charge (excluding tax rate change)	2.4
Effect of change in tax rates	7.0
Business combinations, note 5	(1.1)
Hedge reserve & translation reserve recognized in Other Comprehensive Income	(0.4)
At 31 December 2018	**(47.1)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The deferred tax charge recognized in the Consolidated Statement of Financial Position is as follows:

	30/06 2019	**31/12 2018**
Deferred income tax assets	15.7	10.2
Deferred income tax liabilities	(56.9)	(57.3)
	(41.2)	**(47.1)**

20 Inventories

	30/06 2019	**31/12 2018**
Raw materials	15.9	19.8
Semi-finished goods	127.6	116.7
Finished goods	45.2	35.5
	188.7	**172.0**
Allowance for obsolescence and/or lower market value	(23.4)	(22.1)
	165.3	**149.9**

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.

21 Equity

Share Capital	Ordinary shares (thousands)	Treasury shares (thousands)	Outstanding number of shares (thousands)
At 1 January 2019	**682,586**	**(10,762)**	**671,824**
Treasury shares - purchased	-	(12,096)	(12,096)
Treasury shares - sold	-	153	153
Capital reduction	(11,578)	11,578	-
New shares issued	100,000	-	100,000
At 30 June 2019	**771,008**	**(11,127)**	**759,881**
	100.00%	1.44%	98.56%
At 1 January 2018	**735,569**	**(41,747)**	**693,822**
Treasury shares - purchased	-	(24,072)	(24,072)
Treasury shares - sold	-	2,074	2,074
Capital reduction	(52,983)	52,983	-
At 31 December 2018	**682,586**	**(10,762)**	**671,824**
	100.00%	1.58%	98.42%

Class of share capital	**30/06 2019**	**31/12 2018**
Nominal value	6.8	6.1
Share premium reserve	476.5	159.1
Reserve for share based payments	3.6	2.6
Total share premium reserve	**480.1**	**161.7**

Share capital

On 7 June 2019, Marel began trading on Euronext Amsterdam, marking the dual listing of Marel on both Nasdaq Iceland and Euronext Amsterdam. A total of 100.0 million ordinary shares of ISK 1 each were issued and sold, increasing the Company's share capital from 671.0 million shares to 771.0 million shares.

During the Annual General Meeting of Shareholders on 6 March 2019 the proposal to reduce the Company's share capital by 11.6 million shares, from 682.6 million shares to 671.0 million shares, was approved. The reduction was executed by way of cancelling 11.6 million of the Company's own shares of ISK 1 each, in accordance with the provisions of the Icelandic Act No. 2/1995 on Public Limited Companies. The Company's share capital was reduced in connection with the preparation of the dual listing of the Company, for the benefit of shareholders. Marel's Articles of Association were changed accordingly.

During the Extraordinary shareholders' meeting on 22 November 2018 the proposal to reduce the Company's share capital by 53.0 million shares, from 735.6 million shares to 682.6 million shares, was approved. The reduction was executed by way of cancelling 53.0 million of the Company's own shares of ISK 1 each, in accordance with the provisions of the Icelandic Act No. 2/1995 on Public Limited Companies. The Company's share capital was reduced in connection with the preparation of the dual listing of the Company, for the benefit of shareholders. Marel's Articles of Association were changed accordingly.

The total authorized number of ordinary shares on the Nasdaq OMX Nordic Iceland and Euronext Amsterdam exchange is 771.0 million (31 December 2018: 682.6 million) with a par value of ISK 1 per share. All issued shares are fully paid.

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at shareholders meetings of the Company. Shareholders who hold shares in Marel on Nasdaq Iceland and Euronext Amsterdam have identical voting rights and the same rights to dividends. All rights attached to the Company's treasury shares are suspended until those shares are sold again.

Dividends

In March 2019 a dividend of EUR 36.7 million (EUR 5.57 cents per share) was declared for the operational year 2018 of which EUR 32.6 million was paid in Q1 2019 and EUR 4.1 million was paid in Q2 2019 (in 2018, a dividend of EUR 28.7 million (EUR 4.19 cents per share) was declared and paid for the operational year 2017).

Share premium reserve

The Share premium reserve comprises of payment in excess of par value of ISK 1 per share that shareholders have paid for shares sold by the Company, less payments in excess of par value that the Company has paid for treasury shares.

According to the Icelandic Companies Act, 25% of the nominal value share capital must be held in reserve which cannot be paid out as dividend to shareholders. Marel is compliant with this requirement.

As a result of the dual listing Shareholders' equity increased by EUR 370.0 million of which share premium increased by EUR 369.2 million. Total gross transaction costs amount to EUR 18.2 million, of which EUR 8.6 million has been paid in Q2 2019. Transaction cost net of tax of EUR 14.6 million are deducted from the Share premium reserve.

Other reserves

Other reserves in Shareholder's equity include the following reserves:

- Hedge reserve: comprises revaluations on derivatives, on which hedge accounting is applied. The value of 30 June 2019 and 31 December 2018 relates to derivatives for the Group, the interest rate swap contracts.
- Translation reserve: comprises the translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to financing of subsidiaries.

	Hedge reserve	Translation reserve	Total other reserves
Balance at 1 January 2019	**1.8**	**(12.1)**	**(10.3)**
Total other comprehensive income	0.6	1.4	2.0
Balance at 30 June 2019	**2.4**	**(10.7)**	**(8.3)**
Balance at 1 January 2018	**0.6**	**(8.8)**	**(8.2)**
Total other comprehensive income	1.2	(3.3)	(2.1)
Balance at 31 December 2018	**1.8**	**(12.1)**	**(10.3)**

Limitation in the distribution of Shareholders' equity

As at 30 June 2019, pursuant to Icelandic law, certain limitations exist relating to the distribution of Shareholders' equity. Such limitations relate to legal reserves required by Icelandic law included under Retained earnings for capitalized intangible assets related to product development projects and for legal reserves relating to any legal or economic restrictions to the ability of affiliated companies to transfer funds to the parent company in the form of dividends.

The legal reserve included under Retained earnings for capitalized intangible assets related to product development projects amounted to EUR 73.5 million as at 30 June 2019 (31 December 2018: EUR 74.7 million).

Since the profits retained in Marel hf.'s subsidiaries can be distributed and received in Iceland, no legal reserve for any legal or economic restrictions to the ability of affiliated companies to transfer funds to the parent company in the form of dividends is required.

The amount of the legal reserve for the share of profit of affiliates is reduced by dividends received from those companies and those dividends from them which can be claimed. Therefore Marel could, based on its control as the parent company, decide to let its subsidiaries pay dividends. The dividends would lower the amount of legal reserves within equity and therefore leave more room for Marel to make dividend payments to its shareholders. The new provision of the act does not prevent Marel from making dividend payments to its shareholders in 2019 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 0.0 million for the six-month period in 2019 (30 June 2018: EUR 0.0 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%.

22 Borrowings and lease liabilities

	30/06 2019	31/12 2018
Borrowings	342.6	429.3
Lease liabilities	27.5	27.1
Non-current	**370.1**	**456.4**
Borrowings excluding bank overdrafts	24.8	24.8
Lease liabilities	8.5	6.7
Current	**33.3**	**31.5**
Total borrowings and lease liabilities	**403.4**	**487.9**
Borrowings	367.4	454.1
Lease liabilities	36.0	33.8
Total borrowings and lease liabilities	**403.4**	**487.9**

As of 30 June 2019, interest bearing debt amounted to EUR 412.3 million including lease liabilities (31 December 2018: EUR 502.4 million), of which for 30 June 2019 and 31 December 2018 nothing is secured against shares that Marel hf. holds in 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 30 June 2019 and 31 December 2018 the Group complies with all restrictive covenants.

The Group has the following headroom in committed ancillary facilities:

Floating rate	30/06 2019	31/12 2018
Expiring within one year	-	-
Expiring beyond one year	267.2	213.5
	267.2	**213.5**

30/06/2019 Liabilities in currency recorded in EUR	Borrowings	Capitalized finance charges	Embedded derivatives and revaluation	Lease liabilities	**Total**
Liabilities in EUR	310.6	(6.2)	(1.6)	13.9	316.7
Liabilities in USD	64.9	(1.1)	-	10.9	74.7
Liabilities in other currencies	0.8	-	-	11.2	12.0
	376.3	(7.3)	(1.6)	36.0	403.4
Current maturities	(29.2)	3.7	0.7	(8.5)	(33.3)
Non-current maturities	**347.1**	**(3.6)**	**(0.9)**	**27.5**	**370.1**

31/12/2018 Liabilities in currency recorded in EUR	Borrowings	Capitalized finance charges	Embedded derivatives and revaluation	Lease liabilities	**Total**
Liabilities in EUR	402.3	(7.7)	(4.3)	11.4	401.7
Liabilities in USD	65.6	(1.3)	(1.2)	8.0	71.1
Liabilities in other currencies	0.7	-	-	14.4	15.1
	468.6	**(9.0)**	**(5.5)**	**33.8**	**487.9**
Current maturities	(30.8)	3.7	2.3	(6.7)	(31.5)
Non-current maturities	**437.8**	**(5.3)**	**(3.2)**	**27.1**	**456.4**

30/06/2019 Annual maturity of non-current borrowings	Borrowings	Capitalized finance charges	Embedded derivatives and revaluation	Lease liabilities	Total
Between 1 and 2 years	29.7	(3.3)	(0.3)	9.8	35.9
Between 2 and 3 years	174.6	(0.1)	(0.6)	4.0	177.9
Between 3 and 4 years	0.7	(0.1)	-	3.5	4.1
Between 4 and 5 years	122.2	(0.1)	-	5.7	127.8
After 5 years	19.9	0.0	-	4.5	24.4
	347.1	**(3.6)**	**(0.9)**	**27.5**	**370.1**

31/12/2018 Annual maturity of non-current 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**

23 Provisions

	Guarantee commit-ments	Pension commit-ments *)	Other provisions	Total
Balance at 1 January 2019	**7.0**	**9.4**	**0.6**	**17.0**
Additions	1.2	0.8	0.6	2.6
Used	(0.4)	(0.3)	-	(0.7)
Release	(0.4)	-	-	(0.4)
Balance at 30 June 2019	**7.4**	**9.9**	**1.2**	**18.5**

	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 5	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**

*) Including the provision for early retirement rights, which has increased to EUR 6.7 million 30 June 2019 (31 December 2018: EUR 6.1 million).

Analysis of total provisions	30/06 2019	31/12 2018
Non-current	10.4	9.2
Current	8.1	7.8
	18.5	**17.0**

24 Trade and other payables

	30/06 2019	31/12 2018
Trade payables	75.7	92.9
Accruals	8.1	10.4
Personnel payables	56.4	53.9
Other payables	85.6	62.8
Total Trade and other payables	**225.8**	**220.0**
Less non-current portion	(3.1)	(3.0)
Current portion of Trade and other payables	**222.7**	**217.0**

25 Financial instruments

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 30 June 2019 was EUR 281.5 million (31 December 2018: EUR 281.2 million).

30/06 2019	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	USD	10.0	2020	1.3
Interest rate SWAP	USD	60.0	2020	1.6
Forward starting interest rate SWAP	EUR	80.0	2022	0.4
Forward starting interest rate SWAP	EUR	40.0	2022	0.4
Forward starting interest rate SWAP	USD	50.0	2022	2.3
Embedded floor (0,00% cap on interest rates in financing agreements)	EUR	186.0	2022	0.0
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	0.8	2027	5.2

31/12 2018	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	USD	10.0	2020	1.3
Interest rate SWAP	USD	60.0	2020	1.6
Forward starting interest rate SWAP	EUR	80.0	2022	0.4
Forward starting interest rate SWAP	EUR	40.0	2022	0.4
Forward starting interest rate SWAP	USD	50.0	2022	2.3
Embedded floor (0,00% cap on interest rates in financing agreements)	EUR	257.5	2022	0.0
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	0.8	2027	5.2

26 Contingencies

Contingent liabilities

At 30 June 2019 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the Group has given guarantees amounting to EUR 59.7 million (31 December 2018: EUR 49.0 million) to third parties.

Legal proceedings

As part of doing business and acquisitions the Group is involved in claims and litigations, under such indemnities and guarantees. These claims are pending and all are contested. Provisions are recognized when an outflow of economic benefits for settlement is probable and the amount can be estimated reliably. It should be understood that, in light of possible future developments, such as (a) potential additional lawsuits, (b) possible future settlements, and (c) rulings or judgments in pending lawsuits, certain cases may result in additional liabilities and related costs.

At this point in time, we cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts with sufficient certainty to allow such amount or range of amounts to be meaningful. Moreover, if and to the extent that the contingent liabilities materialize, they are often resolved over a number of years and the timing of such payments cannot be predicted with confidence. While the outcome of said cases, claims and disputes cannot be predicted with certainty, we believe, based upon legal advice and information received, that the final outcome will not materially affect our consolidated financial position but could be material to our results of operations or cash flows in any one accounting period.

Environmental remediation

The Company and its subsidiaries are subject to environmental laws and regulations. Under these laws, the Company and/or its subsidiaries may be required to remediate the effects of certain incidents on the environment.

27 Related party transactions

At 30 June 2019 and 31 December 2018 there are no loans to the members of the Board of Directors and the CEO. In addition, there were no transactions carried out (purchases of goods and services) between the Group and members of the Board of Directors nor the CEO in the six-month period ended 30 June 2019 and the year 2018.

28 Subsequent events

No significant events have taken place since the reporting date, 30 June 2019.

29 Quarterly results

The below table provides an overview of the quarterly Result from operations and Net result for the period as presented in the Consolidated Statement of Income:

	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Revenue	326.5	324.6	330.8	282.0	296.7
Cost of sales	(196.3)	(199.2)	(205.2)	(171.3)	(181.7)
Gross profit	**130.2**	**125.4**	**125.6**	**110.7**	**115.0**
Selling and marketing expenses	(41.3)	(39.0)	(37.2)	(33.6)	(35.0)
Research and development expenses	(21.4)	(21.4)	(22.1)	(19.1)	(17.4)
General and administrative expenses	(20.6)	(20.1)	(25.4)	(20.4)	(21.7)
Result from operations (EBIT)	**46.9**	**44.9**	**40.9**	**37.6**	**40.9**
Net finance costs	(2.5)	(3.8)	(2.9)	(2.9)	(3.1)
Share of result of associates	0.0	-	-	-	-
Result before income tax	**44.4**	**41.1**	**38.0**	**34.7**	**37.8**
Income tax	(10.1)	(8.9)	(0.0)	(8.0)	(8.3)
Net result for the period	**34.3**	**32.2**	**38.0**	**26.7**	**29.5**
Result before depreciation & amortization (EBITDA)	**61.1**	**59.1**	**56.3**	**50.0**	**53.9**

The below table provides an overview of the quarterly Adjusted result from operations, which management believes to be a relevant Non-IFRS measurement, as mentioned in note 6:

	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Revenue	326.5	324.6	330.8	282.0	296.7
Cost of sales	(196.3)	(199.2)	(200.5)	(171.3)	(181.7)
Gross profit	**130.2**	**125.4**	**130.3**	**110.7**	**115.0**
Selling and marketing expenses	(39.7)	(37.3)	(35.6)	(32.0)	(33.5)
Research and development expenses	(20.4)	(20.6)	(21.2)	(18.4)	(16.7)
General and administrative expenses	(20.5)	(20.0)	(25.3)	(20.3)	(21.6)
Adjusted result from operations*)	**49.6**	**47.5**	**48.2**	**40.0**	**43.2**
PPA related costs	(2.7)	(2.6)	(7.3)	(2.4)	(2.3)
Result from operations (EBIT)	**46.9**	**44.9**	**40.9**	**37.6**	**40.9**

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