

# CONSOLIDATED FINANCIAL STATEMENTS 2019

ADVANCING  
FOOD PROCESSING





## Contents Consolidated Financial Statements

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## The Board of Directors' and CEO's Report

Marel is a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries with around 6,400 full-time equivalent employees (“FTEs”) and a presence in over 30 countries and six continents and a global network of more than 100 agents and distributors.

The Consolidated Financial Statements for the year 2019 comprise the financial statements of Marel hf. (“the Company”) and its subsidiaries (together “the Group” or “Marel”). The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and additional Icelandic disclosure requirements.

### Operations in 2019

#### Consolidated Statement of Income

The consolidated revenues for Marel for the full year 2019 are EUR 1,283.7 million (2018: EUR 1,197.9 million). The adjusted result from operations for the same period is EUR 173.4 million or 13.5% of revenues (2018: EUR 175.2 million or 14.6% of revenues).

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

	2019	2018
Adjusted result from operations	173.4	175.2
PPA related costs	(10.8)	(14.3)
<b>Result from operations</b>	<b>162.6</b>	<b>160.9</b>

In December 2019 Marel received commitments from a mixture of current and new banking partners for a new EUR 700 million revolving credit facility which will replace the current syndicated loan facility. The new facility was signed at 5 February 2020 and will be closed soon after, subject to standard condition precedent provisions.

With these commitments in place, Marel revaluated the fair value of the current syndicated loan commitments, releasing the capitalized finance charges, IFRS 9 revaluation, embedded derivatives and interest rate swaps linked to the facility resulting in additional finance cost of EUR 8.9 million in the fourth quarter of 2019. Going forward and subject to

utilization levels the interest and finance cost is expected to decrease as the new facility includes more favorable terms.

Further information is provided in note 9 and note 23 of the Consolidated Financial Statements.

In December 2019, a new corporate tax law was enacted in the Netherlands. Consequently, the reduction in corporate tax rate as approved by the Dutch Government in 2018 will be delayed by a year and the rate will only be reduced from 25.00% to 21.70% as of 2021. This change resulted in a loss of EUR 1.7 million related to the remeasurements of deferred tax assets and liabilities of the Group’s Dutch subsidiaries being recognized during the year ended 31 December 2019 that anticipated already for the lower future rate of 20.50%.

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

Further information is provided in note 12 of the Consolidated Financial Statements.

Net result for 2019 is negatively impacted by the finance costs of EUR 6.7 million (after tax) and tax charge as a result of the change in the Dutch corporate tax rate of EUR 1.7 million. Net result for 2018 was positively impacted by the gain in taxes following the change in the Dutch corporate tax rate of EUR 7.6 million. Next to these items, earnings per share is negatively impacted by the higher number of outstanding shares in issue as a result of the secondary listing on Euronext Amsterdam.

#### Consolidated Statement of Financial Position

According to the Consolidated Statement of Financial Position, the Group's assets amounted to EUR 1,861.2 million at the end of 2019 (2018: EUR 1,565.9 million). Total equity amounted to EUR 955.8 million at the end of 2019 (at year-end

2018: EUR 560.9 million) or 51.4% of total assets (at year-end 2018: 35.8%). As a result of the dual listing shareholders' equity increased by EUR 370.0 million partly offset by transaction costs net of tax of EUR 14.2 million. Net interest bearing debt decreased from EUR 431.6 million at the end of 2018 to EUR 97.6 million at the end of 2019.

The goodwill of the Group was tested for impairment at year-end by calculating its recoverable amount. The results of these impairment tests were that there was no impairment as the recoverable amount of the goodwill was well above book value.

#### Consolidated Statement of Cash Flows

Cash generated from operating activities during the year is EUR 142.5 million (2018: EUR 166.8 million). The decrease in cash generated from operating activities is mainly due to an increase in inventories in fast moving and critical parts in spares and trade receivables, partly offset by timing of production and receipts of payments from large projects. The increase in net cash provided by financing activities is mainly due to the cash generated as a result of the equity raise, EUR 370.0 million, of which a part is used to repay borrowings.

#### Other

At 31 December 2019 the Company's order book amounted to EUR 414.4 million (at 31 December 2018: EUR 476.0 million).

The average number of full time employees was 6,303 in 2019 (2018: 5,794). Total salaries and wages were EUR 372.3 million (2018: EUR 343.6 million). The ratio female / male employees is 16 / 84 for 2019 (2018: 15 / 85).

#### **Strategic minority investment in Worximity**

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

Marel's initial investment of EUR 1.8 million (CAD 2.5 million) in new share capital in Worximity corresponds to 14.3% of the total share capital on a fully diluted basis. Marel will invest an additional CAD 2.5 million in new share capital in the company in the next six months, bringing Marel's total ownership to 25.0%. Further information is provided in note 18 of the Consolidated Financial Statements.

#### **Investment in associate Curio**

On 22 October 2019, Marel entered into an agreement to acquire a 50% stake in Curio ehf. ("Curio"), a highly innovative primary processing equipment provider for whitefish processing. Curio's complimentary product portfolio of deheading, filleting and skinning solutions brings Marel closer to becoming a full-line provider to the global fish industry. Curio is domiciled in Iceland and has annual revenues of around EUR 10 million.

The transaction was finalized on 8 November 2019. Closing was subject to customary closing conditions. Short term the acquisition is not expected to have material impact on Marel's earnings. Further information is provided in note 18 of the Consolidated Financial Statements.

#### **Acquisition Cedar Creek Company**

On 23 October 2019, Marel agreed to acquire Cedar Creek Company ("Cedar Creek"), an Australian provider of specialized software and hardware solutions for red meat and poultry processors. The transaction will strengthen Marel's presence in Australia and New Zealand. Cedar Creek has annual revenues of around EUR 3 million.

The transaction was finalized on 15 November 2019. Closing was subject to customary closing conditions. The acquisition is not expected to have material impact on Marel's earnings. Further information is provided in note 4 of the Consolidated Financial Statements.

#### **Acquisition of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG**

On 14 August 2018, Marel concluded the acquisition of the limited partner interest in the company of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG to get transferred all business assets and liabilities. As part of this transaction Marel also acquired 100% of the shares of related companies in France and the United States ("MAJA"). Further information is provided in note 4 of the Consolidated Financial Statements.

#### **Dual listing**

On 7 June 2019, Marel began trading on Euronext Amsterdam, marking the dual listing of Marel on both Nasdaq Iceland and Euronext Amsterdam.

The share price was set at EUR 3.70, implying a market capitalization for Marel of EUR 2.85 billion. In

total 100.0 million ordinary shares were offered which is equivalent to approximately 15% of Marel's total issued share capital before dual listing.

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

During the extraordinary shareholders' meeting on 22 November 2018 it was resolved to authorize the Board of Directors of Marel to initiate a share buy-back program. The main purpose of the program was to reduce the Company's share capital, where the shares purchased may also be used to meet the Company's obligations under share incentive programs with employees.

As part of the share buy-back program, as approved in the extraordinary shareholders' meeting on 22 November 2018, Marel purchased 16.2 million shares (EUR 48.8 million) in the period 5 December 2018 to 5 March 2019, of which 12.1 million shares (EUR 37.6 million) were purchased in 2019. During 2019 Marel sold 0.5 million treasury shares for EUR 0.9 million in order to fulfill obligations of stock option agreements.

At the Annual General Meeting of Shareholders on 6 March 2019 it was resolved to reduce the Company's share capital by 11.6 million shares, from 682.6 million shares to 671.0 million shares. The reduction was executed by way of cancelling 11.6 million of the Company's own shares of ISK 1 each. The Company's share capital was reduced in connection with the preparation of the dual listing of the Company, for the benefit of shareholders.

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

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

In 2018, Marel purchased 24.1 million treasury shares for a total amount of EUR 71.7 million. Marel sold 2.1 million shares for EUR 2.2 million in order to fulfill obligations of stock option agreements. Following

the approval in the extraordinary shareholders' meeting 53.0 million shares have been cancelled.

Stock options are granted to management and selected employees. Total granted and unexercised stock options at the end of the year 2019 were 19.2 million shares (2018: 11.9 million shares), of which 2.9 million are exercisable at the end of 2019 (2018: 1.7 million) and the remainder will vest in the years 2020 to 2022. Further information is disclosed in note 22 to the Consolidated Financial Statements.

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

The Board of Directors will propose to the 2020 Annual General Meeting that EUR cents 5.79 dividend per outstanding share will be paid for the operational year 2019, corresponding to approximately 40% of net results attributable to Shareholders of the Company of EUR 110.0 million for the year 2019, and refers to the Consolidated Financial Statements regarding appropriation of the profit for the year and changes in shareholders' equity. This is a 4% increase in dividend per share compared with previous year. At the same time the total number of outstanding shares increased from 671.8 million shares as per 31 December 2018 to 760.2 million shares as per 31 December 2019.

This is proposed in accordance to Marel's dividend policy, disclosed at Marel's Annual General Meeting in March 2011. The target is that the net debt/EBITDA ratio is 2 - 3 times EBITDA, excess capital to be used to stimulate growth and value creation as well as paying dividend and that dividend or share buy-back is targeted at 20-40% of the net result.

If approved by Marel's shareholders, the Company's shares traded on and after 20 March 2020 (Ex-date) will be ex-dividend and the right to a dividend will be constricted to shareholders identified in the Company's shareholders registry at the end of 23 March 2020, which is the proposed record date. The

Board will propose that payment date of the dividend is 8 April 2020.

### Ten largest shareholders in ISK shares at year end

Marel keeps a share registry for the ISK shares listed on Nasdaq Iceland. Shares listed in EUR on Euronext Amsterdam are registered in the ISK share registry in a custody account in the name of ABN AMRO on behalf of Euroclear Nederland and are beneficially owned by all EUR shareholders proportionally in accordance with Dutch law. Marel is therefore unable to keep a share registry for the EUR shares listed on Euronext in Amsterdam.

Following is a list of the ten largest shareholders according to the ISK share registry. As information on actual shareholders in EUR shares is not available, Marel is unable to disclose the names and holdings of the ten largest shareholders in the Company, i.e. in combined ISK and EUR shares.

No single shareholder holding shares only in EUR exceeded the threshold of 5% total share capital at year-end 2019.

		2019	
		Number of shares (million)	%
ABN Amro on behalf of Euroclear*	Custody account	193.9	25.1%
Eyrir Invest hf.	Investment company	190.4	24.7%
The Pension Fund of Commerce	Pension fund	62.4	8.1%
LSR A, B & S divisions	Pension fund	40.0	5.2%
Gildi	Pension fund	38.4	5.0%
Capital Group**	Asset management	34.5	4.5%
Birta lífeyrissjóður	Pension fund	21.7	2.8%
Frjálsi lífeyrissjóðurinn	Pension fund	11.9	1.5%
Festa - lífeyrissjóður	Pension fund	10.7	1.4%
Stapi lífeyrissjóður	Pension fund	10.3	1.3%
	Top 10 total	<b>614.2</b>	<b>79.6%</b>
	Others	146.1	19.0%
Marel hf.	Treasury shares	10.8	1.4%
	Total issued shares	<b>771.1</b>	<b>100.0%</b>

\*) Custody account representing all EUR shareholders.

\*\*) Capital Group sent a major shareholder notification on 29 March 2019, where the threshold crossed was above 5%.

## Corporate Responsibility Statement

### Corporate Governance

The framework for the Company's Corporate Governance practices consists of the provisions of the law and regulations, the Company's Articles of Association and the Icelandic Guidelines on Corporate Governance issued in June 2015 by the Iceland Chamber of Commerce, NASDAQ Iceland and SA - Confederation of Icelandic Employers.

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

The Company's Annual General Meeting annually elects five to seven people to the Board of Directors. The Nomination Committee identifies and nominates candidates for the Board, as well as members of the Board's committees. The Nomination Committee is a sub-committee of Marel's Board of Directors, and is composed of three Board members. The majority of the members of the Nomination Committee shall be independent of the Company and of shareholders that hold 10% or more of the total share capital of the Company. Candidates for the Board of Directors of the Company have to notify the Board of Directors thereof in writing at least five full days before the beginning of the shareholder meeting. The Company's Articles of Association can only be amended with the approval of 2/3 of casted votes at a shareholder meeting and approval of shareholders who control at least 2/3 of the shares represented in



a legal shareholders' meeting, provided that the notification calling the meeting thoroughly informs on such amendment.

In compliance with the guidelines, the Board of Directors has prepared a Corporate Governance Statement and is explained and discussed in more detail in a separate document distributed with the Consolidated Financial Statements and is included in Marel's Annual Report 2019.

### **Non-financial information**

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

#### Social Responsibility

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

#### Environmental Responsibility

Marel encourages efficient use of resources in its value chain and promotes positive environmental impact and environmental protection. Innovation focuses on continuously creating new methods for improving yields and minimizing waste in food production, reducing the use of scarce resources such as energy and water, and promoting food safety and animal well-being.

#### Economical Responsibility

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

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

Marel has been a participant in the NASDAQ sustainable markets initiative since 2019, and reports in accordance with the NASDAQ ESG reporting guidelines.

The Corporate Responsibility Statement is explained and discussed in more detail in a separate document distributed with the Consolidated Financial Statements and is included in Marel's Annual Report 2019.

### **Statement by the Board of Directors and the CEO**

According to the Board of Directors' and CEO's best knowledge these Consolidated Financial Statements comply with International Financial Reporting Standards as adopted by the European Union and additional Icelandic disclosure requirements for consolidated financial statements of listed companies.

Furthermore according to the Board of Directors' and CEO's best knowledge, the statements give a true and fair view of the Group's financial position as at 31 December 2019, operating performance and the cash flows for the year ended 31 December 2019 as well as describe the principal risk and uncertainty factors faced by the Group.

The report of the Board of Directors and CEO provides a clear overview of developments and achievements in the Group's operations and its situation.

The management and the Board of Directors of the Group believe that they are taking all the necessary measures to support the sustainability and growth of the Group's business in the current environment. Accordingly they continue to adopt the going concern basis in preparing the Annual Report and Consolidated Financial Statements.

Management of the Group believes it is well placed to manage its business risks successfully based on the present economic outlook. Further information is disclosed in note 26 to the Consolidated Financial Statements.



The Board of Directors and CEO of Marel hf. hereby ratify the Consolidated Financial Statements of Marel hf. for the year 2019 with their signatures.

Garðabær, 5 February 2020

**Board of Directors**

Ásthildur Margrét Otharsdóttir  
Chairman of the Board

Arnar Þór Másson

Ann Elizabeth Savage

Ástvaldur Jóhannsson

Margrét Jónsdóttir

Ólafur S. Guðmundsson

Ton van der Laan

**Chief Executive Officer**

Árni Oddur Þórðarson



## Independent Auditor's report

To the Board of Directors and Shareholders of Marel hf.

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the Consolidated Financial Statements of Marel hf. (the 'Group'), which comprise the Consolidated Statement of Financial position as at 31 December 2019, the Consolidated Statements of Income, Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and Notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and additional disclosure requirements for listed companies in Iceland.

#### Basis for Opinion

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

#### Key Audit Matters

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

Key Audit Matters	How the matter was addressed in our audit
<p data-bbox="203 1188 516 1220"><b>Recoverability of Goodwill</b></p> <p data-bbox="203 1255 548 1287">Refer to note 2.10 and note 16.</p> <p data-bbox="203 1318 816 1444">Goodwill amounted to EUR 646 million and represents 35% of total assets as at 31 December 2019. The goodwill is allocated to three cash generating units (CGUs).</p> <p data-bbox="203 1476 816 1602">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.</p> <p data-bbox="203 1633 816 1822">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.</p>	<p data-bbox="844 1255 1450 1308">We have performed the following procedures to address this risk:</p> <ul data-bbox="868 1318 1450 1885" style="list-style-type: none"> <li data-bbox="868 1318 1450 1507">• 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.</li> <li data-bbox="868 1518 1450 1696">• We assessed and tested the assumptions, methodologies, the weighted average cost of capital and other data used, for example by comparing them to external and historical data and by analyzing sensitivities in Marel's valuation model.</li> <li data-bbox="868 1707 1450 1759">• We included our valuation specialists in the team to assist us with these procedures.</li> <li data-bbox="868 1770 1450 1885">• 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</li> </ul>

<p>Based on the significance of the goodwill amount and judgements in the goodwill calculations, recoverability of goodwill is a key audit matter.</p>	<p>amount to exceed its recoverable amount and assessed the historical accuracy of management's estimates.</p> <ul style="list-style-type: none"> <li>We also assessed the adequacy of the disclosures in Note 16 to the Consolidated Financial Statements.</li> </ul>
<p><b>Revenue recognition</b></p> <p>Refer to note 2.5, note 3 (part :“Revenue recognition”) and note 7.</p> <p>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.</p> <p>Revenue recognition for production contracts is based on over time accounting or point in time accounting following the requirements of IFRS15.</p> <p>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.</p> <p>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.</p> <p>Revenue recognition is therefore a key audit matter.</p>	<p>We have performed the following procedures to address the risk:</p> <ul style="list-style-type: none"> <li>We assessed the accuracy of the revenue streams by testing on a sample basis the revenue amounts recorded in the general ledger against the underlying contracts and orders, invoices, payments and if relevant proofs of delivery.</li> <li>We tested a sample of credit notes issued after year-end to agree that revenue were not reversed after year-end.</li> <li>We performed procedures to test the correctness of the transactions in the appropriate period.</li> <li>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.</li> <li>We considered the progress of per year-end open equipment projects, agreed the accrued cost on the selected projects and agreed that the over time revenues are valid.</li> <li>We scrutinized specific revenue journal entries in the context of journal entries testing, e.g. regarding manual entries on revenues.</li> <li>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.</li> </ul>

**Other information**

The Board of Directors and CEO are responsible for the other information. The other information comprises the information included in the Annual Report of the Group, but does not include the Consolidated Financial Statements and our auditor’s report thereon. Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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



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

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

#### **Report on Other Legal and Regulatory Requirements**

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

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

Reykjavik, 5 February 2020

**KPMG ehf.**

Sæmundur Valdimarsson    Hrafnhildur Helgadóttir

## Consolidated Statement of Income

In EUR million unless stated otherwise	Notes	2019	2018
Revenues	5 & 6 & 7	1,283.7	1,197.9
Cost of sales	5 & 8	(792.6)	(735.1)
<b>Gross profit</b>	5	<b>491.1</b>	<b>462.8</b>
Selling and marketing expenses	5 & 8	(159.2)	(140.0)
Research and development expenses	5 & 8	(85.9)	(76.7)
General and administrative expenses	5 & 8	(83.4)	(85.2)
<b>Result from operations</b>	5	<b>162.6</b>	<b>160.9</b>
Finance costs	9	(25.2)	(17.2)
Finance income	9	4.5	2.3
Net finance costs	9	(20.7)	(14.9)
Share of result of associates	18	(0.1)	-
<b>Result before income tax</b>		<b>141.8</b>	<b>146.0</b>
Income tax	12	(31.7)	(23.5)
<b>Net result</b>		<b>110.1</b>	<b>122.5</b>
Of which:			
- Net result attributable to Shareholders of the Company	13	110.0	122.4
- Net result attributable to non-controlling interests	22	0.1	0.1
<b>Earnings per share for result attributable to Shareholders of the Company during the period (expressed in EUR cent per share):</b>			
- basic	13	15.33	17.95
- diluted	13	15.20	17.86

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

## Consolidated Statement of Comprehensive Income

In EUR million	Notes	2019	2018
Net result		110.1	122.5
<b>Items that are or may be reclassified to profit or loss:</b>			
Currency translation differences	22	1.9	(3.3)
Cash flow hedges	22	(3.1)	1.6
Income tax relating to cash flow hedges	20 & 22	0.6	(0.4)
Other comprehensive income / (loss) for the period, net of tax		(0.6)	(2.1)
<b>Total comprehensive income for the period</b>		<b>109.5</b>	<b>120.4</b>
Of which:			
- Total comprehensive income attributable to Shareholders of the Company		109.4	120.3
- Total comprehensive income attributable to non-controlling interests	22	0.1	0.1

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

## Consolidated Statement of Financial Position

In EUR million	Notes	2019	2018
<b>ASSETS</b>			
Property, plant and equipment	14	181.4	175.6
Right of use assets	15	36.4	33.3
Goodwill	16	645.8	641.3
Intangible assets	17	252.4	267.0
Investments in associates	18	15.6	-
Trade and other receivables	19	2.1	3.2
Derivative financial instruments	26	-	1.3
Deferred income tax assets	20	11.9	10.2
<b>Non-current assets</b>		<b>1,145.6</b>	<b>1,131.9</b>
Inventories	21	166.8	149.9
Contract assets	7	38.3	44.0
Trade receivables	7 & 19	160.0	138.8
Other receivables and prepayments	19	46.8	45.0
Cash and cash equivalents		303.7	56.3
<b>Current assets</b>		<b>715.6</b>	<b>434.0</b>
<b>TOTAL ASSETS</b>		<b>1,861.2</b>	<b>1,565.9</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	22	6.8	6.1
Share premium reserve	22	483.1	161.7
Other reserves	22	(10.9)	(10.3)
Retained earnings	22	476.5	403.2
<b>Shareholders' equity</b>		<b>955.5</b>	<b>560.7</b>
Non-controlling interests	22	0.3	0.2
<b>Total equity</b>		<b>955.8</b>	<b>560.9</b>
<b>LIABILITIES</b>			
Borrowings	23	333.5	429.3
Lease liabilities	15 & 23	28.4	27.1
Deferred income tax liabilities	20	55.5	57.3
Provisions	24	10.6	9.2
Other payables	27	5.1	3.0
Derivative financial instruments	26	3.0	1.4
<b>Non-current liabilities</b>		<b>436.1</b>	<b>527.3</b>
Contract liabilities	7	217.5	212.1
Trade and other payables	27	200.5	217.0
Current income tax liabilities		3.7	9.3
Borrowings	23	30.6	24.8
Lease liabilities	15 & 23	8.8	6.7
Provisions	24	8.2	7.8
<b>Current liabilities</b>		<b>469.3</b>	<b>477.7</b>
<b>Total liabilities</b>		<b>905.4</b>	<b>1,005.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,861.2</b>	<b>1,565.9</b>

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 <sup>1)</sup>	Other reserves <sup>2)</sup>	Retained earnings <sup>3)</sup>	Share-holders' equity	Non-controlling interests	Total equity
<b>Balance at 1 January 2019</b>	<b>6.1</b>	<b>161.7</b>	<b>(10.3)</b>	<b>403.2</b>	<b>560.7</b>	<b>0.2</b>	<b>560.9</b>
Net result for the period				110.0	110.0	0.1	110.1
Total other comprehensive income			(0.6)		(0.6)		(0.6)
<i>Transactions with owners of the Company</i>							
New shares issued	0.8	369.2			370.0		370.0
Transaction costs		(14.2)			(14.2)		(14.2)
Treasury shares purchased	(0.1)	(37.5)			(37.6)		(37.6)
Treasury shares sold	0.0	0.9			0.9		0.9
Options granted / exercised / cancelled		2.5			2.5		2.5
Other movements		0.5			0.5		0.5
Dividend				(36.7)	(36.7)	(0.0)	(36.7)
	<b>0.7</b>	<b>321.4</b>	<b>(0.6)</b>	<b>73.3</b>	<b>394.8</b>	<b>0.1</b>	<b>394.9</b>
<b>Balance at 31 December 2019</b>	<b>6.8</b>	<b>483.1</b>	<b>(10.9)</b>	<b>476.5</b>	<b>955.5</b>	<b>0.3</b>	<b>955.8</b>

In EUR million	Share capital	Share premium reserve <sup>1)</sup>	Other reserves <sup>2)</sup>	Retained earnings <sup>3)</sup>	Share-holders' equity	Non-controlling interests	Total equity
<b>Balance at 31 December 2017</b>	<b>6.3</b>	<b>229.6</b>	<b>(8.2)</b>	<b>313.9</b>	<b>541.6</b>	<b>0.3</b>	<b>541.9</b>
Impact IFRS 9 & 15				(4.8)	(4.8)		(4.8)
<b>Balance at 1 January 2018</b>	<b>6.3</b>	<b>229.6</b>	<b>(8.2)</b>	<b>309.1</b>	<b>536.8</b>	<b>0.3</b>	<b>537.1</b>
Net result for the period				122.4	122.4	0.1	122.5
Total other comprehensive income			(2.1)		(2.1)		(2.1)
<i>Transactions with owners of the Company</i>							
Treasury shares purchased	(0.2)	(71.5)			(71.7)		(71.7)
Treasury shares sold		2.2			2.2		2.2
Options granted / exercised / cancelled		1.1			1.1		1.1
Other movements		0.3		0.4	0.7		0.7
Dividend				(28.7)	(28.7)	(0.2)	(28.9)
	<b>(0.2)</b>	<b>(67.9)</b>	<b>(2.1)</b>	<b>94.1</b>	<b>23.9</b>	<b>(0.1)</b>	<b>23.8</b>
<b>Balance at 31 December 2018</b>	<b>6.1</b>	<b>161.7</b>	<b>(10.3)</b>	<b>403.2</b>	<b>560.7</b>	<b>0.2</b>	<b>560.9</b>

<sup>1)</sup> Includes reserve for share based payments as per 31 December 2019 of EUR 5.0 million (31 December 2018: EUR 2.6 million).

<sup>2)</sup> For details on other reserves refer to note 22.

<sup>3)</sup> Includes a legal reserve for capitalized intangible assets related to product developments projects as per 31 December 2019 of EUR 71.6 million (31 December 2018: EUR 74.4 million).



## Consolidated Statement of Cash Flows

In EUR million	Notes	2019	2018
<b>Cash Flow from operating activities</b>			
<b>Result from operations</b>		<b>162.6</b>	<b>160.9</b>
<i>Adjustments to reconcile result from operations to net cash provided by / (used in) operating activities:</i>			
Depreciation of property, plant and equipment and right of use assets	14 & 15	23.9	21.9
Amortization and impairment of intangible assets	17	33.8	32.7
Changes in non-current receivables and payables		1.0	0.3
<b>Working capital provided by / (used in) operating activities</b>		<b>221.3</b>	<b>215.8</b>
<i>Changes in working capital:</i>			
Inventories and contract assets and liabilities		(4.5)	(17.8)
Trade and other receivables		(21.4)	(4.0)
Trade and other payables		(6.8)	15.0
Provisions		1.2	(3.2)
<b>Changes in operating assets and liabilities</b>		<b>(31.5)</b>	<b>(10.0)</b>
<b>Cash generated from operating activities</b>		<b>189.8</b>	<b>205.8</b>
Taxes paid		(37.0)	(31.2)
Interest and finance income		3.0	2.2
Interest and finance costs		(13.3)	(10.0)
<b>Net cash from operating activities</b>		<b>142.5</b>	<b>166.8</b>
<b>Cash Flow from investing activities</b>			
Purchase of property, plant and equipment	14	(19.3)	(34.0)
Investments in intangibles	17	(18.6)	(23.0)
Proceeds from sale of property, plant and equipment		0.4	3.0
Investments in associates	18	(12.7)	-
Acquisition of subsidiary, net of cash acquired	4	(4.0)	(30.5)
<b>Net cash provided by / (used in) investing activities</b>		<b>(54.2)</b>	<b>(84.5)</b>
<b>Cash Flow from financing activities</b>			
New shares issued	22	370.0	-
Transaction costs	22	(17.8)	-
Purchase of treasury shares	22	(37.6)	(71.7)
Sale of treasury shares	22	0.9	2.2
Proceeds from borrowings	23	40.0	289.0
Repayments of borrowings	23	(145.3)	(241.6)
Payments of lease liabilities		(16.7)	(9.2)
Dividends paid	22	(36.7)	(28.9)
<b>Net cash provided by / (used in) financing activities</b>		<b>156.8</b>	<b>(60.2)</b>
<b>Net increase (decrease) in net cash</b>		<b>245.1</b>	<b>22.1</b>
Exchange gain / (loss) on net cash		2.3	2.3
Net cash at beginning of the period		56.3	31.9
<b>Net cash at end of the period</b>		<b>303.7</b>	<b>56.3</b>

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

## Notes to the Consolidated Financial Statements

### 1 General information

#### 1.1 Reporting entity

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

The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as "the Group" or "Marel").

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

These Consolidated Financial Statements have been approved for issue by the Board of Directors and CEO on 5 February 2020. These Consolidated Financial Statements as presented in this report are subject to the adoption by the Annual General Meeting of Shareholders, to be held on 18 March 2020.

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

#### 1.2 Basis of Accounting

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and additional Icelandic disclosure requirements for consolidated financial information of listed companies in accordance with Icelandic Financial Statements Act No. 3/2006 and rules for issuers of financial instruments at the Nasdaq in Iceland. The accounting policies applied by Marel comply with IFRS as adopted by the EU and the pronouncements of the International Financial Reporting Interpretation Committee ("IFRIC") effective at 31 December 2019.

These Consolidated Financial Statements have been prepared under the historical cost convention, except for the valuation of financial assets and

liabilities (including derivative instruments) which are valued at fair value through the Consolidated Statement of Comprehensive Income.

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

#### 1.3 Functional and presentation currency and exchange rates

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

##### Exchange rates

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

	2019		2018	
	Year-end rate	Average rate	Year-end rate	Average rate
1 euro =				
USD	1.12	1.12	1.14	1.18
GBP	0.85	0.88	0.90	0.88
ISK	135.83	137.26	132.93	127.54

#### 1.4 Use of estimates and judgments

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

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

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

framework with respect to the measurement of fair values.

Further information about the assumptions made in measuring fair values is included in notes 2.13 Financial instruments and 26 Financial instruments and risks.

## 2 Summary of significant accounting policies

### 2.1 General

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

#### Changes in accounting policies

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

Marel's existing accounting policy for uncertain tax treatments is consistent with the requirements in IFRIC 23 Uncertainty over Income Tax Treatments, which became effective on 1 January 2019.

In 2019, Marel adopted certain modifications to the presentation of its Consolidated Statement of Income to bring it in line with recommendations from the European Securities and Market Authority. This new presentation resulted in a reclassification of the Purchase Price Allocation ("PPA") related costs into expenses by function (selling and marketing expenses, research and development expenses and general and administrative expenses) (see note 5).

A number of other new standards are effective from 1 January 2019 but do not have a material effect on the Group's Consolidated Financial Statements.

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

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

Marel adopted IFRS 16 Leases as well on 1 January 2018. The transition approach for IFRS 16 is the

cumulative catch up approach, as a result there is no impact on retained earnings as at 1 January 2018.

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

<b>Retained earnings</b>	
31 December 2017 <sup>1)</sup>	313.9
IFRS 9 <sup>2)</sup>	4.1
IFRS 15 <sup>3)</sup>	(8.9)
<b>1 January 2018 <sup>4)</sup></b>	<b>309.1</b>

<sup>1)</sup> Retained earnings as presented in the Consolidated Statement of Financial Position.

<sup>2)</sup> Adjustments due to adoption of IFRS 9.

<sup>3)</sup> Adjustments due to adoption of IFRS 15.

<sup>4)</sup> Adjusted opening balance at 1 January 2018.

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

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

### Prior-year information

The presentation of prior-year disclosures is in line with the current year disclosures.

### Specific choices with IFRS

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

#### Tangible and intangible fixed assets

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

#### Presentation of Consolidated Statement of Income

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

- Cost of sales encompasses all manufacturing costs (including raw materials, employee benefits, and depreciation and amortization) related to goods and services captured in net sales. They are measured at their actual cost based on “first in, first out” or weighted average cost;
- Selling and marketing expenses relate to the selling and marketing of goods and services;
- Research and development expenses consist of:
  - research, which is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding; and,
  - development, which is defined as the application of research findings or other knowledge to a plan or (re-)design for the production of new or substantially

improved materials, devices, products, processes, systems or services before the start of commercial production or use;

- General and administrative expenses relate to the strategic and governance role of the general management of the Company as well as the representation of Marel as a whole in the financial, political or business community. General and administrative expenses also relate to business support activities of staff departments that are not directly related to the other functional areas.

#### Presentation of Consolidated Statement of Cash Flows

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

### Relevance and importance of notes to the reader

In order to enhance the informational value of the Consolidated Financial Statements, the notes are prepared based on relevance and importance for the reader. This can result in information that has been evaluated as neither important nor relevant for the reader, not being presented in the notes.

## 2.2 Consolidation

### Business combinations

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

Acquisitions by Marel as part of business combinations will result in recognition of goodwill and other intangible assets. The amounts assigned to the acquired assets and liabilities are based on assumptions and estimates about their fair values. In making these estimates, management consulted independent, qualified appraisers if appropriate. A

change in assumptions and estimates could change the values allocated to certain assets and their estimated useful lives, which could affect the amount or timing of charges to the Consolidated Statement of Income, such as amortization of intangible assets.

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

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

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

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

Details of the acquisition of Cedar Creek Company and of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG are disclosed in note 4.

### **Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the

date on which control commences until the date on which control ceases.

### **Non-controlling interests**

Non-controlling interests ("NCI") are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### **Loss of control**

When the Group loses control over a subsidiary, it de-recognizes the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognized in the Consolidated Statement of Income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### **Investments in associates**

Associates are all entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of investments in associates, until the date on which significant influence ceases.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the Consolidated Statement of Income as part of other results relating to investments in associates.

Details of the investments in Curio ehf. and Worximity Technology are disclosed in note 18.

### Transactions eliminated on consolidation

Intercompany transactions, balances and unrealized gains on transactions between Group entities are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Transactions and non-controlling interests

Transactions that result in changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders.

As a result, no gain or loss on such changes is recognized in the Consolidated Statement of Income but rather in equity. Furthermore, no change in the carrying amounts of assets (including goodwill) or liabilities is recognized as a result of such transactions. This approach is consistent with NCI being a component of equity.

## 2.3 Segment information

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

## 2.4 Foreign currency translation

### Transactions and balances

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

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Income, except when deferred in equity as permanent loan, as qualifying cash flow

hedges and as qualifying net investment hedges as explained in note 2.14. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents as well as all other foreign exchange gains and losses are recognized immediately in the Consolidated Statement of Income within finance income or finance costs.

### Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities presented are translated at the closing rate at the date of that Consolidated Statement of Financial Position.
- income and expenses for each transaction in the Consolidated Statement of Income are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions.
- translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to financing of subsidiaries are recognized as a separate component of equity (translation reserve).

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

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

In case of a non-wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control,

significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to Consolidated Statement of Income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to OCI.

## 2.5 Revenue recognition

Marel recognizes revenue based on the considerations specified in contracts with customers based on the five-step process as described in IFRS 15.

Revenue is recognized, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness. Revenue is the transaction price Marel expects to be entitled to.

If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The following is a description of the nature and the timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

### Sales of goods

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

Standard equipment requires no or minor modifications as requested by customers. Sales of complete solutions or systems require significant modifications either requested by the customer or required to fulfill the customer's needs.

Revenues for standard equipment are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods. Invoices are issued at that point in time and are usually payable within 30 days from the date of invoice issued according to the contractual terms.

Revenues for complete solutions or systems will be recognized over time as all these complete solutions or systems are deemed to not have an alternative use and Marel has an enforceable right to payment. Revenue is recognized under the cost-to-cost (percentage-of-completion) method, based on the percentage of costs incurred to date compared to total estimated costs as based on Marel's assessment it best depicts the transfer of control to the customer. An expected loss on the contract is recognized as an expense immediately. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

Under IFRS 15, complete solutions or systems should have a similar margin for all components of the solution or system. As a result of the adoption of IFRS 15, Marel aligned the margins for all phases of the solution or systems.

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

### Rendering of services

The Group is involved in manufacturing of equipment, as well as performing related maintenance services to the equipment.

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions. Revenue relating to maintenance services is recognized over time under the percentage-of-completion method as described above, although the customer pays up-front in full

for these services. A contract liability is recognized for revenue relating to the maintenance services at the time of the initial sales transaction and is recognized as revenue over the service period. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

### **Commissions**

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

### **Interest income**

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

### **Impairment of receivables**

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

## **2.6 Contract assets and contract liabilities**

The contract assets (cost exceed billing) primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities (billing exceed cost) primarily relate to the advance consideration received from customers for standard equipment for which revenue is recognized at a point in time and for the sale of complete solutions or systems for which revenue is recognized over time.

## **2.7 Employee benefits**

### **Short-term employee benefits**

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

employee and the obligation can be estimated reliably.

### **Share-based compensation**

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

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

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

### **Profit sharing and bonus plans**

Under some circumstances, a liability for key employee benefits in the form of profit sharing and



bonus plans is recognized in other payables when it is management intention to settle the liability and at least the condition is met that there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements.

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

### **Pension plans**

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

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

## **2.8 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Consolidated Statement of Income except to the extent that it relates to business combinations, or items recognized directly in shareholders' equity or in OCI. In case of recording directly in shareholders' equity, the tax on this item is included in deferred taxes; the net amount is recognized in shareholders' equity.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It

is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

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

## 2.9 Property, plant and equipment

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

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

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

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

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

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

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

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

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

## 2.10 Intangible assets

### Goodwill

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

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

### Technology, research and development

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

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

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-

line basis over the period of its expected benefit, not exceeding five years.

#### **Customer relationships, patents & trade names**

Customer relationships have been acquired as part of recent acquisitions and are capitalized and amortized using the straight line method over their useful life of maximum 20 years.

Expenditure to acquire patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives, but not exceeding 8 years, or 11 years in case of trademarks.

#### **Other intangible assets**

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use.
- management intends to complete the software product and use or sell it.
- there is an ability to use or sell the software product.
- it can be demonstrated how the software product will generate probable future economic benefits.
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- the expenditure attributable to the software product during its development can be measured reliably.

Directly attributable costs capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overhead.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as intangible assets are amortized over their

estimated useful lives, which can vary from 3 to 5 years.

#### **General**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the Consolidated Statement of Income as incurred.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets with an indefinite useful life or that are not amortized are tested annually for impairment.

#### **2.11 Right of use assets**

Marel recognizes a right of use asset and a lease liability at the lease commencement date. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the assets are determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the

commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

### Lease categories

Marel is mainly using the following leases:

- Office buildings: Marel is leasing office buildings for regional offices. The lease terms, and the remaining lease terms at the date of the initial application, vary between one month and 10 years. The lease payments are adjusted every year based on the change in the consumer price index in the preceding year.
- Lease cars: Marel is leasing cars for which the lease terms and remaining lease terms at the date of initial application vary between 1 month and 5 years.

### Short-term leases and leases of low-value assets

Marel has elected not to recognize right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight line bases over the lease term.

## 2.12 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date. Assets held for sale which are valued at fair value, are reviewed at each reporting date.

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or

CGUs. Goodwill arising from business combinations is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in the Consolidated Statement of Income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## 2.13 Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when Marel becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, the Group classifies its financial assets as measured at either: amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- the Company's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

#### **Financial assets at amortized cost**

Financial assets are measured at amortized cost if both:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, less any impairment losses.

#### **Financial assets at fair value through other comprehensive income**

A financial asset is measured at fair value through other comprehensive income if both:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments measured at fair value through other comprehensive income are recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to profit or loss when debt instrument is derecognized.

#### **Financial assets at fair value through profit or loss**

When any of the above-mentioned conditions for classification of financial assets are not met, a

financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at fair value through profit or loss is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in the Consolidated Statement of Income for the reporting period in which it arises.

The Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

#### **Fair value measurement**

The fair values of quoted assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

The fair value of investments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Further information is included in note 26.

#### **Impairment – Financial assets and contract assets**

Under IFRS 9, loss allowances are measured based on the Expected Credit Losses ("ECL") that result from all possible default events over the expected life of a financial instrument. Marel's financial assets are currently limited to trade receivables and contract assets without significant financing components and are as such always impaired based on lifetime ECLs. The Group expects impairments losses to remain at similar levels as they are currently going forward, although they become more volatile for assets in the scope of the IFRS 9 impairment model. The estimated ECLs were calculated based on actual credit loss experience over the past five

years. The Group takes a holistic view of its financial assets and applies the same expected credit loss rate over all trade receivables.

Based on materiality considerations, Marel reports impairment losses on trade receivables and contract assets as other expenses within selling and marketing expenses, instead of presented separately in the Consolidated Statement of Comprehensive Income. Impairment losses on other financial assets are presented under finance costs.

#### **Cash and cash equivalents**

Cash and cash equivalents can include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the Consolidated Statement of Financial Position.

#### **Impairment – Cash and cash equivalents**

The majority of cash and cash equivalents are held with bank and financial institution counterparties, which have a rating of A+, based on Standard & Poor's ratings as at 31 December 2019. Marel holds majority of its cash and cash equivalents with financial institutions that are lending partners to the Group to minimize further credit risks.

The Group does not expect any impairment on cash and cash equivalents as the Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

#### **Financial liabilities**

Financial liabilities are classified as measured at amortized costs or at fair value through profit or loss. A financial liability is classified at fair value through profit or loss if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Under IFRS 9, entities have to account for modifications and revisions on its financial liabilities and report any (expected) gain or loss as a result in

the Consolidated Statement of Income at the day of modification or revision.

#### **Non-derivative financial liabilities**

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

#### **Derecognition financial assets**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

#### **Derecognition financial liabilities**

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

#### **2.14 Derivative financial instruments and hedging activities**

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group has chosen to continue to apply the requirements of IAS 39.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently revaluated at their fair value and changes therein are recognized in profit or loss. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risk of the host

contract and the embedded derivative are not directly closely related.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge). Or
- Hedges of a net investment in a foreign operation (net investment hedge). Or
- Derivatives at fair value through profit or loss are accounted for at fair value through profit or loss.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedge reserve in equity are shown in the Consolidated Statement of Changes in Equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current asset or liabilities.

#### **Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI and presented in the hedge reserve in equity. The profit or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Income within finance income or finance costs.

Amounts accumulated in equity are recycled in the Consolidated Statement of Income in the periods when the hedged item affects profit or loss.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or non-current assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in case of inventory or in depreciation in case of non-current assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the Consolidated Statement of Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Income within finance income or finance costs.

#### **Net investment hedge**

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other income and presented in the hedge reserve in equity. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Income within finance income or finance costs.

Gains and losses accumulated in equity are included in the Consolidated Statement of Income when the foreign operation is partially disposed of or sold.

#### **Derivatives at fair value through profit or loss are accounted for at fair value through profit or loss**

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognized immediately in the Consolidated Statement of Income within finance income or finance costs.

#### **2.15 Inventories**

Inventories are measured at the lower of historical cost or net realizable value. Cost is determined using the weighted average method and an adjustment to net realizable value is considered for items, which have not moved during the last 12 months. The cost of finished goods and work in progress comprise raw

materials, direct labor, other direct costs and related production overhead based on normal operating capacity but exclude borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and any applicable variable selling expenses.

### **2.16 Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefits and investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for sale and subsequent gains or losses on re-measurement are recognized in the Consolidated Statement of Income.

Once classified as assets held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

### **2.17 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or stock options are shown in shareholders' equity as a deduction, net of tax, from the proceeds.

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

When any Group entity purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Repurchased shares are

classified as treasury shares and are presented in the share premium reserve. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included within share premium.

Private placements need to be approved by the shareholders at the Company's Annual General Meeting. Based on such resolution, where the shareholders waive their pre-emptive rights, the Board of Directors can approve for a private placement.

### **2.18 Provisions**

Provisions for restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

The Group provides a guarantee on certain products and undertakes to repair or replace items that fail to perform satisfactorily. If the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

A provision for guarantee commitments is recognized when the underlying product and services are sold based on historical warranty data and a weighting of possible outcomes against their associated probabilities. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### **2.19 New standards and standards issued but not yet effective**

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier



application is permitted: however, the Group has not early adopted the new or amended standards in preparing these Consolidated Financial Statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's Consolidated Financial Statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

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### 3 Critical accounting estimates and assumptions

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these Consolidated Financial Statements, the Group has made judgments and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. The Group further makes estimates and assumptions concerning the future. The actual results will, by definition, seldom be exactly equal to the related accounting estimates used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **Purchase Price Allocations**

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

#### **Estimated impairment**

The Group annually tests whether the financial and non-financial assets, including goodwill, were impaired in accordance with the accounting policy stated in note 2.10 and 2.12. The recoverable amounts of CGUs have been determined based on value in use calculation. These calculations require the use of estimates (note 16).

#### **Capitalized development cost**

The recoverability of the capitalized development cost is tested regularly and is subject to the annual impairment tests, to verify if expected future economic benefits justify the values captured in the intangible fixed assets. The Group uses discounted cash flow analysis for this purpose.

#### **Leases**

The Group has applied its judgment in presenting related information on leases in a manner that it considers to be the most relevant to an understanding of its financial performance and financial position. Estimates have been made on the estimated (remaining) useful lives of right of use assets and the remaining lease terms.

#### **Income taxes and deferred income taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

As of each period-end, the Group evaluates the recoverability of deferred tax assets, based on projected future taxable profits. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, Marel believes it is probable the Group will realize the benefits of

these deductible differences. As future developments are uncertain and partly beyond Marel's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact income tax in the period in which such determination is made.

### Revenue recognition

The Group uses the percentage-of-completion method in accounting for its revenues for complete solutions or systems. The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the

contractually defined obligations. These estimates include total estimated costs, total estimated revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue.

In addition, Marel needs to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis.

In the following table the book values of the assets and liabilities which include an element of estimation are disclosed.

	Notes	2019		2018	
		Assets	Liabilities	Assets	Liabilities
Goodwill	16	645.8	-	641.3	-
Intangible assets	17	252.4	-	267.0	-
Right of use assets / lease liabilities	15	36.4	37.2	33.3	33.8
Current and deferred income taxes	20	11.9	59.2	10.2	66.6
Contract assets / liabilities	7	38.3	217.5	44.0	212.1

## 4 Business combinations

Under IFRS 3, up to one year from the acquisition date, the initial accounting for business combinations needs to be adjusted to reflect additional information that has been received about facts and circumstances that existed at the acquisition date and would have affected the measurement of amounts recognized as of that date. As a result of such adjustments the values of assets and liabilities recognized may change in the one-year period from the acquisition date.

### Acquisition Cedar Creek Company

On 15 November 2019, Marel concluded the acquisition of a number of business assets and liabilities from Cedar Creek Company (Australia) Pty Ltd. and Cedar Creek Company (NZ) Ltd. ("Cedar Creek"). This transaction is in line with Marel's

strategic objective to be a leading global supplier of advanced standard equipment, full solutions, software and services to the poultry, meat and fish industries.

Cedar Creek offers specialized software solutions that integrate on-floor processing data capture, production control, head office reporting and traceability throughout production. Cedar Creek has built long-standing relationships with some of the largest meat and poultry processors in Australia and New Zealand. The transaction will strengthen Marel's presence in Australia and New Zealand. Cedar Creek Company has annual revenues of around EUR 3 million.

Closing of the transaction was subject to customary closing conditions. The transaction was funded from cash on hand and available facilities.

In accordance with IFRS 3 Business Combinations the purchase price of Cedar Creek is allocated to identifiable assets and liabilities acquired.

Immediately after the acquisition date the Purchase Price Allocation activities started. The process is still ongoing and is expected to be finished in the first half of 2020. As a consequence all of the numbers recorded for the acquisition are provisional. Provisional goodwill amounted to EUR 1.4 million, is allocated to the meat segment and is primarily related to the strategic (and cultural) fit of Cedar Creek and Marel with an experienced and capable workforce and highly complementary software and hardware solutions and geographic presence. The goodwill is under certain conditions, deductible for income tax purposes.

The impact of the valuation of property, plant and equipment, and as a consequence the impact on intangible assets and goodwill, is described in note 14, note 16 and note 17 and is included in the numbers as presented below.

The following table summarizes the consideration paid for Cedar Creek and the recognized provisional amounts of assets acquired and liabilities assumed at the acquisition date being 15 November 2019.

<b>15 November 2019</b>	
Property, plant and equipment	0.0
Intangible assets	1.8
Inventories	0.4
Trade receivables, current and non-current	0.4
<b>Assets acquired</b>	<b>2.6</b>
Trade and other payables	0.0
<b>Liabilities assumed</b>	<b>0.0</b>
<b>Total net identified assets</b>	<b>2.6</b>
Consideration transferred	4.0
<b>Provisional goodwill on acquisition</b>	<b>1.4</b>

Since the PPA process is not yet finalized, no PPA related costs are included in the Consolidated Statement of Income.

Cedar Creek contributed EUR 0.3 million to revenues for the year 2019 and affected result from operations positively.

#### **Acquisition of MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG**

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

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

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

The Purchase Price Allocation of MAJA is finalized. The impact of the valuation of property, plant and equipment, and as a consequence the impact on intangible assets and goodwill, is described in note 14, note 16 and note 17 and is included in the numbers as presented below.

The following table summarizes the consideration paid for MAJA and the recognized amounts of assets acquired and liabilities assumed at the acquisition date being 14 August 2018.

<b>14 August 2018</b>	
Property, plant and equipment	9.6
Right of use assets	0.6
Intangible assets	13.2
Deferred income tax	0.4
Inventories	11.5
Trade receivables, current and non-current	4.0
Other receivables and prepayments	2.1
Cash and cash equivalents	0.8
<b>Assets acquired</b>	<b>42.2</b>
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
<b>Liabilities assumed</b>	<b>13.0</b>
<b>Total net identified assets</b>	<b>29.2</b>
Consideration transferred	32.5
<b>Goodwill on acquisition</b>	<b>3.3</b>

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:

	<b>2019</b>	<b>2018</b>
Cost of sales	-	3.8
Selling and marketing expenses	0.4	0.1
Research and development expenses	1.0	0.1
General and administrative expenses	0.2	0.2
	<b>1.6</b>	<b>4.2</b>

MAJA contributed EUR 30.2 million to revenues for the year 2019 (2018: EUR 9.7 million) and affected result from operations positively.

## 5 Non-IFRS measurement

### Reconciliation of non-IFRS information

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

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

The reconciliation of adjusted result from operations to the most directly comparable IFRS measure, result from operations, is included in the following table.

In EUR million	2019 as reported	PPA related charges	2019 non-IFRS measures	2018 as reported	PPA related charges	2018 non-IFRS measures
	2019	2019	2019	2018	2018	2018
Revenues	1,283.7	-	1,283.7	1,197.9	-	1,197.9
Cost of sales	(792.6)	-	(792.6)	(735.1)	4.7	(730.4)
<b>Gross profit</b>	<b>491.1</b>	<b>-</b>	<b>491.1</b>	<b>462.8</b>	<b>4.7</b>	<b>467.5</b>
Selling and marketing expenses	(159.2)	6.6	(152.6)	(140.0)	6.3	(133.7)
Research and development expenses	(85.9)	3.8	(82.1)	(76.7)	3.0	(73.7)
General and administrative expenses	(83.4)	0.4	(83.0)	(85.2)	0.3	(84.9)
<b>Adjusted result from operations</b>		<b>10.8</b>	<b>173.4</b>		<b>14.3</b>	<b>175.2</b>
PPA related costs		(10.8)	(10.8)		(14.3)	(14.3)
<b>Result from operations</b>	<b>162.6</b>	<b>-</b>	<b>162.6</b>	<b>160.9</b>	<b>-</b>	<b>160.9</b>

The reconciliation of earnings before interest (net finance costs), tax (income tax), depreciation and amortization ("EBITDA") to the most directly comparable IFRS measurement, result from operations, for the period indicated is included in the table below.

	2019	2018
Result from operations (EBIT)	162.6	160.9
Depreciation, amortization and impairments	57.7	54.6
<b>Result before depreciation &amp; amortization (EBITDA)</b>	<b>220.3</b>	<b>215.5</b>

The table below shows other key financial ratio's (definitions of these ratios are included in note 33).

	2019	2018
Current ratio	1.5	0.9
Quick ratio	1.2	0.6
Return on equity	14.5%	22.2%
Leverage	0.4	2.0
Debt to adjusted capital ratio	0.1	0.8
Market capitalization in EUR billion	3.5	1.9

## 6 Segment information

### Operating segments

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

- Poultry processing: Our poultry processing product range offers integrated systems for processing broilers, turkeys and ducks.
- Meat processing: Our meat industry specializes in the key processes of slaughtering, deboning and trimming, and case ready food service for processing pork, beef, veal and sheep.

- Fish processing: Marel provides advanced equipment and systems for salmon and whitefish processing, both farmed and wild, on-board and on-shore.
- The 'Others' segment includes any revenues, result from operations and assets which do not belong to the three core industries.

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

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

The Group's CEO reviews the internal management reports of each segment on a monthly basis. Fluctuations between quarters are mainly due to timing of receiving and delivery of orders, margin on projects and business mix. Decisions on tax and financing structures including cash and cash equivalents are taken at a corporate level, therefore

no financial income and expenses nor tax are allocated to the operating segments. The profit or loss per operating segment is the adjusted result from operations (before PPA related costs including depreciation and amortization of acquisition-related (in)tangible assets); finance costs and taxes are reported in the column Total.

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

	Poultry	Meat	Fish	Others	Total
<b>31 December 2019</b>					
<b>Revenues</b>	<b>690.4</b>	<b>423.2</b>	<b>148.5</b>	<b>21.6</b>	<b>1,283.7</b>
<b>Adjusted result from operations</b>	<b>120.5</b>	<b>44.6</b>	<b>6.4</b>	<b>1.9</b>	<b>173.4</b>
PPA related costs					(10.8)
<b>Result from operations</b>					<b>162.6</b>
Net finance costs					(20.7)
Share of result of associates					(0.1)
<b>Result before income tax</b>					<b>141.8</b>
Income tax					(31.7)
<b>Net result for the period</b>					<b>110.1</b>
<b>Assets</b>	<b>712.9</b>	<b>701.7</b>	<b>130.5</b>	<b>316.1</b>	<b>1,861.2</b>
Investments (including right of use assets)	27.2	16.6	5.9	0.7	50.4
Depreciation and amortization	(24.6)	(25.0)	(7.0)	(0.4)	(57.0)
Impairments	-	-	(0.7)	-	(0.7)
<b>31 December 2018</b>					
<b>Revenues</b>	<b>638.2</b>	<b>387.0</b>	<b>159.1</b>	<b>13.6</b>	<b>1,197.9</b>
<b>Adjusted result from operations</b>	<b>117.2</b>	<b>43.8</b>	<b>12.6</b>	<b>1.6</b>	<b>175.2</b>
PPA related costs					(14.3)
<b>Result from operations</b>					<b>160.9</b>
Net finance costs					(14.9)
Share of result of associates					-
<b>Result before income tax</b>					<b>146.0</b>
Income tax					(23.5)
<b>Net result for the period</b>					<b>122.5</b>
<b>Assets</b>	<b>673.6</b>	<b>689.0</b>	<b>140.4</b>	<b>62.9</b>	<b>1,565.9</b>
Investments (including right of use assets)	36.0	21.7	8.8	-	66.5
Depreciation and amortization	(22.8)	(23.1)	(6.5)	-	(52.4)
Impairments	-	(2.2)	-	-	(2.2)

## Geographical information

The Group's three operating segments operate in three main geographical areas, although they are managed on a global basis. The home country of the Group is Iceland.

<b>Total assets excluding cash and cash equivalents</b>	<b>2019</b>	<b>2018</b>
Europe, Middle East and Africa	1,300.3	1,262.9
Americas	234.2	228.6
Asia and Oceania	23.0	18.1
	<b>1,557.5</b>	<b>1,509.6</b>

Iceland accounts for EUR 130.4 million (2018: EUR 101.2 million)

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

Capital expenditures include investments in property, plant and equipment, right of use assets and intangible assets. (including capitalized technology and development costs, refer to note 17).

<b>Capital expenditure</b>	<b>2019</b>	<b>2018</b>
Europe, Middle East and Africa	43.4	59.2
Americas	6.5	6.8
Asia and Oceania	0.5	0.5
	<b>50.4</b>	<b>66.5</b>

Iceland accounts for EUR 9.3 (2018: EUR 15.2)

## 7 Revenues

### Revenues

The Group's revenue is derived from contracts with customers. Within the segments and within the operating companies, Marel is not relying on any individual major customers.

### Disaggregation of revenue

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

	<b>2019</b>	<b>2018</b>
Europe, Middle East and Africa	643.4	609.7
Americas	473.0	459.5
Asia and Oceania	167.3	128.7
	<b>1,283.7</b>	<b>1,197.9</b>

Iceland accounts for EUR 8.6 (2018: EUR 10.5).

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

	<b>2019</b>	<b>2018</b>
Equipment revenue	812.8	781.7
Aftermarket revenue	470.9	416.2
<b>Total revenue</b>	<b>1,283.7</b>	<b>1,197.9</b>

### Trade receivables and contract balances

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

	<b>2019</b>	<b>2018</b>
Trade receivables	160.0	138.8
Contract assets	38.3	44.0
Contract liabilities	(217.5)	(212.1)

No information is provided about remaining performance obligations at 31 December 2019 that have an original expected duration of one year or less, as allowed by IFRS 15.

Marel continuously reassesses the impaired trade receivables. A part of the impairment is related to product risk. This part is reported as write-down to net-realizable value of contract assets for an amount of EUR 0.3 million (2018: EUR 0.4 million).

## 8 Expenses by nature

The table below shows the expenses by nature:

	2019	2018
Cost of goods sold	455.2	426.4
Employee benefits	449.2	411.3
Depreciation, amortization and impairments	57.7	54.6
Maintenance and rent of buildings and equipment	15.3	15.0
Other	143.7	129.7
	<b>1,121.1</b>	<b>1,037.0</b>

## 9 Net finance costs

	2019	2018
Interest on borrowings	(9.9)	(10.1)
Interest on leases	(0.8)	(0.9)
Other finance expenses	(14.5)	(5.9)
Net foreign exchange transaction losses	-	(0.3)
<b>Subtotal finance costs</b>	<b>(25.2)</b>	<b>(17.2)</b>
Interest income	3.0	2.3
Net foreign exchange transaction gains	1.5	-
<b>Subtotal finance income</b>	<b>4.5</b>	<b>2.3</b>
<b>Net finance costs</b>	<b>(20.7)</b>	<b>(14.9)</b>

### New syndicated loan facility

In December 2019 Marel received commitments from a mixture of current and new banking partners for a new EUR 700 million revolving credit facility which will replace the current syndicated loan facility. The new facility was signed at 5 February 2020 and will be closed soon after, subject to standard condition precedent provisions.

With these commitments in place, Marel revaluated the fair value of the current syndicated loan

commitments, releasing the capitalized finance charges, IFRS 9 revaluation, embedded derivatives and interest rate swaps linked to the facility resulting in additional finance cost of EUR 8.9 million in the fourth quarter of 2019.

Going forward and subject to utilization levels the interest and finance cost is expected to decrease as the new facility includes more favorable terms. For further information on the new credit facility see note 23.

## 10 Staff costs

	2019	2018
Salaries and wages	372.3	343.6
Social security contributions	47.2	41.5
Expenses related to equity-settled share-based payments	2.1	1.2
Post retirement costs	27.6	25.0
	<b>449.2</b>	<b>411.3</b>

The employee benefit expenses relate to employees who are working on the payroll of Marel, both with permanent and temporary contracts.



Employee benefit expenses are presented in the Consolidated Statement of Income as follows:

	2019	2018
Cost of sales	198.3	181.8
Selling and marketing expenses	113.0	103.9
Research and development expenses	77.5	71.8
General and administrative expenses	60.4	53.8
	<b>449.2</b>	<b>411.3</b>

For further information on post-employment benefit costs, see note 25.

For details on the remuneration of the members of the Board of Directors and the CEO, see note 29.

The average number of employees in FTEs per cost category is summarized as follows:

Employees in FTEs	2019	2018
Cost of sales	3,107	2,839
Selling and marketing	1,275	1,176
Research and development	895	753
General and administrative	550	516
Employees	<b>5,827</b>	<b>5,284</b>
3rd party workers	476	510
	<b>6,303</b>	<b>5,794</b>

The average number of employees in FTEs per geography is summarized as follows:

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

Iceland accounts for 695 FTE (2018: 669 FTE).

Employees consist of those persons working on the payroll of Marel and whose costs are reflected in the employee benefit expenses table above. 3rd party workers consist of personnel hired on a per-period basis, via external companies.

## 11 Fees to Auditors

The following table shows the fees to KPMG attributable to the fiscal years 2019 and 2018.

	2019	2018
Financial Statement audit fees	1.0	0.8
Other fees, including tax services	0.2	0.1
	<b>1.2</b>	<b>0.9</b>

## 12 Income tax

Income tax recognized in the Consolidated Statement of Income	2019	2018
Current tax	(30.7)	(32.9)
Deferred tax	(1.0)	9.4
	<b>(31.7)</b>	<b>(23.5)</b>

In December 2019, a new corporate tax law was enacted in the Netherlands. Consequently, the reduction in corporate tax rate as approved by the Dutch Government in 2018 will be delayed by a year and the rate will only be reduced from 25.00% to

21.70% as of 2021. This change resulted in a loss of EUR 1.7 million related to the remeasurements of deferred tax assets and liabilities of the Group's Dutch subsidiaries being recognized during the year ended 31 December 2019 that anticipated already for the lower future rate of 20.50%.

In December 2018, a new corporate tax law was substantially enacted in the Netherlands.

Consequently, as of 1 January 2020, the corporate tax rate in the Netherlands was planned to be

reduced from 25.00% to 22.55% and was planned to be further reduced to 20.50% as of 1 January 2021. This change resulted in a gain of EUR 7.6 million related to the remeasurement of deferred tax assets and liabilities of the Group's Dutch subsidiaries being recognized during the year ended 31 December 2018.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its

assessment of many factors, including interpretations of tax laws and prior experience.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as shown in the table below.

	2019	%	2018	%
Result before income tax	141.8		146.0	
Income tax using Icelandic rate	(28.4)	20.0	(29.2)	20.0
Effect of tax rates in other jurisdictions	(6.0)	4.3	(6.3)	4.3
Weighted average applicable tax	(34.4)	24.3	(35.5)	24.3
Foreign exchange effect Iceland	(0.0)	0.0	(0.5)	0.3
Research and development tax incentives	5.3	(3.7)	5.7	(3.9)
Permanent differences	(0.6)	0.4	0.0	(0.0)
(Impairment)/reversal of tax losses	0.1	(0.1)	0.0	(0.0)
Effect of tax rate changes	(2.0)	1.4	7.0	(4.8)
Others	(0.1)	0.1	(0.2)	0.2
<b>Tax charge included in the profit or loss for the period</b>	<b>(31.7)</b>	<b>22.4</b>	<b>(23.5)</b>	<b>16.1</b>

## 13 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to Shareholders by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

Basic earnings per share (EUR cent per share)	2019	2018
Net result attributable to Shareholders (EUR millions)	110.0	122.4
Weighted average number of outstanding shares in issue (millions)	717.5	682.1
<b>Basic earnings per share (EUR cent per share)</b>	<b>15.33</b>	<b>17.95</b>

Net results attributable to Shareholders of the Company is in 2019 adversely impacted by the revaluation of the syndicated loan of EUR 6.7 million, after tax (see note 9) and the impact of the remeasurement of deferred tax assets and liabilities

of EUR 1.7 million (see note 12). Net results attributable to Shareholders of the Company is in 2018 positively impacted by the remeasurement of deferred tax assets and liabilities of EUR 7.6 million (see note 12). Furthermore, as a result of the dual listing on the Euronext Amsterdam the weighted average number of outstanding shares issued increased from 682.1 million shares for 2018 to 717.5 million shares for 2019.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has one category of dilutive potential ordinary shares: stock options. For the stock options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding stock options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the stock options.

<b>Diluted earnings per share (EUR cent)</b>	<b>2019</b>	<b>2018</b>
Net result attributable to Shareholders (EUR millions)	110.0	122.4
Weighted average number of outstanding shares in issue (millions)	717.5	682.1
Adjustments for stock options (millions)	6.3	3.3
<b>Weighted average number of outstanding shares for diluted earnings per share (millions)</b>	<b>723.8</b>	<b>685.4</b>
<b>Diluted earnings per share (EUR cent per share)</b>	<b>15.20</b>	<b>17.86</b>

## 14 Property, plant and equipment

	<b>Land &amp; buildings</b>	<b>Plant &amp; machinery</b>	<b>Under construction</b>	<b>Vehicles &amp; equipment</b>	<b>Total</b>
<b>1 January 2019</b>					
Cost	182.6	95.1	12.0	44.7	334.4
Accumulated depreciation	(52.9)	(68.1)	-	(37.8)	(158.8)
<b>Net book value</b>	<b>129.7</b>	<b>27.0</b>	<b>12.0</b>	<b>6.9</b>	<b>175.6</b>
<b>Year ended 31 December 2019</b>					
Opening net book value	129.7	27.0	12.0	6.9	175.6
Divestments	-	-	-	(0.3)	(0.3)
Effect of movements in exchange rates	-	0.1	0.1	-	0.2
Additions	4.9	2.5	6.0	5.9	19.3
Business combinations, note 4	(0.9)	1.4	-	0.2	0.7
Reclassifications between categories	(1.8)	(2.1)	-	3.9	-
Transfer between categories	9.1	4.0	(13.9)	0.8	-
Depreciation charge	(4.9)	(5.7)	-	(3.5)	(14.1)
<b>Closing net book value</b>	<b>136.1</b>	<b>27.2</b>	<b>4.2</b>	<b>13.9</b>	<b>181.4</b>
<b>At 31 December 2019</b>					
Cost	190.9	83.3	4.2	62.3	340.7
Accumulated depreciation	(54.8)	(56.1)	-	(48.4)	(159.3)
<b>Net book value</b>	<b>136.1</b>	<b>27.2</b>	<b>4.2</b>	<b>13.9</b>	<b>181.4</b>

	Land & buildings	Plant & machinery	Under construction	Vehicles & equipment	Total
<b>At 1 January 2018</b>					
Cost	146.4	96.8	19.7	42.2	305.1
Accumulated depreciation	(50.6)	(73.2)	-	(36.6)	(160.4)
<b>Net book value</b>	<b>95.8</b>	<b>23.6</b>	<b>19.7</b>	<b>5.6</b>	<b>144.7</b>
<b>Year ended 31 December 2018</b>					
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)
<b>Closing net book value</b>	<b>129.7</b>	<b>27.0</b>	<b>12.0</b>	<b>6.9</b>	<b>175.6</b>
<b>At 31 December 2018</b>					
Cost	182.6	95.1	12.0	44.7	334.4
Accumulated depreciation	(52.9)	(68.1)	-	(37.8)	(158.8)
<b>Net book value</b>	<b>129.7</b>	<b>27.0</b>	<b>12.0</b>	<b>6.9</b>	<b>175.6</b>

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

	2019	2018
Cost of sales	6.5	6.2
Selling and marketing expenses	0.5	0.5
Research and development expenses	0.2	0.3
General and administrative expenses	6.5	5.6
	<b>13.7</b>	<b>12.6</b>
Depreciation of acquisition-related property, plant and equipment (see note 4)	0.4	0.2
	<b>14.1</b>	<b>12.8</b>

## 15 Right of use assets

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
<b>At 1 January 2019</b>				
Cost	27.8	1.0	13.3	42.1
Accumulated depreciation	(4.1)	(0.2)	(4.5)	(8.8)
<b>Net book value</b>	<b>23.7</b>	<b>0.8</b>	<b>8.8</b>	<b>33.3</b>
<b>Year ended 31 December 2019</b>				
Opening net book value	23.7	0.8	8.8	33.3
Divestments	-	-	(0.6)	(0.6)
Effect of movements in exchange rates	0.4	-	-	0.4
Business combinations, note 4	0.2	-	0.4	0.6
Additions	5.0	0.2	7.3	12.5
Depreciation charge	(4.7)	(0.3)	(4.8)	(9.8)
<b>Closing net book value</b>	<b>24.6</b>	<b>0.7</b>	<b>11.1</b>	<b>36.4</b>
<b>At 31 December 2019</b>				
Cost	32.0	1.2	19.3	52.5
Accumulated depreciation	(7.4)	(0.5)	(8.2)	(16.1)
<b>Net book value</b>	<b>24.6</b>	<b>0.7</b>	<b>11.1</b>	<b>36.4</b>
<b>At 1 January 2018</b>				
Cost	22.4	1.0	9.8	33.2
<b>Net book value</b>	<b>22.4</b>	<b>1.0</b>	<b>9.8</b>	<b>33.2</b>
<b>Year ended 31 December 2018</b>				
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)
<b>Closing net book value</b>	<b>23.7</b>	<b>0.8</b>	<b>8.8</b>	<b>33.3</b>
<b>At 31 December 2018</b>				
Cost	27.8	1.0	13.3	42.1
Accumulated depreciation	(4.1)	(0.2)	(4.5)	(8.8)
<b>Net book value</b>	<b>23.7</b>	<b>0.8</b>	<b>8.8</b>	<b>33.3</b>

For the annual maturity of the lease liabilities, refer to note 23.

Depreciation of right of use assets analyzes as follows in the Consolidated Statement of Income:

	2019	2018
Cost of sales	2.5	2.2
Selling and marketing expenses	1.9	1.9
Research and development expenses	0.3	0.2
General and administrative expenses	5.1	4.8
	<b>9.8</b>	<b>9.1</b>

## 16 Goodwill

	2019	2018
<b>At 1 January</b>		
Cost	641.3	643.9
<b>Net book value</b>	<b>641.3</b>	<b>643.9</b>
<b>Year ended 31 December</b>		
Opening net book value	641.3	643.9
Business combinations, note 4	4.0	(1.6)
Exchange differences	0.5	(1.0)
<b>Closing net book value</b>	<b>645.8</b>	<b>641.3</b>
<b>At 31 December</b>		
Cost	645.8	641.3
<b>Net book value</b>	<b>645.8</b>	<b>641.3</b>

Business combinations for 2019 relate to the acquisition of Cedar Creek (increase in provisional goodwill of EUR 1.4 million) and MAJA (increase in goodwill of EUR 2.6 million due to the finalization of the PPA). For 2018 it relates to the acquisition of MAJA (increase in provisional goodwill of EUR 0.7 million) and Sulmaq (decrease in goodwill of EUR 2.3 million due to the finalization of the PPA). Further information on the acquisitions is disclosed in note 4 to the Consolidated Financial Statements.

### Impairment testing

Annually goodwill is tested for impairment at the level of the CGUs. For Marel, the CGUs are based on the market oriented business model, poultry, meat and fish, in accordance with IFRS 8 Operating Segments. Poultry, meat and fish serve the customer needs in primary, secondary and further processing. Only at the level of the operating segments the connection can be made between the businesses for which the goodwill was originally paid and the results of the synergies after the acquisitions.

The annual impairment test includes property, plant and equipment, right of use assets, goodwill, other intangible assets and net working capital allocated to CGUs to determine the final recoverable amount.

The purpose of impairment testing is to determine whether the recoverable amount exceeds the carrying amount of the above mentioned assets. The recoverable amount of an operating segment is determined as the present value of the future cash flows expected to be derived from a CGU, based on amongst others:

- the estimated future cash flows that the Group expects the CGU to earn.
- possible variations in the amount or timing of those future cash flows.
- the time value of money, which is reflected by using a discount rate based on the current market risk-free rate of interest.
- the price for the uncertainty inherent in the CGU.

The sales growth rates and margins used to estimate future cash flows are based on management estimates that take into account past performance and experience, external market growth assumptions and industry long term averages. The weighted growth rate for the period 2021 to 2024 of forecast cash flows is between 5% and 7% for all CGUs, which is management's best estimate. These growth rates are in line with external market predictions of the worldwide industry for providing equipment and solutions for the protein industry as well. Revenues, operating results and cash flows beyond the 5 year forecast period are extrapolated using estimated growth rates of 1.9% (31 December 2018: 1.9%) as shown in the table on the next page. The time value of money and price of uncertainty, calculated as the Weighted Average Cost of Capital ("WACC"), are based on external market information about market risk, interest rates and some CGU

specific elements like country risk. The post-tax discount rate is calculated at CGU level and is in the range of 6.6% - 7.0% (2018: 6.5% - 6.9%) for all CGUs (refer to the table below). The pre-tax discount rate for the three CGUs is calculated in the range of 7.9% - 8.5% (2018: 8.1% - 8.6%).

The goodwill impairment test performed in the fourth quarter, which is based on the numbers of 30 September 2019, is rolled forward to 31 December 2019, and exceeds the recoverable value of existing goodwill. Breakeven scenarios and the current scenario used show that there is sufficient headroom and that there are no triggers indicating that impairment is necessary. For all three operating segments the recoverable amount exceeds the carrying amount by a substantial amount. A stress test was performed on the impairment tests of the CGUs where the following items have been tested: the potential changes in increase in pre-tax discount rates, decrease in compound long-term growth rates or decrease in terminal value growth rates. This test showed that the conclusions of these tests would not have been different if significant adverse changes in key parameters had been assumed.

Key assumptions used in the impairment tests for the segments were sales growth rates, EBITDA and the rates used for discounting the projected cash flows. These cash flow projections were determined using managements' internal forecasts that cover an initial period from 2020. Projections were extrapolated with stable growth rates for a period of 4 years, after which a terminal value was calculated. For terminal value calculation, the terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

The sales growth rates and EBITDA used to estimate cash flows are based on past performance, external market growth assumptions and industry long-term growth averages. EBITDA in all segments mentioned in this note is expected to increase over the projected period as a result of volume growth and cost efficiencies.

The key assumptions used for the impairment tests are listed below.

<b>2019</b>	<b>Poultry</b>	<b>Meat</b>	<b>Fish</b>	<b>Total</b>
Goodwill	330.0	286.5	29.3	645.8
Infinite Intangible assets	-	-	-	-
Terminal growth rate	1.9%	1.9%	1.9%	1.9% <sup>1)</sup>
Discount rate (post-tax)	6.7%	7.0%	6.6%	6.8% <sup>2)</sup>
<b>2018</b>	<b>Poultry</b>	<b>Meat</b>	<b>Fish</b>	<b>Total</b>
Goodwill	328.0	284.5	28.8	641.3
Infinite Intangible assets	-	-	-	-
Terminal growth rate	1.9%	1.9%	1.9%	1.9% <sup>1)</sup>
Discount rate (post-tax)	6.9%	6.7%	6.5%	6.8% <sup>2)</sup>

<sup>1)</sup> Weighted average growth rate used to extrapolate cash flows beyond strategic plan period.

<sup>2)</sup> Discount rate applied to the cash flow projections.

## 17 Intangible assets

	Techno- logy & develop- ment costs	Customer relations, patents & trademarks	Other intangibles	Total
<b>At 1 January 2019</b>				
Cost	255.3	178.6	79.2	513.1
Accumulated amortization	(134.0)	(57.7)	(54.4)	(246.1)
<b>Net book value</b>	<b>121.3</b>	<b>120.9</b>	<b>24.8</b>	<b>267.0</b>
<b>Year ended 31 December 2019</b>				
Opening net book value	121.3	120.9	24.8	267.0
Divestments	-	-	(0.2)	(0.2)
Business combinations, note 4	(1.5)	1.8	-	0.3
Exchange differences	0.3	0.2	0.0	0.5
Additions	13.4	-	5.2	18.6
Impairment charge	(0.7)	-	-	(0.7)
Amortization charge	(17.5)	(9.6)	(6.0)	(33.1)
<b>Closing net book value</b>	<b>115.3</b>	<b>113.3</b>	<b>23.8</b>	<b>252.4</b>
<b>At 31 December 2019</b>				
Cost	267.5	177.8	81.9	527.2
Accumulated amortization	(152.2)	(64.5)	(58.1)	(274.8)
<b>Net book value</b>	<b>115.3</b>	<b>113.3</b>	<b>23.8</b>	<b>252.4</b>
<b>At 1 January 2018</b>				
Cost	232.4	171.6	73.3	477.3
Accumulated amortization	(117.7)	(46.2)	(50.7)	(214.6)
<b>Net book value</b>	<b>114.7</b>	<b>125.4</b>	<b>22.6</b>	<b>262.7</b>
<b>Year ended 31 December 2018</b>				
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)
<b>Closing net book value</b>	<b>121.3</b>	<b>120.9</b>	<b>24.8</b>	<b>267.0</b>
<b>At 31 December 2018</b>				
Cost	255.3	178.6	79.2	513.1
Accumulated amortization	(134.0)	(57.7)	(54.4)	(246.1)
<b>Net book value</b>	<b>121.3</b>	<b>120.9</b>	<b>24.8</b>	<b>267.0</b>



Business combinations for 2019 relate to the acquisition of Cedar Creek (increase in intangible assets of EUR 1.8 million) and MAJA (decrease in intangible assets of EUR 1.5 million due to the finalization of the PPA) and for 2018 to the acquisition of MAJA and to the finalization of the PPA of Sulmaq. Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

The additions for 2019 predominantly comprise internally generated assets of EUR 18.6 million (31 December 2018: EUR 23.0 million) for product development and for development of software products.

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

	2019	2018
Research and development expenses	0.7	2.2
	<b>0.7</b>	<b>2.2</b>

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

	2019	2018
Cost of sales	0.0	0.0
Selling and marketing expenses	1.1	1.3
Research and development expenses	14.1	13.6
General and administrative expenses	7.5	6.2
	<b>22.7</b>	<b>21.1</b>
Amortization of acquisition-related intangible assets (see note 4)	10.4	9.4
	<b>33.1</b>	<b>30.5</b>

## 18 Investments in associates

The investments in associates relate to a 14.3% interest in the Canadian software company Worximity Technology ("Worximity") and a 50% stake in the Iceland based company Curio ehf. ("Curio").

	2019	2018
Carrying amount of interest in associates	15.6	-
<i>Share of:</i>		
- Loss from continuing operations	(0.1)	-
- OCI	-	-
	<b>(0.1)</b>	-

### Worximity Technology

On 19 June 2019, Marel acquired a 14.3% interest for an amount of EUR 1.8 million (CAD 2.5 million) as initial investment in new share capital in Worximity.

Although Marel holds less than 20% of the voting rights, Marel determined that it has significant influence because it has meaningful representation on the board of Worximity.

Marel will invest an additional CAD 2.5 million in new share capital in the company in the next six months, bringing Marel's total ownership to 25.0%.

### Curio ehf.

On 22 October 2019, Marel has entered into an agreement to acquire a 50% stake in Curio ehf. On 8 November 2019, the first phase of the transaction was finalized as closing conditions were satisfied. Marel acquired 39.3% of the total share capital of Curio. On 1 January 2021 Marel will acquire an additional 10.7% of the share capital bringing Marel's total share in Curio as of 1 January 2021 on 50%. Marel has an option to acquire the remaining 50% of shares in four years.

## 19 Trade receivables, other receivables and prepayments

	2019	2018
Trade receivables	163.4	143.4
Less: write-down to net-realizable value	(1.3)	(1.4)
<b>Trade receivables - net</b>	<b>162.1</b>	<b>142.0</b>
Less non-current portion	(2.1)	(3.2)
<b>Current portion of trade receivables</b>	<b>160.0</b>	<b>138.8</b>
Prepayments	12.3	6.6
Other receivables	34.5	38.4
<b>Other receivables and prepayments</b>	<b>46.8</b>	<b>45.0</b>

### Non-current receivables

Non-current receivables are mainly associated with an escrow account regarding the acquisition of Sulmaq for EUR 2.1 million (2018: EUR 3.2 million long term outstanding debtors). All non-current receivables are due within one and five years.

### Current receivables

The carrying amounts of trade receivables and other receivables and prepayments approximate their fair value.

The aging of trade receivables is as follows:

	2019		2018	
	Gross amount	Provision for impairment	Gross amount	Provision for impairment
Not overdue	95.7	-	89.0	-
Up to 90 days overdue	52.3	-	41.4	-
Over 90 days overdue	15.4	(1.3)	13.0	(1.4)
	<b>163.4</b>	<b>(1.3)</b>	<b>143.4</b>	<b>(1.4)</b>

The carrying amounts of the Group's trade receivables (current portion) are denominated in the following currencies:

Trade receivables that are less than 90 days past due are not considered impaired. As of 31 December 2019, trade receivables of EUR 52.3 million (2018: EUR 41.4 million) were past due but not impaired. In 2019 the write-down of trade receivables to net realizable value amounted to EUR 0.6 million (2018: EUR 0.4 million) and relate to a number of independent customers for whom there is no recent history of default. Due to the insignificant amount of write-downs, these are not shown separately in the Consolidated Statement of Income.

As of 31 December 2019, trade receivables of EUR 15.4 million (2018: EUR 13.0 million) were tested for impairment and written down when necessary. The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations.

There were no material reversal of write-downs of trade receivables.

	2019	2018
EUR	93.6	76.3
USD	46.1	44.3
GBP	6.5	5.3
Other currencies	15.1	14.3
	<b>161.3</b>	<b>140.2</b>
Write-down to net-realizable value	(1.3)	(1.4)
	<b>160.0</b>	<b>138.8</b>

Movements on the Group trade receivables impaired to net-realizable value are as follows:

	2019	2018
<b>At 31 December</b>	<b>1.4</b>	<b>2.3</b>
Impact IFRS 9 & 15	-	(0.4)
<b>Balance at 1 January</b>	<b>1.4</b>	<b>1.9</b>
Provision for receivables impairment	0.5	0.3
Receivables written off during the year as uncollectible	(0.6)	(0.4)
Reclassification to production contracts and unused amounts reversed	-	(0.4)
<b>At 31 December</b>	<b>1.3</b>	<b>1.4</b>

The impairment to net-realizable value and reversals has been included in selling and marketing expenses in the Consolidated Statement of Income.

Marel continuously reassesses the impaired trade receivables. A part of the impairment related to product risk. This part is reported as write-down to net-realizable value of contract assets for an amount of EUR 0.3 million (2018: EUR 0.4 million), see also note 7.

The other classes within other receivables and prepayments do not contain impaired assets. Information about the Group's exposure to credit and market risks is included in note 26.

## 20 Deferred income tax

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

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

<b>At 31 December 2018</b>	<b>(47.1)</b>
Exchange differences and changes within the Group	(0.1)
Consolidated Statement of Income charge (excluding tax rate change)	1.0
Effect of change in tax rates	(2.0)
Business combinations, note 4	0.4
Hedge reserve & translation reserve recognized in other comprehensive income	0.6
Listing Euronext Amsterdam	3.6
<b>At 31 December 2019</b>	<b>(43.6)</b>
<b>At 31 December 2017</b>	<b>(56.9)</b>
Impact IFRS 9 & 15	1.8
<b>At 1 January 2018</b>	<b>(55.1)</b>
Exchange differences and changes within the Group	0.1
Consolidated Statement of Income charge (excluding tax rate change)	2.4
Effect of change in tax rates	7.0
Business combinations, note 4	(1.1)
Hedge reserve & translation reserve recognized in other comprehensive income	(0.4)
<b>At 31 December 2018</b>	<b>(47.1)</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and

when the deferred income taxes relate to the same fiscal authority.

The deferred tax charged / (credited) in the Consolidated Statement of Comprehensive Income during the period is as follows:

<b>Fair value reserves in Shareholders' equity</b>	2019	2018
Employer's contribution social charges on stock option exercises	-	-
Hedge reserve	0.6	(0.4)
	<b>0.6</b>	<b>(0.4)</b>

Deferred income taxes recognized in the Consolidated Statement of Financial Position is as follows:

	2019	2018
Deferred income tax assets	11.9	10.2
Deferred income tax liabilities	(55.5)	(57.3)
	<b>(43.6)</b>	<b>(47.1)</b>

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. Based on future profits expected in the strategic plan, the recoverability has been tested; a reversal of EUR 0.1 million tax losses (2018: a reversal of EUR 0.2 million) has been applied. Sensitivity analysis on impairment of tax losses used the assumption of decreasing the forecast profit before tax by 5%. Based on the outcome of this

calculation the impairment is not substantially affected.

The Group has no unrecognized deferred tax liabilities.

Taxable effects of losses will expire according to below schedule:

	2019		2018	
	Total tax losses	Of which not capitalized	Total tax losses	Of which not capitalized
Less than 6 years	18.8	0.9	16.2	1.3
Between 6 and 10 years	31.1	-	26.1	-
More than 10 years	1.5	1.5	1.7	1.7
Indefinite	25.0	19.1	20.5	18.8
	<b>76.4</b>	<b>21.5</b>	<b>64.5</b>	<b>21.8</b>

### Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Movement in deferred tax balances	At 31 December 2018	Impact IFRS 9 & 15	At 1 January 2019	Recognized in income statement	Other <sup>1)</sup>	At 31 December 2019	Assets	Liabilities
Property, plant and equipment	(9.0)		(9.0)	(0.9)	(0.0)	(9.9)	0.8	(10.7)
Intangible assets	(52.6)		(52.6)	0.4	(1.2)	(53.4)	1.3	(54.7)
Right of use assets	0.1		0.1	0.0	0.0	0.1	0.1	-
Other financial assets	(0.6)		(0.6)	0.1	0.8	0.3	0.3	(0.0)
Receivables	1.5		1.5	(1.7)	(0.2)	(0.4)	4.3	(4.7)
Inventories	1.7		1.7	0.8	0.0	2.5	2.9	(0.4)
Long term liabilities	(0.9)		(0.9)	0.5	(0.0)	(0.4)	0.3	(0.7)
Current liabilities	3.4		3.4	2.2	(0.3)	5.3	5.8	(0.5)
Provisions for pensions	0.4		0.4	(0.1)	(0.1)	0.2	0.2	0.0
Provisions for guarantees	0.2		0.2	0.3	(0.0)	0.5	0.8	(0.3)
Provisions others	0.0		0.0	0.2	(0.0)	0.2	0.4	(0.2)
<b>Subtotal</b>	<b>(55.8)</b>	<b>-</b>	<b>(55.8)</b>	<b>1.8</b>	<b>(1.0)</b>	<b>(55.0)</b>	<b>17.2</b>	<b>(72.2)</b>
Subtotal tax losses	8.7	-	8.7	(0.8)	3.5	11.4	15.1	(3.7)
<b>Overall total</b>	<b>(47.1)</b>	<b>-</b>	<b>(47.1)</b>	<b>1.0</b>	<b>2.5</b>	<b>(43.6)</b>	<b>32.3</b>	<b>(75.9)</b>

Movement in deferred tax balances	At 31 December 2017	Impact IFRS 9 & 15	At 1 January 2018	Recognized in income statement	Other <sup>1)</sup>	At 31 December 2018	Assets	Liabilities
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)
<b>Subtotal</b>	<b>(66.9)</b>	<b>1.8</b>	<b>(65.1)</b>	<b>3.8</b>	<b>5.5</b>	<b>(55.8)</b>	<b>15.1</b>	<b>(70.9)</b>
Subtotal tax losses	10.0	-	10.0	(1.4)	0.1	8.7	12.7	(4.0)
<b>Overall total</b>	<b>(56.9)</b>	<b>1.8</b>	<b>(55.1)</b>	<b>2.4</b>	<b>5.6</b>	<b>(47.1)</b>	<b>27.8</b>	<b>(74.9)</b>

<sup>1)</sup> Other includes the movements of assets and liabilities recognized in OCI, which includes foreign currency translation differences, acquisitions and divestments.

## 21 Inventories

	2019	2018
Raw materials	31.2	19.8
Semi-finished goods	112.0	116.7
Finished goods	47.8	35.5
	<b>191.0</b>	<b>172.0</b>
Allowance for obsolescence and/or lower market value	(24.2)	(22.1)
	<b>166.8</b>	<b>149.9</b>

The cost of inventories recognized as an expense and included in cost of sales amounted to EUR 626.6 million (2018: EUR 590.1 million).

In 2019 the write-down of inventories to net-realizable value amounted to EUR 5.2 million (2018: EUR 3.6 million).

There were no material reversals of write-downs to net realizable value. The write-downs recognized following a recoverability analysis are included in cost of sales.

## 22 Equity

Share capital	Ordinary	Treasury	Outstanding
	shares (thousands)	shares (thousands)	number of shares (thousands)
<b>At 1 January 2019</b>	<b>682,586</b>	<b>(10,762)</b>	<b>671,824</b>
Treasury shares - purchased	-	(12,096)	(12,096)
Treasury shares - sold	-	506	506
Capital reduction	(11,578)	11,578	-
New shares issued	100,000	-	100,000
<b>At 31 December 2019</b>	<b>771,008</b>	<b>(10,774)</b>	<b>760,234</b>
	100.00%	1.40%	98.60%
<b>At 1 January 2018</b>	<b>735,569</b>	<b>(41,747)</b>	<b>693,822</b>
Treasury shares - purchased	-	(24,072)	(24,072)
Treasury shares - sold	-	2,074	2,074
Capital reduction	(52,983)	52,983	-
<b>At 31 December 2018</b>	<b>682,586</b>	<b>(10,762)</b>	<b>671,824</b>
	100.00%	1.58%	98.42%
Class of share capital	<b>2019</b>	<b>2018</b>	
Nominal value	6.8	6.1	
Share premium reserve	478.1	159.1	
Reserve for share based payments	5.0	2.6	
<b>Total share premium reserve</b>	<b>483.1</b>	<b>161.7</b>	

### Share capital

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

During the Annual General Meeting of Shareholders on 6 March 2019 the proposal to reduce the Company's share capital by 11.6 million shares, from 682.6 million shares to 671.0 million shares, was approved. The reduction was executed by way of cancelling 11.6 million of the Company's own shares of ISK 1 each, in accordance with the provisions of the Icelandic Act No. 2/1995 on Public Limited Companies. The Company's share capital was

reduced in connection with the preparation of the dual listing of the Company, for the benefit of shareholders. Marel's Articles of Association were changed accordingly.

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

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

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

### Dividends

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

After the reporting date the Board of Directors will propose to the 2020 Annual General Meeting that EUR cents 5.79 dividend per outstanding share will be paid for the operational year 2019, corresponding to approximately 40% of net results.

### Treasury shares

From time to time the Company purchases its own shares in the market. Primarily the shares are intended to be used for issuing shares under the Group's stock option plans. The timing of these purchases depends on the requirement to settle employee's stock option exercises. Buy and sell decisions are taken by the Board of Directors. Based on a motion approved in the Annual General Meeting of shareholders, the Board of Directors can acquire up to 10% of its own shares at a price which is not higher than 10% over and not lower than 10% under the average price of shares in the Company for the two weeks immediately preceding the acquisition. Secondly, shares are intended to be used as payment for potential future acquisitions.

In 2019, Marel purchased 12.1 million treasury shares for a total amount of EUR 37.6 million. Marel sold 0.5 million treasury shares for EUR 0.9 million in order to fulfill obligations of stock option agreements. There was a capital reduction of 11.6 million shares according to the resolution of the Annual General meeting 6 March 2019. At the end of 2019 Marel had 10.8 million treasury shares.

In 2018 Marel purchased 24.1 million shares for EUR 71.7 million. Marel sold 2.1 million shares for EUR 2.2 million in order to fulfill obligations of stock option agreements. Following the approval in the extraordinary shareholders' meeting 53.0 million shares have been cancelled. At the end of 2018 Marel had 10.8 million treasury shares.

### Stock options

Stock options are granted to Executive Management and to selected employees. The exercise prices of options granted, in December 2014, in August 2015 and in May 2016 are higher than the market price of the shares on the date of grant. For options granted in March 2017, February 2018 and February 2019 the exercise price is the same as the market price at the date of grant. For options granted in June 2019 the exercise price is the same as the final offer price in the listing on Euronext Amsterdam.

The option holders in the 2014, 2015, 2016, 2017, 2018 and February 2019 programs are required to hold shares corresponding to the net profit gained from the options (after tax) until the following holding requirements are reached. This is measured in total share value owned as a multiple of annual base salary: for the CEO three times; for other members of the Executive Team two times.

Options are conditional on the employee completing particular periods' / years' service (the vesting period).

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price per share	Stock options (thousands)
<b>At 1 January 2019</b>	<b>EUR 2.256</b>	<b>11,910</b>
Granted in 2019	EUR 3.457	7,814
Exercised 2019	EUR 1.461	(506)
<b>At 31 December 2019</b>	<b>EUR 2.736</b>	<b>19,218</b>
<b>Exercisable stock options at 31 December 2019</b>		<b>2,904</b>
<b>At 1 January 2018</b>	<b>EUR 1.780</b>	<b>9,884</b>
Granted in 2018	EUR 2.881	4,100
Exercised 2018	EUR 1.048	(2,074)
<b>At 31 December 2018</b>	<b>EUR 2.256</b>	<b>11,910</b>
<b>Exercisable stock options at 31 December 2018</b>		<b>1,650</b>

At present employees will hold 2.49% (2018: 1.74%) of the shares, assuming that all outstanding stock options are vested and / or are executed.

Stock options granted in the year	2014	2015	2016	2017	2018	2019	2019
Stock options expire in year	2021	2021	2022	2021	2022	2023	2023
The exercise prices* per share after:							
28 April 2020	EUR 0.861	-	-	-	-	-	-
28 April 2021	EUR 0.887	-	-	-	-	-	-
28 October 2020	-	EUR 1.423	-	-	-	-	-
28 October 2021	-	EUR 1.463	-	-	-	-	-
28 April 2020	-	-	EUR 1.819	-	-	-	-
28 April 2021	-	-	EUR 1.855	-	-	-	-
28 April 2022	-	-	EUR 1.891	-	-	-	-
28 April 2020	-	-	-	EUR 2.681	-	-	-
13 February 2021	-	-	-	-	EUR 2.825	-	-
13 February 2022	-	-	-	-	-	EUR 3.194	-
28 October 2022	-	-	-	-	-	-	EUR 3.700

<sup>\*)</sup> Exercise prices after dividend payment in 2015; EUR 0.0048 per share, after dividend payment in 2016; EUR 0.0158, after dividend payment in 2017; EUR 0.0214, after dividend payment in 2018; EUR 0.0419 and after dividend payment in 2019; EUR 0.0557.

In 2019 the following shares were exercised: 90 thousand shares at exercise price EUR 0.848 per share, 200 thousand shares at exercise price EUR 1.382 per share, 108 thousand shares at exercise price EUR 1.783 and 108 thousand shares at exercise price 1.801. No options were cash settled.

share and 1,064 thousand shares at exercise price EUR 1.097 per share. No options were cash settled.

The fair value of the employee stock options granted is measured using the Black-Scholes model. Variables used in the Black Scholes calculation:

In 2018 the following shares were exercised: 1,010 thousand shares at exercise price EUR 0.997 per

	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 <sup>*)</sup>
Option plan December 2014						
60% exercisable > 28 April 2018	0.949	3.0	0.00%	3%	22.04%	16
20% exercisable > 28 April 2019	0.975	4.0	0.00%	3%	22.04%	16
20% exercisable > 28 April 2020	1.001	5.0	0.00%	3%	22.04%	16
Option plan August 2015						
60% exercisable > 28 October 2018	1.477	3.0	0.00%	3%	22.04%	22
20% exercisable > 28 October 2019	1.517	4.0	0.00%	3%	22.04%	22
20% exercisable > 28 October 2020	1.558	5.0	0.00%	3%	22.04%	22
Option plan May 2016						
60% exercisable > 28 April 2019	1.902	3.0	0.00%	2%	21.52%	28
20% exercisable > 28 April 2020	1.938	4.0	0.00%	2%	21.52%	28
20% exercisable > 28 April 2021	1.974	5.0	0.00%	2%	21.52%	28
Option plan March 2017						
100% exercisable > 28 April 2020	2.779	3.0	0.00%	2%	23.72%	16
Option plan February 2018						
100% exercisable > 13 February 2021	2.923	3.0	0.00%	2%	21.16%	25
Option plan February 2019						
100% exercisable > 13 February 2022	3.250	3.0	0.00%	2%	20.00%	38
Option plan June 2019						
100% exercisable > 28 October 2022	3.700	3.0	0.00%	2%	20.00%	46

<sup>\*)</sup> Based on last possible exercise dates in each stock option plan.



### Share premium reserve

The share premium reserve comprises of payment in excess of par value of ISK 1 per share that shareholders have paid for shares sold by the Company, less payments in excess of par value that the Company has paid for treasury shares. According to the Icelandic Companies Act, 25% of the nominal value share capital must be held in reserve which cannot be paid out as dividend to shareholders. Marel is compliant with this requirement.

As a result of the dual listing shareholders' equity increased by EUR 370.0 million of which share premium increased by EUR 369.2 million. Total gross transaction costs amount to EUR 17.8 million. Transaction cost net of tax of EUR 14.2 million are deducted from the share premium reserve.

### Other reserves

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

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

	Hedge reserve	Translation reserve	Total other reserves
<b>Balance at 1 January 2019</b>	<b>1.8</b>	<b>(12.1)</b>	<b>(10.3)</b>
Total other comprehensive income	(2.5)	1.9	(0.6)
<b>Balance at 31 December 2019</b>	<b>(0.7)</b>	<b>(10.2)</b>	<b>(10.9)</b>
<b>Balance at 1 January 2018</b>	<b>0.6</b>	<b>(8.8)</b>	<b>(8.2)</b>
Total other comprehensive income	1.2	(3.3)	(2.1)
<b>Balance at 31 December 2018</b>	<b>1.8</b>	<b>(12.1)</b>	<b>(10.3)</b>

### Limitation in the distribution of shareholders' equity

As at 31 December 2019, pursuant to Icelandic law, certain limitations exist relating to the distribution of shareholders' equity. Such limitations relate to legal reserves required by Icelandic law included under retained earnings for capitalized intangible assets related to product development projects and for legal reserves relating to any legal or economic restrictions to the ability of affiliated companies to transfer funds to the parent company in the form of dividends.

The legal reserve included under retained earnings for capitalized intangible assets related to product development projects amounted to EUR 71.6 million as at 31 December 2019 (31 December 2018: EUR 74.7 million).

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

The amount of the legal reserve for the share of profit of affiliates is reduced by dividends received from those companies and those dividends from them which can be claimed. Therefore Marel could, based on its control as the parent company, decide to let its subsidiaries pay dividends. The dividends would lower the amount of legal reserves within equity and therefore leave more room for Marel to make dividend payments to its shareholders. The new provision of the act does not prevent Marel from making dividend payments to its shareholders in 2020 since the Company has sufficient retained earnings from previous years.

The legal reserves as required by Icelandic law are required as of effective date 1 January 2016.

### Non-controlling Interests

Non-controlling Interests relate to minority shares held by third parties in consolidated Group entities. The net income attributable to NCI amounted to EUR 0.1 million for the year 2019 (31 December 2018: EUR 0.1 million).

The NCI relates to MPS France S.A.R.L., France, in which the managing director of MPS France holds an ownership percentage of 24%.

## 23 Borrowings and lease liabilities

The Company's policy is to finance its operations in its revenue currencies. More than 99% of Marel's revenues originate outside of Iceland and there is a good currency balance between the Company's revenues and costs. Efforts have been made to systematically reduce currency risk in the Company's financing and to reduce interest cost. At the end of 2019 Marel has two main funding facilities:

### Schuldschein promissory notes

On 7 December 2018 Marel finalized an issue of Schuldschein promissory notes for EUR 140 million. The investors were a mixture of Central European and Asian commercial banks. The notes 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 from the original contract in the Consolidated Statement of Financial Position.

### Syndicated loan

The Group has a 543 EUR million equivalents facilities agreement with seven international banks, led by ING bank, Rabobank and ABN AMRO. The terms and conditions are generally in line with Loan Market Association corporate standards. It is an all senior facility, which matures in 2022.

The key elements of the syndicated loan are:

- A five-year all senior loan and revolver, consisting of a EUR 153 million and a USD 75 million long term loan and EUR 323 million revolving credit facility, all with final maturity in May 2022.
- Initial interest terms are EURIBOR/LIBOR + 185 bps, which will vary in line with Marel's leverage ratio (Net debt/EBITDA) at the end of each quarter.

The Group has a financing structure which can accommodate the Group's financing requirements until 2022 with USD and EUR borrowings matching the Group's exposure in these currencies to a large extent. The facility has an embedded 0% floor in the EURIBOR and LIBOR rates. At the date of utilization of the loans (5 May 2017) the 5 year EURIBOR curve was negative and consequently the floor had intrinsic value at the date of inception.

### New syndicated credit facility

In December 2019 Marel received commitments from a mixture of current and new banking partners for a new EUR 700 million revolving credit facility which will replace the current syndicated loan facility. The new facility was signed at 5 February 2020 and will be closed soon after, subject to standard condition precedent provisions.

With these commitments in place, Marel revaluated the fair value of the current syndicated loan commitments, releasing the capitalized finance charges, IFRS 9 revaluation, embedded derivatives and interest rate swaps linked to the facility resulting in additional finance cost of EUR 8.9 million in the fourth quarter of 2019. Going forward and subject to utilization levels the interest and finance cost is expected to decrease as the new facility includes more favorable terms.

The new credit facility will allow Marel to better utilize its cash balances and retain the strategical flexibility to support future inorganic growth. The facility is based on investment grade Loan Market Association documentation. The new credit facility interest terms are EURIBOR / LIBOR +80.0 bps that will vary in line with Marel's leverage ratio and facility utilization level.

The new facility also includes a sustainability linked incentive structure where Marel undertakes to meet a set of sustainability key-performance-indicators ("KPI") targets and Marel will either receive a margin reduction up to 0.025% or increase of 0.025% depending on how many of the KPI's are met. This underpins and supports Marel's strong commitment to fulfill our vision of a world where quality food is produced in a sustainable way.

### Borrowings and lease liabilities

The following table analyzes the borrowings and lease liabilities:

	2019	2018
Borrowings	333.5	429.3
Lease liabilities	28.4	27.1
<b>Non-current</b>	<b>361.9</b>	<b>456.4</b>
Borrowings	30.6	24.8
Lease liabilities	8.8	6.7
<b>Current</b>	<b>39.4</b>	<b>31.5</b>
<b>Total borrowings and lease liabilities</b>	<b>401.3</b>	<b>487.9</b>
Borrowings	364.1	454.1
Lease liabilities	37.2	33.8
<b>Total borrowings and lease liabilities</b>	<b>401.3</b>	<b>487.9</b>

As of 31 December 2019, interest bearing debt amounted to EUR 401.9 million including lease liabilities (31 December 2018: EUR 502.3 million), of which for 31 December 2019 and 31 December 2018 nothing is secured against shares that Marel hf. holds in certain subsidiaries. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The Group loan agreements contain restrictive covenants, relating to interest cover and leverage.

At 31 December 2019 and 2018 the Group complies with all restrictive covenants.

The Group has the following headroom in committed ancillary facilities:

Floating rate	2019	2018
Expiring within one year	-	-
Expiring beyond one year	277.4	213.5
	<b>277.4</b>	<b>213.5</b>

Liabilities in currency recorded in EUR in 2019	Borrowings	Capitalized finance charges	Embedded derivatives and revaluation	Lease liabilities	Total
Liabilities in EUR	297.0	(0.6)	-	16.0	312.4
Liabilities in USD	67.0	-	-	10.7	77.7
Liabilities in other currencies	0.7	-	-	10.5	11.2
	364.7	(0.6)	-	37.2	401.3
Current maturities	(30.7)	0.1	-	(8.8)	(39.4)
Non-current maturities	<b>334.0</b>	<b>(0.5)</b>	-	<b>28.4</b>	<b>361.9</b>

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

<b>Annual maturity of non-current borrowings in 2019</b>	Borrowings	Capitalized finance charges	Embedded derivatives and revaluation	Lease liabilities	<b>Total</b>
Between 1 and 2 years	30.7	(0.1)	-	9.9	40.5
Between 2 and 3 years	160.8	(0.2)	-	3.8	164.4
Between 3 and 4 years	122.3	(0.2)	-	3.9	126.0
Between 4 and 5 years	0.7	-	-	6.0	6.7
After 5 years	19.5	-	-	4.8	24.3
	<b>334.0</b>	<b>(0.5)</b>	<b>-</b>	<b>28.4</b>	<b>361.9</b>

<b>Annual maturity of non-current borrowings in 2018</b>	Borrowings	Capitalized finance charges	Embedded derivatives and revaluation	Lease liabilities	<b>Total</b>
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
	<b>437.8</b>	<b>(5.3)</b>	<b>(3.2)</b>	<b>27.1</b>	<b>456.4</b>

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Borrowings	Derivatives		Equity				Total
		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	
<b>At 31 December 2018</b>	<b>487.9</b>	<b>1.3</b>	<b>1.4</b>	<b>167.8</b>	<b>(10.3)</b>	<b>403.2</b>	<b>0.2</b>	<b>1,051.5</b>
<i>Changes from financing cash flows</i>								
Proceed from issue of share capital				352.2				<b>352.2</b>
Proceeds from loans and borrowings	40.0							<b>40.0</b>
Purchase of treasury shares				(37.6)				<b>(37.6)</b>
Sale of treasury shares				0.9				<b>0.9</b>
Repayment of borrowings	(145.3)							<b>(145.3)</b>
Payment of lease liabilities	(14.3)							<b>(14.3)</b>
Dividend paid						(36.7)	(0.0)	<b>(36.7)</b>
<b>Total changes from financing cash flows</b>	<b>(119.6)</b>	<b>-</b>	<b>-</b>	<b>315.5</b>	<b>-</b>	<b>(36.7)</b>	<b>(0.0)</b>	<b>159.2</b>
<b>Changes arising from obtaining or losing control of subsidiaries or other businesses</b>	<b>-</b>							<b>-</b>
<b>The effect of changes in foreign exchange rates</b>	<b>2.7</b>							<b>2.7</b>
<i>Other changes</i>								
Liability related	5.9	(1.3)	1.6					<b>6.2</b>
New leases	12.5							<b>12.5</b>
Borrowing costs expensed	11.9							<b>11.9</b>
<b>Total liability-related other changes</b>	<b>30.3</b>	<b>(1.3)</b>	<b>1.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30.6</b>
Total equity-related other changes				6.6	(0.6)	110.0	0.1	<b>116.1</b>
<b>At 31 December 2019</b>	<b>401.3</b>	<b>-</b>	<b>3.0</b>	<b>489.9</b>	<b>(10.9)</b>	<b>476.5</b>	<b>0.3</b>	<b>1,360.1</b>

	Borrowings	Derivatives		Equity				Total
		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	
<b>At 31 December 2017</b>	<b>396.8</b>	<b>0.9</b>	<b>2.7</b>	<b>235.9</b>	<b>(8.2)</b>	<b>313.9</b>	<b>0.3</b>	<b>942.3</b>
Impact IFRS 9, 15 & 16	33.2					(4.8)		28.4
<b>At 1 January 2018</b>	<b>430.0</b>	<b>0.9</b>	<b>2.7</b>	<b>235.9</b>	<b>(8.2)</b>	<b>309.1</b>	<b>0.3</b>	<b>970.7</b>
<i>Changes from financing cash flows</i>								
Proceeds from loans and borrowings	289.0							289.0
Purchase of treasury shares				(71.7)				(71.7)
Sale of treasury shares				3.6				3.6
Proceeds from settlement of derivatives	1.0							1.0
Repayment of borrowings	(241.6)							(241.6)
Payment of lease liabilities	(9.2)							(9.2)
Dividend paid						(28.7)	(0.2)	(28.9)
<b>Total changes from financing cash flows</b>	<b>39.2</b>	<b>-</b>	<b>-</b>	<b>(68.1)</b>	<b>-</b>	<b>(28.7)</b>	<b>(0.2)</b>	<b>(57.8)</b>
<b>Changes arising from obtaining or losing control of subsidiaries or other businesses</b>	<b>7.3</b>							<b>7.3</b>
<b>The effect of changes in foreign exchange rates</b>	<b>2.6</b>							<b>2.6</b>
<i>Other changes</i>								
Liability related	(3.5)	0.4	(1.3)					(4.4)
New leases	9.5							9.5
Borrowing costs expensed	2.8							2.8
<b>Total liability-related other changes</b>	<b>8.8</b>	<b>0.4</b>	<b>(1.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.9</b>
Total equity-related other changes					(2.1)	122.8	0.1	120.8
<b>At 31 December 2018</b>	<b>487.9</b>	<b>1.3</b>	<b>1.4</b>	<b>167.8</b>	<b>(10.3)</b>	<b>403.2</b>	<b>0.2</b>	<b>1,051.5</b>

## 24 Provisions

	Guarantee commit- ments	Pension commit- ments	Other provisions	Total
<b>Balance at 1 January 2019</b>	<b>7.0</b>	<b>9.4</b>	<b>0.6</b>	<b>17.0</b>
Additions	1.8	1.8	0.8	4.4
Used	(0.8)	(0.2)	(0.4)	(1.4)
Release	(0.8)	-	(0.4)	(1.2)
<b>Balance at 31 December 2019</b>	<b>7.2</b>	<b>11.0</b>	<b>0.6</b>	<b>18.8</b>

	Guarantee commit- ments	Pension commit- ments	Other provisions	Total
<b>Balance at 1 January 2018</b>	<b>7.9</b>	<b>8.3</b>	<b>1.5</b>	<b>17.7</b>
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)
<b>Balance at 31 December 2018</b>	<b>7.0</b>	<b>9.4</b>	<b>0.6</b>	<b>17.0</b>

Analysis of total provisions	2019	2018
Non-current	10.6	9.2
Current	8.2	7.8
	<b>18.8</b>	<b>17.0</b>

Nature of obligation for 2019	Country	Maturity	Likelihood	Amount
Guarantee	Netherlands	Dynamic	Dynamic	3.0
Guarantee	US	Dynamic	Dynamic	1.2
Guarantee	Denmark	Dynamic	Dynamic	1.0

Nature of obligation for 2018	Country	Maturity	Likelihood	Amount
Guarantee	Netherlands	Dynamic	Dynamic	2.5
Guarantee	US	Dynamic	Dynamic	1.4
Guarantee	Denmark	Dynamic	Dynamic	0.8

### Guarantee commitments

The provisions for guarantee commitments reflect the estimated costs of replacement and free-of-charge services that will be incurred by the Company with respect to products sold.

### Pension commitments

The pension commitments includes the provision for early retirements rights, which has increased to EUR 7.5 million as per 31 December 2019 (31 December 2018: EUR 6.1 million). For further information on the pension commitments, refer to note 25.

## 25 Post-employment benefits

The Group maintains various pension plans covering the majority of its employees.

The Company's pension costs for all employees for 2019 were EUR 27.6 million (2018: EUR 25.0 million). This includes defined contribution plans for EUR 16.7 million (2018: EUR 15.1 million), as well as a pension plan based on multi-employer union plan for EUR 10.9 million (2018: EUR 9.8 million).

The Company's employees in the Netherlands, 1,651 FTEs (2018: 1,568), participate in a multi-employer union plan ("Bedrijfstakpensioenfonds Metalektro", "PME"). This plan is determined in accordance with the collective bargaining agreements effective for the industry in which Marel operates. This pension plan is treated as a defined contribution scheme based on the following grounds:

- It is an industry-wide pension fund, used by the Company in common with other legal entities.
- Under the regulations of the PME, the only obligation for the affiliated businesses towards the PME is to pay the annual premium liability.
- The affiliated businesses are under no obligation whatsoever to pay off any deficits the PME may incur, nor have they any claim to any potential surpluses.

The multi-employer plan covers approximately 1,380 companies and 160,000 contributing members. The plan monitors its risks on a global basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By

law ("the Dutch Pension Act"), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan's assets to its obligations. This coverage ratio must exceed 104.3 percent for the total plan. Every company participating in a Dutch multi-employer union plan contributes a premium calculated as a percentage of its total pensionable wages and salaries, with each company subject to the same percentage contribution rate.

The Company's net periodic pension cost for this multi-employer plan for any period is the amount of the required contribution for that period.

The coverage ratio ("Beleidsdekkingsgraad") of the multi-employer plan decreased to 96.9 percent as per 31 December 2019 (31 December 2018: 101.3). The decrease is caused by developments in the financial markets and the average interest rate. The coverage ratio is below the legally required level of 104.3. The Recovery Plan PME 2019 ("Herstelplan PME 2019") indicates that the coverage ratio will increase within 10 years to the minimum required coverage ratio of 119.0%.

In 2020 the pension premium will be 22.7 % of the total pensionable salaries (2019: 22.7%), in accordance with the articles of association of the Pension Fund. The coverage ratio is calculated by dividing the fund's capital by the total sum of pension liabilities and is based on actual market interest.

## 26 Financial instruments and risks

### Financial risk factors

This note presents information about the Group's exposure to each of the below mentioned risks, the Group's objectives, policies and processes for measuring and managing the risk. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

### Risk management framework

The main financial risks faced by Marel relate to market risk and liquidity risk. Risk management is carried out by a central treasury department (Group Treasury) under policies and with instruments

approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures and does not enter into financial contracts for speculative purposes.

The Group Audit Committee oversees how management monitors compliance with the Group's



risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. Market risk comprises (a) foreign exchange risk, (b) interest rate risk and (c) credit risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### (a) Foreign exchange risk

The Group operates internationally and is exposed to currency risk arising from mainly the USD and ISK, primarily with respect to the EUR, as the EUR is the Group's reporting currency. Generally Marel maintains a good natural hedge in its operations with a good match between revenue and cost in most currencies although only a fraction of a percentage of revenues is denominated in ISK, while around 7.32% (2018: 8.24%) of costs is in ISK. Financial exposure is hedged in accordance with the Group's general policy and within set limits. The Group monitors foreign exchange risk arising from commercial transactions, recognized assets and liabilities (transaction risk) that are determined in a currency other than the entity's functional currency. Derivative hedging is applied if the exposure is outside of the risk tolerance band on a consolidated basis. Currently all exposures are within risk tolerance and the Group has no FX derivatives in place.

Currency exposure arising from net assets of the Group's major foreign operations (translation risk) is managed primarily through borrowings denominated in the relevant foreign currencies as the policy is to apply natural exchange rate hedging where possible. Economic risk is defined as the extent to which currency fluctuations can alter a company's future operating cash flows, that is future revenues and costs. Economic risk is not hedged.

The year end and average rates used for the main currencies mentioned above are:

	2019		2018	
	Year-end rate	Average rate	Year-end rate	Average rate
1 euro =				
USD	1.12	1.12	1.14	1.18
GBP	0.85	0.88	0.90	0.88
ISK	135.83	137.26	132.93	127.54

The following table details the Group's sensitivity of transaction and translation risk to a 10% increase and decrease in the EUR against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a 10% change in foreign currency rates.

The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or loss or equity where the EUR strengthens 10% against the relevant currency. For a 10% weakening of the EUR against the relevant currency, there would be a comparable impact on the profit or loss or equity, and the balances below would be opposite.

	2019		2018	
	USD impact	ISK impact	USD impact	ISK impact
Profit or (loss)	(2.2)	1.1	(1.6)	0.6
Equity	0.0	0.0	0.0	0.0

### (b) Interest rate risk

The Group is exposed to interest rate risk on borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risk is managed by maintaining a mix between fixed and floating interest rate on borrowings. Generally the Group raises long term borrowings and pays a floating interest rate. To hedge the resulting cash flow interest rate risk the Group uses interest rate swaps, where it pays a fixed interest rate and receives a floating interest rate. The floating rates are fixed on a quarterly or semi-annual basis. The Group adopts a policy of ensuring that between 50 – 70% of its exposure to changes in interest rates on core debt is hedged with an interest rate swap with a maximum maturity of 5 years. Currently around 15% (2018: 34%) of the core debt has floating interest rates and the rest is fixed. As at year-end 2019 a total of EUR 282.5 million (2018: EUR 281.2 million) of liabilities were swapped into fixed interest rates or in fixed rate debt instruments. The weighted average fixed rate of the interest swaps currently is 0.0% (2018: 0.0%). In 2008 the Group started applying cash flow hedge accounting to hedge the variability in the interest cash outflows of the 3 months EURIBOR/LIBOR Senior Secured Floating Rate Notes.

Throughout the year 2019 as well as per year-end the cash flow hedge accounting relationships were effective. As the syndicated loan facility is expected to be replaced, Marel ended the hedge relationship between the facility and the applicable interest rate swaps. The total mark-to-market valuation of those swaps were at year end EUR 2.0 million which were moved from hedge reserve in equity through the profit and loss statement in 2019.

The amounts deferred in equity at year-end are expected to affect interest costs within the coming 4 years.

At year-end 2019, if EURIBOR interest rates had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 0.1 million (2018: EUR 0.4 million) lower/higher.

Among the actions taken to monitor the interest rate risk are stress tests to establish sensitivity to possible movements in rates and how they might affect the Group's results.

### (c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. Each customer has a set credit limit and the utilization of the credit limit is regularly monitored.

The carrying amount of financial assets represents the maximum credit risk exposure:

	2019	2018
Trade receivables	162.1	142.0
Other receivables and prepayments	46.8	45.0
Cash and cash equivalents	303.7	56.3
	<b>512.6</b>	<b>243.3</b>

No significant credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties (refer to note 17).

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and products are not delivered until payments are secured. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables (refer to note 17).

The Group has banking relations with a diversified set of financial institutions around the world. The Group has policies that limit the amount of credit exposure to any one financial institution and has International Swaps and Derivatives Association agreements in place with counterparties in all derivative transactions.

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash

and committed credit facilities to give reasonable operating headroom. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by maintaining availability under committed credit lines. The Group has EUR 323.0 million of committed ancillary facilities, which can be used both as a revolver and to issue guarantees for down payments.

At year-end 2019, the Group had nothing drawn on the revolving facility (2018: EUR 74.5 million), but issued guarantees for EUR 45.6 million (2018: EUR 35.0 million) therefore the total usage is EUR 45.6 million (2018: EUR 109.5 million), leaving a headroom of EUR 277.4 million (2018: EUR 213.5 million). All facilities are subject to operational and Consolidated Statement of Financial Position covenants (interest cover and leverage). At the end of 2019 there is sufficient headroom.

Cash flow forecasts are done at the local levels and monitored by Group Treasury. Group liquidity reports are viewed by management on a weekly basis. The Group has a cross border notional cash pool with the aim of making better use of the Group cash position and to further decrease the amount of idle cash.

The table below analyzes cash outflows per maturity group based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 5 years	Over 5 years
<b>At 31 December 2019</b>			
Borrowings	30.6	314.0	19.5
Interest on borrowings	6.3	10.0	0.2
Lease liabilities	8.8	23.6	4.8
Trade and other payables	200.5	5.1	-
Interest rate swaps	1.2	3.0	-
	<b>247.4</b>	<b>355.7</b>	<b>24.5</b>
<b>At 31 December 2018</b>			
Borrowings	30.7	386.7	20.4
Interest on borrowings	6.0	16.7	0.5
Lease liabilities	6.7	19.0	8.1
Trade and other payables	217.0	-	-
Interest rate swaps	1.2	2.3	-
	<b>261.6</b>	<b>424.7</b>	<b>29.0</b>

### Capital management

The Board of Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board monitors on leverage, defined as net debt divided by EBITDA. The Board also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns on equity that might be possible with higher levels of borrowings and the advantages and security of a sound capital position. The Group uses

the leverage ratio in their approach to capital management.

### Insurance

The Group maintains global and local insurance programs. The coverage comprises property damage, business interruption, general and product liability, marine cargo/mounting, directors' and officers' liability, employers practice liability, business travel and accident. The Group believes that its current insurance coverage is adequate.

The Group has covered Business Interruption Risks with an insurance policy underwritten by an independent insurance company for a maximum period of 24 months for Marel Poultry B.V. and 18 months for all other Marel entities. The insurance benefits for Business Interruption amount to EUR 662 million for 2019 (2018: EUR 597 million) for the whole Group.

The Group insurance value of buildings amounts to EUR 174 million (2018: EUR 150 million), production machinery and equipment including software and office equipment amount to EUR 184 million (2018: EUR 160 million) and inventories to EUR 206 million (2018: EUR 179 million). Currently there are no major differences between appraisal value and insured value.

#### **Fair value estimation**

The Group accounts for fixed rate financial assets and liabilities at fair value through profit or loss, and the Group designates derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. These hedges previously were accounted for using the hedge accounting and recording changes in fair value over other comprehensive income. As of the fourth quarter of 2019 Marel temporarily stopped applying hedge accounting for interest rate swaps linked to the syndicated loan facility as it is expected to be repaid early 2020. When sufficient drawdowns on the new facility will be established Marel intends to reestablish a hedge relationship between the outstanding swaps and the new revolving facility. Additionally a fair value instrument accounted for in the profit and loss statement being the 0% floor embedded in the EUR term loan and revolving facility. During 2019 the floor results in a profit of EUR 2.2 million in finance cost.

If 3 months EURIBOR restores to values above 0% the result would be a profit EUR 1.1 million from fair value derivatives.

#### **Fair value versus carrying amount**

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

##### Level 1:

The fair value of financial instruments traded in an active market is based on quoted market prices at

the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

##### Level 2:

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These valuation techniques are based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Derivatives are valued by an independent third party based on market conditions, which takes into account credit value adjustment and debit value adjustment corrections.

##### Level 3:

Valuation techniques using significant unobservable inputs.

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant and is classified as Level 2 in the fair value hierarchy. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 1.59% (2018: 1.66%).

The weighted average interest rate on borrowings in 2019, including effect of floating to fixed interest rates swaps is 1.59% (2018: 1.66%).

The fair value of the lease liabilities equals its carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the average interest rate of the relevant currency and applicable average credit spreads of the company's external funding sources.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Statement of Financial Position, are as follows:

	Cash flow- hedging instruments	Cash & receivables	Other financial liabilities	Total carrying amount	Fair Value
<b>2019</b>					
Cash and cash equivalents	-	303.7	-	303.7	303.7
Receivables	-	208.9	-	208.9	208.9
	-	<b>512.6</b>	-	<b>512.6</b>	<b>512.6</b>
Interest rate swaps used for hedging	(3.0)	-	-	(3.0)	(3.0)
Bank loans	-	-	(364.1)	(364.1)	(364.1)
Lease liabilities	-	-	(37.2)	(37.2)	(37.2)
Trade and other payables	-	-	(205.6)	(205.6)	(205.6)
	<b>(3.0)</b>	-	<b>(606.9)</b>	<b>(609.9)</b>	<b>(609.9)</b>
<b>2018</b>					
Cash and cash equivalents	-	56.3	-	56.3	56.3
Receivables	-	187.0	-	187.0	187.0
	-	<b>243.3</b>	-	<b>243.3</b>	<b>243.3</b>
Interest rate swaps used for hedging	(0.1)	-	-	(0.1)	(0.1)
Bank loans	-	-	(454.1)	(454.1)	(454.1)
Lease liabilities	-	-	(33.8)	(33.8)	(33.8)
Trade and other payables	-	-	(220.0)	(220.0)	(220.0)
	<b>(0.1)</b>	-	<b>(707.9)</b>	<b>(708.0)</b>	<b>(708.0)</b>

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:

<b>Derivatives liabilities held for risk management</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
At 31 December 2019	-	3.0	-	3.0
At 31 December 2018	-	1.2	-	1.2

No financial instruments were transferred from Level 1 to Level 2 or from Level 2 to Level 3 of the fair value hierarchy.

This is in line with Marel's risk management policy to have 50 - 70% of core debt fixed for 3 – 5 years.

#### 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.

The notional principal amount of the outstanding active interest rate swap contracts at 31 December 2019 was EUR 282.5 million (31 December 2018: EUR 281.2 million).

31/12 2019	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	USD	10.0	2020	1.3
Interest rate SWAP	USD	60.0	2020	1.6
Forward starting interest rate SWAP	EUR	80.0	2022	0.4
Forward starting interest rate SWAP	EUR	40.0	2022	0.4
Forward starting interest rate SWAP	USD	50.0	2022	2.3
Embedded floor (0,00% cap on interest rates in financing agreements)	EUR	168.0	2022	0.0
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	0.8	2027	5.2

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

## 27 Trade and other payables

	2019	2018
Trade payables	83.6	92.9
Accruals	11.0	10.4
Personnel payables	51.9	53.9
Other payables	59.1	62.8
<b>Total trade and other payables</b>	<b>205.6</b>	<b>220.0</b>
Less non-current portion	(5.1)	(3.0)
<b>Current portion of trade and other payables</b>	<b>200.5</b>	<b>217.0</b>

Information about the Group's exposure to currency and liquidity risks is included in note 26.

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## 28 Contingencies

### Contingent liabilities

At 31 December 2019 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the Group has given guarantees amounting to EUR 82.4 million (31 December 2018: EUR 49.0 million) to third parties.

### Legal proceedings

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

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

### Environmental remediation

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

## 29 Related party transactions and information on remuneration

At 31 December 2019 and 2018 there are no loans to the members of the Board of Directors and the CEO. In addition, there were no transactions carried out (purchases of goods and services) between the

Group and members of the Board of Directors nor the CEO in the year ended 31 December 2019 and 2018.

<b>Board of Directors' fee for the year 2019 and shares at year-end (EUR 1,000)</b>	Board fee	Pension contribution <sup>1)</sup>	Stock options <sup>2)</sup>	Bought shares acc. to stock options <sup>2)</sup>	Shares at year-end <sup>2)</sup>
Ásthildur Margrét Otharsdóttir, Chairman	140.0	16.0	-	-	32
Arnar Þór Másson, Vice Chairman	97.0	11.0	-	-	-
Ann Elizabeth Savage, Board Member	54.0	6.0	-	-	-
Ástvaldur Jóhannsson, Board Member	54.0	6.0	-	-	-
Helgi Magnússon, Board Member, (until 06-03-2019)	9.0	1.0	-	-	-
Margrét Jónsdóttir, Board Member	54.0	6.0	-	-	195 <sup>3)</sup>
Ólafur S. Guðmundsson, Board Member	54.0	6.0	-	-	1,705
Ton van der Laan, Board Member, (from 06-03-2019)	45.0	5.0	-	-	-

<b>Board of Directors' fee for the year 2018 and shares at year-end (EUR 1,000)</b>	Board fee	Pension contribution <sup>1)</sup>	Stock options <sup>2)</sup>	Bought shares acc. to stock options <sup>2)</sup>	Shares at year-end <sup>2)</sup>
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 <sup>3)</sup>
Ólafur S. Guðmundsson, Board Member	52.0	6.0	-	-	1,705

<b>Key management remuneration 2019 (EUR 1,000)</b>	Salary and benefits	Share based benefits	Incentive payments	Pension contribution <sup>1)</sup>	Stock options <sup>2)</sup>	Bought shares acc. to stock options <sup>2)</sup>	Shares at year-end <sup>2)</sup>
Árni Oddur Þórðarson, Chief Executive Officer	1,060	-	379	220	2,260	-	132 <sup>3)</sup>
Executive Management	4,133	1,164	1,131	594	10,682	466	1,273 <sup>4)</sup>

<b>Key management remuneration 2018 (EUR 1,000)</b>	Salary and benefits	Share based benefits	Incentive payments	Pension contribution <sup>1)</sup>	Stock options <sup>2)</sup>	Bought shares acc. to stock options <sup>2)</sup>	Shares at year-end <sup>2)</sup>
Árni Oddur Þórðarson, Chief Executive Officer	634	-	278	111	1,610	-	132 <sup>3)</sup>
Executive Management	3,082	869	1,008	373	8,795	690	1,256 <sup>4)</sup>

1) Pension contributions for all board members and the management are part of a defined contribution plan.

2) Number of shares \* 1,000.

3) Margrét Jónsdóttir is the Managing Director of Operation of Eyrir Invest hf. and Árni Oddur Þórðarson is a major shareholder of Eyrir Invest hf., which on 31 December 2019 held 190,366,838 (2018: 190,366,838) shares in Marel hf. (24.7% (2018: 27.9%) of total issued shares).

4) Marel has identified eleven executives who have material significance for Marel's operations. This group consists of Chief Financial Officer, executive vice president ("EVP") Poultry, EVP Meat, EVP Fish, EVP Further Processing, EVP Global Markets, EVP Global Service, EVP Supply Chain, EVP Human Resources, EVP Strategy and Corporate Development and EVP Innovation. One of them joined the Executive Team in the beginning of September 2019 and one left the Team at the same time.



	Options granted	2019		2018	
		Number of shares *)	Average exercise price EUR per share	Number of shares *)	Average exercise price EUR per share
<b>Stock options</b>					
Árni Oddur Þórðarson, Chief Executive Officer	2016	360	1.826	360	1.860
	2017	600	2.681	600	2.737
	2018	650	2.825	650	2.881
	2019	650	3.194		
Executive Management	2014	1,170	0.861	1,305	0.896
	2015	1,040	1.407	1,280	1.434
	2016	972	1.826	1,260	1.860
	2017	1,900	2.681	2,200	2.737
	2018	2,500	2.825	2,750	2.881
	2019	2,850	3.194		
	2019	250	3.700		

\*) Number of shares \* 1,000.

### 30 Subsequent events

On 5 February 2020 a new syndicated loan facility has been signed. For further details refer to note 23. No other significant events have taken place since the reporting date, 31 December 2019.

## 31 Subsidiaries

The following lists presents the material subsidiaries as per 31 December 2019 representing greater than 1% of either the consolidated Group revenues or total asset value.

All of the entities are fully consolidated in Group financial statements. Companies are listed in alphabetical order of the country of incorporation:

	Country of Incorporation	Ownership Interest
Marel Australia Pty. Ltd.	Australia	100%
Marel Brasil Commercial e Industrial Ltda	Brazil	100%
Sulmaq Industrial e Comercial S.A.	Brazil	100%
Marel A/S	Denmark	100%
Butina A/S	Denmark	100%
Marel Salmon A/S	Denmark	100%
Marel France S.A.R.L .	France	100%
MAJA-Maschinenfabrik Hermann Schill GmbH	Germany	100%
Marel Iceland ehf.	Iceland	100%
Marel Holding B.V.	Netherlands	100%
Marel Meat B.V.	Netherlands	100%
Marel Poultry B.V.	Netherlands	100%
Marel Further Processing B.V.	Netherlands	100%
Marel Water Treatment B.V.	Netherlands	100%
Marel Red Meat Slaughtering B.V.	Netherlands	100%
Marel Meat Service B.V.	Netherlands	100%
Marel Food Logistics Systems B.V.	Netherlands	100%
Marel Norge AS	Norway	100%
Marel Food Systems LLC	Russia	100%
Marel Slovakia s.r.o.	Slovakia	100%
Marel Ltd.	UK	100%
Marel GB Ltd.	UK	100%
Marel Inc.	USA	100%
Marel USA Holding, Inc.	USA	100%
Marel Seattle Inc.	USA	100%

## 32 Quarterly results (unaudited)

	2019	2019	2019	2019	
	Q1	Q2	Q3	Q4	Total
Revenue	324.6	326.5	312.5	320.1	1,283.7
Cost of sales	(199.2)	(196.3)	(193.0)	(204.1)	(792.6)
<b>Gross profit</b>	<b>125.4</b>	<b>130.2</b>	<b>119.5</b>	<b>116.0</b>	<b>491.1</b>
Selling and marketing expenses	(39.0)	(41.3)	(37.2)	(41.7)	(159.2)
Research and development expenses	(21.4)	(21.4)	(20.5)	(22.6)	(85.9)
General and administrative expenses	(20.1)	(20.6)	(20.2)	(22.5)	(83.4)
<b>Result from operations (EBIT)</b>	<b>44.9</b>	<b>46.9</b>	<b>41.6</b>	<b>29.2</b>	<b>162.6</b>
Net finance costs	(3.8)	(2.5)	(2.0)	(12.4)	(20.7)
Share of result of associates	-	0.0	(0.0)	(0.1)	(0.1)
<b>Result before income tax</b>	<b>41.1</b>	<b>44.4</b>	<b>39.6</b>	<b>16.7</b>	<b>141.8</b>
Income tax	(8.9)	(10.1)	(6.2)	(6.5)	(31.7)
<b>Net result for the period</b>	<b>32.2</b>	<b>34.3</b>	<b>33.4</b>	<b>10.2</b>	<b>110.1</b>
<b>Result before depreciation &amp; amortization (EBITDA)</b>	<b>59.1</b>	<b>61.1</b>	<b>56.4</b>	<b>43.7</b>	<b>220.3</b>
	2018	2018	2018	2018	
	Q1	Q2	Q3	Q4	Total
Revenue	288.4	296.7	282.0	330.8	1,197.9
Cost of sales	(176.9)	(181.7)	(171.3)	(205.2)	(735.1)
<b>Gross profit</b>	<b>111.5</b>	<b>115.0</b>	<b>110.7</b>	<b>125.6</b>	<b>462.8</b>
Selling and marketing expenses	(34.2)	(35.0)	(33.6)	(37.2)	(140.0)
Research and development expenses	(18.1)	(17.4)	(19.1)	(22.1)	(76.7)
General and administrative expenses	(17.7)	(21.7)	(20.4)	(25.4)	(85.2)
<b>Result from operations (EBIT)</b>	<b>41.5</b>	<b>40.9</b>	<b>37.6</b>	<b>40.9</b>	<b>160.9</b>
Net finance costs	(6.0)	(3.1)	(2.9)	(2.9)	(14.9)
<b>Result before income tax</b>	<b>35.5</b>	<b>37.8</b>	<b>34.7</b>	<b>38.0</b>	<b>146.0</b>
Income tax	(7.2)	(8.3)	(8.0)	(0.0)	(23.5)
<b>Net result for the period</b>	<b>28.3</b>	<b>29.5</b>	<b>26.7</b>	<b>38.0</b>	<b>122.5</b>
<b>Result before depreciation &amp; amortization (EBITDA)</b>	<b>55.3</b>	<b>53.9</b>	<b>50.0</b>	<b>56.3</b>	<b>215.5</b>

The below tables provides an overview of the quarterly adjusted result from operations, which

management believes to be a relevant Non-IFRS measurement, as mentioned in note 6.

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Total
Revenue	324.6	326.5	312.5	320.1	1,283.7
Cost of sales	(199.2)	(196.3)	(193.0)	(204.1)	(792.6)
<b>Gross profit</b>	<b>125.4</b>	<b>130.2</b>	<b>119.5</b>	<b>116.0</b>	<b>491.1</b>
Selling and marketing expenses	(37.3)	(39.7)	(35.5)	(40.1)	(152.6)
Research and development expenses	(20.6)	(20.4)	(19.6)	(21.5)	(82.1)
General and administrative expenses	(20.0)	(20.5)	(20.1)	(22.4)	(83.0)
<b>Adjusted result from operations*)</b>	<b>47.5</b>	<b>49.6</b>	<b>44.3</b>	<b>32.0</b>	<b>173.4</b>
PPA related costs	(2.6)	(2.7)	(2.7)	(2.8)	(10.8)
<b>Result from operations (EBIT)</b>	<b>44.9</b>	<b>46.9</b>	<b>41.6</b>	<b>29.2</b>	<b>162.6</b>
	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
<b>Gross profit</b>	<b>111.5</b>	<b>115.0</b>	<b>110.7</b>	<b>130.3</b>	<b>467.5</b>
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)
<b>Adjusted result from operations*)</b>	<b>43.8</b>	<b>43.2</b>	<b>40.0</b>	<b>48.2</b>	<b>175.2</b>
PPA related costs	(2.3)	(2.3)	(2.4)	(7.3)	(14.3)
<b>Result from operations (EBIT)</b>	<b>41.5</b>	<b>40.9</b>	<b>37.6</b>	<b>40.9</b>	<b>160.9</b>

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

### 33 Definitions and abbreviations

**BBA**

British Bankers Association

**BPS**

Basis points

**CGU**

Cash Generating Units

**Current ratio**

Current assets / current liabilities

**Debt to adjusted capital ratio**

Net interest bearing debt / adjusted capital (total equity – hedge reserve)

**EBIT**

Earnings before interest and tax

**EBITDA**

Earnings before interest, tax, depreciation and amortization

**ECL**

Expected credit loss

**EPS**

Earnings per share

**EURIBOR**

Euro interbank offered rates

**FTE**

Full-time equivalent

**FVOCI**

Fair value through other comprehensive income

**FVTPL**

Fair value through profit or loss

**FX**

Foreign exchange

**GAAP**

Generally accepted accounting principles

**IAS**

International Accounting Standard

**IFRIC**

International Financial Reporting Interpretation Committee

**IFRS**

International Financial Reporting Standards

**KPI**

Key performance indicator

**LIBOR**

London Interbank Offered Rate

**Leverage adjusted result**

Net interest bearing debt / EBITDA

**NCI**

Non-controlling interest

**OCI**

Other comprehensive income

**POC**

Percentage of completion

**PPA**

Purchase Price Allocation

**Quick ratio**

(Current assets – Inventories) / Current liabilities

**Return on equity**

Result for the period / average of total equity.  
Average of total equity: (beginning balance + ending balance for the period) / 2

**SIC**

Standard interpretation committee

**VPL**

Wet aanpassing fiscale behandeling VUT-prepensioen en introductie levensloopregeling (Law relating to adjustments of fiscal treatment of (pre)pension and the introduction of a life plan scheme)

**WACC**

Weighted average cost of capital