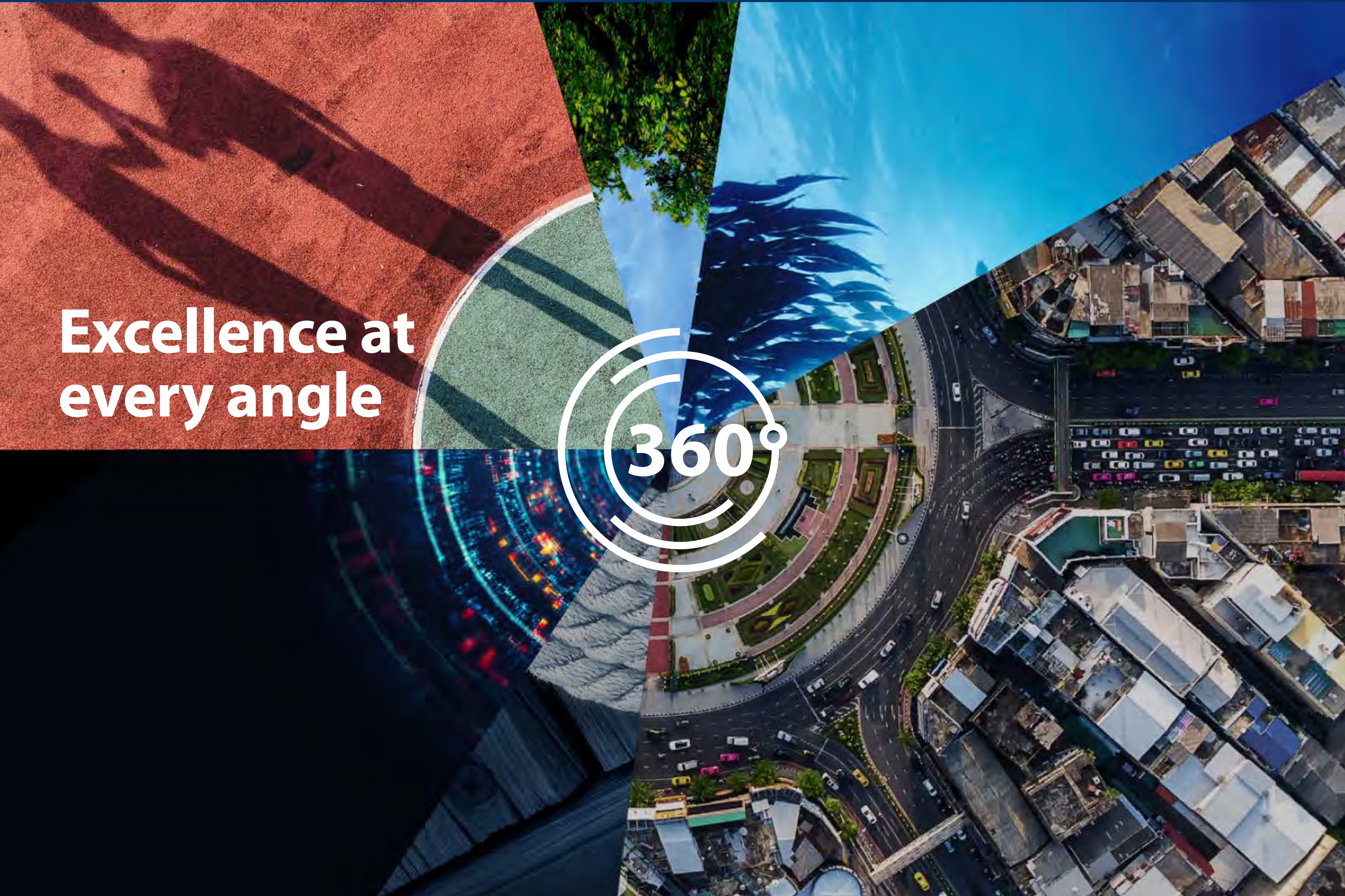
Excellence at every angle



Contents

1 To our stakeholders

Circling success

Despite a challenging year, 2021 was a great success, characterized by continued innovation, organic growth, and acquisitions. Via our pioneering new solutions, we continued transforming food processing. We received record orders, and our order book grew healthier as our customers increasingly automated and digitalized their operations to optimize for more efficient and sustainable processing.

360°

Chairman and CEO statement

Arnar Thor Masson
Chairman of the Board

Arni Oddur Thordarson
Chief Executive Officer

In 2021, Marel further intensified its progress towards its mid-term and long-term targets. We launched new breakthrough innovations, invested in our global reach and manufacturing facilities, and completed bolt-on acquisitions.

Market conditions were challenging due to geopolitical uncertainty and the ongoing COVID-19 pandemic, especially in the end of the year with the emergence of the Omicron variant. The safety and wellbeing of our employees has been and continues to be our top priority. Together with our suppliers, customers and partners, we have overcome every obstacle to ensure access for consumers around the world to quality food that is safe and affordable.

The pandemic has made a seismic and permanent mark on our value chain. A systemic change is accelerating focused on automation, robotics technology and digital solutions that support sustainable food processing.

In pole position

Marel is in pole position to support this ongoing transformation. We are witnessing strong demand for Marel solutions, software and services. Three key forces are driving this demand. Firstly, the need for automation is increasing due to labor scarcity, wage inflation and employee turnover at levels not seen before. Secondly, there is a dynamic shift in consumer behavior and the request for agility to match consumer demand across the various market channels such as e-commerce, food service or traditional supermarkets. Thirdly, there is an increased focus from consumers and regulators on sustainability in food production. Against a backdrop of soaring commodity prices and increasing appetite to minimize food waste across the value chain, the demand for solutions that reuse energy and water and digital products that support green reporting and financing is on the rise, themes that have long been at the core of Marel's business philosophy.

Increased geopolitical tensions, especially in Europe in the early months of 2022 will cause uncertainty. Marel has a clear position on the invasion of Ukraine which can be found **here**. Marel has a balanced exposure to global economies and local markets through its global reach, innovative product portfolio and diversified business mix. Indeed, our business model has proved to be resilient during times of turbulence. Our global reach and years of investment in innovation and digital solutions have proved to be key differentiating factors for Marel. These will enable us to push forward and help us navigate geopolitical tensions in the long run. That path is of course one of discovery to some extent, with inherent challenges and learnings, but one that team Marel will manage with its characteristic determination.

A panorama of growth

In partnership with our customers, we are transforming the way food is processed. Our vision is of a world where quality food is produced sustainably and affordably. For the period 2017-2026, Marel has set a target of 12% average annual increase in revenues, both from acquisitions and organic growth. We are committed to achieve gross profit of 40%, sales and administration costs (SG&A) of 18% by year-end 2023, maintaining the innovation promise at

Marel has ambitious growth plans

the 6% strategic level for R&D as a percentage of sales, and thereby delivering an adjusted EBIT margin of 16%. Our aim is that basic earnings per share (EPS) will grow faster than revenues and that in 2026 about 50% of our revenues will come from service, spare parts and software.

Marel's growth plan involves capitalizing on strong innovation investment, global reach, and digital solutions to drive expansion and market penetration, as well as strategic partnerships and acquisitions. Our business model supports our vision and ambitious growth targets. Marel is the only pure play provider of full-line solutions, software and services to the poultry, meat and fish industries. We are also exploring new growth avenues in adjacent industries such as vegetables, alternatives and pet-food. This is in line with how we've gradually expanded our playing field in the past.

There is work to do. Compounded annual growth rate (CAGR) 2017-2021 was 7.0%. Due to a catch up effect from the past five years and helped by strong tailwinds in the market, accelerated by the pandemic, our research suggests that market growth in the medium term (2021-2026) will be at a level of 6-8%, compared to 4-6% in the longer term.

We remain highly committed to our targets in the mid-term and long-term and have enabled management to align execution with strategy with a clear emphasis on the customer, best in class products and technology and a focus on our people and culture. Long term we see the need for Marel's innovative solutions, software and services to continue to rise and are confident that we will succeed in forging partnerships with new customers while maintaining our relationship with our current customer base assisting them all on their journey to become more efficient, digitalized, and sustainable.

Orders up by 22% in 2021, fueled by pioneering solutions and global reach

Our financial results were mixed with orders coming in at record levels, an increase in revenues but softer operational performance.

For four sequential quarters, we have delivered orders received at new higher levels compared to 2020, or a 22% increase over the year. The demand for highly automated and digital solutions has never been clearer. The momentum was especially strong in the poultry and salmon industries in 2021, where robotics, cutting and sensor technologies were increasingly sold alongside our overarching digital solutions. The product mix is good with a clear step up in sales of standard consumer-ready solutions, and continued momentum in aftermarket services and spares. The order book is healthy, the pipeline continues to build up across all industries in various geographies, and we remain positive on the outlook.

Recent acquisitions are driving organic growth through cross- and upselling, transfer of technology, and accelerating the innovation roadmap. The strategic moves in 2021 were important ones. Marel and PMJ together provided the first full-line solution in the developing and modernizing duck market and the pipeline is growing. Looking at the fish segment, the focus is on a full integration and the creation of a strong platform by combining Marel, Curio and Valka. The acquisition of TREIF in 2020 was of course also an important one and has resulted in more project wins as we realize the many synergies from the combined customer base and complementary product portfolio.

Chairman and CEO statement

Innovation at every turn

It was another successful year for innovation, where 27 new highly **innovative products** and upgrades were introduced to the market in 2021 and critical steps were taken in core developments, the digitalization of new products and in the installed base.

In strategic partnership, Marel and TOMRA, are developing a true game-changer in foreign material detection, the **Marel Spectra**. This revolutionary solution will meet Marel's customers' challenges head on to deliver contamination free, safe and sustainable food.

Profitability to circle back

Revenues were up 10% over the year, around half from organic growth and half from acquisitions. We are targeting a step up in revenues on the back of a strong order book and promising pipeline. The aftermarket, comprising of services and spare parts, represented 40% of total revenues. Spare parts were at record levels in the second half of the year, reinforcing our ambitions to strengthen the spare parts delivery model and shortening lead times.

Operational profit was 11.3% however, compared to a historical level of 14-15%, and was colored by two key factors. The first is external, where cost pressures related to logistics and mobility challenges were at a greater magnitude than before. Ensuring timely delivery and installation also lead to higher costs in manufacturing, aftermarket and transportation, impacting gross profit. Secondly, we strategically moved forward in the middle of the pandemic and stepped-up sales and service coverage around the globe ahead of the foreseen growth curve. This resulted in higher sales and marketing costs as a percentage of revenues in 2021, but the fruits of our efforts can be seen in the significant rise in orders, a healthy order book and a promising pipeline. However, measured as percentage of revenues, cost levels are above historical and targeted levels. To partly offset higher supply chain costs, we raised prices of 4-6% on average for new orders in the third quarter, in addition to the annual increase at the beginning of the year, and will continue to actively monitor and adapt our pricing structure in line with rising costs. We have moved to more dynamic pricing to minimize the time lag in cost to income, which led to further upward price adjustments in the beginning of January and March of 2022. We have also used our strong balance sheet to mitigate supply chain challenges with strategic inventory buildup and safety stock. Our engineering power has also proved very valuable as we innovate around the semiconductor supply shortages.

Based on the strong orders received and favorable industry and product mix, we are targeting a step-up in volume and are targeting higher operational profits in the second half of 2022.

We remain firmly committed to our mid-term targets for year-end 2023 of 16% EBIT. The main drivers to reach our targets are increased volume, better mix, more dynamic pricing and streamlining of the customer journey focusing on automating and synergizing the back end.

Excellence at every angle

We continue to leverage our strong cash flow model and focus on operational excellence to enable us to produce strong returns above our cost of capital while investing back in our company, our capabilities and strategic growth. That's how we drive continuous improvement, gradually expand our business model, and find simpler, smarter and faster ways to service our customers.

We expect the momentum for orders received to continue

Both operational and free cash flow, were robust in 2021, enabling continued significant investments in innovation, market coverage, infrastructure and strategic inventory buildup. We also continued to introduce revolutionary solutions that will further transform the food processing industry, and the innovation performance and cost are close to the 6% strategic level.

Several transformational initiatives were also kicked off in 2021; especially worth noting is our investments in order fulfillment and distribution systems for spare parts to secure quicker response and delivery times around the globe.

We have also announced a significant step up in CAPEX to an average of 4-5% of revenues for the next 4 years. We expect the momentum for orders received to continue and higher revenues will provide better cost coverage, moving sales and administration costs towards the targeted 18% level by year-end 2023, from the current level of 19% in 2021.

Based on our strong financials and organizational readiness, we will intensify the focus on acquisitions and strategic growth, especially in the retail and food service segments.

Circling success

In Marel's strategy, global reach, digitalisation and sustainability are interlinked. Marel's software and advanced solutions will enable Marel to transform the way food is processed for the benefit of our customers, consumers, and the environment.

Digital solutions will help Marel evolve and grow with more proactive and predictive services to help our customers on their sustainability journeys towards decarbonization. Our global reach and digital platforms are true differentiating factors and key competitive strengths in how we win in today's environment.

Global reach

Marel's strong **global reach** is greater than its local presence worldwide. It relies as much on what we offer – value-enhancing solutions, local knowledge, installation, and service expertise – as it does on who we are – persistent innovators, reliable partners, dependable service technicians, to name just a few.

Global reach is the fabric from which we weave deep, long-term customer relationships. We've already structured the organization for global reach with strong regions and a solid local presence designed to serve our global customers in the fish, meat and poultry processing industries, as well as a growing number in alternative proteins. Local staff of 40 nationalities, based in 30 countries, speak a myriad of languages with customers in more than 140 countries: the largest installed base in our industry. Our local teams make it possible to work closely with our customers and to understand local markets and trends, which has, moreover, proven essential during the Covid pandemic. This gives us the agility to navigate the waves when any fluctuations in the market occur or unexpected events threaten to disrupt the food value chain.

To build local knowledge, for example, Marel needs to get to know the customers, the local market and even end consumers – the customers' customers. Conversations at our six demo centres worldwide tend to be starting points for new innovations, collaborations, and partnerships. Innovation through partnership is not just a catchphrase at Marel – building these relationships is vital to Marel fulfilling its mission to transform the way food is processed.

The global nature of today's food value chain means that significant advances and new technologies in food production need to be global to effect lasting change. With global teams innovating and developing our technology, and a global supply

chain with 15 manufacturing sites across the continents, we can support customers and scale up quickly when required.

Digital journey

Marel's **software** and advanced solutions will enable us to transform the way food is processed for the benefit of our customers, consumers, and the environment.

In 2021 we focused on our digital product offering and gave shareholders insights into where we are heading on that journey in one of our 360° mini-series of **Capital Market Day** events.

Digital transformation and digital products are key for Marel to succeed and reach its ambitious goals for 2026. Our cutting-edge software already has the largest installed base in the food processing industry. On top of this, Marel continues to introduce new digital products, which will result in a self-standing software revenue stream and will be reflected in revenues from 2024 onwards. Digitalization is also the foundation for predictive maintenance, which will lead to a stickier customer base and underscore Marel's position as a trusted maintenance partner.

Marel's digital vision is to be the digital partner of choice for the food processing industry and to enable customers to sustainably maximize value creation by providing the digital products and platform for interconnectivity and optimization. Digital solutions that are easy to install, update and service give customers the agility to scale up their infrastructure as their needs evolve. It also enables them to respond to increasing complexity in consumer-ready products and quickly shift between market channels. Ultimately, Marel's standardized digital offerings underpin a business model that rests on higher customer engagement, greater recurring revenues, and a larger share of wallet.

Digital is also a big part of making Marel leaner and smarter as a company. Marel has accelerated plans to increase remote support using augmented reality, online demos, and online training due to the pandemic. Marel is currently deploying new digital services in areas such as predictive maintenance, remote support, and performance management. A key focus going forward is on automating and digitizing our manufacturing, warehouse, and distribution channels.

Sustainable impact through innovation

We intend to champion our role as an enabler for **sustainability** and drive meaningful progress for the whole value chain. Marel has all the ingredients to support the transition to a low-carbon sustainable economy. We will capitalize on our significant innovation investment and commit the considerable ingenuity and passion of our team to transform food processing, sustainably. Success in this field will define the winners.

By continuously focusing on creating new methods to improve yield and minimize waste, Marel is a key partner with its customers on their decarbonization path to net zero and more sustainable food production. We help customers reduce the use of scarce resources such as energy and water while promoting food quality and safety, traceability, and animal wellbeing. This is becoming especially important as the price of raw materials continues to rise. Additionally, using our digital solutions, customers can collect data through multiple channels to drive their ESG transparency and green financing.

Committed to becoming net zero by 2040

We have set our own target of becoming net zero by 2040. At the end of 2021 Marel published an ambitious sustainability program with environmental, social and governance targets in line with the Paris Agreement. In addition, new regulations and standards related to ESG and sustainability are developing rapidly and Marel, being an international company, must stay on top of those. Many of these regulations and standards will end up being the backbone of the company's licence to operate. Marel is amongst other things already implementing TCFD and setting science-based targets.

Unity all around

Attracting and retaining top talent is a critical part of how we deliver for our customers and shareholders.

We have made sure to support our teammates' physical and mental wellbeing during the pandemic, at work and at home. This included a new flexible working policy, as well as other related benefits and resources. Team Marel has shown extraordinary resilience during this very challenging period, and we would like to thank them for their dedication in everything that they do, supporting each other, supporting our customers, and contributing to our progress in 2021. In times such as these, we must band together regardless of nationality, culture, and beliefs and maintain respect for each other as individuals. Our diversity makes us stronger and underlines our value of Unity.

Diversity matters

We must ensure that Marel has a diverse and truly inclusive culture. With this in mind, we have set targets for achieving a better-balanced gender representation across managerial levels and included targets to that effect in our sustainability program.

We understand the value of reflecting the markets and communities we serve across all dimensions – whether that is servicing our customers in their local languages, listening to the needs of our end consumers, moving towards fully local management teams in the regions or hiring and developing more diverse talent in technical roles. Marel employees, prospective employees, contractors, consultants, suppliers, and customers must be treated equally and should not be discriminated against on the grounds of age, race or ethnicity, nationality, or on any other aspect.

We want to lead by example and have already taken steps towards this with a well gender-balanced board and executive team. We are also committed to ensuring the right diversity and set of competences at all managerial levels to meet future challenges. We hope to be part of moving our industry towards more diversity and more inclusivity going forward, and feel very proud that both our **Board** and **Executive team** are in the optimal gender balance within the 40-60% ratio.

360° of thanks

Marel is well positioned to deliver growth globally, digitally and sustainably. Our success is defined by the success of our customers, the passion of our employees and the impact we can have through innovation on the planet's precious resources. Everyone can make a difference and we are proud of our contributions, to our customers and our people, as well as the positive impact we can have on our environment and society. Our success is for the benefit of our shareholders, and all those we serve, in 2021 and beyond. Many thanks for your continued support for Marel.

2 Marel in brief

Unity all around

We are a dedicated team of more than 7,000 people in different corners of the world. We each have a unique role, skill-set, and body of experience, and together we speak a multitude of languages.

Who we are

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

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

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

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

Global team defined by three core values

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

Unity
Every person counts

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

Excellence
Every day counts

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

Innovation
Every idea counts

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

Three key industries

Poultry

Meat

Fish

Who we are

Marel is a leading global provider of advanced processing equipment, systems, software, and services to the poultry, meat, and fish industries. Established in 1983, we have more than 7,000 employees and a presence in more than 30 countries across six continents. In 2021, we delivered EUR 1.4 billion in revenues, with 40% coming from aftermarket services.

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

Focus on three key industries

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

Marel's presence across geographies and multiple protein segments reduces cyclicality and reduces exposure to market demand fluctuations. Similarly, no customer contributes to more than 5% of annual revenues, thus we have reduced our reliance on any single customer.

Poultry

Marel offers the most comprehensive product range of poultry processing solutions in the industry and has the largest installed base worldwide. We provide in-line poultry processing solutions for all process steps and processing capacities. With the acquisition of Dutch duck processing solutions provider Poultry Machinery Joosten (PMJ) in 2021, the growing duck market will become a third pillar within poultry processing alongside broilers and turkey. This will allow Marel to leverage its global sales and service network and expand into new markets.

Meat

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

Fish

Marel is the leading global supplier of advanced standalone equipment and integrated systems to the fish industry. We provide innovative equipment, systems, and software for processing whitefish and salmon, both farmed and wild, onboard and ashore. With the acquisition of Curio, Valka, and Stranda Prolog in 2021, we will accelerate our innovation roadmap and strengthening Marel's full-line offering and scale to serve customers' needs better.

Focus on three UN Sustainable Development Goals

2 Zero hunger

9 Industry, innovations and infrastructure

12 Responsible consumption and production

Innovation

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

Annually, we invest approximately 6% of revenues in research and development, which translated to EUR 81 million in 2021. This is essential to the creation of transformative solutions for the food processing industry and securing our competitive advantage, which in turn deliver organic growth to the company.

Bringing 27 new solutions and upgrades to the market in 2021 alone, it's safe to say that innovation is in our DNA. With each stride we take, we create a more seamless operating flow with equipment and digital solutions that boost production capacity and efficiency.

Sustainability

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

We take great pride in embedding sustainability in everything we do. Since 2017, sustainability has been integrated into our requirements for all new product development, meaning that all of our solutions are designed to maximize yield and minimize the use of resources such as energy and water. This creates long-term value for our customers while simultaneously aligning their operations with environmental principles.

Being a responsible corporate citizen is a top priority for Marel. We're a pioneer in our industry, having committed to the UN Sustainable Development Goals (SDGs) and Global Compact's call to the private sector for corporate responsibility, transparency, and working toward becoming a part of the solution. In addition, we've incorporated environmental, social, and governance (ESG) criteria into the short-term incentive plans for management remuneration, started our climate-related disclosure (TCFD) journey, implemented a robust governance structure around sustainability related issues, committed to the Science-Based Targets initiative (SBTi) to meet the goals of the Paris Agreement, and set a defined path to becoming net zero by 2040.

To support its long-term commitment, Marel has launched a five-year sustainability program aimed at steering both Marel and the industry onto a more sustainable path, through ambitious environmental, social, and governance targets.

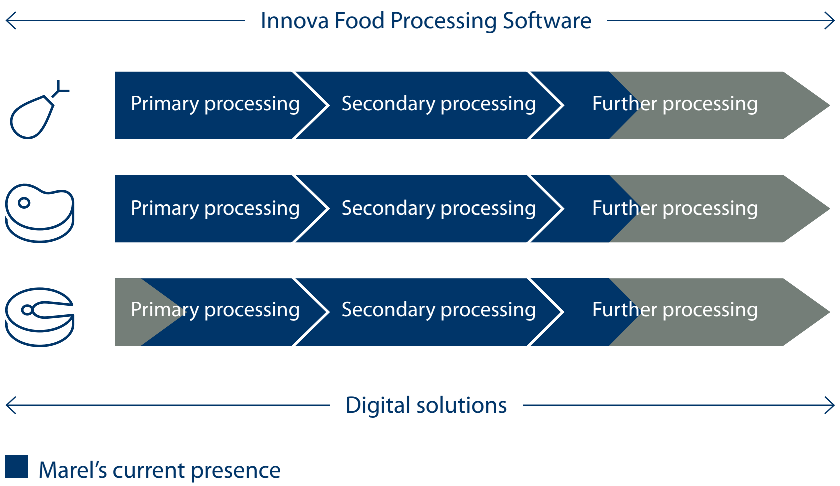
Business model

Marel is a pure-play supplier of advanced and high-end processing equipment, full-line solutions, software, and services focused on the poultry, meat, and fish industries. Our business model is robust, supporting a healthy business and geographical mix throughout the industries.

Balanced and resilient business model

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

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



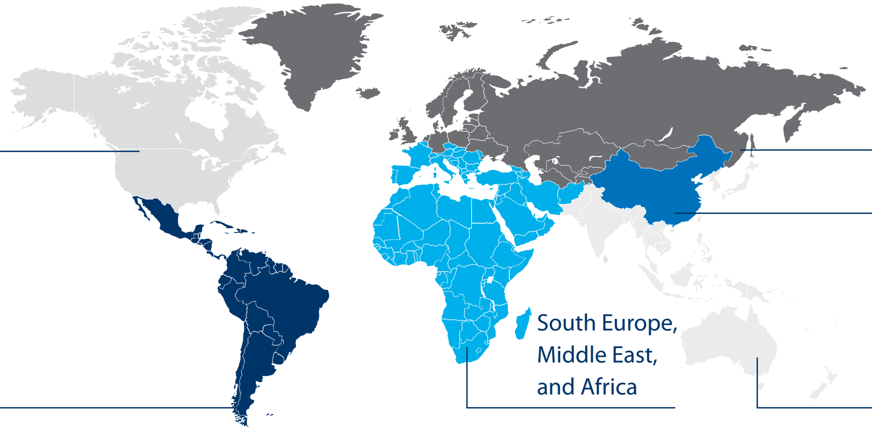
Line solutions provider ...
- One-stop shop for the customer
- Seamless integration and more efficiency
- Strong competitive advantage

... across poultry, meat, and fish ...
- More resilient business model
- Technology transfer across industries
- Better utilization of resources

... with standard and modular offering ...
- Scalable: less engineering and easier to manufacture
- Improved service
- Better customer experience

... and market-leading proprietary software
- Traceability and sustainability
- Linking equipment to function as single entity
- Real-time actionable insights to improve operations

Global reach, local presence



Full-line provider

Marel is a one-stop shop for food processors, with a broad full-line offering of food processing equipment and software across the value chain. Our business model centered on being a full-line supplier enhances our ability to improve automation, throughput, yield, traceability, and sustainability for our customers.

Serving the poultry, meat, and fish industries

Marel's presence across geographies and in multiple protein industries optimally positions us to transfer technical knowhow, solutions, and expertise across industries—and geographies. We build upon technological advances we have made in one industry by implementing them in another. Additionally, this balance across industries reduces reliance on single industries and markets.

Standard and modular building blocks

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

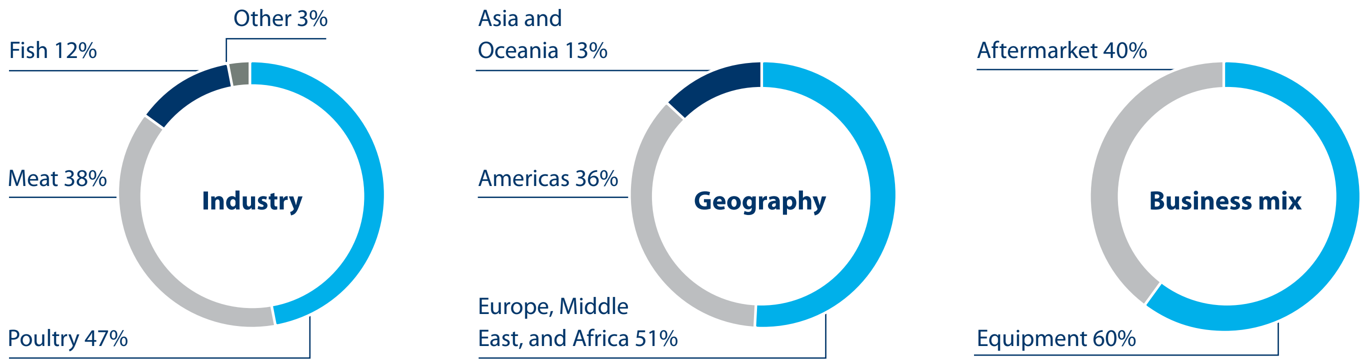
Market-leading proprietary software

From the very beginning of Marel, we have software-enabled our equipment to serve our ambition of increasing yield, throughput, safety, and sustainability. Our proprietary software, Innova Food Production Software, provides installations worldwide with comprehensive device control and efficient factory and process management. Additionally, our software and data-driven insights enable us to provide predictive maintenance, better instant and remote services, and many more future customer application use-cases.

Global reach, local presence

We serve companies ranging from the largest international food processing leaders to local niche producers in more than 140 countries, through a dedicated global team of more than 7,000 employees in more than 30 countries. In 2019, we started a program to strengthen our local presence around the globe, defined by six key regions. This global reach has proven to be instrumental to our resilience and ability to engage with, service, and support our customers during the pandemic.

Revenues by...



Three key industries

We focus our efforts on three main industries: poultry, meat, and fish. We provide software, machinery, systems, and solutions that help food processors in these industries gain a competitive advantage and make the most of cutting-edge technology such as digitalization, automation, and robotics.

Mixed revenue streams drive resilience and synergies

Marel's presence across geographies and multiple protein segments reduces cyclicality and exposure to market demand fluctuations. Similarly, no customer contributes to more than 5% of annual revenues, annual revenues our reliance on any single customer.

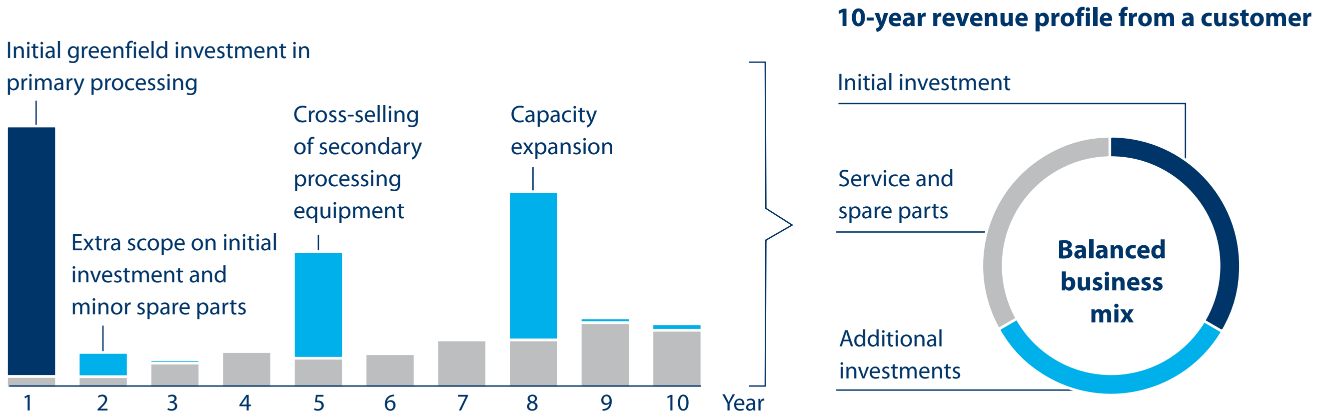
Innovating with our customers

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

In unity with our customers, we push the boundaries of new food processing equipment, digital solutions, and services. From idea to prototype, we're proud to work with pioneering food processors who are willing to test and co-create new equipment and new ideas inside their own plants and at Marel's demo centers.

Our approach is to build and maintain long-term relationships with our customers, with the objective of becoming a service and maintenance partner after initial engagement. This way, we can increase the value contribution throughout the life cycle of our solutions and services—creating value for our customers and our company.

A long-term customer relationship



A life cycle partner

We support our customers in various projects and solution types, be it turnkey projects (both brownfield and greenfield), line solutions, digital solutions and services, modernizations, standard equipment, services, or spare parts.

Within each engagement, we strive to supply standard equipment, modular building blocks, and digital solutions to optimize efficiency for our customers and for Marel. The figure above is illustrative for the types of revenues generated throughout a 10-year customer engagement with a greenfield plant lens applied.

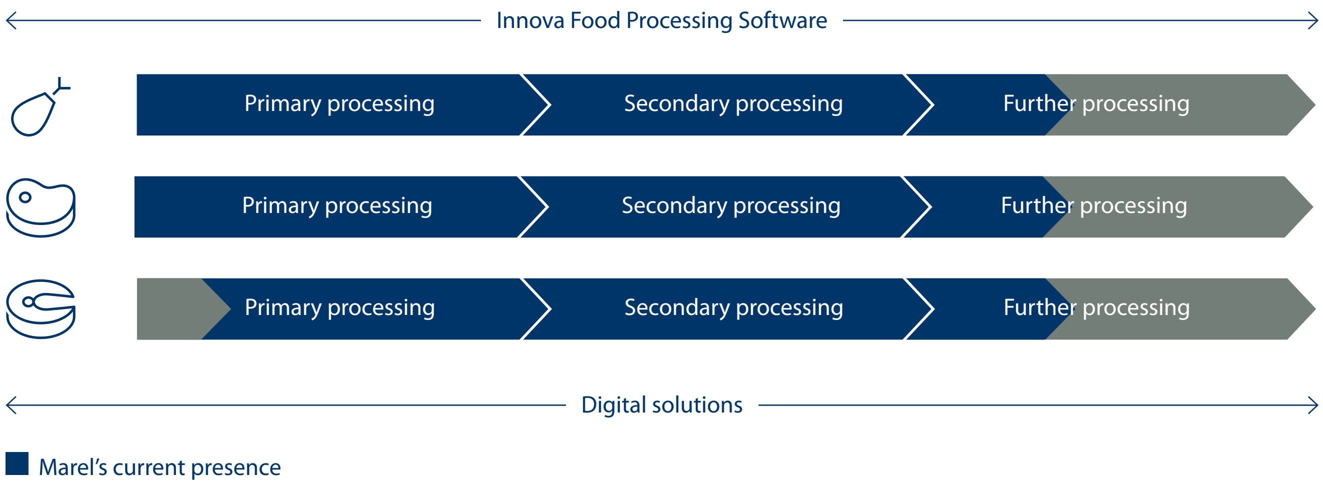
- **The customer invests in initial equipment and services.**
- **The customer uses our digital solutions as a service to constantly optimize performance.**
- **Additional investments, which usually include capacity extensions or added processing capabilities, take place throughout the relationship.**
- **Aftermarket revenues from spare parts and service begin around year three.**

Strategy

In line with our commitment to an ambitious growth strategy, we further strengthened our line offering in the poultry, meat, and fish industries in 2021. We have increased our focus on digital solutions to support our goal of becoming a digital partner of choice for the food processing industry. By providing the digital products and platform for inter-connectivity and optimization, we help our customers to sustainably maximize value creation.

Our strategic objective

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



Three key strategic pillars to drive growth

Investing for growth

Marel is fully committed to meeting its target of 12% average annual increase in revenues through a balanced mix of organic and acquired growth. We seek to stimulate and drive future organic growth through continued investment in innovation and acquisitions, coupled with strategic partnerships and digitalization.

To further support organic growth, we have increased our focus on investments in infrastructure and capital expenditures (CAPEX). Cash capital expenditures excluding R&D investments are expected to increase on average to 4-5% of revenues over the next four years, thereafter, returning to more normalized levels. These complementary investments strengthen our product portfolio and bring us closer to our goal of becoming the full-line provider of choice across poultry, meat, and fish.

Organic growth

The market for food processing solutions, software and services for the three key proteins, poultry, meat, and fish, is expected to grow by 4-6% in the long-term. We believe the market growth will be at a level of 6-8% in the medium-term (2021-2026) due to catch-up effect from the past five years and a very strong tailwind in the market today accelerated by the pandemic.

With Marel's portfolio of solutions and services, we are uniquely positioned to curb and support the global macro-trends driving the demands from our customers—and their customers. The growth drivers in Marel's addressable market include continued focus on automation to combat labor shortages and increased costs, demand for flexibility to match changing consumer preferences with different products, and increased focus on sustainability where food safety, traceability, and the efficient use of resources are becoming key priorities. Marel's three strategic growth pillars: customer focus, best-in-class products and technology, and people and culture, address these drivers.

Customer focus

Customer focus is becoming increasingly important as consumers and customers become more demanding and require more agility. To address the growing demands for consumer-ready products, we have established a new business unit: Retail and Food Service Solutions. With customer focus in mind, Marel aims to be a reliable maintenance partner operating in the same time zone, culture, and language as our customers. We are furthermore focused on improved sales and service coverage as well as an effortless customer journey and best-in-class infrastructure to drive customer engagement.

Best-in-class products and technology

As drivers of growth, best-in-class products and technology go in line with Marel's strategy of being the leader in best-in-class high-quality equipment, lines, and digital solutions. These goals are achieved through investment in innovation and offering standard and modular building blocks with overarching software and a strong service model. Marel further aims to maintain close partnerships with customers, addressing opportunities with product development and strategic partnerships.

People and culture

People and culture are the core of Marel as great talent drives our success. As this talent is in high demand, attraction and retention of employees is key. Marel's clear and compelling vision and purpose are significant factors as they resonate with both current and future employees. We are also taking systematic steps toward identification and development of future leaders for strategic roles across the business at the same time as we are developing high-performing teams by focusing on diversity, inclusion, and development opportunities.

Strategic partnerships

Strategic partnerships allow us to close application gaps in the value chain, increase our competitive advantage, and accelerate new development and speed to market. To ensure value creation through partnerships, we work with technical leaders, setting clear objectives for exchange of value that are beneficial for both parties. A great example of this is the strategic partnership with TOMRA and the development of Marel Spectra, a true game-changer in foreign material detection. This revolutionary solution will meet our customers' challenges head-on to deliver contamination-free, safe, and sustainable food.

As we increase focus and investment in digitalization, we form strategic partnerships with software companies that deliver groundbreaking solutions. This will accelerate our digital journey and deliver value to our customers. Our recent partnership with SafetyChain Software will provide customers with the industry's first fully integrated food safety and quality assurance solution for protein manufacturing that includes software for food safety, quality management, and supplier management. Together, SafetyChain and our Innova Food Processing Software will provide the best-in-class solution, with everything our customers need for full production control.

Acquired growth

Acquisitions enhance our key strategic pillars and drive organic growth. Through acquisitions we can obtain better market reach and customer engagement and thus improve customer focus. Furthermore, as we strengthen our line offering and high-quality products, the transfer of technology and expertise across the key protein industries benefits product development across all three. Finally, with a shared vision and strategy we can enrich our people and culture.

We are committed to achieving our targeted average annual revenue growth of 5-7% through acquisitions in the period 2017-2026. Acquired growth is not expected to be linear but rather based on opportunities and economic fluctuations. To capture the full value of acquired companies, we've continued to professionalize our integration capabilities to tap into the strength of the combined entity.

Proven track record in acquired growth

Marel has deployed over EUR 620 million in high-quality acquisitions since 2016 to supplement our full-line offering in poultry, meat, and fish and accelerate market penetration. Considerable investments in global reach and digital solutions, complemented by a proven track record in acquisitions and integration, strengthen Marel's position as an attractive partner in the ongoing consolidation wave within our industry.

Our local presence on every continent has been a differentiating factor as globalization increases and consumer trends change. This has been especially true in times of intensifying geopolitics and trade constraints, and even more so considering the challenges arising from travel restrictions and social distancing due to the pandemic.

With a low leverage ratio and committed liquidity, Marel has the financial strength to continue to support strategic actions in the ongoing consolidation wave, in line with company's growth strategy. In addition, our listing of shares in EUR on Euronext Amsterdam provides the platform and acquisition currency to pursue the 2017-2026 growth strategy. This makes Marel's shares an attractive currency in merger and acquisition (M&A) projects and enables sellers to take part in Marel's future growth journey as shareholders.

Mergers and acquisitions

2006-2008

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

SCANVAEGT
EUR 90m
Strengthens our market position in secondary processing

2016

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

2017

sulmaq
EUR 25m
Expands geographic presence in Latin America

2018

MAJA
EUR 30m
Strengthens secondary processing

2019

CURIO
EUR 10m
Strengthens primary processing in fish[1]

Cedar Creek COMPANY
EUR ~5m
Software/ hardware for meat processing

Worximity
25% ownership
Cloud-based SaaS provider

2020

TREIF
EUR 80m
Strengthens secondary processing

2021

PMJ
EUR 5m
Duck processing solutions provider

Stranda PROLOG
EUR 25m
40% ownership
Primary salmon processing solutions[2]

Valka
EUR ~17m
Secondary processing in fish

--- Strategic investments
Revenue at the time of acquisition, last reported FY revenues as per previous public disclosures.
[1] 100% ownership as of beginning of 2022.
[2] 40% ownership as of 29 Jan 2021, accounted for as investment in associate in 2021.

M&A continues to stimulate organic growth

Acquisition target profile

When partnering with companies through acquisition, we look to add value by strengthening our line offering in poultry, meat, and fish, improving our high-quality product portfolio, expanding market reach, and obtaining better customer engagement as well as shared vision and values.

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

Acquisitions provide enhanced offering to customers and scale in Marel Fish

With the acquisition of Valka in 2021, Marel acquired a highly innovative player in the whitefish and salmon processing industries. Valka's annual revenue of about EUR 17 million also increased our scale in fish. The acquisition has been well received by key customers of both Valka and Marel.

Marel added further capabilities in 2021 through the acquisition of a 40% share in Stranda Prolog and by increasing our stake in Curio from 40% to 50%. In February 2022, Marel acquired the remaining 50% of the shares of Curio. Curio's leadership in the applications in filleting, heading, and skinning have filled important application gaps in Marel's primary fish processing offering. A good example of success for this acquisition is Brim's new whitefish processing facility, the most advanced facility of its kind in the world, with primary capabilities from Curio along with Marel processing solutions and software.

These recent acquisitions and investments, combined with Marel's Fish portfolio, strengthen our offering to customers, innovation capabilities, and scale in fish significantly. They are therefore expected to contribute to the margin expansion targeted by management.

PMJ acquisition in 2021 already resulting in improved customer experience

The acquisition of Poultry Machinery Joosten (PMJ) in 2021 positioned Marel as the only provider of full-line solutions for duck processing globally. At the time of acquisition, PMJ had about 40 employees and its annual revenues were around EUR 5 million. The acquisition is already a success with our customers. For example, the integrated teams of PMJ and Marel made an important sale in the summer of 2021, when a duck evisceration line was sold to a customer in Russia.

The global duck market is a large and growing market. The value of the global market for duck meat is estimated to be around EUR 6 billion. The annual volume of the duck meat market is currently 4.5 million tons, with 70% of this volume in China, where Marel already has an established presence. PMJ has built long-standing relationships with many of the largest duck processors in the world, and together with Marel's global sales and service network and digital platforms, the companies will extend their global reach and strengthen customer support.

Bas van der Veldt, Director of Duck Processing, noted when the sale was announced: *"The added value of the Marel-PMJ collaboration in this project brings more than the sum of its parts. The 1+1=3 symbiosis means that we can now jointly offer solutions that Marel and PMJ did not have individually in the past."*

Acquisitions and investment in innovative companies support digital journey
In Q4 2021, Worximity, where Marel holds 25%, raised CAD 9.7 million in new share capital. Marel invested CAD 2.5 million, maintaining its 25% ownership. Worximity continues to develop and market innovative and scalable SaaS solutions to food processors with low barriers to implement.

In 2019, Marel acquired Cedar Creek Company, a leading provider of software solutions to the meat, poultry, and seafood industries in Australia and New Zealand. The company consisted of about 20 employees, with a head office in Brisbane in Australia and a support office in Auckland in New Zealand. The acquisition increased software capabilities and the offering is complementary to Marel's software solutions.

TREIF and PMJ integrations close to completion
In 2021, Marel focused on integrating TREIF and PMJ to make them an integral part of the organization. After a planning phase, the combined integration teams, from Marel and acquired company, work on the various aspects of the integrations, aiming to get to a situation where the organization can run in a connected, integrated way for our customers. Both integrations are now almost complete and transfer to business-as-usual early 2022.

New acquisitions also enable Marel to rethink the organization and optimize the structure due to changes in scale and new or strengthened capabilities from the acquisition. In the establishing of Retail and Food Service Solutions, the TREIF acquisition is an important component, creating a combined capability on cutting solutions that can benefit across all three key protein industries.

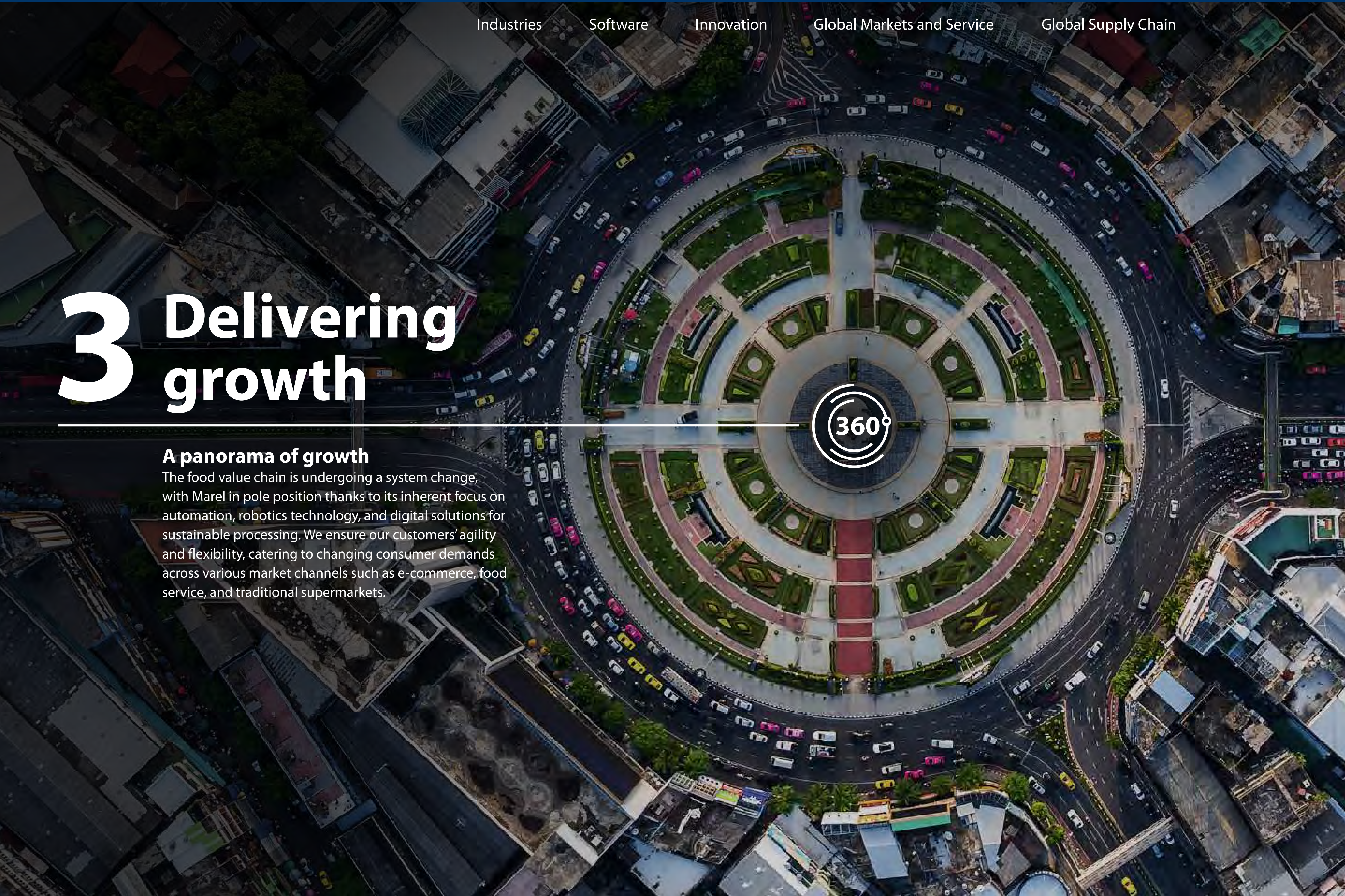
Each acquisition process includes an integration strategy, often created before final bidding and refined after the acquisition closing, which identifies where the acquisition will best fit in the Marel organization. This integration strategy also highlights what opportunities for organizational simplification can be captured and when these improvements can be incorporated.

Integration to enable continued growth

Previous integrations have shown that the acquired companies are able to continue their growth journey because of their integration with Marel. They can leverage the worldwide sales and service network, which creates more opportunities and higher-margin revenues.

The added portfolio also strengthens the overall value proposition, which provides Marel with more opportunities to provide the best solutions to our combined customers. It also shows customers that we can provide full solutions based on strong individual building blocks and understand their processes. In the TREIF integration this has led to examples of new customers being introduced to TREIF equipment, but also a significant order for Marel equipment to be added to a 'TREIF order' in discussions around a specific TREIF value proposition.

The enabling systems that are implemented in the integration process are a catalyst for our customer facing processes. It also professionalizes the acquired organization to deal with the increased complexity in a growing organization. This allows us to work closely together and finalize integration steps in the background.



3 Delivering growth

A panorama of growth

The food value chain is undergoing a system change, with Marel in pole position thanks to its inherent focus on automation, robotics technology, and digital solutions for sustainable processing. We ensure our customers' agility and flexibility, catering to changing consumer demands across various market channels such as e-commerce, food service, and traditional supermarkets.

Industries

Marel is a leading global provider of advanced processing equipment, systems, software, and services focused on the poultry, meat, and fish industries. Customers are increasingly calling for more automation and agility in their operations to support shifting market channels and sustainable processing.

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

Sizeable and attractive end markets

Marel operates in a large market with good long-term growth prospects based on increasing population, urbanization, and a growing middle class.

The commercial value of the global poultry, meat, and fish market is currently estimated at around EUR 1,200-1,300 billion. It is expected to grow 2-3% annually in the long term due to ongoing shifts in consumer behavior and demand across market channels such as e-commerce, foodservice, and traditional supermarkets.

More specifically for Marel, the market for food processing equipment, systems, software, and services for poultry, meat, and fish is expected to grow an average of 4-6% annually in the long term. However, we believe this market growth will be 6-8% for the next five years due to catch-up from the past five years and the powerful tailwinds in the market today.

Drivers of production volume

The pandemic, labor scarcity, changing consumer behavior, and sustainability continued to significantly impact food production and accelerate the need for automation and digitalization throughout 2021.

Automation for more operational flexibility

The rising costs of labor, freight, energy, and feed will continue to challenge the food processing value chain. We continued to support our customers to navigate the challenges and opportunities arising from shifting market dynamics in our industry.

Looking ahead, food processors can still turn the situation to their advantage by investing in further automation, robotization, and digitalization. Considering that globally, consumers in 2022 will look even more carefully at what's on their plate, there are still plenty of opportunities to improve food safety, sustainability, and animal wellbeing. Implementation of these new technologies will also make processing lines more flexible and decrease dependence on manual labor.

All in all, our customers have adapted their existing plans, resulting in an increase in the number of installations and partnerships, especially in secondary processing, where more value is being created in the segment for consumer-ready products.

Developing transformative solutions

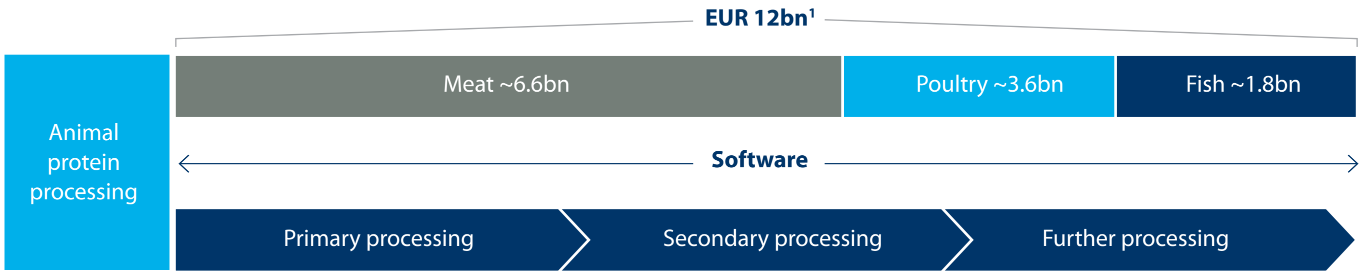
Rising complexity with consumer-ready products
The pandemic has accelerated consumer demand for a variety of high-quality, safe, and convenient products that can be easily cooked at home. With the exponential growth in e-commerce, processing lines require adaptability and automation to cater to rising demand for product diversity. At the same time, digital capabilities are needed to ensure food safety and traceability. Onboarding more automated and flexible solutions with full traceability helps processors remain agile, enabling them to compete in a volatile and highly competitive marketplace. Marel continues to develop transformative solutions that give our customers the adaptability and resilience needed for success in today's environment.

Sustainable processing and decarbonization journeys
Marel prioritizes environmental protection throughout the entire food processing value chain. We provide solutions that enable our customers to meet their sustainability targets on their decarbonization journeys.

Sustainability is a criterion for all Marel innovation processes. We design highly advanced, automated equipment to harvest every gram of useful protein, improve product quality and safety, increase water and energy efficiency, and reduce CO_2 emissions. Our machines are built to last, and our excellent service extends their lifetime even further.

Digital solutions are also vital for a more sustainable future, providing data-driven insights into everything from yield to energy consumption. By delivering better process management, traceability, and a complete overview of the supply chain, our software helps customers become more demand-driven, ultimately reducing wasted resources. Accountability is also key, and automatic data collection enables measurement and reporting of sustainability outcomes.

Accelerating growth through digitalization



Note: [1] Management estimates

Digitalization and the connected factory

We are now accelerating the digitalization of the food processing industry. Automation, however, is no longer about just replacing manual operations—it needs to bring in artificial intelligence (AI), too. How to interpret all incoming digital data is a challenge for man and machine.

To have greater insight into what's going on in the processing plant, sending people through the plant to inspect will no longer be enough. Our industry is moving toward a fully predictable process that will be almost independent of people. Marel's role is not limited to processing solutions but will extend to the digital aspect on top of the processes.

The digital engine, an Internet of Things (IoT)-edge device that can be installed on each Marel machine, ensures that we can look remotely at the customer's computer screen to monitor the processing plant. For example, if there is an upcoming problem such as a drop in performance, our Innova IMPAQT software allows us to notify the customer before it even happens.

We've been actively building on our software capabilities, and digitalization is the next step in transforming food processing. In the coming years, we'll be able to automate, digitalize, and robotize processes even further, piece by piece.

Poultry

Poultry is one of Marel's three key protein industries. We are the global market leader in poultry processing equipment, systems, and services for broiler, turkey, and duck processors worldwide. Marel's Poultry division contributed EUR 639 million in revenues in 2021, or 47% of total revenues, translating to an EBIT margin of 14.3%.

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

Marel's acquisition of Poultry Machinery Joosten (PMJ) in 2021 positioned us as the only provider of full-line solutions for duck processing globally. At the time of acquisition, PMJ had about 40 employees and its annual revenues were around EUR 5 million. The acquisition is already a success with our customers and has been fueling organic growth in terms of new sales into the duck market.

Products

We develop new products in close partnership with our customers to supply food processors with solutions to challenging market demands. As with all Marel innovation, our products launched in 2021 have been designed to promote sustainability by making the most of our planet's precious resources.

Nuova-i eviscerator

The eviscerator is the heart of the primary process, a truly essential component and a critical factor in determining product quality. For this reason, the introduction of Marel's new Nuova-i eviscerator is an important milestone for the industry.

For many years now, our research and development team has been innovating techniques to make our automated solutions ever more intelligent. This not only means that our systems helps processors make informed decisions – our solutions are also becoming decisive, self-adjusting elements in achieving optimal performance while reducing labor dependence.

Primary processing → Secondary processing → Further processing

Marel's current presence

Automated and flexible solutions

This was our starting point when developing Nuova-i. Unlike traditional purely mechanical eviscerators, it's designed as a digitally controlled, flexible machine, with a human-machine interface touchscreen and remote access. In this light, theNuova-i eviscerator can be seen as a real breakthrough.

Data-driven
The new Nuova-i eviscerator may look like a standalone machine but is in fact a connected device with added intelligence and functionalities, which extend deeply into the digital field. Internet of Things (IoT) and artificial intelligence come together in Nuova-i. The programmed, self-adjusting settings result in adaptive, data-driven processing, so that despite variations in supply, production remains consistent and very predictable.

Less labor-dependent
Nuova-i can monitor its performance in real-time at unit level, allowing the evaluation of each unit with the prospect of immediate improvement if performance is not as it should be. This results in precisely managed evisceration, ensuring the highest possible performance with less operational input. Once programmed, any operator without specialist skills can use the touchscreen to set the machine. This is an opportunity for processors to become less dependent on trained and skilled staff, while simultaneously producing a better and more consistent end-product.

IRIS FI

Besides having their fillets inspected for bone contamination, poultry processors are also keen to automate quality inspection. The **IRIS FI (Intelligent Inspection and Reporting Selection Fillet Inspection)** camera offers just such a visual quality assessment. Because of its ability to detect defects such as bruises, fat, and skin, IRIS FI plays an essential role in supplying food of the highest quality.

A typical fillet line features a deboning system, trimming station, and bone detector. Additionally, IRIS FI offers the option of establishing visual quality. Installed after the trimming station, it can check in real-time whether trimmed fillets on the conveyor belt at that moment meet quality requirements. For this reason, IRIS FI is an excellent tool for quality assurance.

IRIS FI can be combined with **Innova PDS (Product Distribution System)** and a fillet distribution system, which sorts products and sends them to the appropriate destination in line with customer demand. Trimmers could miss a slice of fat or cut off too much, leaving an odd-shaped fillet. Such products are not wanted in a retail tray and should be sent to a different destination.

RevoPortioner 1000

Consumer demand for convenience food products continues to rise. At the same time, quality and cost remain key considerations. Marel's new **RevoPortioner 1000** uses innovative low-pressure forming technology and an enhanced 1,000 mm processing width to help meet these challenges head-on.

Volume and efficiency increase significantly thanks to the combination of wider 1,000 mm (40") forming and higher speed. The RevoPortioner's innovative technology ensures that products are always consistent in shape and weight across the entire belt width. Improved air release also optimizes ejection from the forming drum, ensuring unmatched texture and integrity.

The simplicity of the RevoPortioner 1000 reduces its footprint when compared to a two-machine set-up producing similar

volumes, thereby saving a considerable amount of valuable factory floor space. This adds up to a significant reduction in waste, energy, and resource consumption, meaning that processing is both more environmentally friendly and highly economical.

Digital solutions

The poultry industry is moving towards a so-called 'dark factory.' Also known as 'lights-out manufacturing,' this is a method of industrial production characterized by end-to-end automation, enabling production without direct human intervention at the production site. You can virtually switch off the light. People only enter for cleaning or maintenance. For Marel, the first signs of a dark factory are the Nuova-i eviscerator and IMPAQT.

Accelerated implementation—a success for IMPAQT

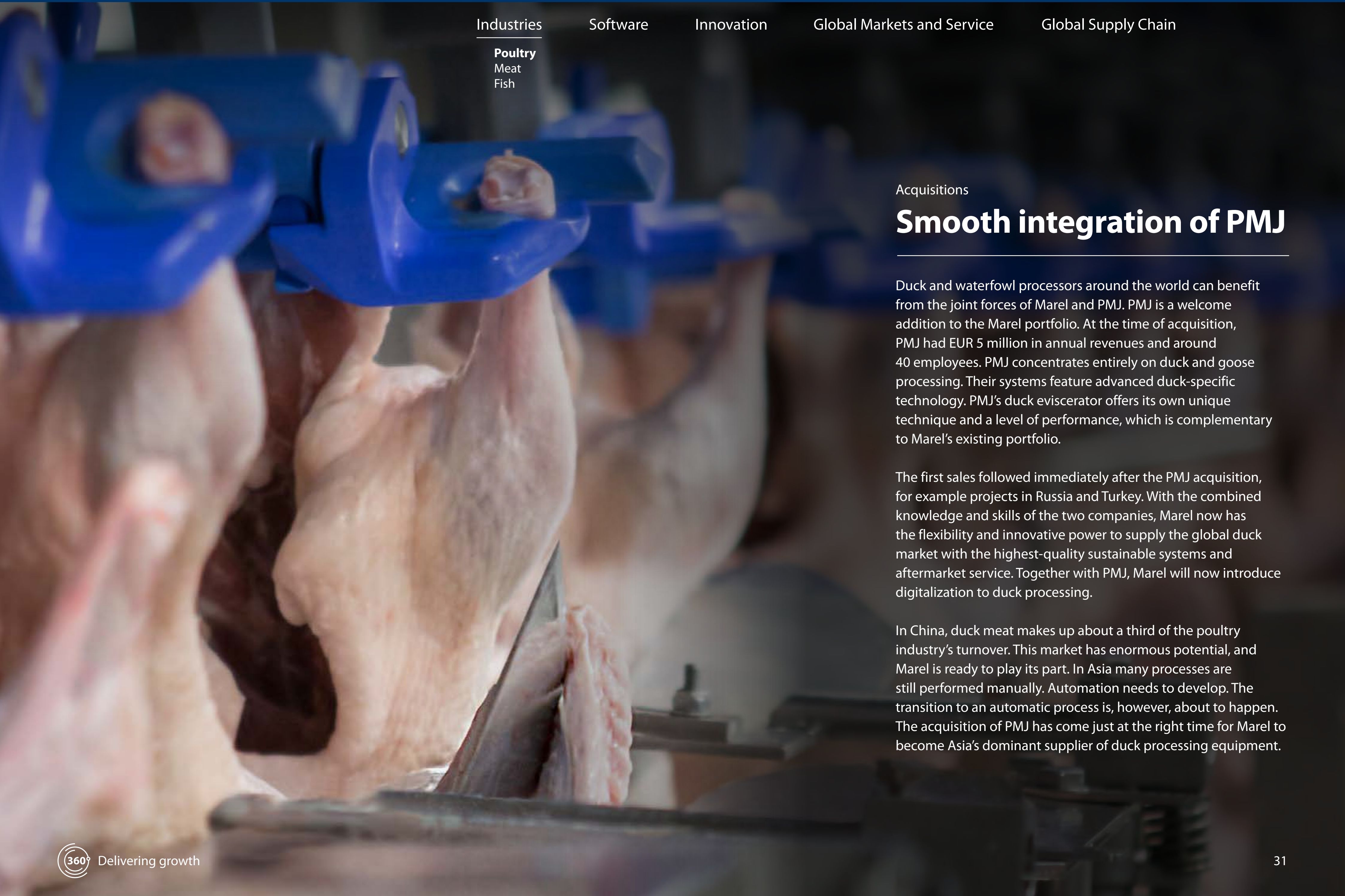
In 2021, changed circumstances brought forward certain developments, **IMPAQT** software being an example. IMPAQT (Intelligent Monitoring of Performance, Availability, and Quality Trends) is an enhanced, Marel-ized version of OEE (overall equipment effectiveness) software for primary poultry processing.

Marel's steps in digitalization showed our customers the direction our industry is going. Several pioneering customers immediately embraced IMPAQT. These customers already know they need a product for converting data into information, and information into action. They realize they need digital help with decision-making to take the load off the planner or maintenance engineer.

Other customers may not be convinced at first sight by IMPAQT's capabilities. Once the program is up and running, however, we've found that they can no longer resist repeatedly looking at their dashboards to check performance of their primary process. If so desired, we can propose calling the customer proactively if performance drops, or offer to make a good analysis of the past few months. Results from IMPAQT trigger a dialogue based on data, which is good for helping increase the customer's overall performance.

IMPAQT also helps achieve sustainability goals because it helps processors efficiently use the total capacity of their processing lines, preventing waste of energy, water, and raw materials.

Marel will build an IMPAQT data center in Boxmeer in the Netherlands, allowing us to optimize support for a growing number of customers. This will ensure their future on the digital journey, as our experts can analyze figures in much more detail, showing that Marel is ahead of the pack in this digital area.



Acquisitions

Smooth integration of PMJ

Duck and waterfowl processors around the world can benefit from the joint forces of Marel and PMJ. PMJ is a welcome addition to the Marel portfolio. At the time of acquisition, PMJ had EUR 5 million in annual revenues and around 40 employees. PMJ concentrates entirely on duck and goose processing. Their systems feature advanced duck-specific technology. PMJ's duck eviscerator offers its own unique technique and a level of performance, which is complementary to Marel's existing portfolio.

The first sales followed immediately after the PMJ acquisition, for example projects in Russia and Turkey. With the combined knowledge and skills of the two companies, Marel now has the flexibility and innovative power to supply the global duck market with the highest-quality sustainable systems and aftermarket service. Together with PMJ, Marel will now introduce digitalization to duck processing.

In China, duck meat makes up about a third of the poultry industry's turnover. This market has enormous potential, and Marel is ready to play its part. In Asia many processes are still performed manually. Automation needs to develop. The transition to an automatic process is, however, about to happen. The acquisition of PMJ has come just at the right time for Marel to become Asia's dominant supplier of duck processing equipment.

Milestones in 2021

Large projects

Several partnerships with customers have resulted in the realization of poultry processing plants, which are ready for the future and tailored to the requirements of that particular region.

Aurora set to lead with industry firsts in Latin America

Marel was already the main equipment supplier for Aurora's pig processing and water treatment plants in Brazil. Having secured a new order for poultry processing solutions, Marel will now become the preferred equipment supplier for four Aurora poultry plants in Guatambu, Erechim, Maravilha, and Tapejara in Brazil. In addition, Aurora Coop and Marel agreed to install Brazil's largest prepared foods greenfield in Chapecó. The project will be a Latin American benchmark for both technology and production volume, with a capacity for processing more than 20,000 kg of final product per hour.

These projects illustrate how Marel has succeeded in responding to the needs of its customers by growing alongside them, moving up or down the value chain into new processing stages, and exploring expansions into new markets and even across proteins.

The poultry processing plant at Guatambu will be the showpiece of the four, becoming the pilot plant for Industry 4.0 in Brazil. It will feature two parallel poultry processing lines, each with a capacity of 12,000 birds per hour (bph). One of the lines will be equipped with Innova PDS full product distribution software as well as advanced IMPAQT software for identifying production losses and improving daily efficiency. This will be the first IMPAQT in South America. The IRIS FI inspection cameras in primary processing and selection lines are the first IRIS FI cameras to be installed in Brazil.

Atria commences cutting-edge greenfield project

As Northern Europe is a mature poultry processing market, there aren't many opportunities to install a completely new greenfield poultry plant in this part of the world. With its new project in Nurmo, Finland, long-standing Marel partner Atria is offering just such an opportunity. It will be a state-of-the-art factory with a processing capacity of 15,000 bph.

It is also a milestone for Marel in terms of new technology. Marel will install its full scope of systems and solutions from live bird handling to packing, bringing to Atria the absolute latest in technology.

Like Marel, Atria focuses on responsible food production, striving to achieve a carbon-neutral food chain while respecting sustainability and animal wellbeing. The Nurmo facility will be the perfect example of high-tech processing and sustainable food production.

Ulybino collaboration gets off to a successful start

The Ulybino project in Russia is the first chapter in the success story of Marel's acquisition of PMJ and shows that we have been following the right strategy. It's the first-ever installation of PMJ's duck evisceration line in Russia, confirming the collaboration is really working. Together with Marel's sales network, PMJ's additional knowledge has meant that we can now handle a project of this size, something we couldn't do before. United, we can offer a more attractive portfolio.

Ulybino wanted to upgrade its duck processing process to a higher capacity, using a advanced automation to produce higher-quality products. The focus was on the evisceration process because that's where the most could be gained. Duck evisceration is a specialist job, and Marel's evisceration portfolio meets Ulybino's plans exactly.

Enabling customers to operate sustainably

In a noteworthy move, Ulybino bought this complete evisceration line without making a single reference visit, as travel was impossible due to the pandemic. Presentations and videos, showing our installed base at leading duck processing plants during several online meetings, were persuasive enough to close the deal.

Sustainability in the poultry industry

Our customers in the poultry industry are continuously looking for ways to operate their processing plants more sustainably. We see it as our duty to help them minimize their resource use and emissions by embedding environmentally sound principles in everything we do, We take great pride in developing solutions that enable our customers to create value in a safe, sustainable, and responsible manner.

Bell & Evans—a sustainable partnership

As a vertically integrated poultry processor, Bell & Evans is an industry pioneer in chicken raised without antibiotics, and a US leader in humane animal wellbeing standards. The new 411,500 square foot chicken harvesting facility, which opened in December 2021 in Fredericksburg, Pennsylvania, has been designed to focus on animal welfare and environmental sustainability.

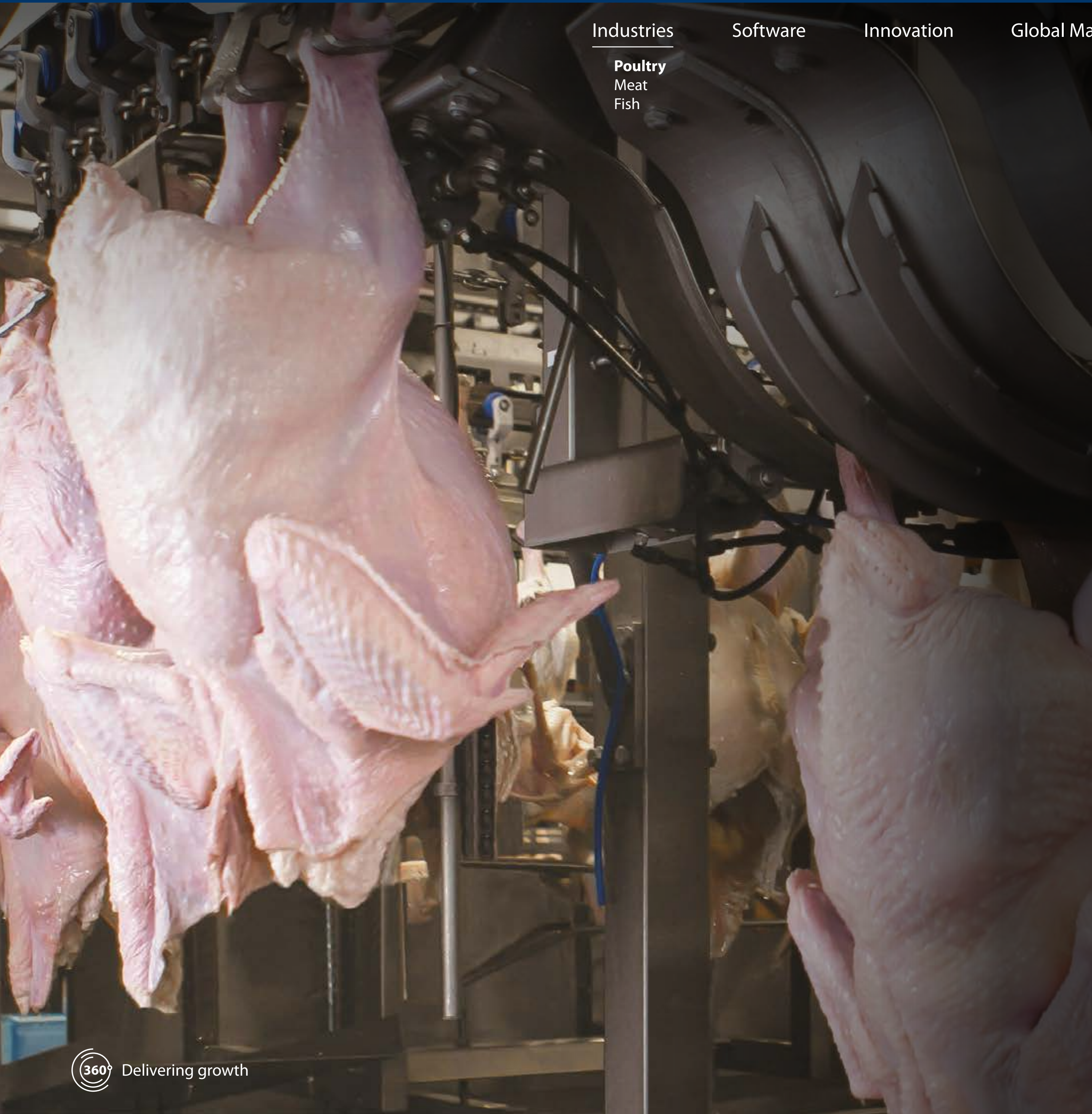
Marel supports Bell & Evans' efforts to advance sustainability practices throughout the value chain. Such a commitment to sustainability is no longer merely nice to have; it is a necessity to operate as a responsible food processor now and into the future.

Bell & Evans is embracing sustainability in various ways. One example is using Marel's **ATLAS live bird handling system**, the most humane and sustainable live bird handling system in the world. Thanks to its design, ATLAS saves many truck movements, reducing its CO_2 footprint. At the same time, it provides a stress-free journey from farm to factory.

A second way Bell & Evans embrace sustainability is by chilling with air instead of the water used by most North American processing plants. Marel's advanced air chilling techniques will save millions of gallons of water each year compared to water chilling.

Apart from the processing aspect, sustainability is also largely about utilities. Of the water used at Bell & Evans' sites, 41% will be reused daily. The new facility in Fredericksburg will be powered with 55% waste heat and reduce carbon emissions by 55%.

Rabobank is financing the new facility with the first Green Loan to US poultry. The plant has been built according to Green Loan Principles, as it contributes to the achievement of global environmental objectives and adheres to the principle of doing no harm.



Customer story

End-to-end turkey solutions at Prestage Farms

US processor Prestage Farms is co-operating with Marel to construct a reference greenfield turkey processing facility in Kershaw County, South Carolina. For Marel, this is the largest turkey project to date. It is a significant step in our strategy of aligning our turkey portfolio with changing markets. Prestage Farms is the culmination of Marel's project becoming the reference for the North American turkey industry.

The new processing plant will feature an end-to-end Marel set-up with multiple lines, from de-feathering to deboning and inspection, with a total capacity of 6,000 turkeys per hour. The plant is expected to open by the end of 2022.

This continues Marel's journey of providing an increasing number of full-line integrations in the US, consistent with previous projects with Bell & Evans and Costco. Marel is recognized as a supplier that is able to take end-to-end responsibility for quality and efficiency. Prestage Farms chose Marel as its leading partner for the greenfield turkey processing plant as we are the only party that can meet this demand.

Learn more

Innovation through partnerships

Innovative strategic partnerships

Through strategic partnerships, we can fill application gaps in the value chain and accelerate product innovation and development. To ensure value creation through partnerships, we team up with partners that are best-in-class in their field, to work on collaborations that are beneficial for both parties.

TOMRA and Marel: a partnership of pioneers

In recent years, Marel has teamed up with TOMRA, the global leader in vision technology and a trustworthy and knowledgeable partner in several fields. The **FATscan** analyzer, which utilizes high-end interacting spectroscopy technology and measures VIS Near Infrared light, is an example of a Tomra development that has now been integrated into the Marel full line offering.

A closer strategic partnership between TOMRA and Marel has shortened the time to market. Here both companies are bringing their expertise to accelerate the development of the **Spectra**, Marel's revolutionary inspection solution for soft contaminants in poultry fillets, to the market.

Spectra foreign material detection

Spectra promises to be a real revolution for the food processing industry. It is a high-performance in-line solution for detecting plastics and other soft foreign materials in deboned poultry meat.

Spectra features innovative technologies, such as near-360° hyperspectral imaging—the same technology used by NASA for space exploration and establishing what a distant planet's atmosphere is made up of. Now that same visual technology is going beyond the capabilities of the human eye and being applied to inspect food products. It enables Spectra to scan both sides of a fillet's surface, detecting and discarding every trace of plastic or other soft contaminants.

Marel's SensorX has already proven to be the industry standard for detecting bone and other hard contaminants. Now, the new Spectra inspection concept demonstrates our continued dedication to providing the best possible solutions to secure food safety for consumers and protect our customers' reputations.

Market trends and growth drivers

With the world regaining its dynamics again, the global poultry protein market is expected to show the first signs of stabilization during 2022. However, many drivers of change—higher input costs, transition to more sustainable protein, biosecurity, avian influenza, and COVID-19—will remain.

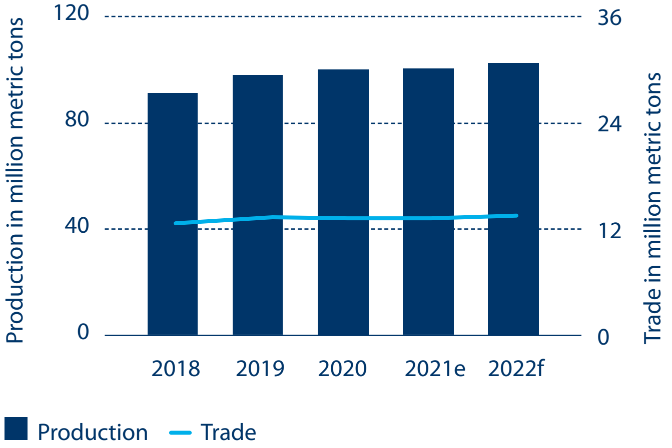
The outlook for 2022 remains positive, with ongoing strong demand and further increases in trade volumes expected. Recovery of the foodservice segment will, however, keep facing headwinds. Inflation is having a higher impact on the foodservice channels than on retail.

Most regions will enjoy profitable conditions or perform at breakeven levels. The reopening of economies in Europe and the Americas will help the market recover and boost global trade. In the US, broiler supply is expected to rebound while turkey producers should see improved demand. In Brazil, growth in poultry production will continue. China will remain a key export market for Brazil. Europe's poultry market is expected to recover gradually from pandemic-related disruptions. Avian influenza is expected to remain a challenge, although the EU will be able to export more poultry products in 2022. In China, low pork prices are leading to lower demand for poultry. Led by Thailand and Vietnam, poultry production in Southeast Asia is expected to grow in 2022.

Global production and trade trends

Global chicken production and trade

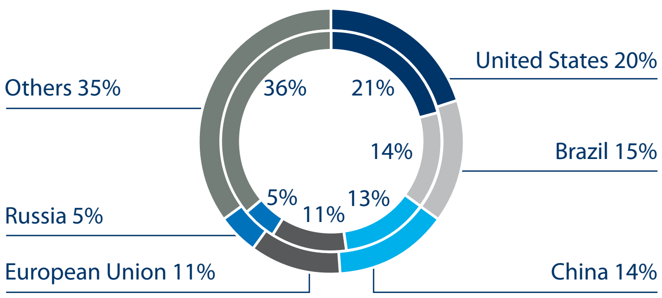
CAGR 2018-2022f: 2.1% for production and 1.7% for trade



Source: USDA Foreign Agricultural Service (2022, January update). Chicken Meat Production and Trade. Retrieved from: https://apps.fas.usda.gov/
Note: Figures for 2021 are estimated (e) while figures for 2022 are forecast (f).

Largest chicken producers

2022 forecast (outer) compared to five years ago (inner)



Source: USDA Foreign Agricultural Service (2022, January update). Chicken Meat Production. Retrieved from: https://apps.fas.usda.gov/

Globally, production of chicken meat stayed flat in 2021 while trade shrunk by 0.5%. However, 2022 looks more promising with both production and trade expected to rise by 1.8%.

Chicken

While the US continues to lead the market with a fifth of the global production, Brazil reclaimed its spot as the second largest producer in 2021 and is expected to hold that position in 2022, followed by China.

Brazil continues to be the world's leading exporter of chicken meat, accounting for 31% of the global trade, while Japan continues to be the largest importer.

Meat

Meat is one of Marel's three key protein industries. We are a leading global supplier of integrated systems and advanced standalone processing equipment for the red meat industry. Marel's Meat division contributed EUR 513 million in revenues in 2021, or 38% of total revenues, translating to an EBIT margin of 9.2%.

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

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

In 2021, we focused on the integration of TREIF, a German food cutting technology provider acquired by Marel in October 2020. The integration is almost complete and will transfer to business-as-usual in early 2022.

With the TREIF acquisition, we have broadened our full-line product offering, increased standard equipment sales, and will continue to leverage our global sales and service network to synergize aftermarket potential. TREIF's product portfolio in cutting, portioning, dicing, and slicing complements Marel's product portfolio very well and has accelerated our innovation roadmap, enabling a transfer of technology across industries.

Products

The growing need for automation, digital connectivity, and traceability in the pork and beef processing industries continued in 2021. We remain dedicated to innovating through collaboration, driven by our commitment to building and improving the technology our customers need to thrive in the face of labor scarcity, shifts in consumer demand, and animal diseases.

Primary processing → Secondary processing → Further processing

Marel's current presence

Ensuring highest quality and standards

Unrivaled automation with M-Line robots

While people remain essential behind the command center, automated robots are doing the physically demanding jobs that are becoming harder to fill.

The launch of the groundbreaking **M-Line Leaf Lard Remover (MLR)** robot continued into 2021 and received promising orders from customers worldwide. As with our other robots in the **M-Line series—the Pre-cutter and Belly Opener (MPB), Bung Remover (MBR), Splitting Saw (MSS), and Neck Cutter ((MNC)** —the MLR accurately, efficiently, and automatically performs a task that is otherwise very labor-intensive.

This leading-edge automation has become a massive success in part because of the immediate improvements to efficiency, improved hygienic conditions, reduced maintenance requirements and spare parts consumption, and minimization of the labor force needed for the primary processing stage process.

The evolution of hanging deboning with DeboFlex

Since the launch of **DeboFlex**, the pork industry has embraced its revolutionary method of hanging deboning. Hanging deboning of pork fore-ends or legs using DeboFlex lowers labor costs, increases yield, improves product quality, and extends shelf life. DeboFlex's optimized logistics and carcass utilization have helped processors from around the world transform and greatly optimize their processing lines.

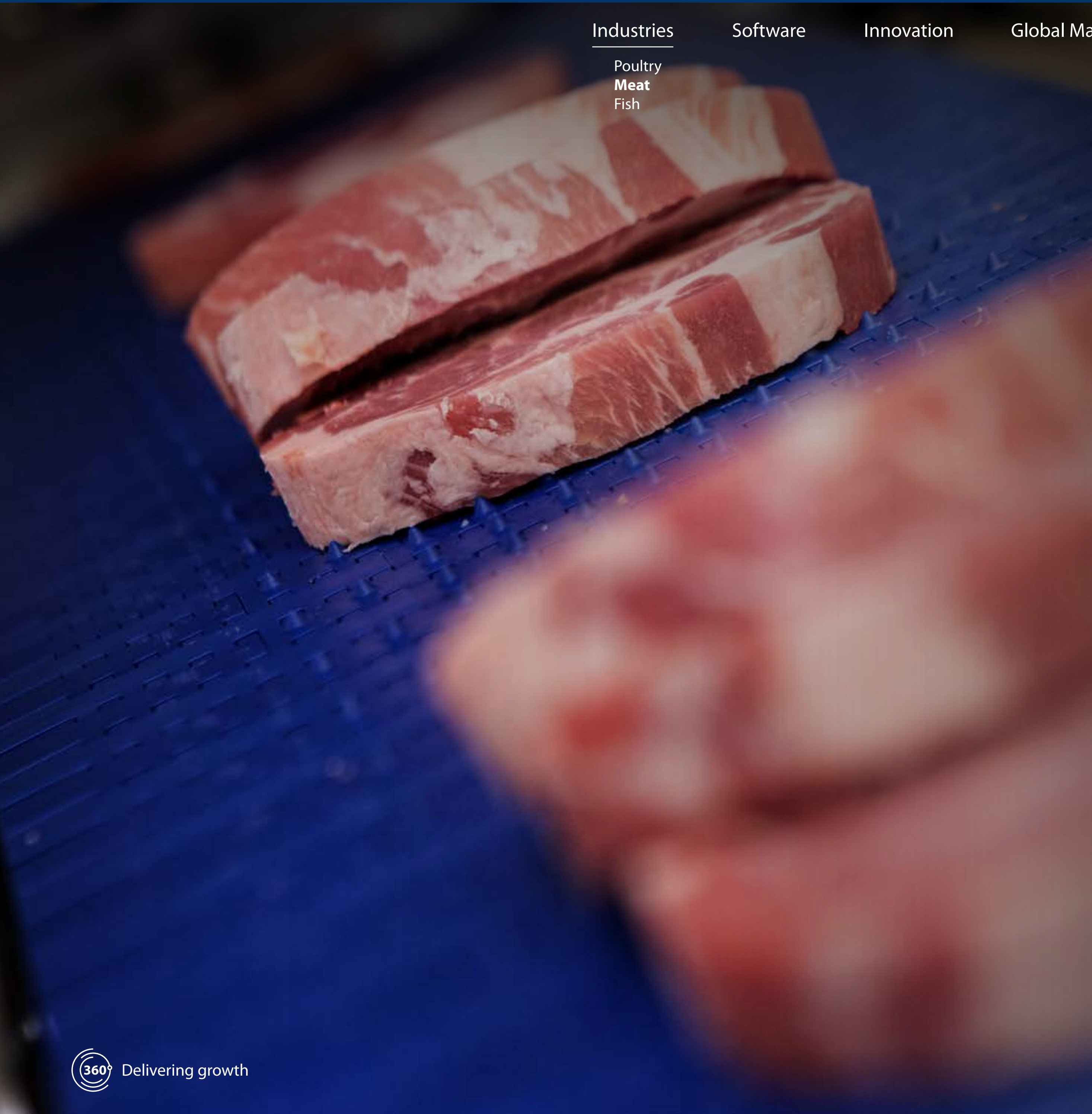
DeboFlex Primal Cut and Middle extends the possibility to cut and debone the full carcass in a hanging system. This latest innovation in pork deboning will be launched throughout 2022.

SensorX brings the X-ray factor in inspection

In a highly competitive market, processors creating ground meat products, such as burgers, sausages, minced meat, and meatballs, need to guarantee the highest levels of quality and consistency. At the same time, the current global economy means that margins are getting tighter, so quality has to be achieved with minimal cost.

It is not enough to just create better products. Consumers increasingly want firm assurance that the meat products they buy are of the highest quality and meet the necessary food safety standards. Therefore, sausage and hamburger processors who want to get ahead of the competition need to substantiate their claims.

For nearly 15 years, Marel's revolutionary SensorX technology has been the standard in hard contaminant detection. In 2021, we sold several systems, helping processors win the battle against food contamination and fat-to-lean ratio. Our SensorX Magna and SensorX Accuro are the industry's leading X-ray inspection systems for analyzing incoming meat supplies, detecting and rejecting bone, and controlling fat-to-lean ratio (CL). By combining advanced X-ray technology and a state-of-the-art reject mechanism, the systems help processors create superior products by solving several challenges at once.



Did you know?

Recent acquisitions stimulate organic growth

Since 2017, Marel has made significant acquisitions that enhance the full-line offering for the meat industry, stimulate organic growth, and accelerate the innovation roadmap. By acquiring German food cutting technology provider TREIF, Brazilian primary processing equipment producer Sulmaq, and German food processing equipment manufacturer MAJA, we help customers become more agile by increasing our portfolio of standard equipment.

The 2020 acquisition of world-leading cutting and portioning solution manufacturer TREIF has enriched Marel's product range in secondary processing and closed sector gaps. Specifically, the advanced bone-in portioning technology, dicing machines, and single-skill equipment for butchers increase Marel's full-line product offering and deliver the flexibility for consumer-ready products to customers of all sizes.

Through these acquisitions, we have enhanced our product portfolio, increased standard equipment sales, and utilized our global sales and service network to harness aftermarket potential. Customers benefit by growing their business along with Marel and gaining the vast expertise that comes along with that partnership.

Milestones in 2021

Large projects

Our long-standing relationships with customers underpin our innovations and ensure we can help meat processors build their success with our full-line product offering and tailor-made services. Processors that have invested in our advanced solutions have established market leadership through increased efficiency, throughput, and yield.

Muyuan vertically integrating to overcome ASF in China

The Chinese pork industry continued to battle the outbreak of African Swine Fever (ASF) that has sent shockwaves throughout the global market since 2019. Prompted by ASF, one of China´s most prominent pig breeders and growers, Muyuan Group, invested further in the value chain and vertically integrated their business, covering the whole process from feed mills to processing facilities.

In addition to the two greenfield projects finalized in 2020, nine greenfield projects were built in 2021 and all will be in production across China in 2022, increasing Muyuan's processing capacity by more than 30 million pigs per year. These state-of-the-art primary processing facilities and processing plants ensure traceability. The company installed Marel's most advanced primary pork processing lines and Innova´s Warehouse Management System. These lines include state-of-the-art M-Line robots that improve efficiency and lower production costs.

Primary processing excellence at Frimesa

Construction on Frimesa, the largest and most modern primary pork processing plant in Latin America, began in Assis Chateaubriand, Brazil, in 2021. With the facility now equipped with primary and secondary processing solutions, it's projected that capacity will be 1,000 pigs/hour, generating 5,000 direct jobs once operations begin in January 2023.

When establishing the goals for the new facility, Frimesa took into account the need for traceability, animal wellbeing, and the level of automation required to expand its production capacity and adequately meet the demands of the domestic and foreign markets. As a result, a combination of multiple technologies, including primary processing robots and CO_2 stunning, will optimize their production. Frimesa chose Innova as the ideal solution for managing the primary and secondary processing to ensure an excellent balance between productivity, yield, and quality.

Sustainability in the meat industry

The meat industry has always focused on getting the optimal value out of each piece of the animal. The current demand for sustainability is placing ever greater emphasis on this approach.

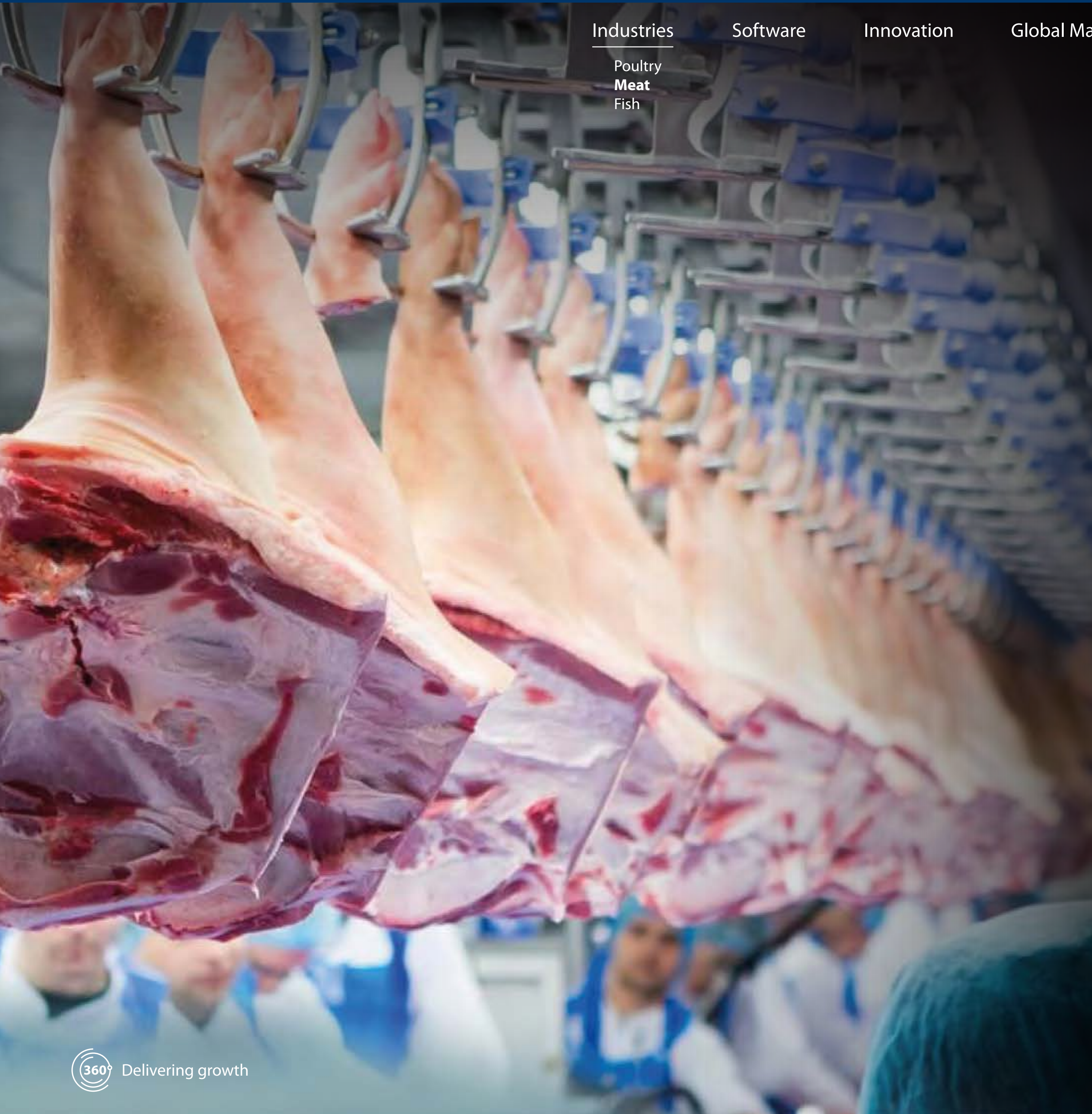
The industry must balance supply and demand in a globalizing meat trade with ever growing consumer demand for more diverse products. It is vital to match the right piece with the right consumer product for optimal value. On top of enhancing sustainability, making every piece of meat count adds more value and offers consumers a wider variety of taste experiences.

DanePork increasing capacity, reducing carbon footprint

DanePork, a family-owned business in Southern Denmark, recently began production in a new **pork processing facility equipped with Marel solutions**. The installation of innovative primary processing technologies, such as the M-Line robots and an expanded packing and labeling line, has increased DanePork's capacity from 9,000 to 20,000 pigs weekly.

"The investment was needed to fulfill the demand for meat products from our customers in the domestic market and byproducts in the Asian market," said DanePork's CEO Leo Grønvall in his inauguration speech.

The newly installed Marel solutions reduce energy consumption and minimize the facility's carbon footprint. *"The system can now reuse nearly 80% of its energy and further reduce the dependency on energy suppliers,"* said Mr. Grønvall. *"In order to meet the significantly higher capacity of 20,000 pigs per week that the new investment allows, we expect to strengthen the local economy by adding more jobs."*



Customer story

Flexibility at Westfort

Westfort is a family-owned meat production company in the Netherlands that strives for optimal valorization of the pigs they process. In 2021, they opened the doors to an entirely new fully robotized freezing warehouse and deboning facility equipped with Marel solutions, where they now have the capacity of up to 50,000 pigs per week.

"The goal for us as a company is to have the very best technology and the best people every step of the way. We trust Marel to deliver what we need for our business and that together, deliver success," says Robert van 't Hoff, CEO of Westfort Vleesproducten.

Automation that provides adaptability

Westfort knew that they wanted a primal and fore-end deboning and trimming hall that could easily shift according to market demands without sacrificing the efficiency of their line and traceability capabilities. Control was achieved through planning, data collection, and traceability with Innova food processing software. Marel solutions such as the DeboFlex have given them a competitive edge by addressing the labor shortages they had been facing and employee well-being.

Gaining a competitive advantage through technology

The advanced automation, digitalization and robotization of the newly installed end-to-end Marel solutions in their deboning and trimming hall allows them to maximize the raw material utilization and valorize the carcass. By having a more extensive product portfolio that caters to a worldwide customer base, Westfort gains a substantial competitive advantage in the Dutch pork market.

Strengthening our market position across region

Market trends and growth drivers

The demand for automation continues to grow in response to challenges such as the scarcity of labor and ensuring food safety. In 2021, we saw increased interest from meat processors in robotics and digitalization. Moreover, we made important headway in expanding our presence in regions including Northern America and Latin America.

African swine fever in Asia

African swine fever (ASF) will continue to affect the pork industry as the disease wreaks havoc in Asia and is also being found across Europe. As ASF decimated the pork industry in China, a large export opportunity opened for Europe and South America in 2019, 2020, and part of 2021. However, some global pork producers no longer have the opportunity to export to China as it is nearly back to being completely self-sufficient.

Deboning and trimming in North America

Marel's presence in North America continues to grow, and in 2021 we identified opportunities to meet the demands of beef and pork processors looking to optimize the flow of their processes, increase automation, and implement product tracking and traceability.

By investing in our pioneering technologies in beef and pork deboning and trimming, North American meat processors are better able to respond to customer specifications, maximizing the use of their raw material and delivering a completely safe product. North American meat processors of all sizes choose Marel as a company that offers scalability, reliability, and flexibility.

The scarcity of labor is also driving the demand for automation in North America, especially for pork hanging deboning, intelligent trimming, and beef and pork case-ready lines. Intelligent equipment like **StreamLine** and **DeboFlex**, supported by Innova, are in high demand because of their traceability functions, automation, and optimization of processes. Further, the **SensorX Accuro** meets the growing requirement for high-quality trim meat of accurate chemical lean to supply North American burger and mince production.

Growing market in Latin America

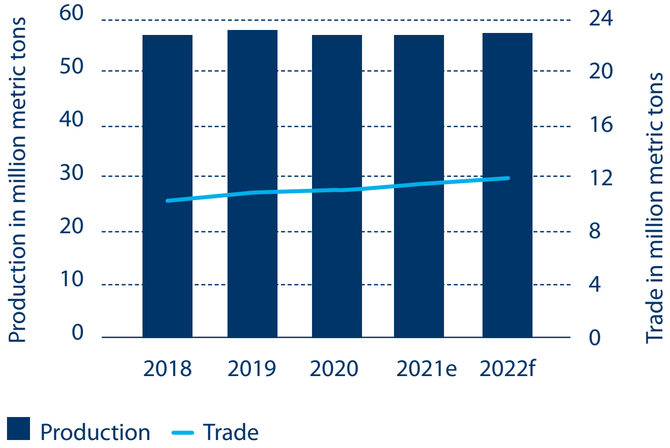
Our market position in Latin America has continued to strengthen as brand awareness of Marel has increased on the back of the Sulmaq name. Sulmaq, now a part of Marel, has been at the forefront of developing innovative, full-line meat processing solutions and enhancing our presence in the growing markets for beef and pork in Central and South America since Marel's acquisition of the company in 2017.

In 2021, Marel opened its fifth demo center, **Progress Point Latin America**, in Campinas in Brazil. This brings our solutions closer to our Latin American meat customers and allows processors to experience Marel products firsthand. The demo center simulates real factory conditions, allowing processors to test and develop new products with our equipment. It includes a virtual reality (VR) room with 3D graphics capabilities that enable extended reality (XR) demonstrations, combining live and virtual product presentations.

Global production and trade trends

Global beef and veal production and trade

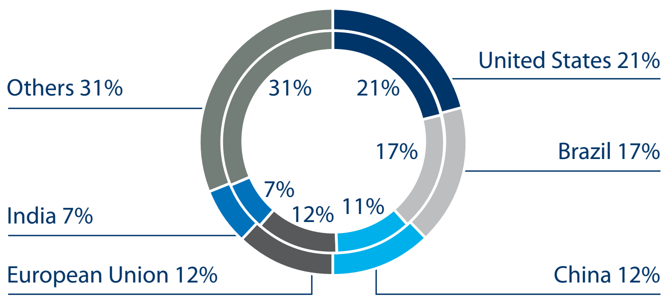
CAGR 2018-2022f: 0.2% for production and 2.9% for trade



Source: USDA Foreign Agricultural Service (2022, January edition). Beef and Veal Production and Trade. Retrieved from: https://apps.fas.usda.gov/
Note: Figures for 2021 are estimated (e) while figures for 2022 are forecast (f).

Largest beef and veal producers

2022 forecast (outer) compared to five years ago (inner)



Source: USDA Foreign Agricultural Service (2022, January edition). Beef and Veal Production. Retrieved from: https://apps.fas.usda.gov/

According to revised figures from USDA, global production of beef and veal grew slightly in 2021 while pork had its best year since 2018.

Beef and veal

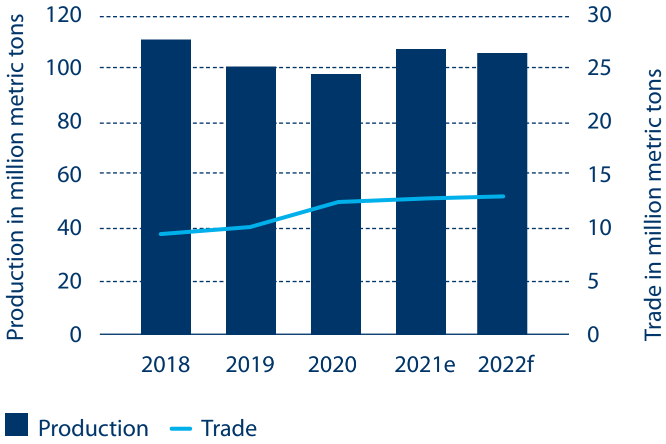
After a slowdown in 2020, global production of beef and veal is estimated to have grown by 0.2% in 2021. Production is expected to continue to grow in 2022, reaching 58.1 million tons. Global trade also bounced back in 2021, with further 1.6% growth expected in 2022.

While the US continues to be the largest producer of beef and veal with roughly a fifth of the global production, China is expected to overtake the EU as the world's third largest producer in 2022. China also continues to be the world's largest importer of beef and veal, expecting to increase its imports by 8.3% in 2022.

Global production and trade trends

Global pork production and trade

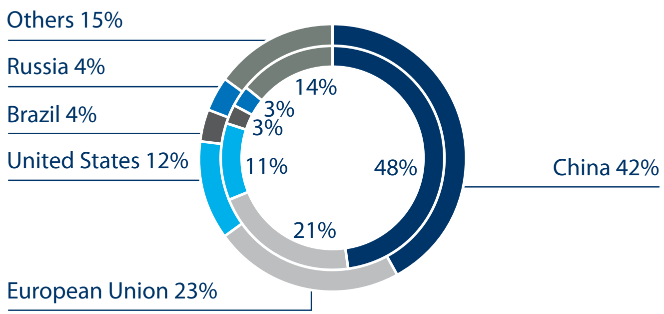
CAGR 2018-2022f: -1.8% for production and 8.1% for trade



Source: USDA Foreign Agricultural Service (2022, January edition). Pork Production and Trade. Retrieved from: https://apps.fas.usda.gov/
Note: Figures for 2021 are estimated (e) while figures for 2022 are forecast (f).

Largest pork producers

2022 forecast (outer) compared to five years ago (inner)



Source: USDA Foreign Agricultural Service (2022, January edition). Pork Production. Retrieved from: https://apps.fas.usda.gov/

Pork

Globally, pork production is estimated to have exceeded 106 million tons in 2021. In 2022, production is expected to slow down to roughly 104 million tons.

China, accounting for close to half of the global production, is believed to have increased its production of pork by close to 10 million tons in 2021. However, China's production is expected to decrease somewhat in 2022, while producers such as Brazil and Mexico are expected to pick up their production.

As China's production got back on track in 2021, global pork trade temporarily halted. However, it is expected to growth by 2.1% in 2022. The EU continues to be the leading exporter, followed by the US and Canada. As before, China is the largest importer.

Fish

Fish is one of Marel's three key protein industries. We are a leading global supplier of integrated systems and advanced standalone processing equipment for whitefish and salmon, both farmed and wild, onboard and ashore. Marel's Fish division contributed EUR 161 million in revenues in 2021, or 12% of total revenues, translating to an adjusted EBIT margin of 5.6%.

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

We recently acquired Curio and Valka, and invested in Stranda Prolog. These acquisitions will further accelerate the innovation roadmap to close certain application gaps to reach full-line offering for whitefish and salmon both wild and farmed. The combined platform will also further unlock synergies in terms of cross- and upselling, market penetration, and gradually expanding species coverage.

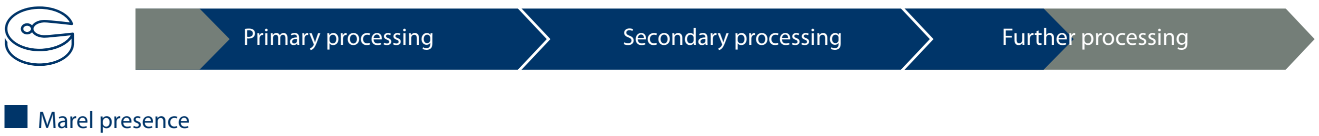
The consumer value of the fish market is estimated to be around EUR 200 billion. More pertinently for Marel, fish processing equipment sales are estimated at around EUR 1.8 billion.

Products

By improving processes, we improve end-products. Thanks to our cutting-edge innovations, our customers are maximizing their raw material, decreasing their dependence on labor, and efficiently adapting to the ever-changing market demand. In 2021, we introduced new solutions that revolutionize processes in the fish sector.

Automated tilapia filleting

Marel reached a significant milestone in 2021 by entering the tilapia industry with the innovative **FilleXia**. Thanks to its revolutionary filleting automation, processors no longer have to worry about the need for highly skilled workers, employee turnover, and production costs. Human impact and contamination risks are minimized, while raw material utilization and productivity are maximized. The result is a consistent and affordable tilapia product.



Delivering exceptional products and satisfied customers

The design and principle of the FilleXia was based on four generations of filleting equipment in salmon and our strong heritage of developing automated, reliable, and reputable salmon filleting solutions that deliver exceptional products and satisfied customers.

Packing perfected with robotics

Robotics are catapulting fish packing to an entirely new level of optimization and efficiency.

The **RoboBatcher Box** combines state-of-the-art batching software with innovative robotic technology to pack fixed weight boxes so close to the target that giveaway is minimal. The plastic film applicator automatically places a plastic film in the box to prepare for ice. The **IceDoser** then automatically dispenses the ice based on the specific weight and shipping information found on the label of each box. Finally, a lid applicator automatically closes the box before palletizing.

This level of automation benefits processors by not only significantly decreasing labor costs but also improving food safety, reducing giveaway, and virtually eliminating human error that may disrupt a production line.

Deheading accuracy with vision

The new and improved version of the **Salmon Deheader MS 2721 V** features enhancements that deliver a higher yield, increased capacity, improved ease of use, and a more hygienic design.

A new vision camera detects the fish's optimal cutting position, and a new screen with a real-time position indicator guides the operator to the fish's placement on the preloader. The machine's cleaning has been improved by redesigning several of the key components exposed to water and fish parts. The design of the MS 2721 V also ensures good ergonomics and easy and safe operation.

The world's first automated kingfish filleting machine

The **Filleting Machine MS 2730** is one of our best-selling machines, and our innovative engineers, in partnership with our customers, have adapted it to become the world's first automated kingfish filleting machine.

Until now, kingfish filleting has been a physically demanding task that has relied heavily on the expertise and alertness of operators, and cost processors a significant amount of money, resources, and time. The **Kingfish Filleting Machine MS 2730K** automates this labor-intensive job by efficiently processing up to 25 fish per minute to deliver high-caliber fillets with improved yield and throughput.

The need for digitalization is accelerating

Hands-free salmon slicing

The need for automation continues to increase across the globe, and this is reflected in the number of ongoing projects for salmon retail pack slicing lines, such as our new **Retail Pack Slicer I-Slice 3400**. Launched in 2021, the I-Slice 3400 automatically, accurately, and efficiently slices and batches fixed weight retail packs of fresh salmon to fit every pack's size and weight down to 50 g. The result is an exceptional pack presentation with minimal giveaway.

The I-Slice 3400 meets consumer demands for new salmon products by making smaller package sizes and producing shorter slices with little to no human contact. With an option to upgrade to a multi-angle slicer with a cutting angle interval of 8°-72°, the accuracy and flexibility of the I-Slice 3400 are unmatched.

Digital solutions

A new wave of digital technology is reshaping how service is provided to food processors, and COVID-19 has accelerated the momentum. Marel is at the forefront, connecting machines and delivering valuable data to key stakeholders with **SmartBase**—a new cloud solution that shares machine health and performance information to users and service operators on any device.

Uptime is increased with new and improved data about machine performance and health, and customers feel more at ease with the enhanced remote support and valuable data that SmartBase provides. SmartBase is currently available for the **FleXicut** and **SensorX** and is in development for more machines in 2022. This is just one step in our digital journey, and we see data as the key to improved service for our customers.

Acquisitions

Complete solutions in fish processing

In 2021, Marel continued to take clear and strategic steps toward our ambitious growth strategy in the fish industry by acquiring and merging with like-minded companies driven by innovation, marketing, and external growth. These acquisitions strengthen Marel's product range of complete solutions and increase cost-effectiveness and margins for Marel's Fish.

The acquisitions of Curio and Valka, and investment in Stranda Prolog, have broadened the range of Marel's total solutions and sped up product development for this exciting and rapidly growing market.

Through a merger with Curio, we now have complete solutions for whitefish. We acquired the remaining 50% of the shares of Curio to accelerate further synergies and market penetration. A 40% purchase of Stranda Prolog and strategic co-operation give Marel access to high-tech solutions for the salmon industry that fit well with our company's product range. Finally, the acquisition of Valka will accelerate innovation across Marel's key industries and further strengthen the product range of complete solutions and increase economies of scale in order to serve customers even more effectively.

Milestones in 2021

Large projects
For Marel, 2021 was a productive year in the fish sector. Fish processors that have invested in smart factories have established market leadership through increased automation, throughput, and yield. Among our largest projects were collaborations with Coinrefri SRL, Búlandstindur, C.Vale, Skinney-Thinganes, Salten N950, and Brim.

Partnership with Coinrefri
Coinrefri SRL, one of Peru's leading frozen fish exporters, invested in Marel solutions to diversify their product offerings and increase the value of their end products distributed to the retail and hotel, restaurant, and catering sectors. With a steady increase in demand since 2016, Coinrefri invested in equipment from Marel's grading, batching and weighing, and portioning lines to automate the processing and final packing operations of the Paita and Tacna plants.

"The COVID-19 pandemic has strengthened demand for ready-to-eat and ready-to-cook products and portions of fixed weight. We needed to become more efficient in the portion cutting process," says General Manager, Francisco Takahashi Iguchi.

At the Paita plant, where giant squid, hake, scallops, and mahi mahi are processed, the needs were in secondary processing and packaging, the agility of the lines, and control of giveaway. Marel's SmartLine Grader, two Compact Graders, and a TargetBatcher were installed, in addition to bench scales and checkweighers with metal detection. At the Tacna plant, where trout from Lake Titicaca is processed, demands arose at the beginning of the line in the primary processing of fresh fish.

Partnership with Búlandstindur
Búlandstindur, located in East Iceland, is one of few fish processors in the country that processes both whitefish and farmed salmon. With the recent installation of a whole fish grader for farmed salmon, they are processing 90-120 tons per day and packing up to 20 boxes per minute, while Innova Food Processing Software provides traceability.

Elis Gretarsson, General Manager at Búlandstindur, says that this new process solution has revolutionized the factory, especially by automating grading and packing. *"With this new processing line, the toughest and most monotonous jobs in salmon have been eliminated, and jobs have developed into monitoring the processing and system,"* says Gretarsson.

Partnership with C.Vale
C.Vale is a prominent player in the food industry and one of the largest tilapia processors in Brazil. With the recent purchase of Marel's newest solution FilleXia, C.Vale is automating the filleting of tilapia with a focus on the quality of byproducts such as belly-meat recovery. Innova software enables tracking of the raw material from receiving to packing to improve quality in the entire value chain.

Together, this high level of innovation and automation ensures optimal use of raw material, less water usage, lower CO_2 emissions, and data collection to measure progress. It also increases C.Vale's flexibility to handle both fresh and frozen products.

Marel and C.Vale share similar values and commitment to sustainability, animal wellbeing, and food safety, which tightens their partnership as they collaborate. *"Our co-operation with Marel enhances our commitment to sustainability where we put focus on optimal use of natural resources,"* says Alfredo Lang, CEO of C.Vale.

Partnership with Skinney-Thinganes

In recent years, Icelandic fish processor Skinney-Thinganes has invested considerably in Marel solutions to advance the technological development of the company's facility with both equipment and software. In April 2021, the catfish processor invested in a SensorX with infeed, a RoboBatcher Box, and an automated packing line. Innova software connects all systems centrally and gives managers an overview and control of the processing.

"We are at the beginning of a technological revolution, and people are realizing – bearing in mind that we are on the threshold of the fourth industrial revolution and automation – that we need to rethink catfish processing and such investments are likely to start that journey," says Strategic Assistant to the CEO at Skinney-Thinganes, Gudmundur H. Gunnarsson.

Gunnarsson adds that with the recent long-term investments in Marel processing equipment that covers the entire value chain, Skinney-Thinganes is increasing productivity. *"It is now possible to process higher quantities and a more diverse range of products efficiently. The ideology is not only to increase quantity but also to increase the value per kilogram because, as we know, the resource is limited,"* he said.

An integral part of the increase in automation and efficiency of the catfish processing facility has been the close collaboration between Skinney-Thinganes and Marel to further develop new technologies for the industry. *"Starting this journey has in fact opened up endless new opportunities, and for this to be successful, it is crucial that the machine operators work closely with Marel on the equipment development,"* says Gunnarsson.

Partnership with Salten N950

Norwegian salmon processor Salten N950 installed Marel's **Whole Salmon Grading and Distribution** system and Innova software in their primary processing facility in 2021. Prior to the automated and digital additions for their whole fish processing, grading and packing were done manually.

With increased farming and fish production in Norway, automating processing was the only way for Salten N950 to keep up. Thanks to Marel's innovative grading solution and Innova's valuable data monitoring, Salten N950 has since increased its processing capacity to 100 fish per minute and packing 20 boxes per minute, with fully traceable products.

Full transparency and traceability

Sustainability in the fish industry

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

Ensuring food safety

For more than 40 years, Marel has been helping fish processors reduce processing time and increase automation, leading to improved food safety worldwide. By automating tasks that are otherwise done manually across the fish production line, food safety risks are minimized by eliminating the chance of human contamination. Building equipment that is accessible and easy to clean is also one of the many ways that we ensure safe products for consumers.

Another is X-ray technology that enables fish processors to detect and reject foreign materials. Offering high levels of consistency, accuracy, and quality, this type of technology is far superior to the manual inspection processes that preceded them. A fine example of this is Marel's SensorX—a proven industry-standard solution for bone detection that automatically finds bones and other hard contaminants in fish, enabling processors to deliver consistently safe, high-quality products.

Eliminating food waste

We believe that every gram counts, and decreasing food waste is essential to ensuring sustainable fish processing. We work toward decreasing waste and increasing raw material utilization through automation and digitalization. Our goal is to maintain the highest possible food quality and drive greater overall efficiency and sustainability from catch to table by moving toward demand-driven production.

Simply put, automation reduces human error and increases optimal cutting, trimming, portioning, and packaging to reduce food waste. Our range of automated fish processing machines, solutions, and services increase yield, utilize as much raw material as possible, and create valuable byproducts that reduce food waste throughout the entire supply chain.

Catch-to-table traceability

Consumers demand full transparency and traceability from their food. Not only do they want to know the nutritional value of their fish, they also want to know the origin and the safety standards involved in their journey from sea to supermarket. Traceability is integral to Marel's innovation for developing solutions and software so that fish processors are equipped with the data needed to meet and exceed expectations.

Our Innova Food Processing Software provides processors with full traceability of products throughout the entire value chain. This valuable information gives fish processors the ability to withdraw or recall products that have been identified as unsafe or incorrectly labeled, contributing directly to food security, increased efficiency, and improved nutrition for consumers around the globe.

Customer story

Marel and Brim put smarter processing in action

Smart factory technologies such as robots and advanced digital solutions have allowed Icelandic whitefish processor Brim to catch and process fish more efficiently and sustainably by streamlining processes, increasing raw material utilization, and utilizing data insights. Today, Brim is one of the most advanced whitefish processing plants in the world.

In the summer of 2020, Brim closed their factory doors for three months to install an entirely new production line that included a majority of Marel solutions. With the goal to improve yield and increase the value of their products, Brim installed solutions such as the **Whole Fish Grader**, Curio filleter, **FleXitrim**, **FleXicut**, **SensorX Fish**, **RoboBatcher Box**, and **IceDoser**, among others.

The result is improved yield, better consistency, a wider variety of products and increased capacity. *"Today, we are proud of our smart factory, where there is a high level of connectivity, making it easier for Brim to meet customer orders quickly and precisely, making full use of the valuable raw material,"* says Gisli Kristjansson, Director of Production at Brim.

Watch now

Eliminating food waste and ensuring food safety

Market trends and growth drivers

For Marel, the key factors for future market growth include the growing farmed whitefish segment and the general rise in fish processing automation worldwide. Processors are looking for automation that provides adaptability and sustainability. Digitalization is the key to enabling flexibility, reducing CO_2 footprint, eliminating food waste, and ensuring food safety and source-to-shelf traceability.

Farmed fish sector continues to grow

The pandemic's effect on global supply systems, freight costs, and the CO_2 footprint of shipping salmon by air has highlighted the importance of domestic food production. This has in turn driven new interest in recirculating aquaculture system technology (RAS) and land-based farming.

Together with our strategic partnership and acquisition of 40% stake in Stranda Prolog, we have the opportunity to supply automated solutions and reduce handling. Stranda Prolog, which specializes in aquaculture technology to raise the standard for fish welfare and food quality, has brought Marel closer to becoming a full-line provider to the global salmon industry.

Smarter sushi production

As the popularity of sushi has grown, so has the demand for a more accessible product. Due to the shift in consumer demand over the years for high-quality convenience food that can be enjoyed at home, sushi is now available through online delivery services, on supermarket shelves, in food courts, and shop-in-shop concepts.

As sushi consumption continues to rise globally, manual salmon slicing is not sustainable in keeping up with demand. For optimal freshness, sushi production requires efficient production and distribution to the sales points in order to deliver the right quantity at the right time, under controlled hygiene and temperature conditions.

Marel provides the automated equipment needed to upgrade the manual production of processed salmon and similar species, and produce semi-finished products like skinless and boneless fillets, loin pieces, and slices suitable for sushi. In addition to increasing the daily capacity, raw material utilization is optimized, with less manual handling and more consistent production.

Seafood in a balanced diet

Consumers are becoming increasingly mindful of healthy eating, which has increased the demand for seafood, including differentiated and value-added seafood products. This trend is expected to continue to be a significant source of growth for the industry.

Product innovation and channel flexibility

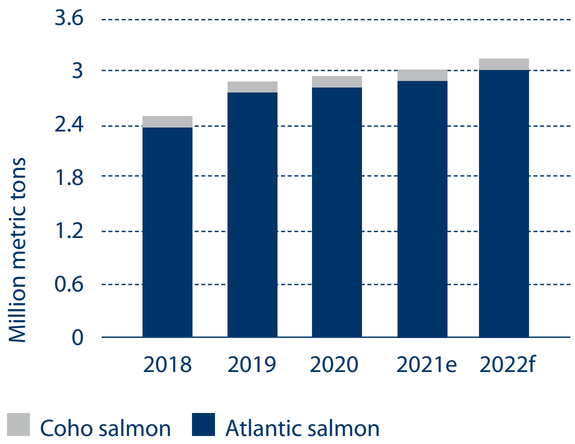
The pandemic's shutdown of the foodservice sector led to a renewed focus on home cooking, and in turn, this has prompted the development of a new range of convenience products and meal kits. Frozen and canned products have also enjoyed a boost in popularity. Reopening of foodservice will only bolster the strong underlying retail demand.

Food delivery services and online seafood sales increased sharply during the lockdown period. Many consumers have become increasingly familiar and comfortable with this way of buying seafood, particularly in Asian markets.

Global production and trade trends

Global production of farmed salmon

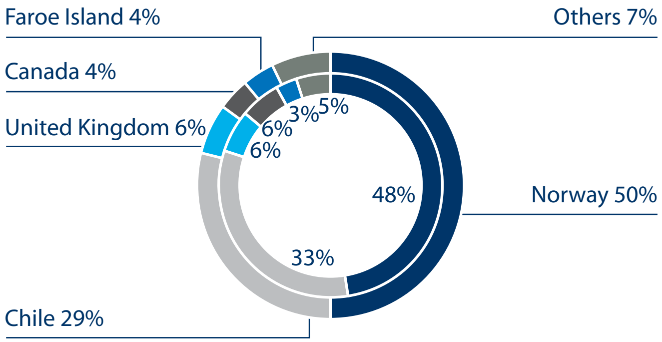
CAGR 2017-2021f: 3.8% for Atlantic salmon, 3.7% for Coho salmon



Source: RaboResearch (2021). Note: Figures for 2021 are estimated (e) while figures for 2022 are forecast (f).

Largest salmon producers

2022 forecast (outer) compared to five years ago (inner)



Source: RaboResearch (2021).

Automation and smarter technology

The need for greater automation and digitalization in fish processing is accelerating with ever-growing labor scarcity, increased need for channel flexibility with the growing number of stock-keeping units (SKUs) and rapid changeovers, and consumer demands of sustainable production. We participate by developing solutions that automate manual processes, ensure food safety, reduce CO_2 footprint, eliminate food waste by increasing yield and ensure source to shelf traceability.

Global production and trade trends

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

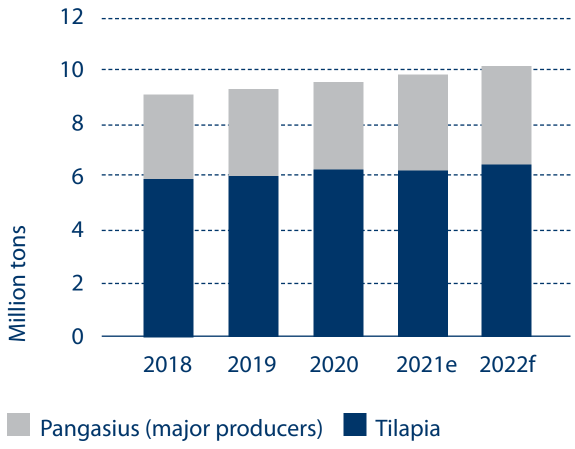
Salmon

Despite a downturn in Chile, global production of salmon is estimated to have increased by 4.4% in 2021. Production is expected to rise even higher in 2022, approaching 3 million tons. Norway continues to dominate the market followed by Chile. While Chile is expected to grow faster than Norway in 2022, it still has not reached its peak production level of 2020.

Global production and trade trends

Global production of tilapia and pangasius

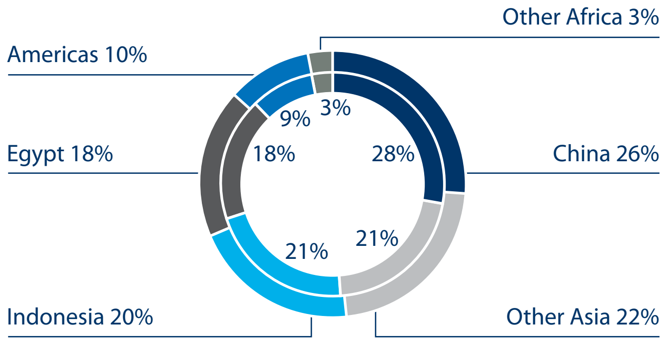
CAGR 2018-2022f: 2.4% for Tilapia, 3.9% for Pangasius



Source: RaboResearch (2021). Note: Figures for 2021 are estimated (e) while figures for 2022 are forecast (f).

Largest tilapia producers

2022 forecast (outer) compared to five years ago (inner)



Source: RaboResearch (2021).

Tilapia and catfish

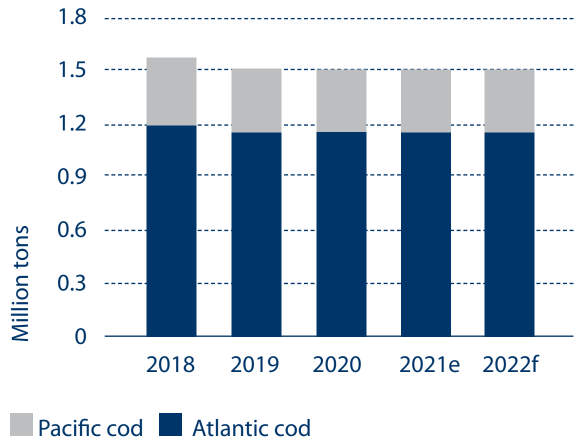
Global production of both tilapia and pangasius increased in 2021 with further increases expected in 2022. Global production of tilapia is expected to increase by 3.6% while pangasius is expected to increase by 2.4%.

China remains the largest producer of tilapia, while the share of other producers continues to increase. China's share is expected to be 26% in 2022, with Asia as a whole accounting for 48% of the global production.

Global production and trade trends

Global production of cod

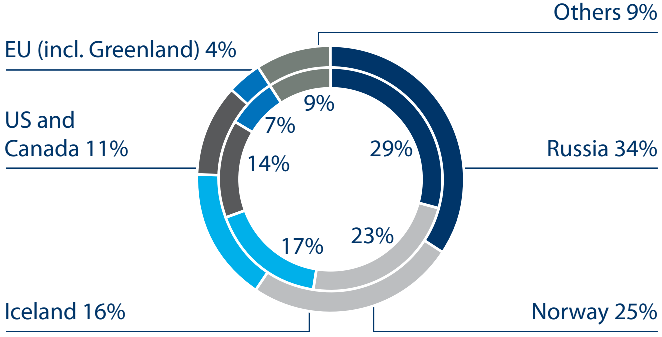
CAGR 2018-2022f: -2.7% for Atlantic cod, -1.8% for Pacific cod



Source: Groundfish Forum (2021). Note: Figures for 2021 are estimated (e) while figures for 2022 are forecast (f).

Largest cod producers

2022 forecast (outer) compared to five years ago (inner)

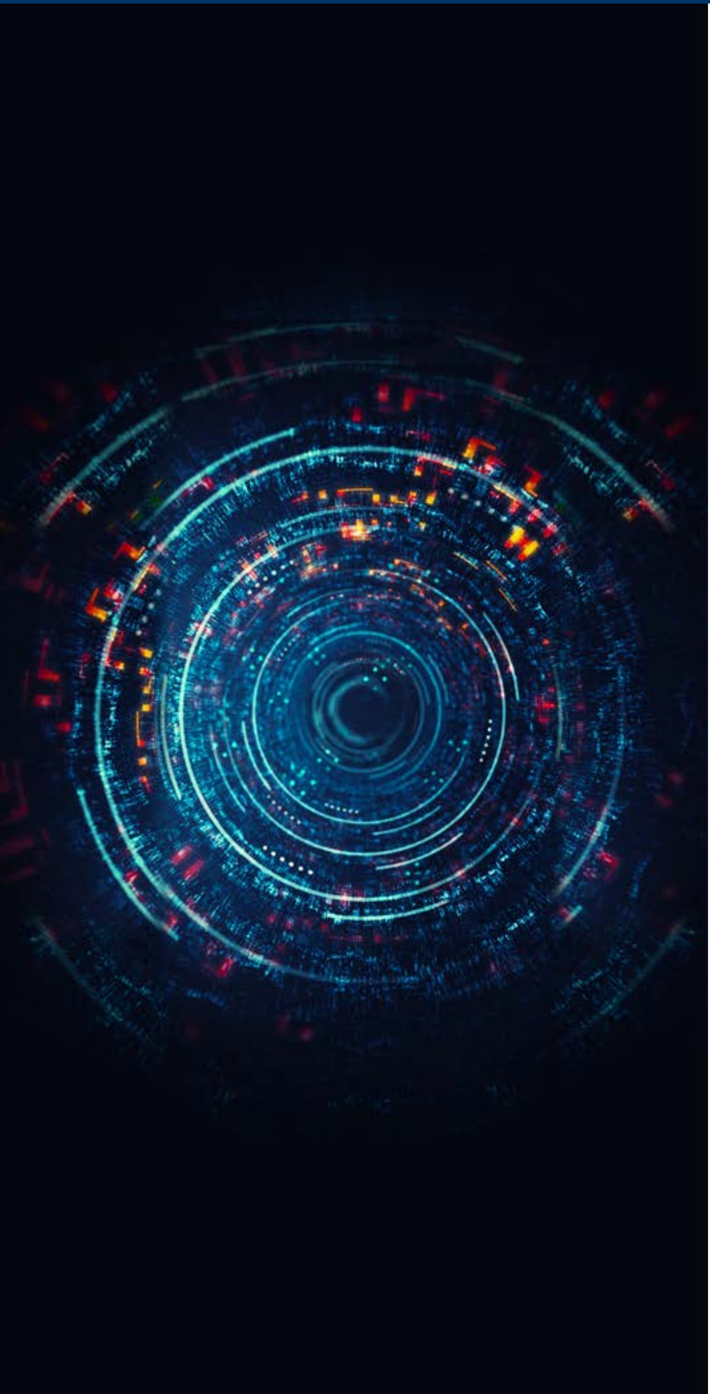


Source: Groundfish Forum (2021).

Cod

It is estimated that the global production of cod increased by 2.2% in 2021. However, it is expected to shrink by 3.4% in 2022, mostly due to diminishing catch of Atlantic cod.

Russia continues to be the world's largest producer of cod, followed by Norway and Iceland. Unlike Russia, both Norway and Iceland rely solely on Atlantic cod while Russia's growth in recent years has in large part been due to Pacific cod.



Software

Marel is a leading global provider of innovative digital solutions that add value to food processing around the world. We are positioned to remain in front as we enter the new frontier of industrial technology by rolling out a connected smart factory that has the potential to reshape the production of food.

Connectivity is the cornerstone of our digital journey—connecting with people, connecting software and the factory floor, and connecting to different companies and parties. We're focused on developing digitalization and connectivity offerings that can underpin a future of sustainable, affordable, and healthy food for the whole world. Our advanced solutions will transform food production in ways that will benefit food processors, people, and the environment.

Data has metamorphosed from the file cabinets to being a key enabler of real-time decision making and value creation. Our software portfolio makes it possible to realize unprecedented benefits by collecting data from fully connected machines, lines, whole factories, and multiple systems, and storing that data in a hybrid-cloud infrastructure, where it can be shaped and analyzed.

The hybrid-cloud implementation is important because it does not require an internet connection. By utilizing cloud features, our customers unlock new value. The seamless integration of software with our benchmark mechanics, in concert with data-driven insights, set the stage for proactively controlling equipment and processes from end to end across industries.

We remain the digital partner of choice for food processors. Our proprietary **Innova Food Processing Software** has the largest installed base in the industry. With our smart factory rollout, we are creating a complete digital architecture that increases production speed and uptime; improves performance through yield, quality, and safety; and addresses value-chain requirements including production planning in a pull-based market.

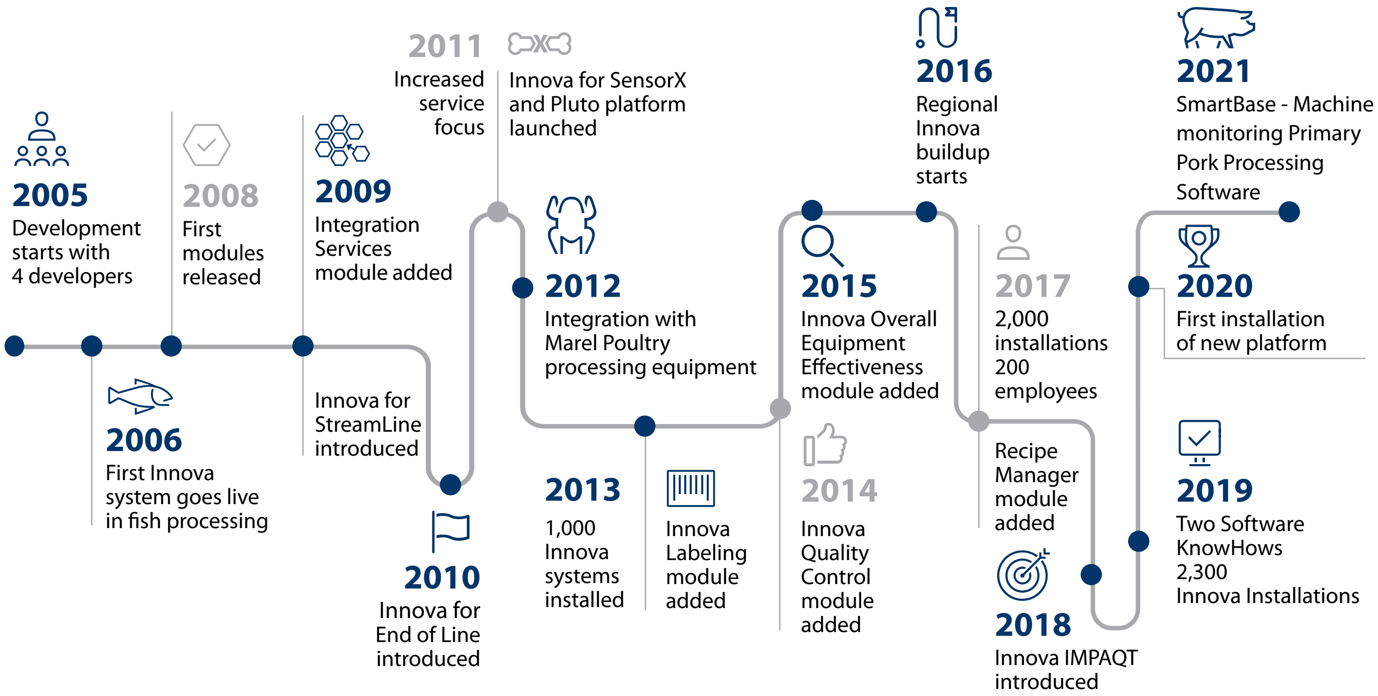
Our future-oriented offerings promote a stickier customer base, higher customer engagement, amplified recurring aftermarket revenues, and greater share of wallet.

The Marel digital objective

The Marel digital objective is to be the digital partner of choice for the food processing industry, and to enable customers to sustainably maximize value creation by providing digital products and platforms for interconnectivity and optimization.

The introduction of digital transformation will change the industry. The Marel smart factory can monitor the entire food production process; this encompasses reception, manufacturing systems, operators on the floor, and distribution. By taking advantage of cloud functionality, the smart factory can even compare performance across different factory sites operated by the same customer.

Software built with the future in mind



For example, by supporting the seamless flow of data sharing across the value chain, a smart factory can detect critical issues or anomalies in a timely fashion, forecast failures with high accuracy, and identify underused production capacities.

In these ways, smart factories seek to achieve marginal gains and employ data to continually optimize return on investment.

By connecting the factory floor to the digital world, our customers will be able to create new value in a sustainable way.

They may even be able to offset some of the impact of supply chain disruptions.

The advantages are far-reaching. By accessing machine data at scale, Marel will be able to employ predictive analytics to anonymized, aggregated data in the cloud platform from the collective of customers, and apply artificial intelligence (AI) and machine learning to enhance service offerings, accelerate innovation, and inform market strategy.

Digital factory solutions

Building blocks of the digital platform

The Marel smart factory relies on a combination of various equipment, technologies, and digital offerings deployed over time to create a connected facility. To enable cloud connectivity to machines, Marel developed the digital engine, an Internet of Things (IoT)-edge device that can be installed on each Marel machine, providing a secure connection from the machine to the cloud.

The digital engines, combined with the hybrid-cloud infrastructure, are the genesis of a scalable delivery of unmatched functionality. They will be available on a number of Marel machines in 2022. The next evolution is moving several of today's Innova on-premise software solutions to the hybrid-cloud platform.

Product families

Our product families—a connected series of food processing applications—apply the most advanced thought leadership and emerging technologies to the tasks of improving performance, ensuring safety, and managing complexity. Marel is developing new features and functionality in four product families, including:

Planning and optimization
Promote best practices in operational decision making, such as assigning raw material or scheduling production, based on the circumstances of supply and demand.

Food safety management
Enable quality and safety control measures on the factory line, the rigorous adherence to local regulatory and retail requirements, and the continuous collection of traceability details across the value chain to minimize recall.

Performance management
Benchmark and analyze data related to factory processes and employ proactive measures to increase productivity and reduce downtime.

Production and logistics control
Connect multiple machines together to work as a single entity with centralized data collection and analysis. Manage the supply chain encompassing incoming raw materials, production, and dispatch of finished goods.

In the near future, we will be offering software on a subscription basis using the software-as-a-service (SaaS) licensing and delivery model. Customers will implement our software remotely via a secure digital platform with instant access to upgrades. They will be able to take advantage of the most up-to-date features in a seamless, integrated experience.

Planning and optimization

For food processors, planning and optimization involve making the most effective and profitable use of raw material, energy, and labor to accurately fulfill orders in a demand-driven market. The production planning tool on our roadmap employs a 360° assessment of value-chain information to enable a real-time overview of supply and demand.

Customers are eager to adopt this offering as it has the potential to transform the industry, as processors will gain control and agility in orchestrating factory operations to meet production needs.

Food safety management

Safety regulations, known as food safety and quality assurance (FSQA) mandates, are the guiding principles of all food processing methodologies. Marel offers Innova solutions that integrate quality assurance into factory floor processes.

We use a localized compliance framework that takes into account the regulatory and retail requirements particular to customers and their supply chains. These tools help customers safeguard their licenses to operate, reduce waste, and drive sustainability.

Traceability is the backbone of FSQA and can make the difference between the withdrawal (not putting the product on the market) and a recall. To fulfill the promise of digital data for the purposes of FSQA, Marel offers a number of software solutions.

All Marel components integrate complementarily within the ecosystem, and talk to each other across all factory floor processes.

Performance management

Marel provides customers with a range of Innova solutions for monitoring operations, i.e. factory equipment, and managing key performance indicators (KPIs) including yield, throughput, uptime, and giveaway. Once production benchmarks are established, it becomes possible to set criteria for meeting targets, to measure progress, and to address deviations.

These offerings can be used to control individual machines, providing actionable insights for improving that device; in the same manner, they can combine and analyze data for a whole line of machines. Across the factory, and even across multiple facilities, data can be assessed and coordinated in the service of informing production planning and driving business strategy.

Production and logistics control

With production control software, processors can seamlessly connect multiple machines together across the value chain to work as a single entity. These flexible and modular production solutions help ensure data continuity, verify integral processing steps, and streamline factory operations.

As one example of production control, a new solution for the pork industry empowers processors to capture end-to-line production data and gain control over the entire primary process. Processors can define business rules that govern the way products are channeled through the factory lines. A similar offering for the poultry industry features tailored automation tools for flock management, veterinary inspections, quality grading, and weight registration.

As for the efficiency of the Marel customer's logistics, our software helps facilitate the flow of products through a plant and informs the organization's operational solvency, i.e. cash flow. A number of Innova components address logistics activities across the factory.

At raw material reception, the processor applies Innova software capabilities to the task of receiving and gaining control over raw material stock reception. To meet the needs of raw materials inventory, the next logistics stage, processors can take advantage of rotation optimization tools that cut down on incidents of loss or product expiration. Raw materials inventory is the bridge between receiving and processing.

During processing, raw material changes form. Processors can reliably manage productivity on individual processing lines by capturing data and viewing it through reports and dashboards.

At the finished goods stage, processors make use of the packing and labeling software to register products in inventory. Operators can take advantage of tools that aid in fulfilling orders and palletizing products accurately.

Moving toward enhanced digital offering

The same can be said for the finished goods inventory stage of logistics. When using inventory software, workers can use scanners to move inventory, pick orders, and conduct dispatch activities. For the order picking stage, they can verify that products are reserved and allocated to the right customer.

The next logistics steps utilize software for staging finished goods for shipment, loading the truck, and delivering shipment documentation to the carrier. Logistics solutions feature built-in reporting tools and can integrate with third-party systems.

Marel platforms

Processors can employ Marel platforms to enable a seamless and continuous connection between the production floor and the software that optimizes production. Today we have two platforms.

On-premises platform

Innova software, including mission-critical functionality, runs on server hardware. The architecture supports modular upgrades and conventional lifecycle management. Upcoming are predefined full-line solutions, where customers can access plug-and-play standardized implementations from a central repository. Furthermore The platform will provide standard data APIs to connect to both proprietary and third-party reporting systems.

Hybrid-cloud platform

As time goes on, food processing companies are consolidating and acquiring brands to scale and build name recognition. To unite multiple sites or to synthesize a single site, we're moving toward offering a hybrid-cloud implementation, where mission-critical functionality runs on-premises, and can run independently from the internet connection. Put simply, the hybrid-cloud platform runs partly on the factory floor, where necessary for latency and reliability reasons, and partly in the cloud to make use of the cloud's scalability and cost-effectiveness.

This hybrid functionality, on-premises and on the cloud, work seamlessly together and support each other to offer the complete solution. Customers can then tap into cloud opportunities such as machine learning and artificial intelligence.

The hybrid-cloud platform combines the best of on-premise control with analytics in the cloud. We're including capabilities to secure Marel's future growth. This deployment can incorporate turnkey integrations of future acquisitions.

Products

Marel software is designed to ensure that processors can forge seamless connections between solutions on the factory floor, and collect valuable data for optimization throughout production. Customer testing and feedback are crucial in our software product development, and we continuously roll out improvements that support processors' needs.

Machine connectivity with SmartBase

We are introducing SmartBase, a complementary offering to Marel equipment that makes it connectivity-ready and part of the smart factory. A digital engine with Internet of Things (IoT)-edge device capabilities is installed in each Marel machine, and provisions secure connection to an Azure-based cloud infrastructure.

The digital engine is a cloud-connected application platform that runs on Marel's machines and hosts all applications that don't require hard real-time execution. This includes human-machine interface (HMI) applications, device control, administration, and

data distribution to other machines and to the cloud. It also acts as an intermediary between the machine's controller and the outside world.

The first application that runs on the digital engine is the data collection for SmartBase, which is Marel's application for monitoring machine health, with add-ons for performance. The digital engine collects the data from the machine on which it is embedded on-site and streams it to the cloud, where the SmartBase application displays the data in dashboards.

By connecting machines, this information is organized into a standard data model, making it possible to access key metrics and identify ways to improve the production process. Interconnected machines and processes are linked by moving localized data to the cloud, where it's analyzed and presented in real time as actionable insights.

Through the dashboards, processors can monitor machine technical health data and basic production information. By adopting this solution, they are empowered to proactively apply upgrades and maintenance measures. Data analysis can identify areas for improvement and pinpoint problems before they occur, thereby avoiding damage and reducing costs.

Innova Primary Pork Processing Software

Marel processors can use this solution to manage the primary pork process and maintain precise control from reception to cool room inventory. They can establish a foundation for controlling quality during primary processing by capturing data that gives a clear overview of an operation, all while achieving full traceability.

With Primary Pork, processors can structure the behavior of their operations beyond the confines of tribal knowledge. It becomes possible to orchestrate the movement of products through the factory based on customized business rules.

Traceability

Regulatory compliance—the necessity of adhering to local laws and laws native to anywhere in a supply chain—is one of the biggest challenges of food processing. With sophisticated Marel traceability software, processors can accurately capture detailed information, which is essential for establishing the quality, safety, and provenance of finished goods.
Over the years, food processors have seen a dramatic increase in government and consumer demand for transparency about products and practices. A digital traceability system is vital to efficiently meeting regulation standards, managing recalls, and co-ordinating inventory. The software can also be leveraged to mitigate disorder in the supply chain.

SafetyChain partnership

Marel has partnered with SafetyChain in North America to deliver the first fully integrated enterprise-grade FSQA solution designed for protein manufacturers. SafetyChain is the respected provider of the leading FSQA platform, with tools for helping to establish compliance, safety, and quality for process manufacturers. The cloud-based offering solves FSQA challenges in food safety, quality management, and supplier management with a single platform.

The sustainability perspective

Marel develops solutions with sustainability and societal impact in mind. Our efforts include ensuring food safety and quality control with a full audit trail, reducing CO_2 footprint as measured through resource use, and eliminating food waste by optimizing raw material allocation. Moreover, we are sourcing farm-to-shelf traceability by linking every step of the production chain, as well as providing remote service offerings that eliminate fly-in, fly-out.

Software KnowHow in 2021

364	+3,000	25
Registered customers	Unique views	Sessions

Events in 2021

Our Software KnowHow user conferences, which entered their fourth year in 2021, attract hundreds of Innova users in Europe and North America. These are important events for Marel, bringing our digital innovation to life and strengthening our partnerships with customers through active engagement and feedback.

Software KnowHow Europe

The 2021 Software KnowHow user conference for Innova food processing partners in Europe gave customers a chance to gain vital information about our software. Participants acquired vital insights at training sessions, watched product demonstrations, met Marel experts, and shared questions and feedback. The conference was recommended for all Innova users, IT managers, CIOs, business analysts, innovation managers, quality assurance managers, production managers, and digitalization managers.

Software KnowHow North America

At the user conference for Innova food processing partners in North America, hosted in early December 2021, customers had on-demand access to curated content in six immersive tracks: connectivity, security, food safety, product launches, the Marel roadmap, and training resources. The Marel Vice President of Software, Hjalti Thorarinsson, a thought leader in artificial intelligence, presented a keynote and addressed on the topic of trust and transparency in deploying a hybrid-cloud solution with end-to-end connectivity.

Innovation

More than 1,000 employees
in 10 countries

6% of revenues
invested in innovation

27 products
launched in 2021

Innovation has always been at the very heart of Marel. Inscribed in our culture as one of our three core values, it is integral to our company DNA. Innovation is instrumental to our vision of transforming the way food is processed and is vital in our quest to provide solutions that deliver the highest-quality sustainable and affordable food. Our efforts are supported by an annual strategic investment of 6% of revenues in research and development.

In 2021, we brought 27 transformative solutions to the market and further improved our existing solutions. Our product development is informed by the major trends we observe: increased need for automation and digitalization, a focus on sustainability, and the demand for integrated line concepts. Marel's global reach and technical platforms have enabled us to continue delivering new products despite the limitations presented by COVID-19.

Our strength in engineering has continued to show its worth during the semiconductor supply challenge, which we have handled with great efficiency. Alternative solutions have been moving at high speed to deliver quality to our customers on time. We have found that this has strengthened longer-term internal developments, reinforcing our unity and knowledge sharing.

In 2021, Marel Innovation continued to explore new ways of working. An interesting example is the new recent investment in a 3D printer capable of printing metal objects. The 3D printer enables reduction of material use and makes faster prototyping possible, among other advantages.

The pandemic has been a catalyst for innovation

Innovation leads the way in a changing market

Food processors must always be adaptable to changing consumer behavior to keep up with shifting market demands and supply consumers with sustainably produced high-quality food. This means adopting new technologies, new approaches, and new processes at an increasing pace.

Marel is playing a pivotal role in this transition to support our customers' agility as they cater to changing consumer demands across various market channels, such as e-commerce, foodservice, and traditional supermarkets.

The pandemic has been a catalyst for innovation. Market volatility, processing challenges, capacity constraints, and labor limitations increase the drive to be more flexible in serving the end consumer, accelerating the need for automation, including robotic solutions and artificial intelligence (AI).

Consumer demand for more convenience offerings and foodstuff variety also contributes to the need for digital solutions to handle the complexity of a growing number of stock-keeping units (SKUs) and product combinations.

We continuously identify and investigate potential strategic partnerships, such as our partnership with vision technology pioneer TOMRA, and accelerate the innovation roadmap and transfer of technology from recent acquisitions.

Looking ahead, automation, digitalization, line solutions, and sustainability are the overarching themes in Marel's innovation efforts.

Automated replacement for manual operations

We will continue driving greater automation and digitalization in food processing, and work toward having an automated replacement for nearly every manual operation in a plant. This will lead to improved returns on investment and increased consistency and yield.

We've taken significant steps in delivering new robot applications to the fish industry in 2021. These include the RoboBatcher launches and the establishment of the Marel Automation Center to accelerate new developments to the market. The development of automation platforms, such as the DeboFlex platform in Meat, also enables more and quicker developments across the group.

From the automation perspective, all Marel industries are drawing on automation in the three process areas of primary, secondary, and further processing. Vision and inspection technology leadership is a focus area. Our innovative solutions such as the Marel Spectra takes the step from detecting hard contaminants like wood and steel (using our SensorX technology) to detecting soft contaminants like plastics. This greatly reduces the need for staff to perform visual and manual checking, while improving our customers' value-add by achieving better quality and food safety.

Digital solutions

Marel's digital platform will continue to be the food processing industry's first choice for bridging software and hardware, and our digital solutions will give customers the automated processes and actionable insights they need. More predictability and flexibility of operations will enable customers to shift from supply-driven to demand-driven production, with the inherent positive impact on sustainability being top of mind.

Automation and digital connectivity

In 2021, we made solid progress in our roadmaps for the next connectivity products across all industries. We've embarked on a digital journey that applies to the solutions in our current installed base, the products under development, as well as the higher value products in Marel's purely digital portfolio.

We launched our new **SmartBase** cloud solution to provide our customers with a new level of connectivity, more actionable data, and optimized production performance. We connected several of our key customers worldwide to SmartBase, facilitating valuable feedback for scale-up of this solution in 2022.

Line solutions

We foresee that our customers' increased focus on automation will drive a need for increasing digital connectivity throughout Marel's portfolio. A key to unlocking these challenges lies in our ability to provide fully integrated line solutions that minimize manual labor and enhance our digitalization offerings.

Consequently, Marel has initiated several product development programs specifically addressing innovative line concept solutions, in close co-operation with current and potential customers. We address the basics of line integration—standardization and modularization—in these programs to improve costs and lead time to market.

An added benefit of line integration comes from our ongoing product digitalization, where centralized decision-making in line solutions will optimize customers' value creation even further.

Accelerating the innovation roadmap

One of the ways Marel Innovation addresses current challenges is to accelerate the innovation roadmap and enable transfer of technology from acquired companies from one protein industry to another. This enriches the Marel innovation and product portfolio.

An example is our acquisition of TREIF, where we continue to develop our bone-cutting and bone-in capabilities. We also hold regular design meetings to discuss knife technology, software, and mechanical information, and share information between our technical centers where we store our acquired knowledge. This approach creates the synergies to introduce the best technologies in new developments.

Another example is the recent full Curio acquisition, which is in line with Marel's strategic objective to be the one-stop shop for food processors looking for high-tech solutions, software, and services. The full acquisition brings Marel closer to becoming a full-line provider, and enriches our Fish portfolio with whitefish deheading and filleting solutions. With the Curio acquisition we have closed a strategic value chain gaps both for primary and fillet processing of cod-like whitefish species. We are also continuing the innovation-oriented and commercial integration of Curio equipment that is under development.

Marel Innovation furthermore increased its focus on research and partnerships with universities, collecting all research activities in a new Marel unit, Global Portfolio Management. This step keeps us in close touch with the current generation of cutting-edge research and the derived food related applications within our industries. As an example, we have joined the **mEATquality research project**. Ongoing co-operation with universities enables a focused research approach that supports Marel's ongoing innovation activities and provides answers to questions raised by our innovation community.

Product launches in 2021

New innovation launches in 2021

In partnership with our customers, in 2021, we worked on key projects developing and installing advanced processing solutions. Multiple initiatives across our business units progressed well, with major launches including Marel Spectra, DeboFlex, and RoboBatcher Thermoformer, among others.

While we keep taking important steps toward further standardization inside our product portfolio and internal processes, digitalization remains firmly in the spotlight and is a focus area where we've stepped up our investments significantly since 2018. We also continued to develop Marel's automation capabilities during the year, with an emphasis on artificial intelligence and advanced vision technology in several development programs.

New products strengthen the portfolio

In total, we released 27 products and upgrades for sale in 2021—a testament to the robustness in execution and delivery that Marel Innovation stands for. A selection of these is highlighted on the next page.

Learn more

DeboFlex

The DeboFlex is an advanced in-line, modular, and flexible system for hanging deboning of pig fore-end, middle, and leg. Hanging deboning brings many benefits, including higher capacity and yields, increased 'knife in meat' time, and improved shelf life. The DeboFlex is ergonomically designed and provides better logistics of primal products.

Learn more

IceDoser

The IceDoser is an innovative machine that automatically weighs and dispenses precise quantities of flake ice into fresh-fish boxes, ensuring that coverage is uniform and excess weight is kept to an absolute minimum. This precision significantly reduces transportation costs, particularly when airfreight is involved.

Learn more

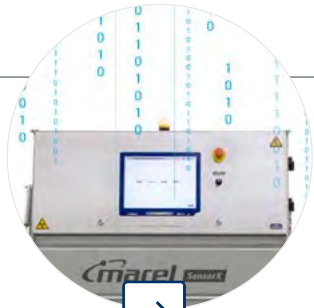
RoboBatcher Box

The RoboBatcher Box packs and styles whitefish fillets and whole loins into boxes directly after cutting. It does this according to precise fixed-weight or catch-weight requirements and a predefined styling pattern. The system uses a unique combination of innovative robotic technology and state-of-the-art batching software.

Learn more

Convenience Line Software

Convenience Line Software collects and analyzes data from a processing line to give full insight into production. This Innova software lets processors take complete control to realize the full potential of their line and optimize profitability. It enables producers to consistently meet product specifications and maximize equipment uptime.



Learn more

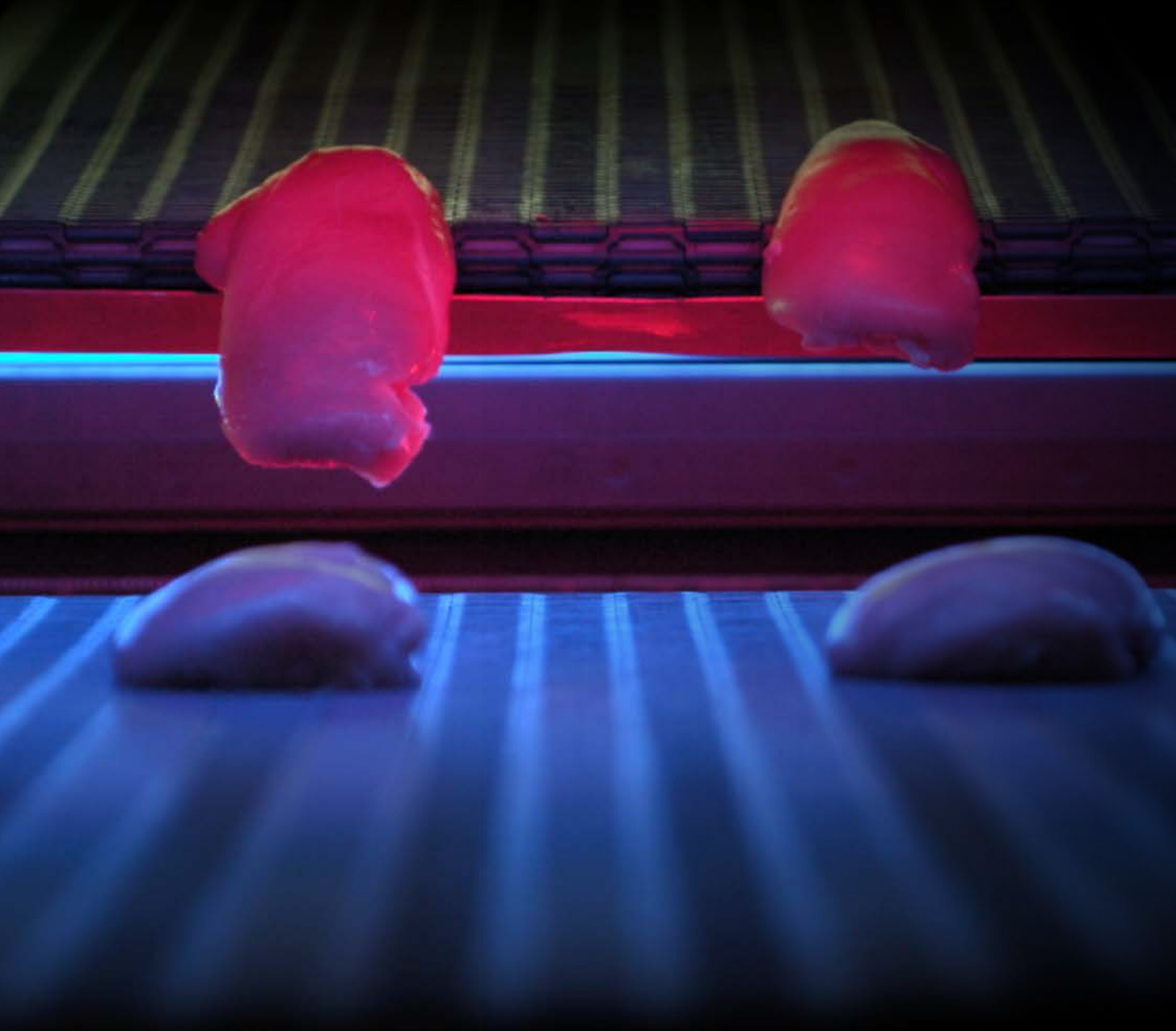
SmartBase

With SmartBase, processors have access to vital machine insights that can help optimize production and reduce downtime when service is required. SmartBase collects real-time machine data and sends it to a cloud, enabling any user with access to see valuable information and use it to make informed production decisions.

Learn more

RoboBatcher Thermoformer

The RoboBatcher Thermoformer packs and styles fish portions into thermoformer pockets directly after cutting. The system uses a unique combination of innovative robotic technology and advanced batching software to create fixed-weight retail packs so close to target weight that giveaway is always kept to an absolute minimum.



Strategic partnership

Marel Spectra

In 2021, Marel unveiled Spectra, an unrivaled foreign material detection solution bound to set a new standard in poultry processing and quality control.

With hyperspectral imaging technology surpassing the human visual range, Spectra performs a near-360° surface poultry fillet scanning, detecting and discarding fillets containing surface contaminants with great effectiveness and precision. It detects foreign material such as plastics, rubber, and wood, on the surface of a product, solving an urgent poultry industry problem.

Created in strategic partnership with TOMRA, this ground-breaking innovation enables food processing companies to consistently deliver a premium quality product. Applying Marel's decades of poultry processing know-how and TOMRA's vast experience in vision technology, Spectra has been designed to withstand the harshest of process environments and deliver accurate results throughout the production day.

Watch now

Sustainability is a global priority

Sustainable impact through innovation

Sustainability is a global priority and a top consideration in everything we do. Marel is an enabler for sustainability, and innovation is a driving force in helping our customers to maximize their value creation while protecting the environment. We are fully committed to supporting the food industry in utilizing responsible development practices.

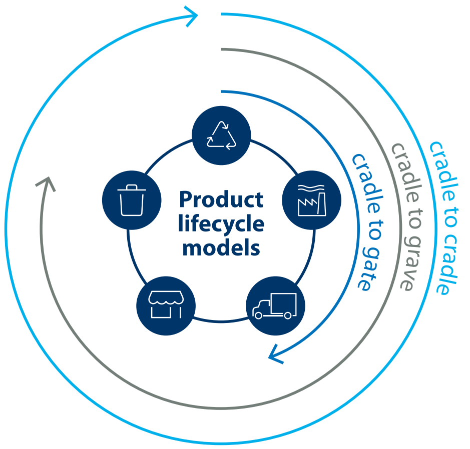
We create new methods for our customers to improve yields and minimize waste, reducing the use of scarce resources such as energy and water while promoting food safety, traceability, and animal wellbeing. Every new product we develop is measured on our sustainability scorecard, and new technologies such as virtual and extended reality (VR/XR) will allow us to design, test, and adjust innovations sustainably.

Sustainability scorecard

Our sustainability scorecard, introduced in 2017, remains a key element in keeping sustainability in focus during our day-to-day running of research and development projects. Using the scorecard, we assess the feasibility of every potential new product development according to a matrix of sustainability indicators. This helps to ensure that environmental factors are included and considered in all steps of our development process.

Life cycle analysis

Marel Innovation performs life cycle analysis (LCA) on our innovations, and in 2021 we intensified our efforts in this area. LCA records the environmental impact of a product throughout its life cycle, and undertaking LCA for our new products helps us determine what we can do to reduce their negative environmental impact. LCA enables calculation of potential carbon footprint reductions, for example if the lifetime of a product is extended. These calculations feed into product development and innovation,



meaning our products constantly become more energy- and water-efficient, more durable, and more recyclable. Data-driven insights drive the transformation, so Innovation commits to conducting further LCA each year and working toward being able to calculate the CO_2 footprint of every product.

Working together for sustainability

The sustainability of the solutions we provide must be beyond reproach. Increasing regulatory requirements and consumer preferences demand more and more of our customers when it comes to measuring sustainability factors, such as use of energy and natural resources, and we must be there to support them on that journey.

In 2021, we continued to educate our teams and implement sustainable thinking in our development processes. As an example, this year's Innovation Forum, an internal team event, was focused on sustainable innovation. The forum brought together our innovation leaders and other internal experts together with academics and key players from all industries—customers, partners, and suppliers—to focus on sustainability from different perspectives.

Global Markets and Service

Marel is global because our customers are global. Our global reach is the fabric through which we weave deep, long-term partnerships that result in better solutions for our customers and the market.

We have customers in more than 140 countries, operating mainly within the poultry, meat, and fish industries and ranging from large international leaders to local processors. Supporting their needs, our Global Markets and Service team is made up of around 2,800 employees spread across more than 30 countries. We cover global functions for a unified customer approach, while maintaining close customer connections through our locally based sales and services.

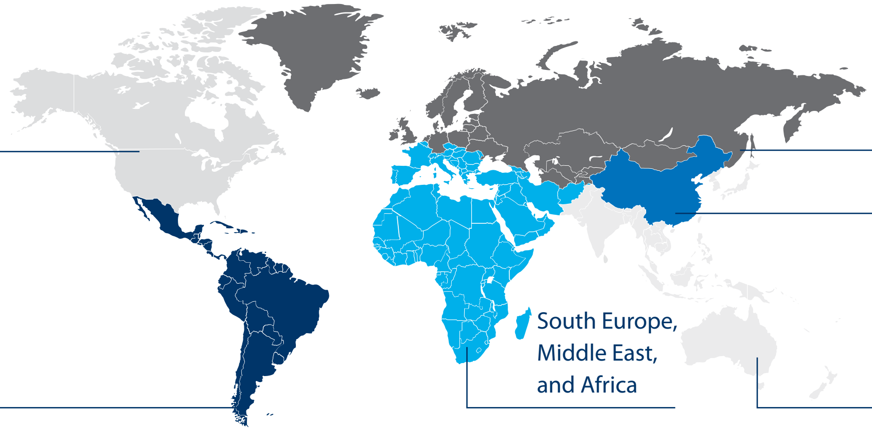
In 2021, we worked tirelessly to grow our global and local capabilities and advance our internal technological landscape and online digital touchpoints. We also increased our sales and service staff throughout the year, ramping up frontline efforts in our operational regions of China, Asia and Oceania, and Latin America to act on opportunities in these markets. As such, we've also opened two new demo centers: one in Campinas, Brazil, and another in Shanghai, China.

Two years into a pandemic that hit with a stronger force than anyone could have imagined, our global reach has shown great resilience. End consumers worldwide rapidly changed their preferences and buying behavior. As restaurants and hotels closed down, the food processing industry had to start producing more for the retail and prepared foods market and had to adapt to new markets driven mainly by e-commerce and digitalization. In these ways and more, the pandemic has accelerated our need to be at the forefront of technological solutions to maintain strong service delivery and customer support.

Marel's diverse standard equipment portfolio continues to form the basis for fulfilling our customers' evolving needs and requirements—even when a pandemic forces them to change their production almost overnight. We also work closely with customers to ensure they understand the value of signing a Marel service contract, giving them the benefits of planned maintenance and data-driven improvements for optimized performance.

Together with our customers, we effectively transform the way food is processed and take essential steps in realizing a more sustainable business model. In 2021, we reduced our carbon footprint as we minimized travel, while at the same time increasing performance and speed of service locally. These efforts all serve our aim of growing aftermarket revenues from 40% in 2021 to 50% by the end of 2026, with the addition of software to revenues from services and spares.

Close customer connections worldwide



Our unique global reach

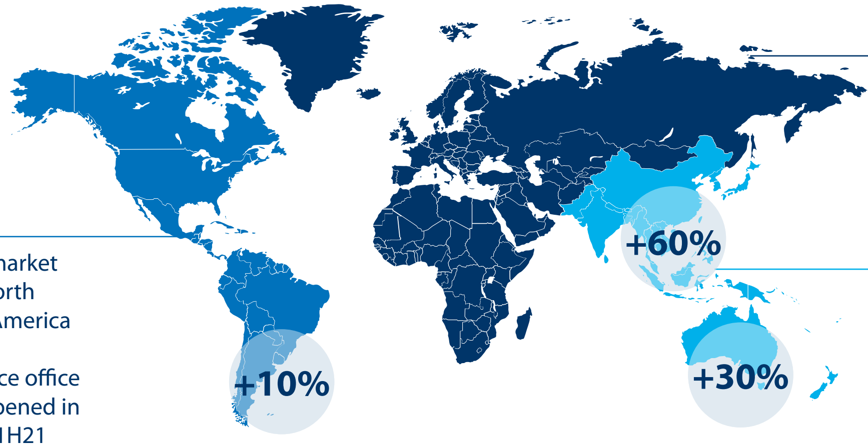
Marel's sales and service network is the key to the company's unique global reach. Our strength in serving customers worldwide relies as much on what we offer: value-enhancing solutions, local knowledge, and installation and service expertise, as it does on who we are: persistent innovators, reliable partners, and dependable service technicians.

We are organized into strong regional leadership teams in six regions covering the world: North America, Latin America, South Europe together with the Middle East and Africa, North Europe and Russia, China, and Asia and Oceania. Within Sales and Service, we have more than 2,200 regionally based employees, speaking a multitude of languages with customers all over the world.

Through our local presence, we ensure that we are close to our customers and support them quickly and efficiently. We help them optimize their operations for safe, sustainable, and affordable food production through strong collaboration between our local team and global industries and functions.

Our strong local presence is also key to understanding the market, our customers' customers, retailers, and trends in the food industry. As such, we make sure that our global industries stay at the leading edge of innovative solutions for the food value chain.

More feet on the ground in key regions



EMEA

Consolidating and streamlining global back-end

Americas

Well positioned in market coverage both in North America and Latin America

New sales and service office and demo center opened in Campinas, Brazil in 1H21

Asia and Oceania

Ramping up sales and service coverage

New sales and service office and demo center opening in Shanghai, China in 2021

Note: Percentages represent change in sales and service FTEs per geography in 2021.

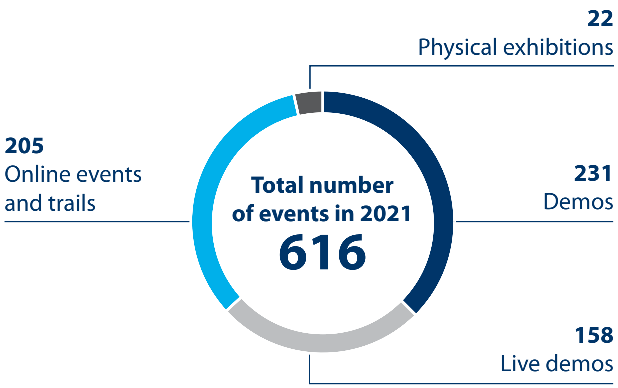
Investing in key growth markets

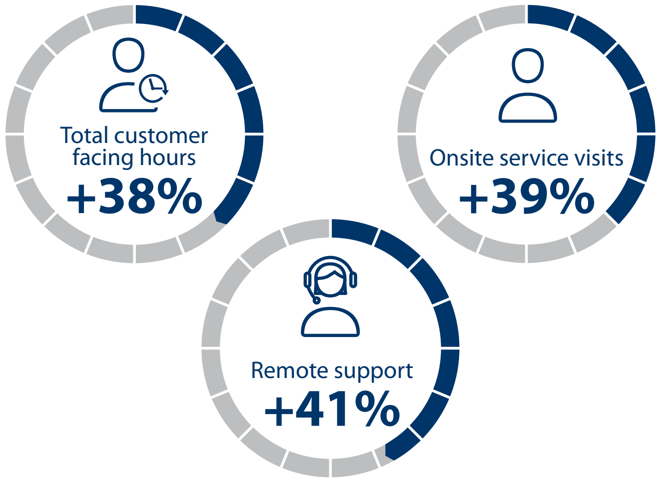
As part of our strategic aim to support customers globally, we are further investing in fortifying our global sales and service network to ensure that we are where our customers need us. In particular, we have increased skilled sales and service employees in our regions of China, Asia and Oceania, and Latin America. Having more feet on the ground in key growth markets has already translated into an improved ability to support our customers locally, which has in turn supported business growth.

We see significant opportunities to develop new markets and grow together with existing customers. Recent efforts in this area include building upon opportunities within the duck processing industry in China, and expanding our offerings to process other species, such as giant squid and mahi mahi in Latin America.

Increased engaging with customers

Online events and demos 2021





Connecting and engaging with customers

In 2021, we continued to engage and meet with customers across the globe, both in person and online through our Marel Live platform.

Trade shows have traditionally been an important way for us to exchange knowledge and nurture customer relationships locally and globally, and we are happy to have attended more of these in 2021. We also managed to meet our customers at 22 physical exhibitions and 231 demo sessions around the world, all while respecting pandemic safety measures.

Spending more time with customers

Marel has the largest installed base in our industry. We continuously strive to maintain close partnerships with our customers, helping them secure reliable and high-performance production throughout the life cycle of their equipment.

In 2021, our 800 dedicated field service engineers increased their customer facing time by 38% compared to the previous year. We also increased our remote customer support to achieve faster and more efficient support to keep production running smoothly at customer sites.

Maintenance remained the core of securing reliable and optimal production for our customers through both preventive and corrective measures throughout 2021. At the same time, we offered a wide range of services connected to spare parts and long-term service contracts, in tandem with the rollout of enhanced connectivity of our equipment, improving data collection and productivity management.

Progress Point Latin America

Learn more

Progress Point Shanghai

Learn more

Strengthening our demo center coverage

Marel opened two new demo centers in 2021, our fifth demo center, in Campinas, Brazil, and our sixth demo center, in Shanghai, China. These new demo centers are integral to our strategic aim of growing our business in these markets, where we currently have a smaller network of reference plants on hand.

Our demo centers worldwide bring food processors together with Marel experts to experience the full potential of our equipment, integrated systems, and software in a hands-on environment. Customers can attend product demonstrations and trial our equipment using their own raw materials, as well as attend training seminars, ShowHows, and other live and online events.

Progress Point Latin America

Progress Point Latin America officially opened on 22 July in Campinas, Brazil. This new 4,700 m^2 facility can accommodate around 130 employees and up to 200 guests at a time. The location will improve our connectivity with Latin American customers and strengthen our global access. It will also make it easier for our customers in Latin America to access and experience our solutions in action, and for Marel to be the technology partner for customers in the region.

Progress Point Shanghai

On 8 November we opened Progress Point Shanghai. This new demo center is an important part of Marel's strategy to expand and strengthen business in China. The new 1,600 m^2 facility features highly advanced infrastructure and a collaborative work environment for customers and employees. It is an engaging platform for our customers to interact with frontline sales and service and discover how they can use Marel's equipment and software solutions to become more efficient, sustainable, and profitable.

Virtual Progress Point Copenhagen

In 2021, we also built a virtual version of our Progress Point Copenhagen demo center, providing the advantages of online events. We can now pair the virtual experience with live events and equipment demonstrations for a rich experience for customers near and far.

Our online Salmon ShowHow on 1-12 February and our Poultry ShowHow on 18-19 November both used the virtual Progress Point Copenhagen to engage with customers. In addition to broadcasting online demos of equipment live from Progress Point Copenhagen, we offered special VIP sessions, group webinars, and online Q&A sessions. We connected multiple Marel locations with customers from Europe, the US, Latin America, China, and Oceania.

For the Poultry ShowHow, we launched the revolutionary new Nuova-i eviscerator using our virtual Progress Point for an interactive experience. Guests had the option to control the human-machine interface (HMI) touchscreen for the Nuova-i and see the settings change accordingly—all in a virtual environment.

Increased online presence in local languages

Average monthly number of visitors to marel.com
+15%

Visitors viewing non-English content
+92%

Lead generation (MQL)
+73%

Web related won opportunities 2021
+92%

Connect with our demo centers

Watch now

Continuing with the Marel Live platform

As the world shut down in 2020, we quickly introduced our Marel Live platform to ensure that we could continue to show our equipment and solutions to customers safely, conveniently, and sustainably. It proved to be a highly successful solution, and so we continued to deliver our online events, ShowHows, equipment demos, and customer training sessions using Marel Live throughout 2021.

Among many examples, in November 2021 we hosted more than 200 customers in an online Meat VIP event showcasing our latest developments in meat cutting equipment. We connected three sites in Europe and showed customer after customer what we can offer, avoiding the travel-related carbon footprint, expenses, and pandemic restrictions while ensuring a complete experience.

We further enriched the event by welcoming customers into our virtual Progress Point Copenhagen. The event provided access to a broader Marel team of industry experts in the same sessions, regardless of geographical location, and instantaneously provided us with valuable customer feedback.

Online presence makes it easy to do business

Our new marel.com website and related digital platforms, such as our online store shop.marel.com, have now been live for a little more than a year. In 2021, we added six new languages to marel.com for a broader global reach: German, French, Spanish, Portuguese, and more.

We want it to be easy to do business with us, and with more languages live, we see steady growth in local traffic. This traffic is resulting in more language- and country-specific web leads, filling a demand for interaction on the local level. Visitors viewing non-English content increased by 92% during the year—a strong indicator that our customers prefer to do business with us in their local languages, whether in person or online.

With a user-friendly interface, search engine optimized (SEO) page structure, maximum server speed, and clear calls to action, marel.com is performing above expectations and converting valuable leads into signed contracts. Our intelligent website design enables us to reach our target audience and offer them the solution they need, right when they need it.

Successful installations using remote support

When remote support matters

The pandemic has highlighted the importance of our local presence to our customers. Many of our customers faced continuous challenges with adapting their processing operations to sudden changes in the market dynamics during this period. Marel Service proactively reached out to them and made sure to stay in close contact through these uncertain times, often pairing a local service engineer with an expert based elsewhere.

Successful installations using remote support have ranged from installing forming equipment in Vietnam, to poultry line upgrades in India, to retail greenfields in New Zealand, Brazil, and China. In cases where a local service engineer has limited experience with a specific piece of equipment, we can use real-time remote assistance and effectively place the relevant expert next to them, providing as much guidance as required.

Beginning in 2020 and continuing throughout 2021, we have shipped dozens of augmented reality (AR) headsets to our service people so that more of our customers can benefit from this technique. The expert who is not on-site can take over the headset camera via remote control. An additional benefit is that the local engineer gains new skills via immersive, interactive on-the-job training.

Digital innovation in service

Digital solutions and connectivity are crucial steps in perfecting our customer service journey. With digitalization and the use of data, we see great opportunities not only for remote support but also to enhance our process optimization services. We currently have more than 40 digital product offerings, and the list is only getting longer as we respond to our customers' requests.
Marel is continuously working on expanding our service portfolio to improve the way we support our customers. To this end, we have launched digital services where we combine software to collect, analyze, and display operational data. We then connect this with our process knowledge and work with our customers to optimize their production. We are connecting machines, and with this connectivity, the evolution of Industry 4.0, and the Internet of Things (IoT), our customers get more insights into their operational and technical performance by utilizing current and historical data.

We know that machine connectivity is key to driving efficiency, optimizing performance, and preventing unplanned downtime on the processing line. Our digital platform presents data clearly, enables quick decisions, and ensures that our customers are able to deliver their orders faster. It also allows for scalability, reduced complexity, and improved uptime—three key objectives that our customers are asking for.

As such, Marel customers can achieve next-generation operational excellence, seamlessly connecting multiple machines to work as a single entity and enabling simple management and remote operations of the line and processing steps. In addition to **Innova**, our full production control software, we are offering end-to-end connectivity and reliable remote access in a highly secure cloud environment.

Machine connectivity with SmartBase

In 2021, we launched our **SmartBase** cloud solution to reap the benefits of machine connectivity. It enhances our ability to support customers and gives processors access to vital machine insights that can help optimize production and reduce downtime when service is required. In this way, we are moving from preventive maintenance to predictive maintenance.

SmartBase collects data from a machine in real time and sends it to a secure hybrid cloud so that any user with access—be it

Delivering the right quality at the right time

an operator, a manager, or a Marel service representative—can see the information from anywhere, at any time, and make informed production decisions. The solution also offers end-to-end traceability and serves as a central control for all of manufacturing.

In 2021, we rolled out SmartBase for our **FleXicut** and **SensorX** solutions, and we are developing the same connectivity for more machines. This industry-leading solution is already connected to several of our key customers' equipment worldwide.

Together, our customers and Marel technicians can analyze and find the source of challenges and service the solutions without fly-in/fly-out of a big service team. This provides our customers with more sustainable and flexible services and faster response times when critical and possible. We will continue to pioneer more advanced maintenance solutions, allowing customers to maximize factory uptime and performance, and optimize all services and maintenance—before downtime impacts the performance of the processing line.

Global service and spare parts

We are proud that our service team consistently delivered proactive service to our customers throughout another challenging year of the pandemic. Marel has more than 1,700 local service employees based in more than 30 countries. Our innovative service offerings, industry-leading technologies, and strong customer partnerships give our customers a competitive edge as food processors.

Investing in a secure supply of spares

To ensure timely delivery of our solutions and services to customers, we took early measures at the beginning of the pandemic to nurture strong relationships with our current suppliers and build new relationships with alternative suppliers for spare parts. We built up spare part safety stock and inventories in strategic places. We also developed procedures for monitoring the global supply chain situation on a variety of parameters to be able to act in due time.

As 2021 unfolded, we followed the same track to continue to deliver spare parts and service to our customers around the world. We collaborated with Marel Innovation and Manufacturing to explore alternative solutions to the global shortages in semiconductors and microchips, as well as general supply chain challenges. With these mitigation actions, we managed to get a head start in accommodating our spare part supply chain to current global challenges. To read more on our actions in this regard, please visit the Global Supply Chain chapter.

Continuously upskilling our salesforce

In our efforts to invest in the continuous upskilling of our direct sales force, we have developed and launched various tools for them to use in their day-to-day interactions and collaboration with our customers. We have recently launched a sales enablement tool to an initial user group across industries and strategic business units. Our sales force will have a continually updated one-stop-shop for portfolio content (marketing and sales relevant information) in their customer interactions.

The platform enables Marel sales and marketing to access all relevant and up-to-date content online and offline. This digital platform is completely aligned across industries and strategic business units to make sure we achieve the full benefits of our impressive portfolio, spanning multiple proteins including alternative proteins. We will continue to implement this to the rest of the frontline sales force in 2022.

Global Supply Chain

Quality, responsiveness, and efficiency are the cornerstones of our supply chain. Our approach is based on our simple objective of providing solutions and spare parts according to our customers' needs, at the right cost and quality, and delivered to the right place at the right time in a sustainable way.

The Global Supply Chain team at Marel is responsible for procurement, manufacturing, and logistics within the company. With more than 2,700 team members, we support the innovation, manufacturing, and distribution of standalone equipment, full-line solutions, and spare parts for poultry, meat, and fish processing.

Our Innovation, Manufacturing, and Service teams co-operate closely to provide the best products and services for our customers. Whether we're investing in new technology, developing our sites to increase efficiency, or providing equipment and spare parts, we deliver and service according to our customers' specific requirements. We achieve all of this through close co-operation with our key suppliers, partners, and distribution network.

Despite shortages and other logistical challenges due to the pandemic, we had good performance on equipment deliveries in 2021. This was made possible by the continuation of our co-location strategy to optimally produce in cost-effective locations, and by strong collaboration between our Procurement and Planning teams across the different manufacturing sites. Currently, we have 15 manufacturing sites for equipment and spare parts that can support our extensive service platform.

In 2021, the need for Marel's innovative solutions, software and services continued to rise, mirrored in 22% rise in orders received in 2021. Revenues however were only up 10% and therefore we recognized the need to ramp up. We took major steps setting up dedicated Order Fulfillment teams to handle spare parts orders to provide better visibility in our delivery process.

Marel is a trusted maintenance partner, building strong and long-standing relationships with our customers. This is reflected by two sequential record quarters in spare parts revenues. Our Global Supply Chain team supports our strategy and growth plans while prioritizing business continuity for all our customers.

Safety, quality, and sustainability

Safety, quality, and sustainability are always our priorities, and in 2021 we further strengthened our processes in these areas. During the pandemic, we remain committed to best practices in all locations to safeguard our employees, customers, and other contacts.

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

Strategically positioned manufacturing sites

TRACK system expanded

With our internally developed safety and quality concern management system TRACK now fully implemented in the Global Supply Chain, we were able to record and avert incidents better across our manufacturing locations. We have met and exceeded the set target for reporting of hazardous situations, with a 16% increase in reporting compared to 2020. This reporting is crucial in the prevention of recordable incidents and first aid cases.

During the year, we continued development of the TRACK system and expanded it to include Service and Innovation. The implementation in these functions will continue in 2022 and will allow any feedback from Service to flow directly to Global Supply Chain and Innovation, and vice versa.

Minimizing nonconformities

As part of our accreditation to the Quality Standard ISO 9001 and the Weights and Measures Certification to sell scales in the market, our locations in Colchester in the United Kingdom and Gardabaer in Iceland were audited several times during 2021. On each occasion, both facilities successfully passed the audit with no nonconformities observed.

Resolution time of nonconformities and concerns in 2021 across all types of issues has decreased by 17% when compared to 2020. Specifically, for our customer detected issues, we have seen a decrease in resolution time of 44% compared to 2020.

Supplier sustainability platform

Our focus on sustainability and responsible procurement continued in 2021 with the implementation of the EcoVadis platform. This widely recognized platform provides supplier sustainability ratings and allows companies to assess the environmental, social, and corporate governance (ESG) performance of their global suppliers. We have assessed our own rating and have started to invite our top suppliers to get rated as well. This effort will continue in 2022. More details on our ESG efforts can be found in the Sustainability chapter.

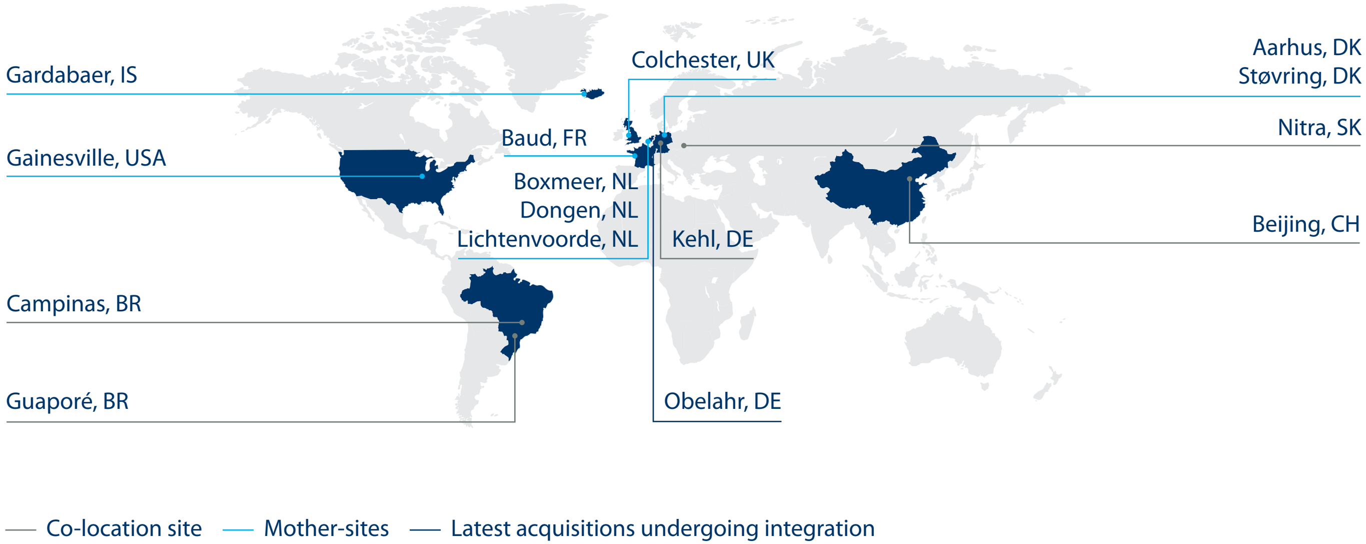
Optimized manufacturing through co-location

Marel is always looking to expand and upgrade its facilities to be close to customers all around the world. Together with our four main distribution centers, we now run 15 manufacturing sites for equipment and spare parts that support our extensive service platform.

In 2021, we achieve good delivery performance despite various pandemic related challenges were possible due to the flexibility provided by our co-location strategy, an integral element of our supply chain strategy. Co-location involves producing mature products in optimal cost locations, rather than innovation centers or so-called mother-sites. This has four main benefits: It moves production nearer to our customer base, reduces production costs, increases distribution capacity and flexibility, and spreads risks in case of natural disasters or trade barriers. We are continuing co-location to our plants in Brazil, the US, China, and Slovakia to be close to customers and optimize cost levels.

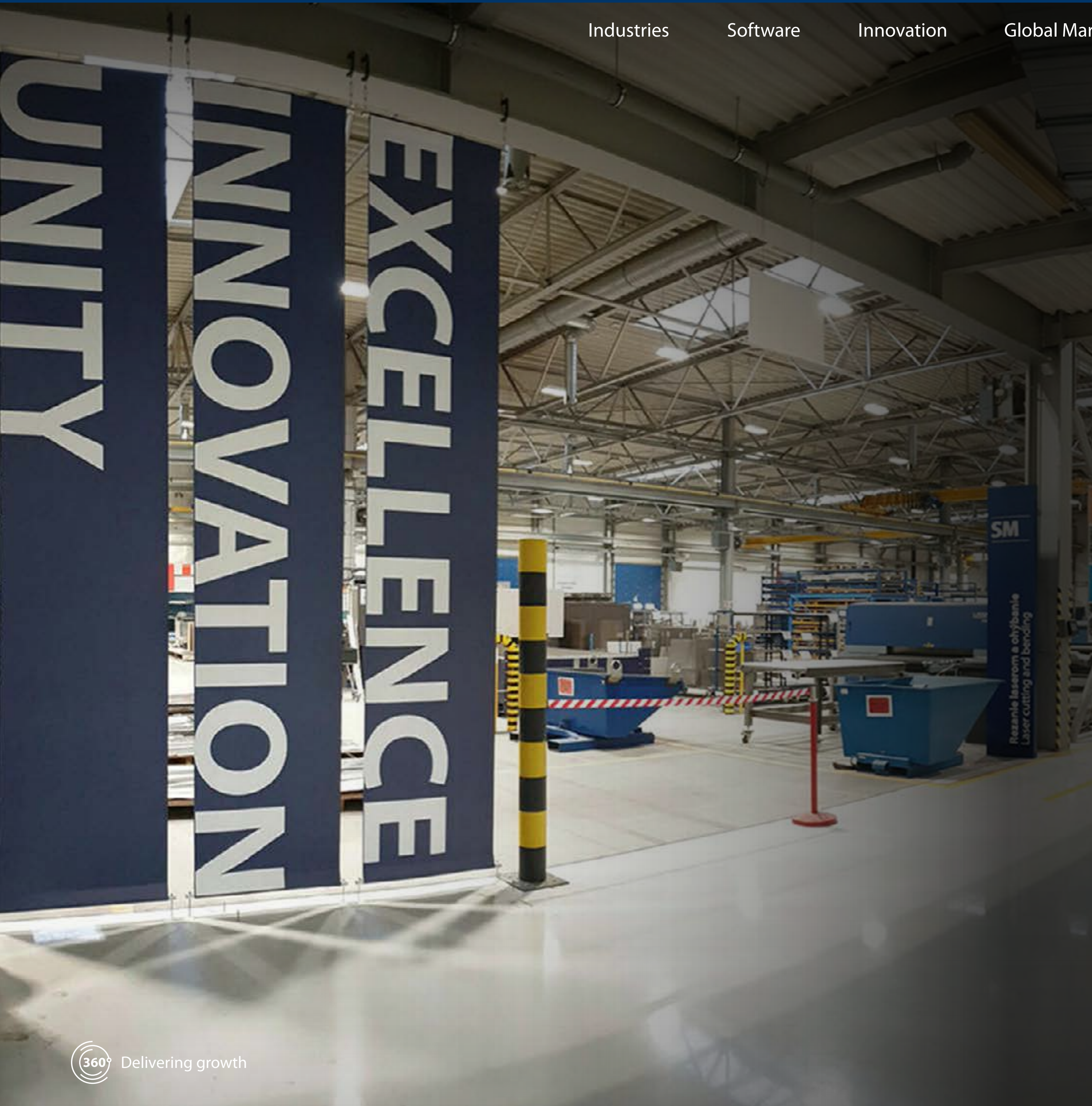
As part of this strategy in 2021, we significantly increased our capacity for assembly in Nitra in Slovakia, and will invest and expand our facilities in the next two years in addition to increasing efficiency and implementing a second assembly shift. We also successfully piloted and are now rolling out digital assembly instructions. This not only reduces the risk of errors but also allows less experienced team members to follow instructions and illustrations from a screen, reducing the training time required.

Global manufacturing platform



We've taken further steps for co-location across the globe in Guaporé, Brazil. The objective was to enable our customers in the region to access local government financing (FINAME) by purchasing Marel equipment manufactured and sourced within Brazil. The first product to be co-located as part of this strategy was the SmartLine grader.

During 2021 we also invested in upgrading the assembly facilities in Colchester in the United Kingdom, and parts manufacturing in Boxmeer in the Netherlands and Stovring in Denmark. New standards will be incorporated into all our future manufacturing infrastructure projects, creating bright and inspiring workplaces in all our manufacturing centers.



Did you know?

Major growth at Marel Nitra

In November 2020, Marel celebrated 15 years since opening its manufacturing facilities in Nitra, Slovakia. During that time, Marel Nitra has developed and grown tremendously. Starting with only nine employees in 2005, the location has now around 420 employees.

Nitra is one of our 15 production sites and one of more than 30 Marel locations around the world. The Nitra facilities include a large modern office space as well as Marel's largest assembly manufacturing facility worldwide, or around 18,000 m^2. As part of our co-location strategy, the Nitra facilities and team produce products that have graduated from the development phase and have become standard products.

Assembling hours in Nitra are estimated to increase to 250,000 in 2022 and to 280,000 in 2023, up by approximately 25% from the current capacity and an almost nineteen-fold increase from 2010. By 2023, Nitra will represent about a quarter of the total assembly capacity of Marel's manufacturing facilities worldwide.

Continued focus on global reach and aftermarket

Automating and digitalizing to improve speed and scale

Continued investments in our manufacturing platform will be a key enabler for Marel's organic growth target. We are strengthening our foundation for growth and scalability with high levels of automation, digitalization, and a low environmental footprint in line with our sustainability goals.

There are opportunities to automate and digitalize the backend to shorten lead times and prepare for the future growth curve ahead, where the largest investments are expected in spare parts handling and changing the flow in the factories.

Over the next four years, Marel will focus investments to better support the global reach and aftermarket capabilities. We will advance the supply chain, invest and improve our distribution network for spare parts. Further, we will bring some of the key manufacturing locations to the next level with a focus on modern ways of working, including improved automation and use of robotics.

Official customer commentary indicates that our customers are stepping up in capital expenditures to increase automation, strengthen agility in market channels and stock keeping units (SKUs), and improve safety and sustainability. Changes in consumer behavior are affecting our customers, and we need to change our behavior accordingly to support flow in projects and aftercare business that is becoming more dynamic and demanding in terms of delivery times.

These enhancements of our manufacturing platform and parts handling facilities will ensure that we can deliver the right quality, at the right time, at the right cost and in a sustainable way to our customers.

Procurement

A semiconductor and logistics crisis set in swing by the pandemic has led to severe supply shortages worldwide. These shortages impacted Marel and its suppliers in many categories throughout the year. In response, we have established additional structures and actions to ensure availability of products to our customers.

As of the beginning of 2021, mitigation actions in place have included close co-operation with our suppliers to solve bottlenecks, and increased commitment toward suppliers by ordering ahead. As is clearly reflected in our financial statements, we are also keeping higher inventory levels for critical components.

We are also working closely with Innovation to re-design alternative components when needed, and with Manufacturing to reschedule production depending on availability of parts. We have set up, next to local dedicated teams, a global allocation team to optimize the allocation of components across sites, and a dedicated global team to search for missing components in the broker market.

These responses are governed by a global risk management team, and agile problem solving is facilitated by cross functional teams per site. We have succeeded in minimizing the impact of the crisis through very strong co-operation between all Marel disciplines and suppliers.

50% of revenues to come from service, spares, and software in 2026

Spare parts

Continuing our journey to carve out the spare parts supply chain starting in 2019, we are working to further strengthen our position as the trusted maintenance partner for our customers. This ongoing journey is reflected in the rise in service and spare parts revenues as a proportion of our total revenues.

In 2021, we took the next major steps in reaching our objective, by splitting the inventories for spare parts and equipment at key spare parts production facilities. This allows us to plan our inventories to meet the specific needs for manufacturing and spare parts, respectively. This is relevant both in the procurement strategies and the reliability and transparency of inventories to both supply chains.

We have also continued with the organizational set-up of dedicated Order Fulfillment teams in Europe, after already having gone live with our team in North America in 2020. These teams act as 'spiders in the web' with a sole focus on spare parts orders. Several activities centered on streamlining and rationalizing our end-to-end processes, and master data and performance measurements are ongoing with dedicated teams. This is not only to increase our current performance but also to support the next steps in our spare parts journey.

In Europe we are preparing our largest future transformational project supporting an automated and digitalized physical fulfillment process. All of this is to support our ambition of having 50% of our revenues generated by software, service, and spare parts in 2026.

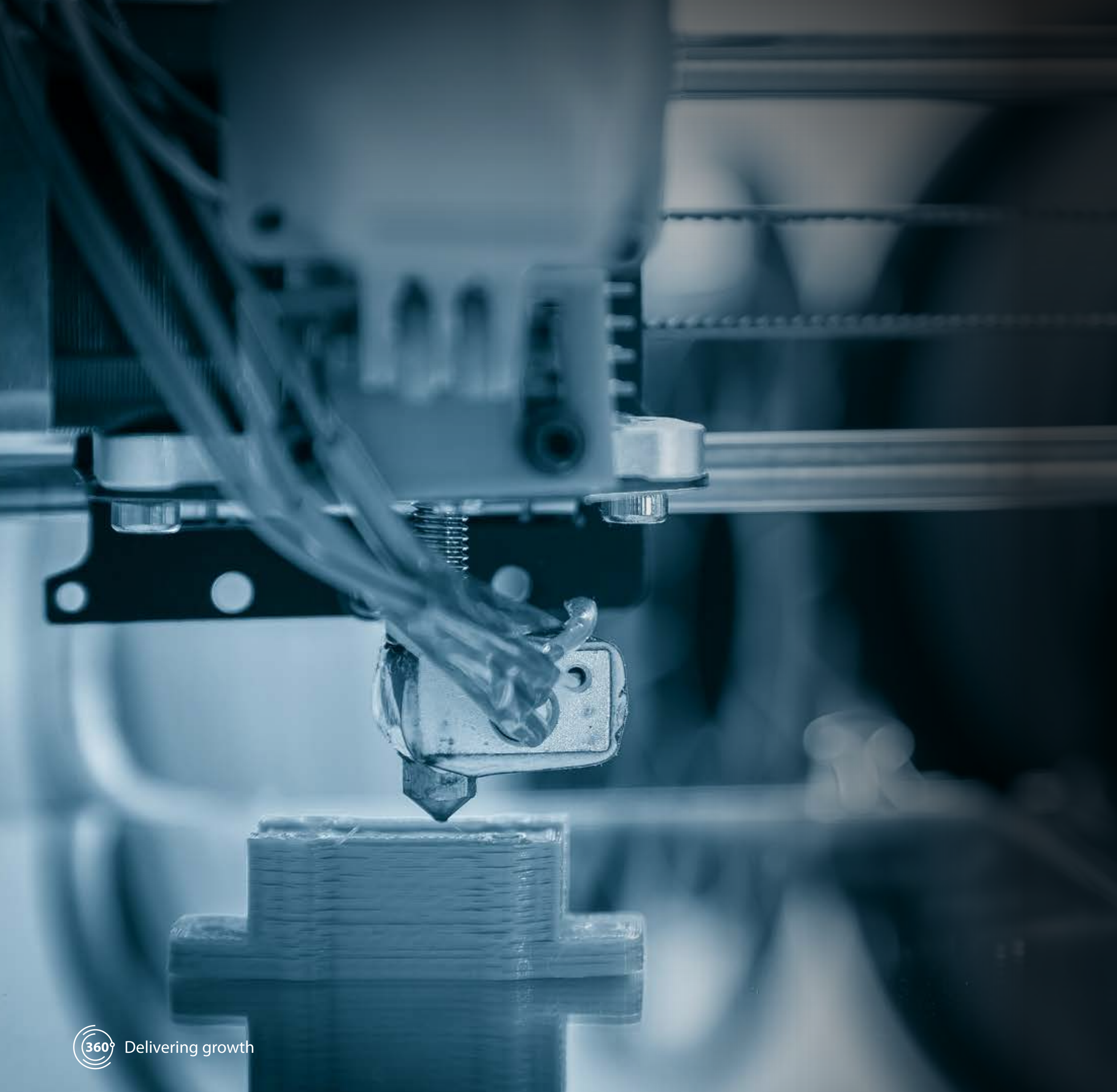
Logistics

We have increased our focus on logistics within Marel. To ensure that our customers are receiving the best logistical care in a consistent way, we've strengthened our ways of working toward a standard global approach.

As many other companies have experienced, logistics costs increased during the year, and in parallel a higher degree of inaccuracy in transit times developed.

One of the actions that we have taken is to reduce the number of carriers that we are working with. This allows us to establish strategic partnerships with global carriers and helps us with better cost management and level of capacity commitment from carriers.

During 2021, we have also been working on getting the logistics activities of our latest acquisitions included into existing carrier contracts, resulting in significant freight cost savings for these locations.



Did you know?

3D metal printing project and acquisition of machine

In May 2021, Marel decided to invest in a 3D metal printer for the production of stainless steel products. The new 3D manufacturing technique, also known as Additive Manufacturing (AM), offers many new opportunities for Marel. The machine was purchased and installed in Boxmeer in December 2021, a revolutionary step in supporting our Innovation department, regular production, and spare parts.

The project is the result of close co-operation between Marel's Global Supply Chain and Innovation teams. Together with external parties, these teams have conducted many investigations, pre-parations, and alignment sessions over the last years to ensure a well-founded purchase. The fully operational system is printing 3D stainless steel parts for all Marel sites around the world.

With the investment and exploration of this new technology, we aim to ensure a shorter time to market by decreasing lead times for development and testing, and creating combinations of parts and shapes that we would otherwise not be able to produce.

4 Investors

Excellence at every angle

Marel has a solid community of shareholders who contribute to our steady growth by trusting our ability to transform food processing. Our dual listing on Euronext Amsterdam and Nasdaq Iceland has strengthened our capital structure and diversified our shareholder base. It has also increased our visibility and broadened our analyst coverage.

Shares

Marel is the largest company listed on Nasdaq Iceland by market capitalization and ranks in the top five among mid-cap companies listed on Euronext Amsterdam, by free-float market capitalization.The market value at year-end 2021 was EUR 4.6 billion, compared to EUR 3.9 billion at year-end 2020.

Since listing on Nasdaq Iceland and dual listing on Euronext Amsterdam in 2019, Marel has attracted a diversified international shareholder base, and broadened its analyst coverage.

Trading and liquidity

Despite a market environment colored by the pandemic and its aftermath of challenges relating to supply chain, logistics and price inflation in 2021, Marel's shares rose 10.9% in ISK on Nasdaq Iceland and 18.3% in EUR on Euronext Amsterdam. Marel's shares outperformed the AMX mid-cap index on Euronext Amsterdam by 2.9% while underperforming the local Nasdaq Iceland OMXI10 index by 22.1%.

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

Trading volumes outside Nasdaq Iceland have been disappointing. Marel will continue to monitor the issue and undertake various liquidity initiatives aimed at improving trading activity outside Iceland.

Listed on Nasdaq Iceland
since 1992

Listed on Euronext Amsterdam
since 2019

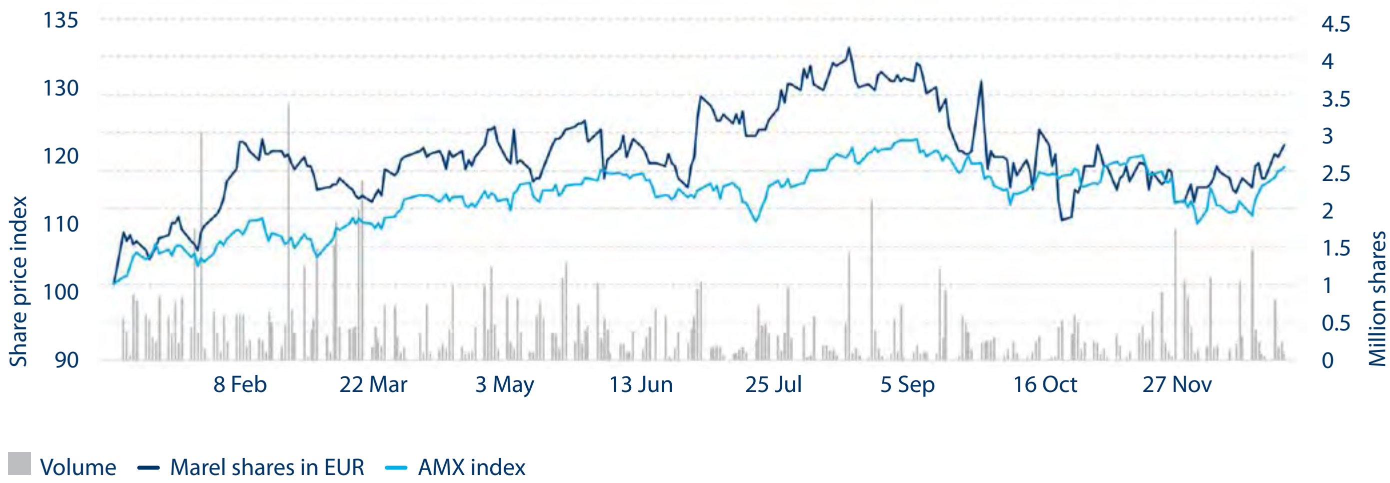
Trading data for 2021 and 2020

	2021	2020	Unit
Market capitalization:[1]			
Nasdaq OMX Iceland	673.9	607.6	ISK bn
Euronext Amsterdam	4.6	3.9	EUR bn
Share price at year end:			
Nasdaq OMX Iceland	874	788	ISK
Euronext Amsterdam	5.94	5.02	EUR
High/Low price per share:			
Nasdaq OMX Iceland	973/788	788/477	ISK
Euronext Amsterdam	6.58/5.02	5.12/2.97	EUR
Dividend per share (for previous year of operations)	5.45	5.79	EUR cents
Earnings per share	12.85	13.62	EUR cents
Price-to-earnings ratio	46.2	36.86	P/E
Issued shares	771.0	771.0	Million
Outstanding shares	755.7	752.2	Million
Shares listed at year-end:			
Nasdaq OMX Iceland	64.2%	62.9%	% of issued shares
Euronext Amsterdam	35.8%	37.1%	% of issued shares

Note:[1] Issued shares multiplied by share price at last trading day of 2020 and 2021.

Marel's share price rose by 18.3% during 2021

Marel share price on Euronext Amsterdam in 2021 compared to AMX index



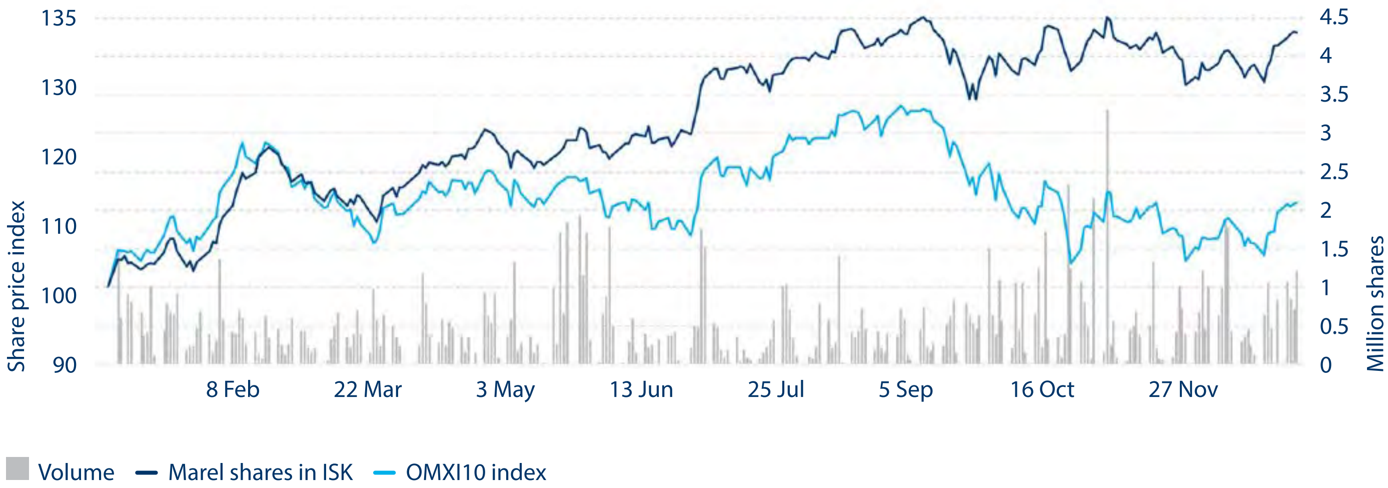
Euronext Amsterdam
Marel ranks in the top five among mid-cap companies listed on Euronext Amsterdam, by free-float market capitalization. The market value of the company at year-end 2021 was EUR 4.6 billion, compared to EUR 3.9 billion at year-end 2020, an increase of EUR 0.7 billion.

Marel's share price on Euronext Amsterdam rose by 18.3% during 2021. At year-end 2021, Marel's share price was EUR 5.94, compared to EUR 5.02 at year-end 2020. Marel's average end-of-day spread for 2021 was 0.66% (2020: 1.14%).

Shares in Marel on Euronext Amsterdam were traded 20,253 times in 2021 (2020: 20,720 times) for a total market value of EUR 64.1 million (2020: EUR 70.1 million), which corresponds to a velocity rate of 0.5%. As of year-end 2021, 276.0 million or 35.8% of Marel shares were listed on Euronext Amsterdam.

Marel's share price rose by 10.9% during 2021

Marel share price on Nasdaq OMX Iceland in 2021 compared to OMXI10 index



Nasdaq Iceland

Marel is the largest company listed on Nasdaq Iceland by market capitalization. The market value of the company at year-end 2021 was ISK 673.9 billion (EUR 4.6 billion) compared to ISK 607.6 billion (EUR 3.9 billion) at year-end 2020, an increase of ISK 66.3 billion (EUR 0.4 billion).

Marel's share price rose by 10.9% during 2021. At year-end 2021, Marel's share price was ISK 874, compared to ISK 788 at the end of 2020. Marel's average end-of-day spread for 2021 was 0.86% (2020: 0.94%).

Marel's shares were among the most actively traded on Nasdaq Iceland in 2021. Shares in Marel were traded 7,850 times in 2021 (2020: 6,070 times) for a total market value of EUR 798.6 million (2020: EUR 682.5 million), which corresponds to a velocity rate of 18% (2020: 21%). As of year-end 2021, 495.0 million or 64.2% of Marel's shares were listed on Nasdaq Iceland.

Market making

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

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

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

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

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

Index inclusion

In 2019, Marel was added to the FTSE Frontier Index Series by international indexing company FTSE Russell. Following the September 2021 Annual Review, FTSE Russell announced that Iceland is being added to their Watch List for possible reclassification to Secondary Emerging.

FTSE Russell will provide an update as part of the Interim Review of markets in March 2022. The announcement has already attracted investor interest and is expected to benefit Marel in terms of increased liquidity due to foreign investment inflow while enabling further shareholder diversification.

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

Marel is also included in the Nordic Large Cap segment of the Nasdaq OMX and is part of the OMXI10, an index that consists of the ten most actively traded companies on Nasdaq Iceland. Since 2019 Marel has also been included in the VINX Benchmark Index by Nasdaq OMX Nordic. Based on free-float market capitalization and turnover, among other factors, Marel is the only Icelandic company represented in this index of 183 Nordic companies.

35.8% of issued shares listed on Euronext Amsterdam at year-end

Shareholders

Eyrir Invest hf. is Marel's largest shareholder, holding 24.7% or 190,366,838 shares, followed by the Icelandic Pension Fund of Commerce (LIVE) that also had reported shareholding above 5% in Marel at year-end 2021. Eyrir Invest has been a principal shareholder in Marel since 2005.

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

Shareholders who hold shares in Marel on Nasdaq Iceland and Euronext Amsterdam have identical rights, including voting rights and rights to dividends. As of year-end 2021, 276.0 million shares or 35.8% of Marel's total issued shares were listed on Euronext Amsterdam. The free float as of year-end 2021 was 75.3%.

Share capital

As of 31 December 2021, Marel's authorized share capital was ISK 771,007,916, represented by 771,007,916 shares issued, each assigned one vote with a par value of ISK 1.00, and 755,744,714 shares outstanding with 15,263,202 shares held by the company as treasury shares, or 1.98% of issued shares.

Stock options

Stock options are granted to management and selected key employees. The aim of the stock option agreements is to align long-term interests of employees and of the company.

In 2021, Marel used 1.7 million treasury shares (EUR 4.2 million) to fulfill obligations on stock option agreements to its employees. Marel used 1.8 million treasury shares (EUR 9.9 million) as part of the purchase considerations for the acquisition of Valka ehf.

Granted and unexercised stock options totaled 18.4 million shares at the end of the year (2020: 18.3 million shares), of which 0.9 million (2020: 1.6 million) were exercisable at the end of 2021. The remainder will become vested in the years 2022 to 2024.

At Marel's 2014 Annual General Meeting (AGM), shareholders authorized the Board of Directors to increase the company's share capital by 35,000,000 shares to fulfill stock option agreements. This authorization was valid for five years following its adoption. It was renewed at the company's 2019 Annual General Meeting, and the renewed authorization applies for five years from its adoption. No new shares were issued in 2021 under this resolution.

Share buyback program

The Annual General Meeting on 17 March 2021 approved to renew an authorization for the company to acquire up to 10% of its own shares, valid for 18 months. Earlier authorization was withdrawn. The authorization was previously approved at the Marel's Annual General Meeting on 18 March 2020. No treasury shares were purchased in 2021 (2020: 14.3 million shares).

Did you know?

Analyst consensus available to the market

As of 16 July, analyst consensus estimates for Marel are publicly available to the market. Marel has engaged Vara Research consensus services to survey brokerage analysts. Vara Research is an independent service provider of external investor relations services, with a focus on consensus management. The company is widely known and follows a strict process by which the data is gathered, leading to better transparency and credibility between the company and the market.

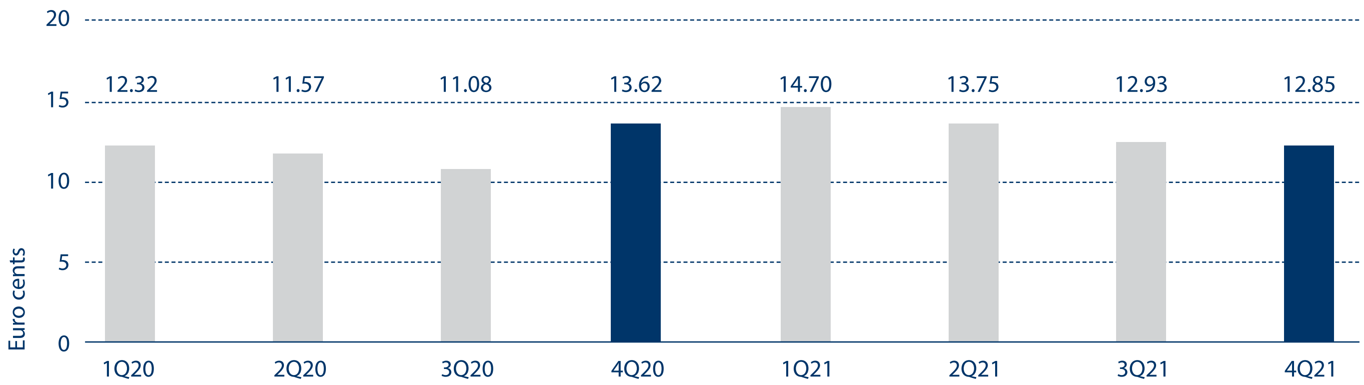
The resulting high-quality consensus data will support capital market participants by reflecting the expectations of research analysts covering Marel. The consensus estimates will be compiled throughout the year and updated around the company's quarterly results.

Learn more

Marel's management targets EPS to grow faster than revenues

Earnings per share

Trailing twelve months, by quarter



Earnings per share

Earnings per share (EPS), calculated by dividing the net profit attributable to shareholders by the weighted average number of outstanding shares issued, were EUR 12.85 cents in 2021, compared to 13.62 in 2020.

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

Dividend policy targeted at 20-40% of net results

Dividend history

Year of payment (for previous year of operations)	2022[1]	2021	2020	2019	2018	2017	2016
Dividend per share EUR cents	5.12	5.45	5.79	5.57	4.19	2.14	1.58
Dividend yield, %[2]	0.86%	1.09%	1.27%	2.00%	1.60%	1.00%	0.90%
Payout ratio, %[3]	40%	40%	40%	30%	30%	20%	20%
Ex. Dividend date	Mar 18	Mar 19	Mar 20	Mar 7	Mar 7	Mar 3	Mar 3
Record date	Mar 21	Mar 22	Mar 23	Mar 8	Mar 8	Mar 6	Mar 4
Payment date	Mar 30	Apr 7	Apr 8	Mar 27	Mar 27	Mar 23	Mar 23

Notes: [1] 2022: Based on proposal to the 2022 AGM. [2] Dividend yield, %: Dividend per share/Price per share at previous year-end.
[3] Payout Ratio: Total dividend paid/Net income of previous year.

Dividends

Ahead of the Annual General Meeting on 16 March 2022, Marel's Board of Directors has proposed that a dividend of EUR 5.12 cents per share be paid for the operational year 2021 (2020: EUR 5.45 cents per share), corresponding to 40% of profits for the year. This is a 6% decrease in dividend per share compared to previous year. The estimated total dividend payment will be around EUR 38.7 million for the operational year 2021, compared to EUR 41.0 million in 2020.

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

Financials

In recent years, Marel has invested significantly in our global reach, digital platforms, and infrastructure and in 2021 continued to drive growth fueled by pioneering solutions and scale-up in local sales and service coverage globally. Marel plays a pivotal role in the food value chain, with a focus on continued innovation and introduction of pioneering solutions that strengthen our customers' competitiveness. We remain fully committed to the 2023 operational performance targets and the growth targets for 2026.

Financial highlights

2021 in brief

Revenues in EUR **1,361m**	Adjusted EBIT margin **11.3%**
Orders received in EUR **1,502m**	Order book in EUR **569m**

Financial results in 2021

Marel's orders were up by 22% in 2021, fueled by pioneering solutions and global reach.

- **Record orders received up by 22% and revenues up 10% compared to 2020**
- **Good product mix with clear step up in sales of standard consumer-ready solutions, with continued momentum in aftermarket**
- **Strong demand for Marel solutions, software, and services as the need for automation and digitalization in food processing is accelerating**
- **Gross margin impacted by supply chain and logistics challenges, as well as strategic projects with the aim of increasing speed and scale**
- **Strong cash conversion supports continued investments in innovation, infrastructure, and strategic inventory buildup**
- **Marel remains committed to its mid-term and long-term targets**

Orders received up by 22% in 2021

Financial performance

Marel is a critical infrastructure company in the food industry. The company's significant investments in recent years in Marel's global reach, digital platform, and infrastructure, have been instrumental in positioning the company to successfully navigate a business environment colored by the pandemic, geopolitical uncertainty, trade constraints, and accelerated changes in consumer behavior.

A system change is taking place focused on automation, robotics technology, and digital solutions that support sustainable food processing. Marel is playing a pivotal role in this transition to support customers' agility and flexibility as they cater to changing consumer demands across various market channels such as e-commerce, foodservice, and traditional supermarkets.

Marel's local presence with sales and service engineers servicing customers in more than 140 countries is the foundation of its global reach and is key to the company's success in terms of staying ahead of the market trends. Marel's highest priority remains to deliver to the customers the right quality, at the right time.

Marel's effort to shorten production lead times and co-locate production in recent years has also created more resilience in the supply chain. This together with the strategic inventory buildup allows us to be more agile during turbulent times, continue to serve customers' needs, and ultimately keep the food value chain running. This is reflected in good delivery performance and growth in aftermarket revenues over the year, especially in spare parts, with two sequential record quarters in the latter half of 2021.

Record orders received and strong pipeline

Marel closed the year with a record quarter of EUR 400.7 million in orders received, or a total of EUR 1,502.0 million for the full year, which is an increase of 22% compared to 2020. The industry mix was good, with a higher proportion of standard solutions for the consumer-ready food market and continued good momentum in services and software.

Demand for Marel solutions, software, and services is strong as the need for automation and digitalization in food processing is accelerating. Labor availability, a dynamic shift in consumer behavior, and the request for agility to match consumer demand, as well as an increased focus from consumers and regulators on sustainability in food production, are driving forces to further transform the industry. Marel's competitive position remains strong with continuous high conversion of pipeline into order book, while gradually capturing market share.

M&A continues to stimulate organic growth and accelerate the innovation roadmap. Throughout the year, Marel secured important orders where a broader product portfolio following recent acquisitions were key.

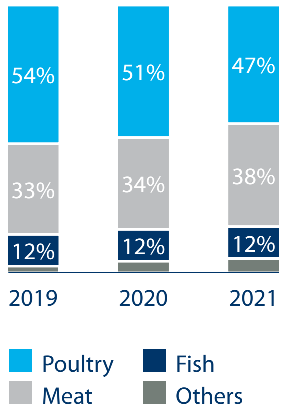
Order book at a healthy level

The order book at year-end was EUR 569.0 million, up 36.9% compared to EUR 415.7 million at year-end 2020, representing 41.8% of 12-month trailing revenues.

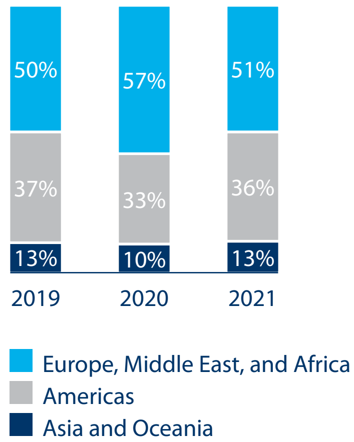
The book-to-bill ratio was 1.10 for the full year, compared to an average of 1.06 in the past four quarters (4Q20-3Q21) and 1.00 at year-end 2020.

Revenues scaling up 10%

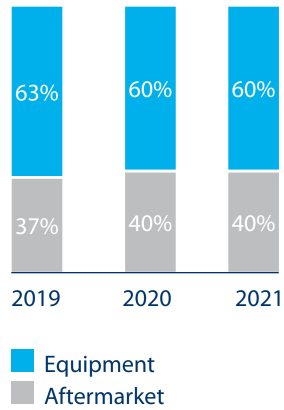
Industry



Geography



Business mix



Revenues scaling up 10% year-on-year

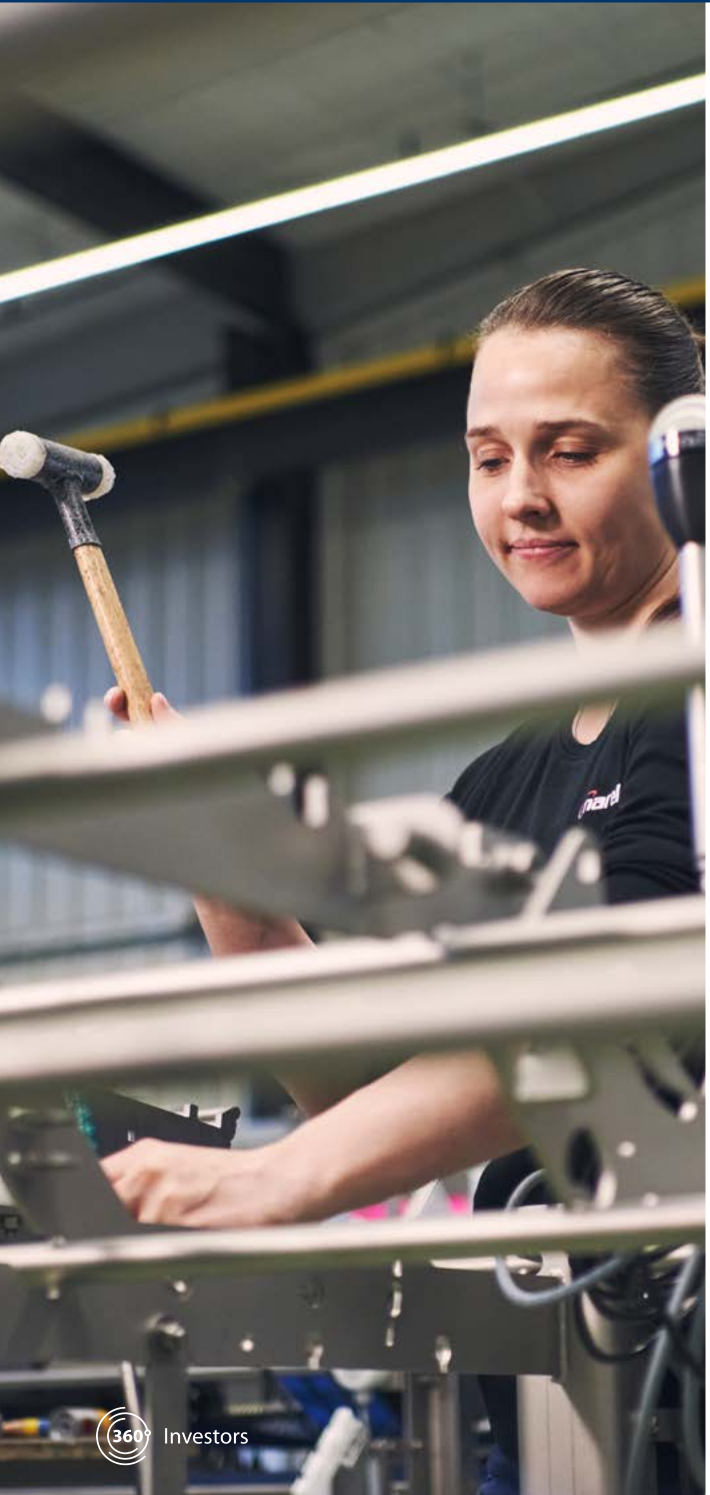
Revenues for the full year were EUR 1,360.8 million, up by 9.9% while the adjusted EBIT remained soft at 11.3%. Organic revenue growth was 4.4% and acquired growth 5.5% in 2021.

Aftermarket, consisting of services and spare parts, represented 40% of total revenues in 2021 (2020: 40%). Spare parts were at a record level for two sequential quarters, and there is full focus on strengthening the spare parts delivery model and shortening lead times.

High focus on improving gross profit to reach mid-term targets

Looking at the healthy order book and strong pipeline gives us confidence to reconfirm our mid-term year-end 2023 targets of 40% gross profit, compared to 36.6% in 2021, which was impacted by supply chain and logistics challenges, as well as strategic projects with the aim of increasing speed and scale.

The main drivers to reach our targets are increased volume, better mix, value-based pricing, and streamlining of the customer journey focusing on automating and synergizing the back-end. We have also undertaken transformational initiatives in 2021; especially worth noting are our investments in order fulfillment and distribution systems for spare parts to secure quicker response and delivery times around the globe.



Scaling up ahead of the growth curve

We have courageously moved forward in the middle of the pandemic and stepped-up sales and service coverage around the globe ahead of the foreseen growth curve. Sales and marketing (S&M) costs were at a level of 12.5% of revenues in 2021 (2020: 11.4%) and reflect the step up in market coverage in line with plans to leverage global reach and digital solutions to drive organic growth, which has started to translate into increased orders. Travel for customer visits and exhibitions on the rise as restrictions are lifted, focus on maintaining cost efficiencies from new ways of working, but we are expecting high customer activity and orders in the coming period.

General administrative (G&A) costs were 6.9% of revenues in 2021 (2020: 6.9%), with important transformative initiatives ongoing. For example, a new shared services platform was launched in October, which was one of several ongoing initiatives for standardization and aligned ways of working to support our mid-term year-end 2023 targets aimed to lower G&A costs.

We expect the momentum for orders received to continue and higher revenues will provide better cost coverage, moving sales and administration costs toward the targeted 18% level by year-end 2023, from the current level of 19.4% in 2021. The innovation performance and costs are close to the 6% strategic levels.

Continued focus on improved EBIT margin

For the full year, adjusted EBIT was EUR 153.6 million (2020: 166.8 million), translating to an adjusted EBIT margin of 11.3% (2020: 13.5%). To increase transparency of one-off costs related to acquisitions and better reflect underlying business performance, Marel's operating income is adjusted for PPA related costs, including depreciation and amortization, and acquisition related costs.

Margins in 2021 were colored by step-up in market coverage and infrastructure initiatives to increase speed and agility for the expected growth curve resulting in higher operating expenses, in addition to margin pressure from supply chain and logistics challenges.

However, the strong orders received across all industries and processing stages are expected to increase volume with foreseen more favorable industry mix, resulting in higher operating profits. Management continues to target medium- and long-term adjusted EBIT margin expansion for Marel Meat and Marel Fish.

Robust cash flow generation

Cash flow, both operational and free cash flow remained strong in 2021, enabling continued significant investments in innovation, infrastructure, and strategic inventory buildup.

Free cash flow amounted to EUR 116.0 million, compared to EUR 140.5 million in 2020. Working capital development was positive despite a strategic buildup of inventories to meet customer demand for critical spare parts and to ensure timely delivery.

EUR 41.0 million was paid in dividends in April 2021 for the operational year 2020.

Robust financial position to support the 2017-2026 growth strategy

The strong financial position enables continued investment and will facilitate future strategic moves in the ongoing industry consolidation wave, in line with the company's 2017-2026 growth strategy.

Important transformative initiatives ongoing

Leverage including lease liabilities was 1.0x at year-end 2021, compared to 1.0x at the end of 2020. Marel's current leverage is well below the targeted capital structure of 2-3x net debt/EBITDA. Coupled with Marel's financial strength, this enables continued investment and will facilitate future strategic moves in line with the company's 2017-2026 growth strategy.

Marel has committed liquidity of EUR 666.5 million at year-end 2021 and fully committed all-senior funding in place until 2025.

Investments to support increased speed, scale and sustainability

To best serve customer needs and capture growth opportunities from changing market dynamics, cash capital expenditures excluding research and development (R&D) investments are expected to increase to on average 4-5% of revenues over the next four years, thereafter returning back to more normalized levels.

Important transformative initiatives are ongoing, for example stepping up market coverage in growth markets, innovation investments in digital solutions, improvement projects to streamline the back-end, as well as automating and digitalizing the manufacturing platform, supply chain, and aftermarket.

In 2021, Marel opened new demo center facilities in Campinas, Brazil and Shanghai, China—Marel's first in both Latin America and China. The facilities cement Marel's commitment to the growing markets and signal intent to work even more closely and efficiently to support the customers, partners, and the broader food processing industry in key regions.

Marel is a trusted maintenance partner and a key focus going forward is on automating and digitalizing the end-to-end spare parts handling to ensure agility and shorter lead times. Spare parts sales were at a record level for two sequential quarters, 3Q21 and 4Q21.

Dividend proposal of 40%

In line with Marel's targeted capital allocation and dividend policy of 20-40% payout ratio, the Board of Directors will propose a 40% payout ratio at the 2021 Annual General Meeting, to be held on 16 March 2022 (2021: 40%). Based on a EUR 5.12 cents dividend per outstanding share paid for the operational year 2021, the estimated total dividend payment will be around EUR 38.7 million. This is a 6% decrease in dividend per share compared with the previous year.

Maintaining technological leadership with pioneering innovation solutions

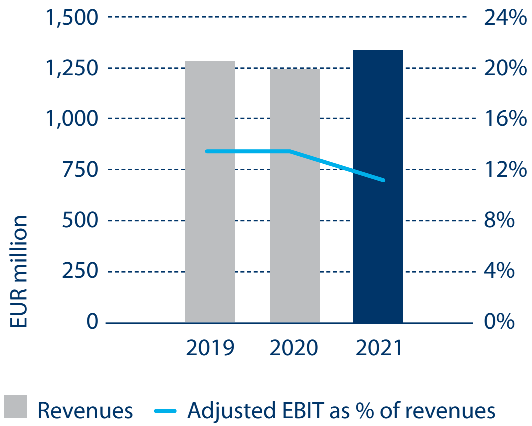
Marel's research and development (R&D) amounted to EUR 80.8 million in 2021 excluding PPA related costs, equal to 5.9% of revenues. This is in line with the company's innovation promise of around 6% on a continuous basis to drive further organic growth.

With a team of more than 1,000 innovation experts and engineers in 10 countries in a challenging external environment, Marel continued to deliver and develop new solutions in partnership with customers.

Marel introduced 27 new highly innovative products and upgrades to the market in 2021, driving automation and sustainability in food processing. Innovation in recent years has focused on digital and full-line offering to improve automation, yield, and efficiency as well as enabling processors to meet consumer demand for a balanced diet, traceability, and food safety.

Revenues and adjusted EBIT [1]

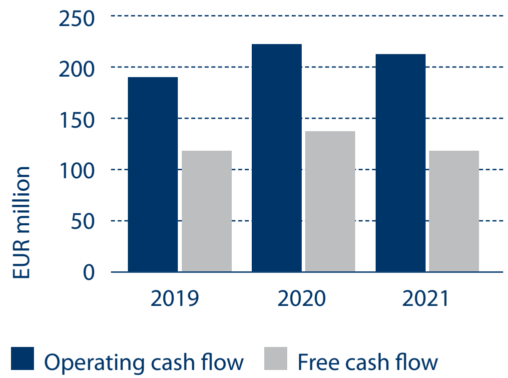
As percentage of revenues



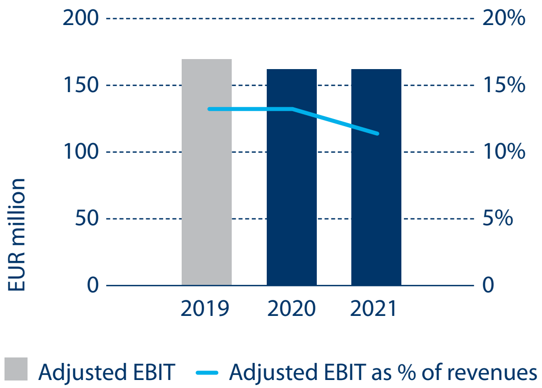
Orders received

And development of order book

Cash flow



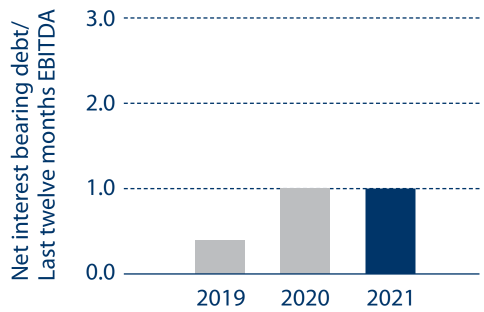
Adjusted EBIT[1]



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

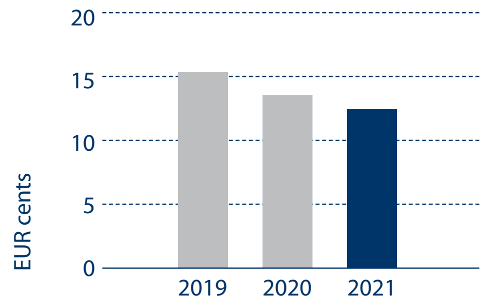
Leverage

Net debt/EBITDA



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

Earning per share



Well diversified revenue streams

Industry performance

Marel is a leading global provider of advanced food processing equipment, systems, software, and services to the poultry, meat, and fish industries. Marel's revenue streams are well diversified by geography, by industries, and by processing steps.

Marel Poultry

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

The acquisition of Poultry Machinery Joosten (PMJ) in January 2021 has been fueling organic growth in terms of new sales into the duck market. Orders have been strong for three sequential quarters after a soft start to the year 2021. Pipeline remains strong, supporting stronger volume going forward with a favorable product mix. Profitability impacted by volatility in volume and scaling up ahead of the growth curve.

Revenues in 2021 were EUR 639.1 million, a similar level as previous year, despite softness in orders for larger projects in the beginning of 2021. Adjusted EBIT margin for the full year was 14.3%, compared to 18.3% in 2020.

Marel Meat

Marel Meat is a full-line supplier to the meat processing industry, with a focus on strong product development, increased standardization, modularization, and market penetration and further cross-selling and upselling. Overall, orders received for Marel Meat were at a strong level at year-end 2021. The need for automation and channel flexibility has never been clearer and the pipeline shows good opportunities in China and North America.

Revenues in 2021 were up 22.3% on the back of acquisitions and organic growth. Adjusted EBIT margin in 2021 was 9.2%, compared to 8.7% in 2020. Focus in 2021 was on stepping up market coverage, further strengthening the management team, value-based pricing, better project execution, and several other strategic initiatives ongoing for profit improvement. Management continues to target medium- and long-term adjusted EBIT margin expansion for Marel Meat.

Marel Fish

Marel Fish's objective is to reach full-line offering across farmed and wild whitefish and salmon through continued focus on innovation and M&A. Marel acquired the remaining 50.0% of the shares of Curio on 1 February 2022. The recent acquisitions of Curio and Valka, and investment in Stranda Prolog, will further accelerate the innovation roadmap to close certain application gaps to reach full-line offering for both salmon, as well as wild and farmed whitefish.

Combined platform will also further unlock synergies in terms of cross- and upselling, market penetration, and gradually expanding species coverage. Orders received in 2021 have been overall solid but pipeline for salmon remains strong while whitefish is picking up, and higher conversion of pipeline into orders expected in coming quarters.

Revenues in 2021 were up 6.9% however still below the volume needed to deliver sufficient margin improvement. Adjusted EBIT margin was 5.6% in 2021, compared to 5.4% in 2020. Management continues to target medium and long-term EBIT margin expansion for Marel Fish.

Marel believes market growth in 2021-2026 will be 6-8%

Committed to mid-term and long-term targets

For the period 2017-2026, Marel has set a target of 12% average annual increase in revenues, through both organic growth and acquisitions. Compounded annual growth rate (CAGR) in 2017-2021 was 7.0%. Marel's growth plan involves capitalizing on strong innovation investment and global reach to drive expansion and market penetration, as well as strategic partnerships and acquisitions. Marel's management expects basic earnings per share (EPS) to grow faster than revenues.

Mid-term target for year-end 2023

In the mid-term, management is committed to achieving its targets of 40% gross profit and selling, general, and administrative expenses (SG&A) of 18%, and to maintaining the innovation investment at the 6% strategic level until year-end 2023.

Long-term target for year-end 2026

Marel's management expects average annual market growth of 4-6% in the long term. Marel aims to grow organically faster than the market, driven by innovation and growing market penetration.

Due to catch-up effect from the past five years and a very strong tailwind in the market, accelerated by the pandemic, management believes that market growth in the medium term (2021-2026) will be at a level of 6-8%.

Maintaining solid operational performance and strong cash flow is expected to support 5-7% revenues growth on average by acquisition.

Outlook

Market conditions have been challenging due to geopolitical uncertainty and the ongoing COVID-19 pandemic. Marel enjoys a balanced exposure to global economies and local markets through its global reach, innovative product portfolio, and diversified business mix. Supply chain and logistics challenges are expected to continue to have an impact in 2022, although it is not known what the full economic impact will be on Marel.

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

Acquisitions and strategic partnerships

Strategic partnership with TOMRA is proceeding well. The two companies co-developed and then in 2021 launched a true game-changer in foreign material detection, the Marel Spectra. This revolutionary solution will meet Marel's customers challenges head on to deliver contamination free, safe, and sustainable food.

The acquisition of Dutch duck processing solutions provider PMJ, with around EUR 5.0 million in annual revenues, closed on 21 January 2021. The acquisition makes Marel the industry's only full-line provider of duck processing solutions. The growing duck market (estimated to be ~EUR 6 billion) will become a third pillar within poultry processing alongside broilers and turkey, allowing Marel to leverage its global sales and service network and expand into new markets.

Key figures

Figures in millions of EUR	2021	2020	Change
Revenues	1,360.8	1,237.8	9.9%
Gross profit	498.1	462.5	7.7%
Gross profit as a % of revenues	36.6%	37.4%	
Adjusted result from operations (EBIT)[1]	153.6	166.8	-7.9%
Adjusted EBIT as a % of revenues[1]	11.3%	13.5%	
EBITDA	198.9	212.5	-6.4%
EBITDA as a % of revenues	14.6%	17.2%	
Non-IFRS adjustments	(23.3)	(17.1)	36.3%
Result from operations (EBIT)	130.3	149.7	-13.0%
EBIT as a % of revenues	9.6%	12.1%	
Orders received	1,502.0	1,234.1	21.7%
Order book[2]	569.0[2]	415.7[3]	36.9%

Notes: [1] Operating income adjusted for PPA related costs, including depreciation and amortization, and acquisition related costs. [2] Including acquired order book of TREIF of EUR 5m in 4Q20. [3] Including acquired order book of Curio, PMJ and Valka of EUR 12m.

2021 consolidated financial accounts

Results in millions of EUR	2021	2020	2019
Revenues	1,360.8	1,237.8	1,283.7
Gross profit	493.8	459.4	491.1
Result before depreciation and amortization (EBITDA)	198.9	212.5	220.3
Result from operations (EBIT)	130.3	149.7	162.6
Net result for the period	96.2	102.6	110.1

The acquisition of Valka, an Icelandic provider of advanced processing solutions for the global fish industry with around EUR 17.0 million in annual revenues, closed on 19 November 2021.The acquisition will accelerate the innovation roadmap and strengthen Marel's full-line offering and scale to serve customers' needs better.

The acquisition of a 40% stake in Stranda Prolog, a Norwegian provider of salmon processing solutions, and the launch of a strategic partnership between the two companies was announced on 29 January 2021.

Subsequent events in beginning of 2022

On 1 February 2022, Marel acquired the remaining 50.0% of the shares of Curio, an innovative primary processing equipment provider for whitefish processing. Curio and Marel have worked closely together since Marel acquired 39.3% of Curio on 22 October 2019 and an additional 10.7% of the share capital on 4 January 2021, and as such, Marel initiated the acquisition of the remaining shares ahead of the agreed timing.

The transaction is yet another important building block on Marel's ambitious growth journey. By combining Curio's highly complementary product portfolio of heading, filleting, and skinning solutions with Marel's global sales and service network, ensuring proximity to customers for sales, installations, and aftermarket services, the resulting synergies from the integration are expected to positively contribute to management's medium- and long-term target for adjusted EBIT margin expansion in the fish industry.

Order book in millions of EUR	2021	2020	2019
Orders received	1,502.0	1,234.1	1,222.1
Order book	569.0	415.7	414.4

Cash flow statement in millions of EUR	2021	2020	2019
Cash generated from operating activities, before interest and tax	212.3	217.6	189.8
Net cash from (to) operating activities	176.2	182.6	142.5
Net cash from (used in) investing activities	(121.4)	(161.6)	(54.2)
Net cash from (used in) financing activities	(64.3)	(235.6)	156.8
Net cash flow	(9.5)	(214.6)	245.1

Financial position in millions of EUR	2021	2020	2019
Total assets	2,005.0	1,814.9	1,861.2
Working capital	45.7	44.1	246.3
Group equity	1,023.1	958.7	955.8
Net debt	199.2	205.2	97.6

Various figures in proportions to sales	2021	2020	2019
Gross profit[1]	36.6%	37.4%	38.3%
Selling and marketing expenses[1]	12.5%	11.4%	11.9%
General and administrative expenses[1]	6.9%	6.9%	6.5%
Research and development expenses[1]	5.9%	5.6%	6.4%
Wages and benefits	38.3%	37.4%	35.0%
Result before depreciation (EBITDA)	14.6%	17.2%	17.2%
Depreciation/amortization	5.0%	5.1%	4.4%
Adjusted result from operations (EBIT)[1]	11.3%	13.5%	13.5%
Net result for the period	7.1%	8.3%	8.6%

Note:[1] Adjusted for PPA related costs, including depreciation and amortization, and acquisition related costs.

Other key ratios	2021	2020	2019
Current ratio	1.1	1.1	1.5
Quick ratio	0.6	0.7	1.2
Equity ratio	51.0%	52.8%	51.4%
Return on total equity	9.7%	10.7%	14.5%
Return on total assets	5.0%	5.6%	6.4%

Glossary of terms

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

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

Current ratio
Current assets/Current liabilities

EBIT
Earnings before interest and tax

EBITDA
Earnings before interest, tax, depreciation and amortization

EPS
Earnings per share

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

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

Leverage
Net interest bearing debt/EBITDA

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

Net cash
Cash and cash equivalents

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

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

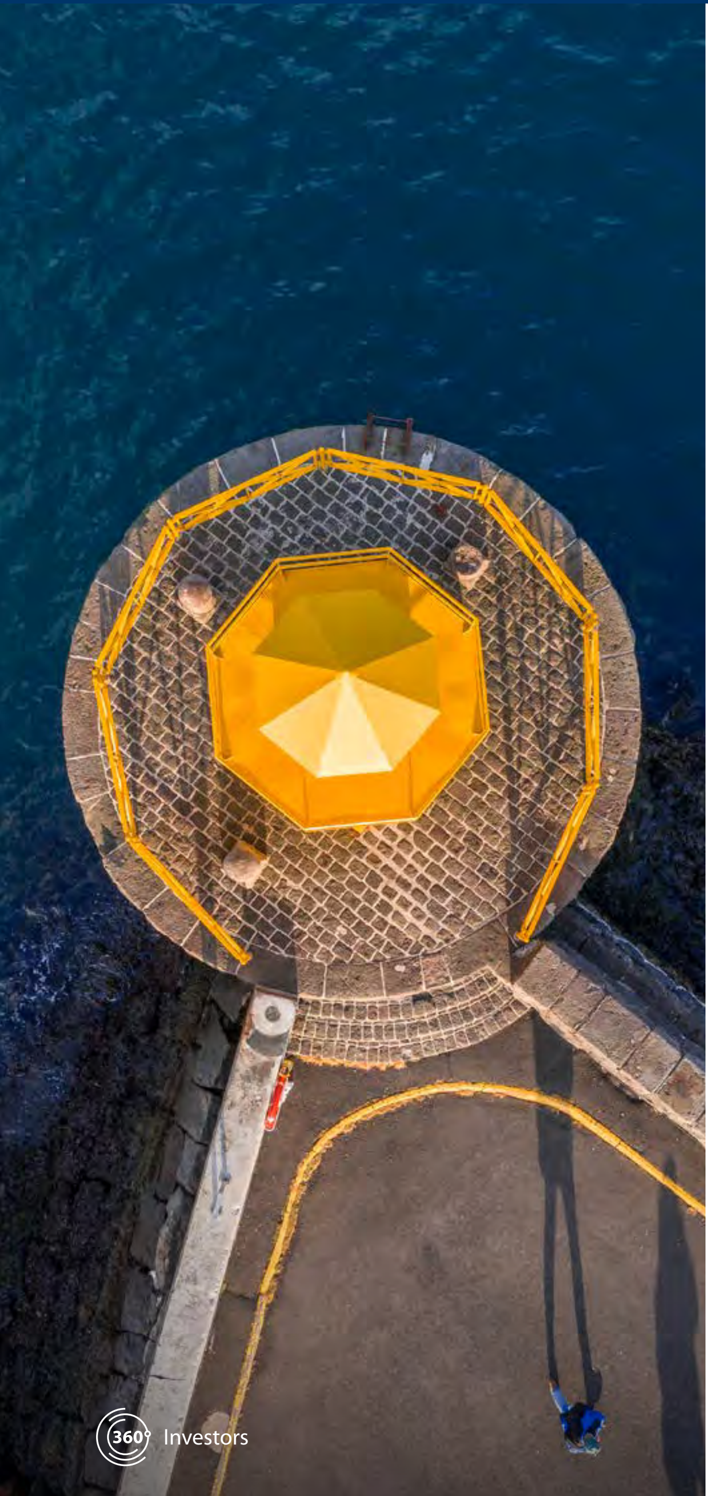
PPA
Purchase price allocation

Quick ratio
[Current assets - Inventories] / Current liabilities

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

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

Working capital
Current assets - current liabilities



Investor relations

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

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

Sources of investor information

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

The IR website

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

Other material includes regulatory announcements, analyst coverage, financial reports, company presentations, share price data, major shareholders, dividend policy, the financial calendar, sustainability, and environmental, social, and corporate governance (ESG).

Financial reports

Detailed quarterly and annual financial reporting and analysis, including financial targets and comments on the progress of Marel's operations, are available on the IR website. Investors and other stakeholders are invited to Marel's annual and quarterly results presentations, where senior management presents Marel's results in English for analysts and investors. Following the live webcast, a recording is archived and available on the IR website.

Follow us and join the conversation

Annual report

The annual report is an excellent reflection of how Marel distinguishes itself from its competitors in terms of strategy, innovation, and performance. The annual report provides a comprehensive overview of Marel's operations, key activities throughout the year, and commitment to sustainability and environmental, social, and corporate governance reporting. The annual report is available in English and easily accessible online through a desktop computer, tablet, or mobile phone at **marel.com/annualreport**.

Roadshows and events

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

In 2021, Marel participated in several investor conferences hosted by leading financial institutions. Marel was well represented at J.P. Morgan's European Capital Goods CEO Conference, the Berenberg European Conference, and the Kepler Cheuvreux Autumn Conference, to name a few. In addition, Marel took part in several thematic investor events with great success. Marel's Capital Markets Day, held every 18-24 months, is also an excellent opportunity for market participants to engage with us and deepen their knowledge of Marel. In 2021, Marel hosted a series of virtual Capital Markets Day events where the company's leadership was joined by experts and customers to give a comprehensive overview of how Marel delivers global, digital, and sustainable growth. Investor material from the event, including video recordings of all keynotes, is available online at **marel.com/cmd**.

Social media

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

Analyst coverage

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

Company	Country	Analyst
ABN AMRO – ODDO BHF	Netherlands	Eric Wilmer
Berenberg	United Kingdom	Fraser Donlon
Citigroup	United Kingdom	Klas Bergelind
IFS Consulting	Iceland	Ari Freyr Hermannsson
ING Bank	Netherlands	Tijs Hollestelle
J.P. Morgan	United Kingdom	Akash Gupta
Kepler Cheuvreux	Netherlands	Andre Mulder

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

Did you know?

Insightful 2021 Capital Markets Day mini-series

Our passion for innovation also extends to our IR activities. In November and December 2021, Marel hosted a virtual mini-series of **Capital Markets Day** events where the company's leadership was joined by experts and customers to give a 360° insight into how Marel delivers growth—globally, digitally and sustainably.

The Capital Markets Day series consisted of five events: a virtual site visit to Marel in Iceland and its long-standing innovation partner in the seafood industry, Brim, as well as four thematic sessions centered on key features of Marel's unique equity story and the future of food processing: growth, global reach, digitalization, and sustainability.

The ambitious agenda featured keynotes from Marel's management team, breakout sessions from a range of customers, and lively Q&A panel discussions presenting Marel's ambitious growth plan and innovative food processing solutions as well as introducing the passionate Marel team worldwide.

Watch now

Contact IR for further information

IR@marel.com (+354) 563 8001

Tinna Molphy
Director of Investor Relations

Marino Thor Jakobsson
Investor Relations

Dröfn Farestveit
Investor Relations

Consensus estimates

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

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

Financial calendar

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

Event	Date
Annual General Meeting	16 March 2022
Q1 2022	27 April 2022
Q2 2022	27 July 2022
Q3 2022	2 November 2022
Q4 2022	8 February 2023
Annual General Meeting	22 March 2023

5 Responsible growth

Innovation at every turn

Marel was founded on improving yield and maximizing nature's limited resources through continued investment in innovation. Ensuring sustainability is at the heart of our operations and product development, most recently with our groundbreaking automation and digitalization solutions, which allow us to continue transforming food processing.

Sustainability

Marel's corporate governance consists of a framework of principles and rules, including its Articles of Association and the Guidelines on Corporate Governance issued in July 2021 by the Iceland Chamber of Commerce, Nasdaq OMX Nordic Iceland, and the Confederation of Icelandic Employers, which are accessible on the website of the Iceland Chamber of Commerce. For more details please refer to the Corporate Governance Statement issued for 2021.

Marel follows the Nasdaq ESG reporting guidelines and has been a Nasdaq ESG transparency partner since 2019. The Nasdaq ESG guidelines are aligned in most cases with the Global Reporting Initiative (GRI), the UN Global Compact, the Task Force on Climate Related Financial Disclosures, and the Value Reporting Foundation Sustainability Accounting Standards Board standards. We present our sustainability performance in line with the principles as described in the explanatory note to Marel's 2021 sustainability disclosure as we believe it represents Marel's sustainability performance as best as possible until the global sustainability reporting landscape transitions toward homogenization of the various standards.

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

Our vision

Marel is a leading global provider of advanced processing equipment, systems, software, and services to the poultry, meat, and fish industries. We have a global reach with a local presence in more than 30 countries, with sales and service engineers serving customers in more than 140 countries. The food processing industry has grown and evolved considerably since our humble beginnings. Throughout the many changes—and challenges—over the years, our vision remains a constant.

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

Unity
We are united in our success

Excellence
Excellence is what differentiates us

Innovation
Innovation drives the value we create

The journey so far

2015 Marel joined the UN Global Compact as a signatory

2016 First CSR guidance policy

2017 Joined the UN Global Compact as a participant

Launch of Sustainability Innovation Scorecard

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

2019 Nasdaq ESG transparency partner

Sustainable procurement pillar

First full life cycle analysis

2020 EUR 700m sustainability linked syndicated credit facility

Materiality analysis with more than 160 stakeholders

Formation of Sustainability and ESG Committee

Responsible Supply Chain risk management

Green Electricity Procurement Policy

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

2021 Supplier Code of Conduct

Launched Whistleblower Platform

Launched Sustainability Innovation Scorecard 2.0

Incorporated ESG into incentive scheme for management

Scope 3 mapping

2022 Launch of Marel's first Sustainability Program

2026 Completion of first Sustainability Program

Marel's ambition to achieve EUR 3bn in annual revenues

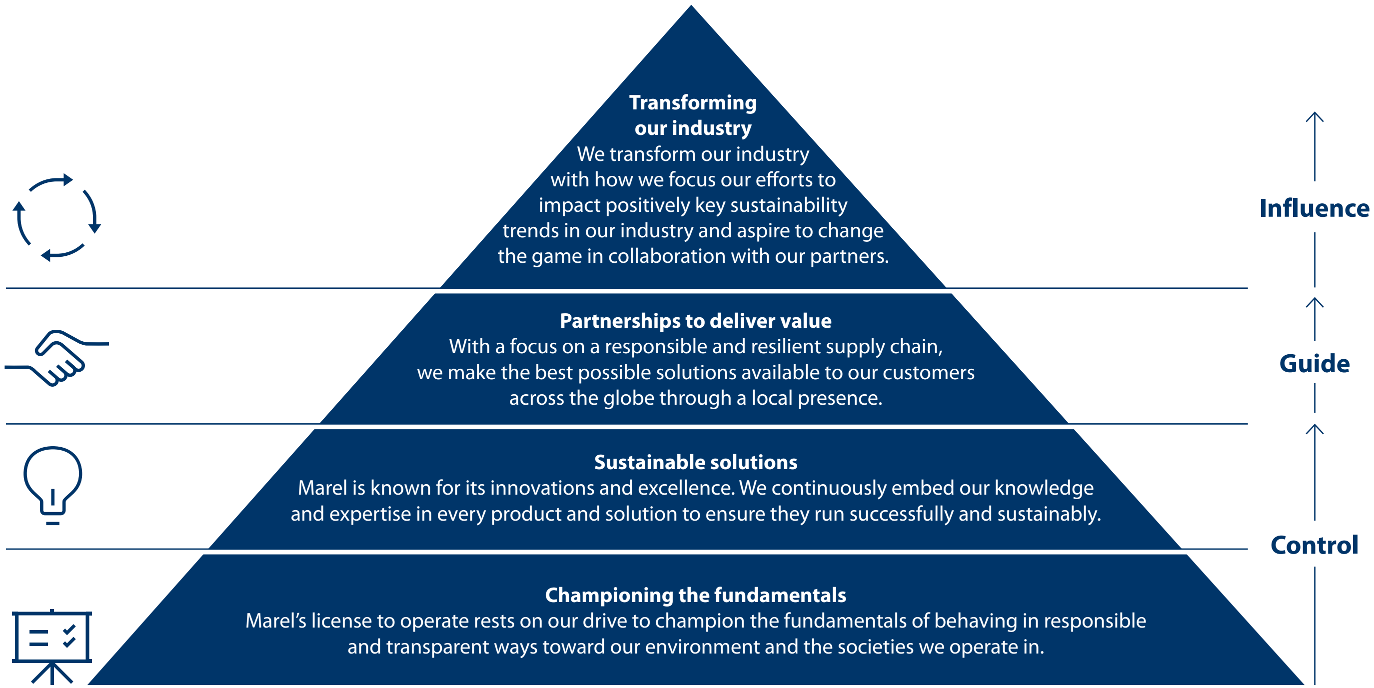
2040 Committed to net zero by 2040

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

Marel has steadily been improving its environmental, social, and corporate governance (ESG) profile since 2015. Working toward becoming a part of the solution, we are setting leading standards in the food processing industry for its customers, employees, shareholders, suppliers, and retail consumers.

The past year was a time of ongoing turbulence and radical improvements when it came to sustainability and reporting in particular. During the course of 2021, Marel started its climate-related disclosure journey, implemented a more robust governance structure around sustainability related issues, committed to setting a science-based target, and announced its first medium-term sustainability program, which is fully in line with Marel's 2026 growth plan. Further, we incorporated ESG into the short-term incentive plans for management remuneration.

Sustainability roadmap



Elevating sustainability performance

Marel's sustainability roadmap is designed in co-operation with our customers, employees, suppliers, innovation partners, and other key stakeholders. In 2019, we reached out to more than 160 stakeholders for input to create further clarity around the most material sustainability topics for Marel. Through the roadmap, we can focus our efforts toward elevating sustainability performance by focusing on four key themes, as shown above.

Sustainability program

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

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

Launch of first sustainability program

Marel is committed to becoming net zero by 2040. To support our long-term commitment, we have launched a five-year sustainability program aimed at steering both Marel and the industry onto a more sustainable path, through ambitious environmental, social, and governance targets.

Marel's medium-term sustainability program is fully in line with the company's 2026 growth strategy and complements our long-term climate ambitions as we set a science-based target in 2022 in line with the Paris Agreement. These targets and achievements are reviewed regularly and progress on our ESG performance will be communicated more frequently going forward.

Sustainability is our business

Our impact

We embrace our role as a critical infrastructure company in the global food industry. ESG pledges and climate targets are shaping the future of our stakeholders and industry transition where quality food is produced sustainably and affordably. We see ourselves as an enabler for our customers delivering on their sustainability strategies while positively impacting the local and global communities we engage with.

Contributing to the UN SDGs

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

2

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

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

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

9

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

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

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

12

Ensure sustainable consumption and production patterns

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

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

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

Every contribution counts

Benefiting people, the planet, and our operations

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

Environmental criteria
Circularity, minimizing food waste and food loss, reducing scarce resources.

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

Marel views innovation efforts and leveraging its technological leadership position as its primary way to contribute meaningfully toward the SDGs.

Innovation investment
Annually Marel invests about 6% of revenues into research and development of advanced and high-tech solutions, with the aim of transforming food processing.

Knowledge sharing
Marel is engaging actively with the local communities and stakeholders where we operate by seeking local participation and sharing of insights to spur innovation, capacity building, and know-how in the industry.

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

Solutions
Marel creates solutions including equipment and software that reduce food waste, increase efficient resource use, minimize environmental footprint in use phase, boost yields, add recycling options, and optimize portion sizes.

Sustainability scorecard

1 Identification

- Focus on market
- Value proposition and business case

2 Feasibility

- Sustainability scorecard guidance
- Proof of concept to be proven
- Identify to biggest risks in market and technology

3 Prototype

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

4 O-series

- Product to market

5 Maintenance

Pioneering product development

Since 2017, Marel has employed a strict process framework when evaluating new products to ensure efforts are spent on progressing valuable, feasible, and usable technologies. The sustainability scorecard seeks to address and improve material product impact while promoting animal wellbeing and areas including environmental criteria: circularity, minimizing food waste, and reducing scarce resources; and social criteria: food quality, food safety and security, and employee health and safety.

In 2021, 100% (2020: 96%) of all new innovation projects approved for further development were rated using the sustainability scorecard, beginning in the first stage, feasibility.

Life cycle analysis and product end-of-life

We design our systems and solutions with the environment in mind. In 2018, we took our first steps toward understanding the full carbon footprint of our machinery during its lifetime by performing a meticulous study of a broad cross-section of our products.

We carried out the life cycle analysis (LCA) in accordance with internationally recognized methodologies, assessing raw material extraction, manufacturing and processing, transportation, use phase estimates, as well as end-of-life/recycling/circularity. The LCA points to three key actions that Marel can take to mitigate the environmental impact of our products: (1) minimize energy consumption and water during the use-phase, (2) ensure durability and longevity of our products, and (3) reduce food processing waste.

In 2021, we finalized our seventh core cross-industry solutions life cycle analysis and its environmental impact. This allows us to better understand the full carbon footprint associated with our solutions, from design through production until end-of-life, thereby enabling our innovation team and customers to understand and improve the environmental footprint of Marel's solutions. Delivering carbon neutral solutions to our customers provides added resilience from an emissions perspective. Performing LCAs provides Marel with added possibilities when aligning with the EU Taxonomy.

Sustainable supply chain and procurement

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

Our goal is to collaborate with our suppliers across the entire value chain to proactively mitigate societal and environmental impacts caused by the development, production, and delivery of food processing equipment and spare parts.

Sustainability is a key element of Marel's procurement strategy. In 2021, we further implemented our supplier sustainability program involving EcoVadis, an external sustainability rating provider. This forms an important step in our sustainability journey to drive continuous improvement and gain more transparency in our supply base. This new program now covers more than 20% of our product related procurement spend focusing on key suppliers.

Marel has a responsible supply chain program focusing on energy, waste management, transportation, health and safety, and social conduct in our manufacturing locations as well as in our partnerships with suppliers globally. Key initiatives in 2021 include the implementation of a global policy on the preferred sourcing of green energy for electricity that supports manufacturing locations in switching to green electricity. Moreover, we continued improving on-site waste management activities that were supported by third party waste scans.

In line with Marel's sustainability ambitions, we renewed our code of conduct for suppliers. Additionally, we have started monitoring carbon dioxide emissions from product related purchased goods as well as assessed the emission impact of different transportation modes, to support Marel's journey in reducing emissions related to goods purchased. This will further support our supplier engagement in 2022.

Marel ingrains ESG into all business planning and operations

Sustainability governance

We engage in responsible governance with the clear objective of ingraining ESG into all of Marel's business planning and operations. In September 2020, a sustainability team was established within the corporate CEO office chaired by the Director of Sustainability and Community Engagement, supported by various business functions including Internal Audit, Supply Chain, and Finance.

The Director of Sustainability and Community Engagement at Marel chaired the Sustainability and ESG Committee during 2021, a sub-committee of the Executive Team. The Director of Sustainability and Community Engagement reports directly to the CEO and is supported by a team of sustainability professionals who support ESG goal-setting efforts, disclosure, and monitor ESG compliance, among other duties.

Information and cyber security

The increase in cyber-attacks worldwide with major financial and operational impact demonstrates that cyber resilience has become a crucial element in doing business in the modern world. Marel innovates to drive the digitalization in the food processing industry, and this requires an adequate response to maintain modern standards that include information and cyber security.

Information and cyber security are treated as a priority at Marel: It is our responsibility to maintain trust in and protect the vital food supply chain.

Social responsibility

We take care of our people

We provide a safe and respectful workplace

We reach out to seek local insights

We apply the highest standards

We take care of our people, our partners, and our customers. We provide a safe and respectful workplace that fosters diversity, inclusion, and belonging. Our employees have opportunities for further education and career development.

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

Our people

Our people drive the success of Marel. We provide a supportive and ambitious work environment that motivates our employees to make Marel's vision their own. We encourage further education and career development. We also offer employees a variety of in-house training courses.

Marel is a growth company. During 2021, we welcomed more than 1,500 new colleagues into the organization, most of whom joined business units in Sales, Services, Innovation, and Software. In recognizing that our people are our most important asset, we also launched a global referral program—Every Referral Counts—where we encourage and reward our own employees in supporting the growth of the organization.

Our people drive the success of Marel

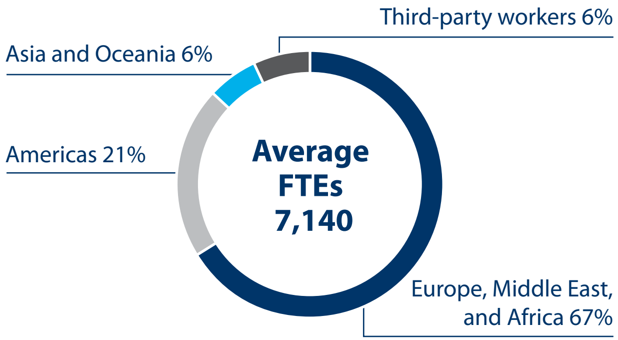
Employees in 2021

	2021	2020
Europe, Middle East, and Africa[1]	4,777	4,263
Americas	1,466	1,471
Asia and Oceania	402	343
Employees	**6,645**	**6,077**
Third-party workers	495	387
Average FTEs in 2021	**7,140**	**6,464**

Note: [1] Iceland accounts for 695 FTEs (2020: 680 FTEs).

Employees by geography

Average full-time equivalents (FTEs) in 2021



Looking at the future of talent, we started with an invigorated and relaunched internship scheme in the Netherlands in 2021, which we will deliver in 2022. Furthermore, we will focus on building long-lasting and meaningful relationships with colleagues and universities in the United States.

Employee engagement is key

A high level of employee engagement is key to the overall health of the organization. Since 2019, Marel has been partnering up with Gallup UK on an engagement journey, to benchmark Marel against top-performing global companies. As a result of the Gallup survey undertaken in 2020, more than 90% of all managers created an action plan with their teams to improve their engagement during 2021.

We respect that our people have responsibilities and a life outside Marel to nurture themselves and recharge. We offer flexible working, possibilities for working part-time, maternity and paternity leave, and other options to help employees find the right balance.

Talent management

The talent of the Marel workforce is what makes us unique and is therefore a crucial competitive advantage. We are committed to supporting the development of our people and to helping them reach their full potential.

To this end, in 2021, we launched a new global talent management process, which focuses on our key positions, what is needed to be successful in them (knowledge, skills, experience, and behavior), who could meet these requirements, and how we

can support their development. We have identified succession candidates for most key positions at Executive Team and Leadership Team level and are working on development plans to ensure succession coverage for the years to come. With a future-oriented outlook, we have assessed our employees' growth potential and asked them to register their career interests and development needs. All processes are supported by our Global HR Information System, Workday.

In 2022, we will continue to embed talent management into our ways of working and support further training for managers, HR, and employees in having meaningful career and development dialogues. Aspiring to create a transparent talent marketplace, where the 'supply' and 'demand' of talent are easy to match, we are building the right support to empower employees to drive their own careers.

Learning and development

Marel is a growing organization in a very knowledge-intensive industry. Continuous changes require Marel employees to develop themselves, acquire, apply, and share new knowledge. This requires a very robust learning and development approach to facilitate continuous learning.

In 2021, we developed a three-year roadmap to establish the Marel Academy. Furthermore, we established a learning and development community to ensure that we have global standards and a single way of working, and always share best practices. A global learning and development catalog was created to make learning and development accessible for everyone in the organization. Marel employees now have access to a range of high-quality, exciting learning and development opportunities through the Workday learning platform. This includes digital learning materials developed for Marel, for example a manager's toolkit and new learning content on health, safety, and the environment as well as on diversity and inclusion.

As we aim to support the development of all Marel employees so that they can excel in their daily roles, so-called learning tracks have been developed for specific jobs. Among many examples, we have developed a new train-the-trainer curriculum as glocalization makes it crucial to share knowledge and skills gained from entities—ranging from business units to our commercial regions—with our front-line employees.

A Marel Leadership Fundamental Program has been developed. Close to 150 participants were enrolled in 2021, facilitated in different languages, including Chinese, Portuguese, and English. Close to 250 participants were enrolled in the 7 Habits Program during 2021, or 1,100 participants since 2017.

Every person counts

Composition of governance bodies and breakdown by gender

	2021			2020		
	Female	Male	Total	Female	Male	Total
Board of Directors	43%	57%	7	43%	57%	7
Executive Team	44%	56%	9	44%	56%	9
Employees	17%	83%	7,140	16%	84%	6,464

Creating a culture of inclusion

At Marel, every person counts. We are committed to building a diverse and inclusive (D&I) culture, where all people feel valued and engaged, and are treated with respect, dignity, and fairness. We believe having a diverse and inclusive workforce is integral to achieving our vision. With our desired gender diversity already achieved at Board of Directors (43/57) and Executive Team (44/56) levels, we have set a 2026 ambition for greater gender diversity in middle and upper management.

We are not, however, focusing solely on gender diversity. Marel employees, prospective employees, contractors, consultants, suppliers, and customers must be treated equally and should not be discriminated against on the grounds of age, race, ethnicity, nationality, sexual orientation, gender identity, disability, mental health, neurodiversity, religious or political beliefs, financial status or class, career, marital or parental status, or on any other aspect of diversity.

We understand the value of reflecting the markets in which we operate—whether that is servicing our customers in their local languages, listening to the needs of our end-consumers, moving toward fully local management teams in our regions, or hiring and developing more diverse talent in technical roles. We hope to be a part of moving our industry toward more diversity and more inclusivity going forward.

In 2021, Marel introduced a new **Global Diversity and Inclusion Policy** with additional focus on inclusion and accountability. The overall objective of the policy and accompanying action plan is to build and maintain a diverse and inclusive culture, where people thrive and drive the success of Marel. The D&I policy is aligned to the updated **Code of Conduct**. We also trained 76% of managers globally on how they can play active roles in creating a culture of inclusion and allyship.

In 2021, as a founding member of the Nordic CEOs for a Sustainable Future coalition—created to inspire co-operative action toward the UN SDGs and the Paris Agreement in the Nordics—Marel co-authored a D&I guide ***From balancing gender to driving inclusion***, launched on 3 February 2022.

On a journey toward zero harm

Health, safety, and environment

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

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

Providing a healthy and safe working environment for Marel's employees, contractors, and visitors is imperative, and the company takes pride in doing this well. HSE risks concern all company stakeholders, and Marel does its utmost to make sure employees have the necessary competence, environment, tools, and instructions to perform their work professionally and safely.

A global HSE function provides support and oversight to Marel businesses in ensuring that the requirements of the company **HSE policy** are met and that it facilitates continuous improvements. Local management within all Marel entities is responsible for ensuring that processes and procedures are established to comply with Marel's HSE policy and local laws.

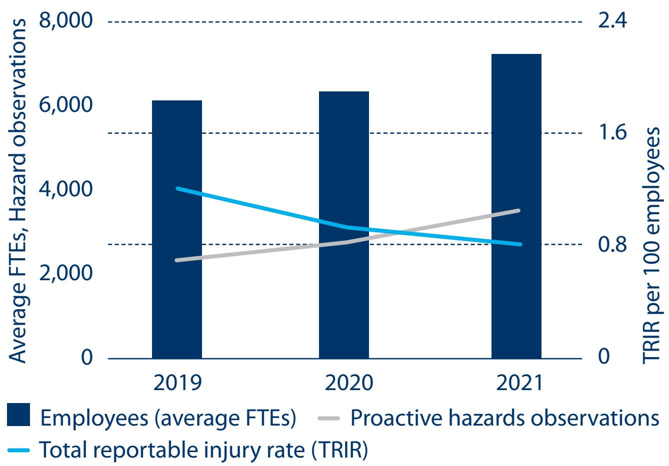
Our aspiration for zero harm

We are on a journey toward zero harm and Marel is committed to a culture of safety that applies to all aspects of our global operations, including the work performed on-site for our customers. Our goal is to create a safe environment for our employees, contractors, and visitors, with the best possible health protection, the promotion of wellbeing, and the prevention of absenteeism resulting from work activities.

In 2021, 77% of all employees participated in HSE e-learning activities, created to increase awareness of key health and safety issues and what they can do to ensure that they and their colleagues return home safe and healthy at the end of every day.

Over the last three years, we have continuously reduced the total reportable injury rate (TRIR). We have noted a reduction in the absolute number of injuries over the last three years even though the number of employees has increased. TRIR has improved from 1.24 per 100 employees in 2019 to 0.91 in 2020 and 0.78 in 2021, indicating that the improvements we are making in HSE are working. The reporting of proactive hazard observations has improved over the last three years (2019: 2,217; 2020: 2,637; 2021: 3,527) and should be encouraged as the key to more HSE maturity and zero harm.

Marel's journey to zero harm



We care for our employees, customers, and communities

Increasing awareness of HSE has resulted in more reporting of first aid and near-miss events, allowing us to analyze trends and launch improvement actions to prevent future occurrences. Extending the ease of reporting to all areas of our business gives more employees the opportunity to highlight safety concerns and prevent them from becoming injury events.

Local and global community outreach

One aspect of Marel's social responsibility is engaging actively and systematically with the local communities and stakeholders where it operates by seeking local participation and insights.

Marel is investing in these locationsin the long term. This is good for business and helps spur innovation, capacity building, and know-how in the industry as well as among Marel's current and future workforce. By introducing new food processing technologies to these locations, Marel can have an immediate and radical effect on production capabilities, worker safety, and food traceability. One of Marel's growth opportunities is the creation of shared value through partnerships in new markets. By delivering market-altering solutions, Marel intends to have a positive impact on both general wellbeing and economic progress in all the company's markets.

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

Well-designed charitable activities and social participation programs can contribute to a better standard of living and increase social stability. Marel's **Global Charitable Giving and Social Participation Policy** align with our pledge of corporate social responsibility. This helps Marel to align its vision and purpose with activities beyond its core business activities. Our guidelines are designed to support the company in its desire to be the partner, neighbor, employer, customer and supplier of choice around the world. Through partnership, Marel aims to empower external organizations, our customers, and our employees in supporting the communities in which we operate.

In 2021, Marel donated EUR 250,000 to the International Red Cross, which will use the funds to secure safe water and essential services for migrants in northern Brazil fleeing armed violence and instability in the region.

Did you know?

Wellbeing of employees and communities

Promoting healthier bodies and minds is a natural extension of our company-wide goal to champion healthy, sustainable, affordable food for all. Our partnership with the International Red Cross and the focus on communities in northern Brazil with the **Move the Globe** challenge is a natural fit with our emphasis on the wellbeing of employees as well as communities where we operate. Together, employees in more than 30 countries joined forces to walk, run, and bike, covering 160,300 kilometers—the equivalent of four laps around the globe. Marel pledged to donate EUR 50,000 for each lap completed and donated an additional EUR 50,000, bringing total support for the International Red Cross from this initiative to EUR 250,000.

Offering flexible work arrangements is also part of our contribution to the wellbeing of our employees. In line with Marel's ambitions to be an employer of choice and a workplace of the future, the company approved a global Flexible Working Policy in 2020, which was implemented in all markets in 2021. We recognize the importance of flexible working options and family-friendly working practices in maintaining a diverse, adaptive, and high-performance workforce.

Watch now

Marel does not tolerate human rights violations

Forced labor and underage workers

Marel does not tolerate human rights violations in the value chain under any circumstances. At Marel, we have a zero-tolerance policy for human rights violations, including child labor and all other illegal labor conditions.

No Marel facility shall be associated with illegal labor conditions or forced labor, and all employees must have reached the legal working age in the country where they work.

Since 2017, Marel has required all new suppliers to comply with its standards on issues related to human rights and labor, as described in Marel's Code of Conduct. Marel's renewed supplier code of conduct reinforces guidance on how to work and act in line with Marel's purpose, values, and the highest standards of integrity.

Marel complies with the European Whistleblowing directive, and related local legislation. Marel's **whistleblower portal** can be used by its employees, suppliers, business partners, and customers to report any wrongdoings, violations, or illegal actions.

No human rights violations were reported at Marel in 2021, nor in the previous year.

Freedom of association

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

Environmental responsibility

Throughout the value chain, Marel encourages and promotes the most efficient use of resources to minimize environmental impact and prioritize environmental protection in food processing. Innovation is at the core of this strategy.

We're passionate about creating new methods to improve yields and decrease waste in food production. We reduce the use of scarce resources such as energy and water, while promoting animal welfare, food safety, and traceability. As the leading global supplier of high-tech food processing solutions, our advances can scale up to ensure tremendous gains in sustainability for food processors.

Commitment to a net zero future

Marel has committed to the Science Based Targets initiative to meet the goals of the Paris Agreement. During 2021, Marel upgraded its climate commitments from aiming for carbon neutrality well before 2050 to becoming net zero by 2040. Setting ambitious, science-based emissions reduction targets provides companies like Marel with a clearly defined path for leading the way to a zero-carbon economy, boosting innovation and driving sustainable growth.

Main 2021 carbon reduction projects

Sustainable purposeful travel	Sustainable housing strategy	Green electricity procurement	Glocalization
Supplier sustainability program	Sustainable supply chain and procurement	Scope 3 mapping	Waste management program
Sustainable digital design	Sustainability innovation scorecard	Life cycle analysis	Energy management system program
ESG incentive scheme for management	First sustainability program	Commitment to climate-related disclosures	Science-based targets

Main 2021 carbon reduction projects

Sustainable purposeful travel
During 2021, Marel introduced a new Global Travel Policy with the emphasis on well-planned and purposeful travel. Employee wellbeing and reducing our carbon footprint are Marel priorities and therefore the basis for how we see travel in the future. At Marel, we put a successful outcome, sustainability, travelers' wellbeing, and health as our first priorities for any trip. Trips for service and installation work are always considered essential business travel.

Sustainable housing strategy
We integrate sustainability into renovation and greenfield projects for Marel manufacturing, demo centers, offices, warehouses, and combined sites. We are working on designing a distribution center, which will be energy neutral, using solar power. Moreover, it will be BREEAM certified (a certification method for a sustainable built environment) in line with WELL ambition (concerning the health and wellbeing of users) and TAPA compliant (concerning security standards for the supply chain). Office renovation projects aim to reduce carbon emissions and energy usage where possible, focusing on environmentally friendly materials and choosing locations that can support low emission transport modes and energy utilization.

Green electricity procurement
This involves implementation of a global policy on the preferred sourcing of green energy for electricity, supporting manufacturing locations in switching to green electricity.

Glocalization
The glocalization structure is a foundation enabling a Marel region to act locally while being supported by strong industries and strategic business units within Marel. The main focus is to deliver an improved customer experience and to remain close to customers as their preferred partner.

Supplier sustainability program
In 2021, we have further implemented our supplier sustainability program involving EcoVadis, an external sustainability rating provider. This forms an important step on our sustainability journey to drive continuous improvement and gain more transparency in our supply base. In line with Marel's sustainability ambitions, we renewed our code of conduct for suppliers.

Sustainable supply chain and procurement
Marel has a responsible supply chain program focusing on energy, waste management, transportation, health and safety, and social conduct in Marel's manufacturing locations as well as in our partnerships with suppliers globally.

Mapping our scope 3 carbon emissions
We have started monitoring carbon dioxide emissions from product-related purchased goods. We have also assessed the emission impact of different transportation modes, thereby supporting Marel on its journey toward reducing emissions related to goods purchased.

Waste management program
In several manufacturing locations, Marel is conducting waste scans with the support of external parties, setting up continuous improvement plans. This has significantly improved Marel's waste management system.

Sustainable digital design—extended reality
Digital technology plays a central role in the development of our customer offerings, as well as achieving excellence in our own operations. Using extended reality simulation for designing, prototype testing, and customer training, we can implement our solutions faster. This allows for the virtual testing and usage of digital twins, removing the need for steel, plastics, and products going to waste during initial design and testing.

Main 2021 carbon reduction projects

Sustainability innovation scorecard
Since 2017, Marel has employed a process framework when evaluating new products, which ensures that efforts are spent on progressing valuable, feasible, and usable technologies. The sustainability scorecard seeks to address and improve material product impact while promoting critical environmental and social criteria as well as animal wellbeing.

Life cycle analysis
Since 2018, Marel has carried out life cycle analysis on core cross-industry products to better understand the full carbon footprint associated with our solutions, from design through production until end-of-life. In 2021, we finalized our seventh core cross-industry solutions life cycle analysis and its environmental impact.

Energy management system program
Analysis has been done with the aim of reducing energy loss, particularly in compressors, ventilation, and cooling systems. This is an area we believe can support Marel's net-zero journey as well as our customers' decarbonization strategy. Previous measures included switching to LED lighting where feasible and installing car-charging points for employees and visitors.

ESG incentive scheme for management
During 2021, we incorporated ESG targets including carbon emission reduction targets into the short-term incentive plans for management remuneration.

First sustainability program
Marel has launched a five-year sustainability program aimed at steering both Marel and the industry onto a more sustainable path through ambitious environmental, social, and governance targets.

Commitment to climate-related disclosures
Marel has committed to integrating the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into its 2021 climate-risk reporting. 2021 was the first full year Marel could internalize and implement the recommendations by the TCFD. For further details, please see our climate-related disclosure on **marel.com/ir**.

Science-based targets
Marel has committed to the Science Based Targets initiative, with the intention of setting a science-based target in 2022. Setting ambitious, science-based emissions reduction targets provides companies with a clearly defined path leading the way to a zero-carbon economy, boosting innovation and driving sustainable growth.

Did you know?

Being local and connected

Wherever you are in the world, the Marel team is here for you. Through on-the-ground local support in more than 30 countries, seven global demo center networks, 245 online demonstrations in 2021, and the use of cutting-edge digital technologies, we work even more closely and efficiently to support our customers, partners, and the broader food processing industry in the region. This operating model has proved very resilient throughout the COVID-19 pandemic, while maintaining high customer satisfaction.

Local teams are supported by strong industries and strategic business units within Marel. As we innovate, digital technology plays a central role in the development of our customer offerings, as well as achieving excellence in our own operations. The use of extended reality simulation, remote support, and predictive maintenance are ways for us to lower the need for non-essential business air travel.

We have shown this successfully during the pandemic. We lowered our carbon footprint by 41% in 2020. While 2021 has seen car and business air travel getting slowly back to normal, we are emphasizing well-planned and purposeful travel, making travelers' wellbeing and health a priority, while at the same time reducing our carbon footprint. Marel's local presence has helped us reduce carbon emissions by 3% year-on-year while revenues grew by 10% in 2021.

Marel is committed to becoming net zero by 2040

GHG emissions[1]

In tCO2e	2021	2020	Change year-on-year
Scope 1: direct GHG emissions	7,563	6,041	+25%
Scope 2: indirect (market-based)	7,328	9,371	-22%
Scope 2: indirect (location-based)	8,755	8,887	-1%
Scope 3: other indirect emissions	3,738	3,717	+1%
Total tCO2e	**18,629**	**19,129**	**-3%**

Carbon emission intensity[1]

	2021	2020	Change year-on-year
Kg CO2e average FTE	2,636	3,007	-12%
Kg CO2e per EUR 1,000 of revenues	13.8	15.7	-12%

*Note: [1] Please see the **ESG Explanatory Note on 2021 restatements and Nasdaq ESG metrics** for further details.*

Our carbon footprint

Continued focus on responsible supply chain management, procurement, and purposeful travel enabled us to lock in the carbon emission reductions achieved in 2020 for 2021, while revenues grew by 10%.

Total market-based carbon emissions decreased by 3% in 2021 compared to 2020. Without the inclusion of TREIF, integrated into our carbon accounting for 2021, the decrease in carbon emissions would have been 7%.

Key carbon reduction projects throughout 2021 helped us further improve our emissions results while average FTE grew by 10.5% to 7,140.

Scope 1

Includes all direct greenhouse gas (GHG) emissions occurring from sources directly controlled by the company. Scope 1 sets out emissions from the combustion of natural gas in controlled boilers as well as emissions from fuel combustion in vehicles operated by Marel, such as company cars. Leased vehicles are operational leases and are reported under scope 1 based on their tank-to-wheel emissions.

Scope 2

Includes all GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Scope 2 sets out emissions resulting from the generation of electricity purchased or used by Marel in offices and manufacturing facilities. Additionally, emissions resulting from generating district heating are included in scope 2.

Scope 3

Includes all emissions (not included in scope 2) occurring in the value chain of the reporting company, including both upstream and downstream emissions. Marel currently reports on business travel by air (downstream) and waste generated in operations (downstream) carried out in its manufacturing facilities. Please see the **ESG Explanatory Note** for further details.

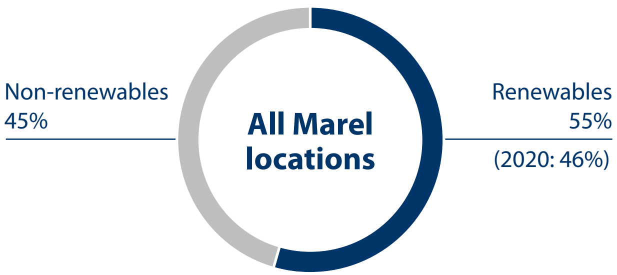
Energy consumption

In 2021, Marel implemented a Green Electricity Procurement Policy, adopted in 2020, on the preferred sourcing of green energy for electricity. As part of our sustainability program, we aim to power at least 85% of our manufacturing facilities by renewable electricity by 2026. In 2021, we made considerable progress, increasing our renewable electricity share to 61% (2020: 45%).

Being a growth company and including environmental data from acquired companies has resulted in higher energy usage 73.2 GWh (2020: 69.1 GWh), while energy intensity per FTE improved to 10.4 MWh per FTE (2020: 10.9 MWh per FTE).

Share of renewable electricity 2021

Average full-time equivalents (FTEs) in 2021



At Marel, we care for the planet we share

Resource efficiency

Maximizing yield is key to decreasing waste in food production, which is why we are constantly improving the accuracy, efficiency, safety, and traceability of food processing.

We help raise yields with less waste

Eliminating waste and increasing yield are a core part of what we have built our success on. With our automated and digital solutions, we support our customers in delivering value to consumers all over the world.

Reducing our waste footprint

Being conscientious about the operational and environmental impact of waste management, we collect data for full-scale analyses of our waste streams and for gaining a comprehensive overview of our waste footprint. All our major manufacturing locations report on standard waste management metrics. This enables us to make progress in the digitalization and efficiency of our waste management operations, such as monitoring and increasing how much of our total global waste volume we recycle or reuse.

Sustainable use of water during food processing

Food processing requires a lot of water, both for the process itself and for cleaning equipment and the rest of the factory. Inevitably, this also results in a lot of wastewater, which needs to be dealt with safely and efficiently. Our team of water treatment experts works with processors worldwide to determine the most sustainable system for their individual needs.

Sustainable housing

We build efficient buildings and state-of-the-art distribution centers built for the future.

Transportation

As part of our engagement with suppliers, we have started monitoring carbon dioxide emissions from product-related purchased goods. We have also assessed the emission impact of different transportation modes, supporting Marel's journey in reducing emissions related to goods purchased.

Animal wellbeing is our priority

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

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

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

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

- **Controlled Atmosphere Stunner for Poultry - CAS SmoothFlow**
- **Live Bird Handling - ATLAS system**
- **CO2 Stunning**
- **Live Pig Handling**

Economic responsibility

Marel promotes fair trade, sustainable business practices and long-term profitability. Marel's vision is founded, on the strong belief that we can create economic value and, in partnership with our customers, have a positive social impact at the same time.

By growing and sustaining an economically strong and responsible business over the long term, guided by a clear vision, we make significant positive impact on our customers and our people, as well as the economy and society. We believe that all parties should aim for having a positive economic impact in the societies in which they operate.

Transparency, innovation, and collaboration are key. We comply with international laws, anti-corruption rules, and local regulations, and encourage our partners, customers, and suppliers to do the same.

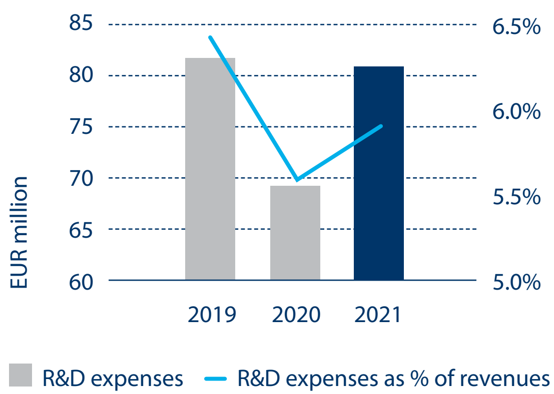
Innovation investment

Innovation is the primary way in which we make an impact and meaningfully contribute toward the UN Sustainable Development Goals. Annually, we invest about 6% of revenues into research and development of advanced and high-tech solutions with the aim of transforming food processing.

Marel creates solutions including equipment and software that reduce food waste, increase efficient resource use, minimize environmental footprint in the use phase, boost yields, add recycling options, and optimize portion sizes.

In 2021, Marel invested EUR 80.8 million (2020: EUR 69.1 million), or 5.9% of revenues (2020: 5.6%) in innovation to support new product development and ensure the continued competitiveness of the existing product offering.

Research and development expenses



Did you know?

Building resilience and efficiency

In February 2020, Marel secured a EUR 700 million sustainability-linked syndicated credit facility, led by a syndicate of seven international banks. A sustainability-linked credit facility is designed to reward borrowers for delivering measurable improvements in environmental, social, and governance (ESG) impact.

The terms of the credit facility include a sustainability-linked incentive structure, where Marel agreed to meet a set of meaningful ESG key performance indicators (KPIs) that apply over the life of the loan. Marel closely monitors and manages these metrics.

The KPIs—which encompass annual reductions in Marel's direct and indirect greenhouse gas emissions, as well as gains in sustainable innovation, diversity, and inclusion—spur on sustainable practices in Marel's business strategy and global operations. Marel receives either a margin reduction or margin increase depending on the extent to which those KPIs are met.

2021 was the first year that Marel met all its KPIs. Through responsible supply chain management, procurement, and purposeful travel, Marel reduced greenhouse gas emissions by 3%, while growing revenues by 10%, relative to 2020. The sustainability-linked credit facility is a meaningful tool to integrate the role of finance into making our 2026 growth strategy and 2040 net zero ambitions a reality.

Economic value generated EUR 1.4 billion

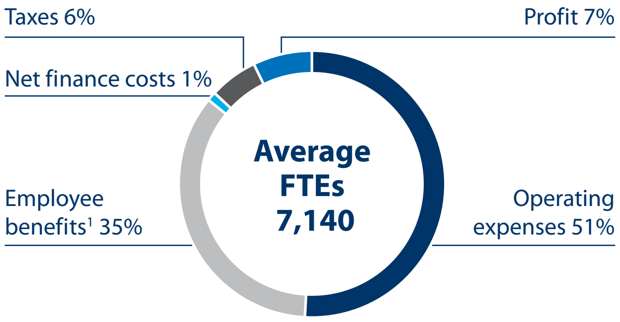
Economic value generation

We operate a global sales and service network extending to more than 30 countries, and we produce a range of solutions manufactured in the Netherlands, the US, Brazil, China, Iceland, Denmark, Germany, the UK, and Slovakia.

Marel will continue to emphasize strong revenue growth, having achieved a compound annual growth rate of 21% since listing in 1992. One of the results of this ambition is that the economic value generated by our operations in 2021, as measured by revenues, amounted to EUR 1,361 million (2020: 1,238 million). Marel encourages all parties to contribute equitably toward the societies in which they operate.

Furthermore, we directly employed an average of 7,140 full-time employees in 2021 (2020: 6,464). Salaries paid during the year, excluding related expenses, amounted to EUR 480 million (2020: 426 million), or 35% of the economic value generated. Marel did not make use of government support or rent discounts related to COVID-19 in 2021 or 2020. If government support was provided due to local laws, an equivalent or greater amount was donated to charity by Marel.

Economic value composition



Note:[1] Marel did not make use of government support or rent discounts related to COVID-19 in 2021.

Impact through partnerships

Marel is a founding member of the **Nordic CEOs for a Sustainable Future** coalition, created to inspire cooperative action toward the UN SDGs and the Paris Agreement in the Nordics

25 science and technology partners to develop breakthrough solutions in sustainable food production

Partnership with the **International Red Cross** in line with Marel's Global Charitable Giving and Social Participation Policy

Tax footprint EUR 201 million

Tax footprint

Marel's total tax footprint amounted to EUR 200.5 million in 2021 (2020: 178.6 million).

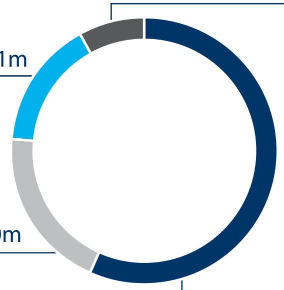
Taxes paid by Marel in 2021 amounted to EUR 71.1 million (2020: 70.6 million) or 5.2% of the economic value generated.

Of the total tax footprint, 56.7% is represented by employment taxes collected borne by employees, 20.0% by employee taxes borne by Marel, 15.4% by corporate taxes and 7.9% by other taxes and duties.

In addition to direct taxes, Marel collects various taxes and duties on behalf of governments. Total taxes and duties collected in 2021 amounted to EUR 113.6 million (2020: 108.0 million).

Tax footprint by Marel in 2021

EUR



Anti-bribery and anti-corruption

Our company's reputation is crucial to our success. We take compliance with global anti-bribery and anti-corruption laws and regulations very seriously.

The **anti-bribery and anti-corruption policy** adopted by Marel in January 2017 reinforces our commitment. This includes our no-cash policy, whereby payments should never be made in cash or untraceable funds.

The policy applies to all employees, officers, and directors, as well as any contractors, consultants, agents, and partners engaged in business on Marel's behalf.

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

Corporate governance

Icelandic law and the company's corporate governance framework determine the duties of the various bodies within the company. They define and dictate how the company is governed and controlled—including the interaction between the CEO, who is responsible for day-to-day management, the Board of Directors, shareholders, regulators, and other stakeholders. Marel is committed to recognized general principles aimed at ensuring good corporate governance.

Corporate governance framework and compliance

Marel's corporate governance consists of a framework of principles and rules, including its Articles of Association and the Guidelines on Corporate Governance issued in July 2021 by the Iceland Chamber of Commerce, Nasdaq OMX Nordic Iceland, and the Confederation of Icelandic Employers, which are accessible on the website of the Iceland Chamber of Commerce.

Governance structure

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

Communication with shareholders

The Chairman is the Board's authorized spokesperson. The Board of Directors does not engage in communication regarding the details of the company's operational matters and financial results, which is the responsibility of authorized members of management. The Chairman communicates with the company's largest shareholders on an annual basis to exchange views on matters related to corporate governance and to maintain trust and understanding.

All communication with shareholders is governed by rules and regulations on price-sensitive and non-public information (insider information) and on other sensitive business information, which could compromise the company's competitive position. Further information on communication with shareholders can be found in the company's **Investor Relations policy**.

Management structure

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

Board of Directors

The Board of Directors has supreme authority in company affairs between shareholders' meetings. It is elected by shareholders at the AGM for a one-year term and operates in accordance with applicable Icelandic laws and regulations, the company's Articles of Association, and the Board's Rules of Procedure.

The Board of Directors convened 21 times in 2021

The Board currently comprises seven directors, who were elected at the company's AGM on 17 March 2021. In line with Icelandic law, the Board of Directors convenes immediately following the AGM during which it is elected to allocate responsibilities between the Board members. The Board of Directors elects a Chairman, and Vice-Chairman, as well as the Chairmen and members of its committees.

The Board of Directors is responsible for the company's organization, for setting the objectives for long-term performance and business development, and for ensuring proper conduct of its operations at all times. The Board decides all matters regarded as extraordinary or of major consequence in accordance with the statutory division of responsibilities between the Board, CEO, and Executive Team. The Board defines strategic objectives for the company and sets targets aimed at achieving these goals.

Regular board meetings are held with management over the course of the year, including quarterly meetings coinciding with the publication of financial results, two strategy sessions, and an operational planning meeting for the coming year. The Board of Directors meets at least once a year without management to structure its agenda and conduct a self-assessment. Additional meetings are convened as needed.

The Board of Directors has a number of on-site visits to company locations and to customers during the year but due to travel restrictions all visits in 2021 were postponed to a later date. All matters dealt with at Board meetings are decided by a majority vote, provided that the meeting has been lawfully convened. In the event of a tie vote, the Chairman casts the deciding vote. However, important decisions are not made unless all directors have been given an opportunity to discuss the matter.

At the company's AGM on 17 March 2021 Svafa Grönfeldt was elected to the Board of Directors. After serving on the Board of Directors for 11 years, thereof eight years as Chairman and one year as Vice-Chairman, Asthildur Margret Otharsdottir did not declare candidature. The Board of Directors convened 21 times in 2021, with an average attendance of 96%.

The Board of Directors has assessed which directors are independent according to the Icelandic Guidelines on Corporate Governance. All seven directors: Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Olafur S. Gudmundsson, Svafa Grönfeldt, and Ton van der Laan, are considered independent of the company. Furthermore, six of the Board members, Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Svafa Grönfeldt, and Ton van der Laan, are considered independent of the company's major shareholders. According to the guidelines, the tenure of a director does not affect the independency assessment.

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

See marel.com for profiles of the Board members, the rules of procedure for the Board of Directors and for the Board's sub-committees.

A major share of the Board's work is carried out in sub-committees

Sub-committees

A major share of the Board's work is carried out in its sub-committees: the Remuneration Committee, the Audit Committee, and the Nomination Committee. Sub-committee members are appointed by the Board of Directors for a term of one year, in accordance with the rules set for each sub-committee by the Board.

Remuneration Committee

The Remuneration Committee is composed of three Board members unless the Board decides otherwise. The majority of the Remuneration Committee shall be independent of the company and possess the knowledge and expertise needed to perform the Committee's tasks. The Remuneration Committee is intended to assist the Board in ensuring that compensation arrangements support the strategic aims of the company and enable the recruitment, motivation and retention of senior executives while also complying with legal and regulatory requirements.

The Committee is responsible for ensuring that performance of the Board and CEO is evaluated annually and that succession planning is conducted. The current Board decided to appoint three members to the Remuneration Committee as of March 2021: Arnar Thor Masson (Chair), Lillie Li Valeur and Olafur S. Gudmundsson. The Remuneration Committee convened four times in 2021, attendance was 100%.

Audit Committee

The Audit Committee is composed of at least three members. Committee members shall be independent of the auditors of the company. The majority of the Audit Committee shall be independent of the company and its management and at least one member shall be independent of shareholders holding 10% or more of the company's total share capital. Members of the Audit Committee shall have qualifications and experience in accordance with the activities of the committee. At least one member shall have detailed expertise in operation, finance accounting, or auditing.

The Audit Committee's key roles include monitoring Marel's financial reporting process and reviewing financial statements and other applicable financial reports of the company, monitoring the effectiveness of the company's internal controls and risk management systems, monitoring and following up on capital allocation decisions by the Board, the oversight of regulatory compliance and ethics, overseeing qualifications, independence, and performance of the eternal auditors, and overseeing the performance of the company's internal audit function.

Members of the Audit Committee since March 2021 are: Svafa Grönfeldt (Chair), Astvaldur Johannsson, Ann Elizabeth Savage, and Ton van der Laan. All members are independent of the company, its auditors, and large shareholders. The Audit Committee convened eight times in 2021, with an average attendance of 91%.

Nomination Committee

The Nomination Committee is a committee of the Board and is composed of three Board members unless the Board decides otherwise. A majority of the Nomination Committee shall be independent of the company. The Board has taken a balanced view of Corporate Governance Principles in Iceland and the Netherlands when structuring the framework for the Nomination Committee. The Committee's key role is to assist the Board with the process and oversight of Board succession planning and identification and nomination of Board candidates as well as members of the Board's committees. The Committee regularly reviews and evaluates the structure, size, and composition (including the skills, knowledge, experience, diversity, tenure and independence) of the Board and its committees, making, recommendations to the Board in regard to any changes.

Members of the Nomination Committee since March 2021 are Lillie Li Valeur (Chair), Arnar Thor Masson and Olafur S. Gudmundsson. The Nomination Committee convened five times in 2021 and attendance was 100%.

Structure of Board's sub-committees

	Board of Directors		Audit Committee		Nomination Committee		Remuneration Committee[1]	
	Attendance		Attendance		Attendance		Attendance	
Arnar Thor Masson[2]	100%	Chairman	100%	Chair until 17 March 2021	100%	Member	100%	Chair
Olafur S. Gudmundsson	95%	Vice-Chairman			100%	Member	100%	Member
Ann Elizabeth Savage[3]	91%	Director	75%	Member			100%	Member until 17 March 2021
Astvaldur Johannsson	100%	Director	88%	Member				
Lillie Li Valeur[4]	100%	Director			100%	Chair	100%	Member
Svafa Grönfeldt[5]	100%	Director	100%	Chair				
Ton van der Laan	86%	Director	100%	Member				
Asthildur Margret Otharsdottir[6]	100%	(Chairman)			100%	Member until 17 March 2021	100%	Chair until 17 March 2021
Convened in 2021	21 meetings		8 meetings		5 meetings		4 meetings	

Chair   Member   Chair until 17 March 2021   Member until 17 March 2021

Notes: [1] After 17 March 2021, members of the Remuneration Committee went from four to three. [2] Chair of the Audit Committee until 17 March 2021, while two Audit Committee meetings were held. [3] Member of the Remuneration Committee until 17 March 2021, while one Remuneration Committee meeting was held. [4] Chair of the Nomination Committee and member of the Remuneration Committee from 17 March 2021, after which three Nomination meetings and three Remuneration Committee meetings were held. [5] Board director and Chair of the Audit Committee from 17 March 2021, after which 15 Board meetings and six Audit Committee meetings were held. [6] Chairman of the Board of Directors, Chair of the Remuneration Committee and member of the Nomination Committee until 17 March 2021, while there were six Board meetings, one Remuneration Committee meeting and two Nomination Committee meetings were held.

Marel's Executive Team consists of nine members

Chief Executive Officer

Arni Oddur Thordarson assumed the position of CEO of Marel in November 2013. An Icelandic citizen, born in 1969, Mr. Thordarson has extensive international business experience within the industrial sector. He has an MBA degree from IMD Business School in Switzerland and a Cand. oecon. degree in Business Administration from the University of Iceland. Mr. Thordarson served on the Board of Directors of Marel from 2005-2013, for most of that time as Chairman.
Together with related parties, his direct holding is 237,644 shares in Marel. He is a major shareholder of Eyrir Invest, which on 2 February 2022 held 190,366,838 shares in Marel hf. (24.7% of total issued shares).

1. The CEO is responsible for daily operations and is obliged to follow the Board's policy and instructions in that regard. Daily operations do not include measures that are unusual or extraordinary. The CEO may only take such measures if specifically authorized by the Board or unless it was impossible to wait for the Board's decision without substantial disadvantage to the company's operations. In such an event, the CEO must inform the Board of his/her actions without delay.
2. The CEO is responsible for the work and results of the Executive Team.
3. The CEO shall ensure that the accounts of the company comply with the law and accepted financial reporting practices and that the treatment of company assets is secure. The CEO shall provide any information requested by the company's auditors.
4. At least once a year, the CEO shall evaluate the work and results of the Executive Team that he heads, according to previously established criteria. The CEO shall discuss the results of his evaluation with each member of the Executive Team and decide on any actions to be taken.

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

Executive Team

Marel's Executive Team has nine members with clear accountability. As of year-end 2021, the company's Executive Team was composed of the below members. On 7 March 2022, Marel introduced changes to its Executive Team where Linda Jonsdottir was appointed Chief Operating Officer, responsible for Global Supply Chain and HR, and Stacey Katz was appointed Chief Financial Officer, responsible for the functions of Finance, IT, and Global Business Services. At the same time, Folkert Bolger, Executive Vice President of Global Supply Chain, has left Marel.

Executive

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

Business Units

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

Operations

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

Gender diversity

	2021 Female/male ratio	2020 Female/male ratio
Board of Directors	43/57	43/57
Executive Team	44/56	44/56
Total enterprise	17/83	16/84

Diversity

Marel's Diversity and Inclusion policy, accessible on marel.com, guides and ensures commitment to upholding Marel's values of Unity, Innovation, and Excellence by encouraging equality of opportunity; valuing diversity in all its forms; fostering a culture of inclusion; dealing with bullying, discrimination, and harassment; and ensuring adherence to the company's diversity and inclusion commitments. The policy applies to the Executive Team and all employees of the company. The Nomination Committee has the role of reviewing and evaluating the structure and composition of the Board of Directors, in order to ensure balance of skills, knowledge, experience, diversity, tenure, and independence.

The Board as a whole should also encompass desirable diversity in aspects such as nationality, gender, age, education, and different perspectives; see further in the Nomination Committee's recommendations for the 2022 AGM. The Board of Directors and the CEO are responsible for reviewing and evaluating the structure and composition of the Executive Team, based on the same principles of diversity as apply to the Board of Directors, in addition to Marel's diversity and inclusion policy.

Gender diversity within the Board of Directors remained stable at 43% (2020: 43%) following the election of Svafa Grönfeldt at the AGM on 17 March 2021. Gender diversity within the Executive Team is 44%, where it has stayed stable since 2020, when it rose from 17%.

The purpose of Marel's Code of Conduct is to support its vision

Code of Conduct and social responsibility

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

Values and social responsibility

Marel's company values are its shared ideals and standards, providing direction in its everyday operations. The company's employees took part in defining these values, which are Unity, Excellence, and Innovation. The values are continuously promoted in the company's daily operations. Marel places great emphasis on corporate and social responsibility with detailed information available in **Marel's 2021 ESG report**.

Code of Conduct

Marel's Board of Directors initially approved a code of conduct with global application in October 2012, which was thoroughly revised and updated in 2021. It is closely linked to Marel's company values and rests on four pillars, i.e., the commitment of employees (including officers and directors) to: (i) each other; (ii) customers and the marketplace; (iii) shareholders; and (iv) partners, communities, and the environment.

Read Marel's Code of Conduct

Corporate governance guidelines exceptions

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

Article 1.3

Guidelines concerning Share Registry: Marel is listed in ISK on Nasdaq Iceland and in EUR on Euronext Amsterdam. In the Netherlands, shares are registered in the account-based electronic securities system operated by Euroclear Nederland, a central securities depository and clearing organization authorized under the Securities (Bank Giro Transactions) Act. All securities in its depository are registered in the name of Euroclear Nederland. Under Dutch property law governing Euroclear Nederland, the legal title to the shares registered in the name of Euroclear Nederland are owned by all investors collectively, each in proportion to their percentage shareholding. Dutch law further regulates how Euroclear Nederland must afford the investors the rights to the securities in its custody, such as voting rights and rights to dividends. For this reason, Marel is unable to keep a shareholder registry for the EUR shares listed on Euronext Amsterdam. Marel keeps a shareholder registry for the ISK shares listed on Nasdaq Iceland.

Article 1.5.1

Guidelines concerning the appointment of a Nomination Committee: According to the Guidelines, the shareholders' meeting shall appoint members to the Nomination Committee or decide how they should be appointed. Marel deviates from this provision as the Nomination Committee is a sub-committee of the Board of Directors and the Board appoints its members. This is in line with the Dutch corporate governance code.

Article 1.5.3
Guidelines concerning the appointment of Board members in the Nomination Committee: as the Nomination Committee is a sub-committee of the Board of Directors, the members of the Nomination Committee are all also members of the Board of Directors. This is in line with the Dutch corporate governance code.

Article 1.5.6
Guidelines stating that Shareholders' meetings should determine the role of the Nomination Committee and the manner in which its operation shall be carried out:. Marel's Nomination Committee is a sub-committee of the Board of Directors and therefore the Board determines its role and the manner in which its operation is carried out.

Article 1.5.10
Guidelines concerning the Nomination Committee's request for proposals from shareholders before the company's AGM: The Nomination Committee consults with the company's major shareholders on the nomination process as well as engaging professional firms but does not formally request proposals from shareholders. Information on how to contact the Nomination Committee is, however, publicly available on the Committee's website. This is line with the Dutch corporate governance code.

Internal control of financial reporting
The CEO is responsible for ensuring adequate internal controls and risk management in connection with financial reporting. The Board of Directors maintains an ongoing dialogue with the CEO to identify, describe, and manage the business risks the company may be exposed to. Significant risks are discussed in the 2021 Consolidated Financial Statements.

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

External Audit
An independent auditing firm is elected at the AGM for a term of one year. The external auditors examine the company's Consolidated Financial Statements in accordance with generally recognized auditing standards and, for this purpose, inspect its accounting records and other material relating to the operation and financial position of the company. The external auditors report any significant findings regarding accounting matters and internal control deficiencies via the Audit Committee to the Board of Directors.

KPMG ehf. was elected as the company's auditor at the company's AGM held on 17 March 2021. Auditors on KPMG's behalf are Saemundur Valdimarsson and Audur Thorisdottir, both Certified Public Accountants (CPAs). They have audited and endorsed Marel's Consolidated Financial Statements for the year 2021.

In 2027, the provisions of EU Regulation no. 537/2014, on specific requirements regarding statutory audit of public-interest entities, concerning the maximum duration of audit engagements, will enter into force for Marel, cf. Article 55(2) of the Icelandic Act on Auditors no. 94/2019. The Board of Directors will organize a tender process in due time, in line with the requirements of Article 16 of EU Regulation no. 537/2014.

Arnar Thor Masson
Chairman of the Board

Board of Directors

Arnar Masson is an independent advisor and Board member. Masson is currently on the Board of Directors of Siminn, which is the largest telecom company in Iceland and listed on Nasdaq Iceland. He also serves on the Remuneration Committee at Siminn and is a Board member of Festa – Center for Sustainability in Iceland.

Masson was Chief Human Resources and Strategy Officer at Isavia, a company that handles the operations and development of all airports in Iceland. Prior to that he was an alternate director at the European Bank for Reconstruction and Development (EBRD) in London, an investment and development bank that works primarily with private sector clients in developing economies.

Before joining EBRD Masson worked in the Government Offices in Iceland, first as Deputy Director General in the Ministry of Finance and later as a Director-General in the Prime Minister's Office in Iceland. From 2000 to 2008 Masson held an adjunct lecturer position at the Department of Political Science of the University of Iceland.

Masson has experience in strategy development and implementation, human resources, ESG, M&A, political affairs, and has worked with emerging markets. He has done executive courses for board directors both at Harvard Business School in the US and IMD in Switzerland.

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

Education
MSc, Comparative Politics, London School of Economics and Political Science
BA, Political Science, University of Iceland

Elected
2021 Chairman
2013 Vice-Chairman
2001 Board Director

Sub-committees
Remuneration Committee (Chairman)
Nomination Committee

Holdings in Marel
0 shares

Dr. Olafur S. Gudmundsson

Vice-Chairman of the Board

Dr. Olafur Gudmundsson is currently the Head of Discovery Pharmaceutics and Analytical Sciences at Bristol-Myers Squibb (BMS), a global biopharmaceutical company.

For more than two decades, Gudmundsson has held roles of increasing responsibility within research and development, covering multiple therapeutic areas and stages of drug discovery, both for Bristol-Myers Squibb and Genentech. During his tenure at BMS, Gudmundsson has helped bring multiple drug candidates to clinical trials, several of which have become marketed products.

In his time within the pharmaceutical industry, Gudmundsson's responsibilities have included involvement with global portfolio strategy, evaluation of external acquisitions, strategic innovations, and integration of merged companies. Gudmundsson has participated in governance teams providing input on global portfolio optimization and prioritization, and has led process optimization teams and chaired integration teams.

Gudmundsson is also associated with the graduate program of the Pharmaceutical Chemistry department at Purdue University. Currently, Gudmundsson is a Board member of Eyrir Invest and Noruz.

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

Education

PhD, Pharmaceutical Chemistry, University of Kansas
Cand. Pharm., Pharmacy, University of Iceland

Elected

2021 Vice-Chairman
2014 Board Director

Sub-committees

Remuneration Committee
Nomination Committee

Holdings in Marel

1,705,427 shares

Ann Elizabeth Savage
Board Director

Ann Savage is an advisor to Gousto, a UK meal kit manufacturer and retailer. Savage worked for Gousto from 2018 to 2022 in an advisory role and headed the Food Technical function.

Savage previously served as Group Technical Director of Bakkavor. Her primary responsibilities have included food safety, health and safety management, manufacturing excellence, and corporate social responsibility management in the UK, US, and Asia. Savage has held a variety of roles in technical and research and development departments within the retail and food industry over her 40-year career. She worked for the Cooperative Wholesale Society (CWS), Northern Foods from 1990 until 1999, and at Geest/Bakkavor for more than 19 years.

Savage's responsibilities have included representing businesses with UK regulators such as the Food Standards Agency, the Department for Environment Food and Rural Affairs, and Health Protection England. She has chaired the Food Network for Ethical Trade and the IGD Technical Leadership Forum and has been a member of the advisory group for the Better Regulation Task Force and the British Retail Consortium Advisory Board. Savage has worked closely with UK retailers to deliver on their corporate social responsibility commitments and to develop reporting procedures. She has experience in operational management, product development, and incident management. She has worked with Farm Africa in both Tanzania and Kenya to support African endeavors in tilapia fish farming and beekeeping. She is a member of her parish council and a Governor of Boston College, one of the top five colleges in the UK.

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

Education
Mathematics, Technology, and Systems Management, Open University
Postgraduate Diploma in Management Studies, Nottingham University

Elected
2013 Board Director

Sub-committees
Audit Committee

Holdings in Marel
0 shares

Astvaldur Johannsson

Board Director

Astvaldur Johannsson is Business Development Director at Controlant, a global real-time monitoring software solution (IoT) provider focusing on the pharmaceutical industry.

His previous international business experience includes senior management positions within different markets at Össur hf., a global medical devices manufacturer, and as an Executive Director leading the international division of Valitor hf., an eCommerce payment solutions and services provider. Previously Johannsson also served as a member of the Executive Team of the IT company Nyherji hf., as a Sales and Marketing Director at Penninn, and as a system analyst expert in the IT sector focusing on process design and development.

Johannsson is a proactive professional with extensive international experience of leadership within different marketplaces in the EU, US, and Asia, and cross-functional environments, both on the executive and on a board level. He has a comprehensive background and knowledge in formulating and implementing policy and strategy, leading and integrating new businesses and initiatives to improve business performance. Johannsson has a solid background in managing business-to-business and business-to-consumer sales and marketing, business development, supply chain, outsourcing, negotiating contracts, and product management, along with operations knowledge and experience in varying industries with progressive and successful organizations.

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

Education
MBA, University of Iceland
BSc, Management Information Systems, Heriot-Watt University

Elected
2014 Board Director

Sub-committees
Audit Committee

Holdings in Marel
0 shares

Lillie Li Valeur
Board Director

Lillie Li Valeur is a member of the Board of Directors, Remuneration Committee, and Science and Innovation Committee of Chr. Hansen Holding, a global bioscience company listed on Nasdaq Copenhagen.

Valeur has extensive international experience in the food, ingredients, and pharmaceutical industries, with special focus on EMEA, Asia, emerging markets, commercial leadership, innovation, mergers and acquisitions, and strategic partnerships. Valeur has served as CEO for COCIO A/S in Denmark.

During her 18 years with Arla Foods amba, a leading global dairy company, Valeur held several senior management roles, both in Asia and globally, including VP Greater China, VP South East Asia, and VP Global Milk Based Beverages. Prior to that she held various international business management positions at Lundbeck in Denmark, Novartis Consumer Health Co. in Shanghai, as well as a management consulting position at Bain & Company in Beijing.

From 2013 to 2020 Valeur was a member of the Board of Directors and Audit Committee of AAK, a global Sweden-based plant-based oils and fats company that is listed on Nasdaq Stockholm. From 2015 to 2016 she was a member of the Board of Directors of Meda, a European Swedish-based specialty pharmaceutical company.

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

Education
MBA, China European International Business School
Degree in Medicine, Shanghai Medical University

Elected
2020 Board Director

Sub-committees
Nomination Committee
Remuneration Committee

Holdings in Marel
0 shares

Dr. Svafa Grönfeldt
Board Director

Dr. Svafa Grönfeldt is a Professor of Practice at the Massachusetts Institute of Technology. She is a founding member of MIT's newest innovation accelerator DesignX, focused on the design and development of technology- and service-based ventures created at MIT.

Grönfeldt is the co-founder of The MET fund, a Cambridge based seed investment fund. She is also the Vice-Chairman of the Board of Directors of Össur, a global leader in orthopedic solutions since 2008, and member of the Board of Directors of Icelandair since 2019, where she is a member of the Audit Committee and the Strategy Committee.

Grönfeldt's previous positions include executive leadership positions at two global life science companies, where she served as Chief Organizational and Development Officer of Alvogen and Deputy to the CEO of Actavis Group. For more than 20 years, her executive career has been focused on organizational design for high growth companies, strategy implementation, service process design, and performance tracking as well as the integration of acquired companies and new business units. She is a former President of Reykjavik University.

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

Education
PhD, London School of Economics and Political Science
MSc, Technical and Professional Communication from Florida Institute of Technology

Elected
2021 Board Director

Sub-committees
Audit Committee (Chairwoman)

Holdings in Marel
0 shares

Ton van der Laan
Board Director

Ton van der Laan is a Dutch national residing in the Netherlands. He currently serves as Chairman of the Supervisory Board of Royal de Heus, a global feed company, and Vice-Chairman of the Board of Directors of Rainforest Alliance in New York. He is a non-executive Board member of Dümmen Orange.

Van der Laan has extensive experience from several executive roles in the food, feed, and commodity industries. He is the former CEO of Nidera, a company globally active in financing and distribution of grains and oilseeds. Before that he was responsible as Executive Vice President for Cargill Animal Proteins and Animal Nutrition globally and CEO of Provimi in the Netherlands, one of the global leaders in animal nutrition.

Previously, for more than 22 years, van der Laan held several executive roles at Unilever, the Anglo-Dutch consumer food company, where he was located in the Netherlands, UK, Czech Republic, and Slovakia. He has also served as the Managing Director of Philips Domestic Appliances and Personal Care. van der Laan possesses extensive experience in multinational businesses, strategic planning, portfolio management, acquisitions and company restructuring, large and small scale integrations, and top team development.

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

Education
MSc, Mechanical Engineering, University of Twente
New Board Program, Nyenrode Business University

Elected
2019 Board Director

Sub-committees
Audit Committee

Holdings in Marel
0 shares

Executive Team

Arni Oddur Thordarson
Chief Executive Officer

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

Education
MBA, IMD, Switzerland
Cand. Oecon., Business Administration, University of Iceland

Holdings in Marel
237,644 shares

Linda Jonsdottir
Chief Financial Officer

Linda Jonsdottir[1] has been Marel's CFO since 2014. Jonsdottir is responsible for Finance, HR, IT, and Global business services. Prior to her current position she was Marel's Corporate Director of Treasury and Investor Relations. Before joining Marel, Jonsdottir worked in treasury and financing for Eimskip, Burdaras, and Straumur Investment Bank. She was a member of the Board of Directors of Icelandic Enterprise Investment Fund from 2010 to 2015. Jonsdottir is a current Board member of the University of Iceland Science Park.

Education
MSc, Finance, Reykjavik University
Cand. Oecon., Business Administration, University of Iceland

Holdings in Marel
602,007 shares

Arni Sigurdsson
Chief Strategy Officer and EVP Strategic Business Units

Arni Sigurdsson joined Marel in 2014. He leads the Strategy and M&A as well as the business units of Retail and Food Service Solutions and Innova Software. Sigurdsson serves on the board of Worximity Technology Inc. Before joining Marel he was an associate at AGC Partners. Prior to that he worked at Landsbanki Islands, where he supported Marel on the acquisition of Stork Food Systems.

Education
MBA, Harvard Business School
BS, Industrial Engineering, University of Iceland

Holdings in Marel
219,250 shares

Note:[1] On 7 March 2022, Marel introduced changes to its Executive Team where Linda Jonsdottir was appointed Chief Operating Officer, responsible for Global Supply Chain and HR, and Stacey Katz was appointed Chief Financial Officer, responsible for the functions of Finance, IT, and Global business services. At the same time, Folkert Bolger, Executive Vice President of Global Supply Chain, has left Marel.

Gudbjorg Heida Gudmundsdottir

Executive Vice President of Marel Fish

Gudbjorg Heida Gudmundsdottir joined Marel in 2011. She took up her current position in March 2020 and served most recently as a Local Manager for Marel in Iceland. Prior to that she was Innovation Cluster Manager for Iceland and the UK. Within Marel, Gudmundsdottir has led strategic projects within Innovation and Marel Fish.

Education
MSc, Industrial Engineering, University of Iceland
BSc, Business and Administration, University of Iceland

Holdings in Marel
0 shares

Roger Claessens

Executive Vice President of Marel Poultry

Roger Claessens joined the Executive Team in September 2019. He has been with Marel and its predecessors since 2001, most recently as Director of Innovation Marel Poultry. Roger has a broad knowledge of poultry processing and innovation, having also served as Product Specialist and Manager Process Technology for Marel.

Education
MSc, Agricultural Engineering, Wageningen University

Holdings in Marel
0 shares

David Wilson

Executive Vice President of Marel Meat

Following decades of experience in the food industry, David Wilson began his current position in 2012. He has been with Marel and its predecessors since 1998. Wilson was Senior Vice-President for the Marel Poultry Industry Center in Gainesville until 2012. Before that he served as Vice-President of Sales and Marketing and as a Regional Sales Manager.

Education
MSc, Animal Science, Aberdeen University
BSc (Hons), Agricultural and Business Management, Aberdeen University

Holdings in Marel
327,517 shares

Folkert Bölger

Executive Vice President of Global Supply Chain

Folkert Bölger[1] assumed his current position in 2017. Bölger has extensive global managerial experience in supply, procurement, and operational positions. Before joining Marel he was Vice-President of Operations and Procurement at Bang & Olufsen in Denmark. Bölger held various management positions at Philips and Siemens VDO in Asia, Central Europe, and Western Europe.

Education

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

Holdings in Marel

51,561 shares

Anna Kristin Palsdottir

Executive Vice President of Innovation

Anna Kristin Palsdottir joined the Executive Team in 2020. Since joining Marel in 2015, Palsdottir has held various managerial roles within Innovation. Most recently, she was Innovation Director for Cross-Industry. Her broad experience in Innovation prior to that includes serving as Innovation Manager for X-ray Solutions and Infrastructure Manager. Palsdottir has demonstrated excellence in leading cross-functional innovation teams within Marel.

Education

MSc, Production Engineering, Technical University of Berlin
BS, Engineering Management, Reykjavik University

Holdings in Marel

0 shares

Ulrika Lindberg

Executive Vice President of Global Markets and Service

Ulrika Lindberg joined Marel in 2018. She has extensive managerial experience in senior sales and service positions at large international organizations. Before joining Marel she was Vice President of Global Service at Alfa Laval and held various management positions worldwide for Alfa Laval and Tetra Pak.

Education

BSc, Business and Administration, University of Lund

Holdings in Marel

0 shares

Note:[1] On 7 March 2022, Marel introduced changes to its Executive Team where Linda Jonsdottir was appointed Chief Operating Officer, responsible for Global Supply Chain and HR, and Stacey Katz was appointed Chief Financial Officer, responsible for the functions of Finance, IT, and Global business services. At the same time, Folkert Bolger, Executive Vice President of Global Supply Chain, has left Marel.

Risk management

Risk-taking is an integral part of successful business activity. By carefully balancing our objectives against the risks we are prepared to take, we strive to conduct business operations in a socially responsible and sustainable manner.

Effective risk management is key to achieving Marel's objectives in regard to efficacy and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

The Board of Directors oversees the risk management process, approving the risk appetite and evaluating the key risks on an annual basis, or more frequently in the event of unexpected changes to the risk environment. This serves to ensure that risk exposure remains consistent with Marel's strategy, business and regulatory environment, and stakeholder requirements.

Risk management process

Marel has a robust risk management process that consists of five steps:

1. **Risk appetite** sets out the amount of risk the company is willing to accept in pursuit of value.
2. **Risk assessment** involves mechanisms and analysis to identify risks. Risks are ranked by the likelihood of their occurrence and the magnitude of their impact.
3. **Risk treatment** is the process of selecting and implementing measures to minimize the probability of identified risks materializing and to alleviate their potential effects.
4. **Monitoring** is the process of evaluating the effectiveness of actions taken to mitigate the identified key risks.
5. **Communication** involves informing the Board, top management, risk managers, and other stakeholders on risk on a recurring basis.

Ensuring effective risk management

Risk categories

Marel's activities expose the company to a variety of risks, which are grouped in five categories: strategic, operations, financial reporting, compliance, and sustainability.

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

Strategic	**Strategic risk**	Risk that affects Marel's strategic ambitions, including economic and political developments
	Business risk	Risk related to customers, competition, government policy, etc.
	Reputational risk	Risk of damage to Marel's brand and reputation, resulting from actions that could be perceived as inappropriate, unethical, or inconsistent with Marel's values
Operations	**Operational risk**	Risk related to inadequate internal processes, people, and systems
Financial reporting	**Financial reporting risk**	Risk related to treasury and accounting, including finance, market, and credit risk
	Market risk	Risk related to financial markets, including FX and interest rate risks
	Credit risk	Risk that relates to credit quality of our customers and other business partners
Complicance	**Compliance risk**	Risk arising from failure to comply with laws and regulations, including internal standards and policies
Sustainability	**Climate risk**	Risk arising from the interaction between hazard, vulnerability, and exposure related to climate change impacts

Key risks

Our management has identified certain key risks to our business that demand attention. Of these, seven key risks are discussed below, together with an overview of corresponding mitigative actions.

Profit and earnings volatility risk

Our operational results are subject to volatility. Factors like increase in competition, geopolitical conflicts, trade restrictions, and natural disasters might influence our ability to predict revenues, costs, and expenses affecting our growth objectives. Our business model with revenue streams generated by different industries, geographical areas, and product mix allows us to achieve and maintain strong profitability throughout economic cycles.

Innovation risk

Changes in technology, failure to understand customer needs, inability to enforce intellectual property rights, etc. can affect our expansion objectives. Our success depends on our ability to develop and successfully introduce new products in addition to ensuring the competitiveness of existing ones, including solutions and software.

Marel will continue to lead the innovation game in the food processing industry by committing significant resources to support its ambitious innovation objectives.

People management risk

A high turnover rate, disengaged employees, gaps in workforce skills or misalignment of those skills with the company's needs, an inadequate succession plan, etc. can harm our business. Workplace instability, absenteeism, and additional stress caused by the global pandemic, coupled with changing global workforce preferences, further increase the risk of effective talent management.

Marel remains a desirable place to work that attracts and retains talented employees. Throughout the pandemic, we have implemented initiatives to maintain motivation and engage with our workforce in a personal manner. Marel is proactive in adapting its policies to align with current global trends.

Supply chain disruption risk

As a manufacturer of leading technology solutions, we rely on the timely supply of inputs, as well as continued supply of scarce resources. The global pandemic caused instability in commercial transport and saw an increase in the demand of raw materials. This can lead to increased costs as well as delays to customer delivery.

Marel makes use of its global footprint to mitigate supply chain risks, while continuing to adopt new supply chain technologies. Deliberate mitigations include the increasing of inventory levels, as well as identifying substitute suppliers. The company remains agile and proactive when prioritizing its manufacturing needs.

Reputation and compliance risk

Marel operates worldwide and needs to comply with numerous and changing laws and regulations. Failure to comply can lead to penalties and adverse publicity. The evolution of social media further increases the risk of reputational damage.

Marel strives to preserve and enhance its brand value, build resilience, and create emotionally connected customers, employees, and stakeholders, while complying with all industry, regulatory, and other general standards of significance.

Information security risk

Failure to secure our information systems and data could result in operational disruptions, financial losses, reputational damage with existing and new customers, etc.

Marel continues to invest in new facilities and infrastructure and in upgrading existing ones to ensure their integrity and availability in case of adverse events.

Foreign exchange risk

As an international company, Marel is exposed to foreign exchange risk arising from various currency movements, primarily with respect to the EUR/USD exchange rate for revenues and EUR/ISK rate on the cost side.

Marel takes advantage of natural currency hedges by matching revenues and operational costs as economically as possible. The company's funding is denominated in its main operational currencies to create natural hedging in the balance sheet. Where necessary, financial exposure is hedged in accordance with Marel's policy on permitted instruments and exposure limits.

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

Consolidated Financial Statements 2021

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The Board of Directors' and CEO's Report

Marel is a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries. Marel has a global reach with local presence in over 30 countries, with sales and service engineers servicing customers in over 140 countries.

The Consolidated Financial Statements for the year 2021 comprise the financial statements of Marel hf. ("the Company") and its subsidiaries (together "the Group" or "Marel"). The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and additional Icelandic disclosure requirements.

COVID-19

Marel is a critical infrastructure company for the poultry, meat and fish processing industry. Marel's focus during COVID-19 is on keeping its employees and customers safe, while maintaining productivity of all manufacturing sites. Marel reorganized its manufacturing sites ensuring all sites remained open, although operating at below historical and targeted utilization rates. By systematically building up safety stock of spare parts across locations and having local presence in more than 30 countries, Marel managed to maintain good levels of delivery performance despite a challenging environment.

COVID-19 has had an impact on Marel's results in 2021. There was a global peak in the pandemic resulting in significant lockdowns and logistical challenges, which led to inefficiencies in manufacturing and higher costs for service operations and logistics. Despite positive developments in parts of the world following the introduction of vaccines, infectious new variants have affected the recovery of the global economy.

In the second half of 2021, Marel has been impacted by an imbalance between supply and demand for electronic components and other raw materials, resulting in an increase in prices and delivery times. It is expected the supply chain and logistics challenges will continue to have an impact on Marel's operations. To ensure timely delivery of equipment and spare parts to customers, Marel invested an additional EUR 63.6 million (excluding business combinations) in inventories in 2021, mainly in production and spare parts, using its strong balance sheet to mitigate the supply chain challenges. Marel is working with its highly talented team and partners around the world to resolve imbalances; innovation and agility in ways of working is critical. Marel's highest priority remains to deliver to our customers the right quality, at the right time.

Supply chain and logistics challenges are expected to continue to have an impact in 2022, although it is not known what the full economic impact will be on Marel. Marel enjoys a balanced exposure to global economies and local markets through its global reach, innovative product portfolio and diversified business mix. Marel's balance sheet and cash flow remain strong, though the Company is impacted by the pandemic.

The need for automation and digital solutions in the food value chain is driven by secular trends like population growth, urbanization and demographics. COVID-19 has accelerated the trends ongoing in the growing market for animal protein. Additionally, the pandemic has placed more focus on minimizing human intervention as a means to improve hygiene and disease, as well as traceability and trust in the food value chain. With its firm commitment to innovation, Marel is uniquely positioned to support the food industry with the use of robotics, increased tracking and tracing and process control. Marel's global reach has proven to be a key differentiating factor in maintaining aftermarket revenues and overall operational resilience. To best serve customer needs, Marel is focusing on increasing digitalization and agility, leading to an increased level of investments in the coming years. Marel is committed to achieve its mid- and long term growth targets.

Acquisitions in 2021

On 21 January 2021, Marel concluded the acquisition of the entire share capital of Poultry Machinery Joosten B.V. ("PMJ"). PMJ is at the forefront of duck and goose processing solutions and services. PMJ's complementary product portfolio of primary processing, including waxing and automated evisceration, will make Marel the industry's only full-line provider of duck processing solutions.

On 4 January 2021, Marel acquired an additional 10.7% of the share capital of Curio ehf. ("Curio") bringing Marel's total share to 50.0%. Following this additional investment, Marel has assessed that it has control of Curio as it holds 50.0% of the shares and is entitled to appoint a majority of Curio's Board of Directors, including the Chairman. Curio's results are consolidated into the Group's results as per 2021. 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. On 1 February 2022, Marel acquired the remaining 50.0% of the shares of Curio.

On 19 November 2021, Marel concluded the acquisition of the entire share capital of Valka ehf. ("Valka"), an

Icelandic provider of advanced processing solutions for the global fish industry. Valka is a highly innovative player in the whitefish and salmon processing industries. Valka's product range includes waterjet cutting, trimming, and grading solutions for whitefish and salmon.

Together, Marel, Curio and Valka will be in a stronger position to transform the fish processing industry in partnership with customers.

Further information is provided in note 4 and note 30 of the Consolidated Financial Statements.

Investments in 2021

On 29 January 2021, Marel acquired a 40.0% interest in Stranda Prolog (“Stranda”), a Norwegian provider of salmon processing solutions. The transaction is in line with Marel’s strategic objective to be a full-line supplier of advanced food processing solutions, software and services to the fish, meat and poultry industries. Stranda’s complementary product portfolio for primary salmon processing and aquaculture solutions will bring Marel closer to becoming a full-line provider to the global salmon industry. Further information is provided in note 18 of the Consolidated Financial Statements.

Operations in 2021

The consolidated revenues for Marel for the full year 2021 are EUR 1,360.8 million (2020: EUR 1,237.8 million). The adjusted result from operations for the same period is EUR 153.6 million or 11.3% of revenues (2020: EUR 166.8 million or 13.5% of revenues).

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

	2021	2020
Adjusted result from operations[1]	153.6	166.8
Non-IFRS adjustments	(23.3)	(17.1)
Result from operations	**130.3**	**149.7**

[1] Result from operations is adjusted for PPA related costs, including depreciation and amortization, and acquisition related expenses.

At 31 December 2021 the Company’s order book amounted to EUR 569.0 million (at 31 December 2020: EUR 415.7 million). Orders received in 2021 amounted to EUR 1,502.0 million (2020: EUR 1,234.1 million). EUR 12.1 million order book was acquired in 2021 from PMJ, Curio and Valka.

The average number of full time employees was 7,140 in 2021 (2020: 6,464). Total salaries and wages were EUR 430.2 million (2020: EUR 387.7 million). The ratio female / male employees is 17 / 83 for 2021 (2020: 16 / 84).

The ratio female / male executive team members is 44 / 56 for 2021 (2020: 44 / 56).

According to the Consolidated Statement of Financial Position, the Group's assets amounted to EUR 2,005.0 million at the end of 2021 (2020: EUR 1,814.9 million). The increase in assets is mainly related to an increase in inventories and the acquistion of PMJ, Curio and Valka. Total equity amounted to EUR 1,023.1 million at the end of 2021 (at year end 2020: EUR 958.7 million) or 51.0% of total assets (at year end 2020: 52.8%).

The goodwill of the Group was tested for impairment at year end by calculating its recoverable amount. The results of these impairment tests were that there was no impairment as the recoverable amount of the goodwill was well above book value. Further information is provided in note 16 of the Consolidated Financial Statements.

Net cash from operating activities during the year was EUR 176.2 million (2020: EUR 182.6 million).

Capital expenditures in 2021 were EUR 85.1 million (2020: EUR 71.1 million). Marel is stepping up in market coverage and focusing on important initiatives to automate and digitize our manufacturing platform, supply chain and aftermarket business to create more agility and flexibility in our operations ahead of the anticipated growth curve. Cash capital expenditures excluding R&D investments are expected to increase to on average 4-5% of revenues over the next four years.

In 2021, Marel invested EUR 80.8 million (2020: EUR 69.1 million) excluding PPA related costs or 5.9% of revenues (2020: 5.6%) in innovation to support new product development and ensure continued competitiveness of existing product offering.

At 31 December 2021, net cash and cash equivalents were EUR 77.1 million (31 December 2020: EUR 78.6 million). Net interest bearing debt decreased from EUR 205.2 million at the end of 2020 to EUR 199.2 million at the end of 2021.

Authorization to purchase treasury shares and changes in articles of association

At the Company's 2021 Annual General Meeting on 17 March 2021, the authorization to the Board of Directors to purchase up to 10% of the Company's own shares was renewed. Requirements pursuant to Article 55 of the Icelandic Companies Act No. 2/1995 need to be taken into consideration when own shares are purchased on the basis of this authorization. This authorization is effective for the next 18 months from approval. In the period 17 March 2021 to 31 December 2021 no treasury shares were purchased by the company.

At the same shareholder's meeting it was resolved to amend Article 15.2 of the Company's Articles of Association, concerning an authorization of the Board of Directors to increase share capital. The previous authorization stated that shareholders waive their pre-emptive rights provided that the new shares are used as payment for acquisitions, which excluded the possibility of raising capital through an offering. In order to increase Marel's financial flexibility and agility to execute the Company's clear growth strategy, it was agreed that the authorization is partly adjusted to European market practice adding the possibility to sell new shares through an offering managed by a financial institution while lowering the nominal value of the authorization from ISK 100.0 million to ISK 75.0 million. This authorization is effective for the next 18 months from approval, shortening the previous validity period from 5 years and providing for regular reassessment of the authorization.

Treasury shares and stock options

At year end 2021 Marel’s issued shares totaled 771.0 million (31 December 2020: 771.0 million). At the same time Marel holds 15.3 million treasury shares (31 December 2020: 18.8 million).

Marel used 1.8 million treasury shares (EUR 9.9 million) as part of the purchase consideration for the acquisition of Valka.

Stock options are granted to management and selected employees. Total granted and unexercised stock options at the end of the year 2021 were 18.4 million shares (2020: 18.3 million shares), of which 0.9 million are exercisable at the end of 2021 (2020: 1.6 million) and the remainder will vest in the years 2022 to 2024.

Further information is disclosed in note 22 to the Consolidated Financial Statements.

Dividend proposal

Based on the Company's 2021 Annual General Meeting ("AGM") resolution, a dividend was declared and paid to shareholders for the operational year 2020 amounting to EUR 41.0 million, EUR 5.45 cents per share. This corresponds to approximately 40% of net result for the operational year 2020 (in 2020: a dividend of EUR 43.9 million, EUR 5.79 cents per share, corresponding to approximately 40% of net result for the year 2019, was declared and paid out to shareholders for the operational year 2019).

The Board of Directors will propose to the 2022 Annual General Meeting that EUR 5.12 cents dividend per outstanding share will be paid for the operational year 2021, corresponding to approximately 40% of net results attributable to Shareholders of the Company of EUR 96.8 million for the year 2021, and refers to the Consolidated Financial Statements regarding appropriation of the profit for the year and changes in shareholders’ equity. This is a 6% decrease in dividend per share compared with previous year. At the same time the total number of outstanding shares increased from 752.2 million shares as per 31 December 2020 to 755.7 million shares as per 31 December 2021.

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

If approved by Marel’s shareholders, the Company’s shares traded on and after 18 March 2022 (Ex-date) will be ex-dividend and the right to a dividend will be restricted to shareholders identified in the Company´s shareholders registry at the end of 21 March 2022, which is the proposed record date. The Board will propose that payment date of the dividend is 30 March 2022.

Ten largest shareholders in ISK shares at year end

Marel keeps a share registry for the ISK shares listed on Nasdaq Iceland. Shares listed in EUR on Euronext Amsterdam are registered in the ISK share registry in a custody account in the name of ABN AMRO on behalf of Euroclear Nederland and are beneficially owned by all EUR shareholders proportionally in accordance with Dutch law. Marel is therefore unable to keep a share registry for the EUR shares listed on Euronext Amsterdam. Shareholders holding ISK shares can therefore have additional shareholding in EUR and shareholders only holding EUR shares can have up to 5% shareholding without Marel’s knowledge.

Ten largest shareholders at year end		Number of shares (million) 2021	Shareholding (%) In ISK	In EUR[1]	Total[1]
ABN Amro on behalf of Euroclear[2]	Custody account	276.0	35.8%	-	-
Eyrir Invest hf.[3]	Investment company	113.3	14.7%	10.0%	24.7%
The Pension Fund of Commerce	Pension fund	49.8	6.5%	-	-
Gildi	Pension fund	37.2	4.8%	-	-
LSR A, B & S divisions	Pension fund	35.8	4.6%	-	-
Smallcap World Fund Inc.	Asset management	27.3	3.5%	-	-
Birta lifeyrissjodur	Pension fund	19.1	2.5%	-	-
Frjalsi lifeyrissjodurinn	Pension fund	12.0	1.6%	-	-
Festa - lifeyrissjodur	Pension fund	10.2	1.3%	-	-
Stapi lifeyrissjodur	Pension fund	9.4	1.2%	-	-
	Top 10 total	**590.1**	**76.5%**		
	Others	169.1	22.0%		
Marel hf.[4]	Treasury shares	11.8	1.5%	0.5%	2.0%
	Total issued shares	**771.0**	**100.0%**		

1 Additional information according to an announcement of the principal shareholder, Eyrir Invest hf. to Marel.
2 Custody account in ISK representing all EUR shareholders.
3 Eyrir Invest hf. has 24.7% shareholding in Marel, thereof 10.0% in EUR that are included in the custody account of ABN Amro on behalf of Euroclear.
4 Of Marel's treasury shares, 11.8 million shares are in ISK and 3.5 million shares are in EUR and therefore included in the custody account of ABN Amro on behalf of Euroclear.

Corporate Responsibility Statement

Corporate Governance

Marel's corporate governance consists of a framework of principles and rules, including its Articles of Association and the Guidelines on Corporate Governance issued in July 2021 by the Iceland Chamber of Commerce, Nasdaq OMX Nordic Iceland and the Confederation of Icelandic Employers, which are accessible on the website of the Iceland Chamber of Commerce. The Board of Directors has prepared a Corporate Governance Statement in line with the guidelines, which is published as an appendix to the Consolidated Financial Statements as well as in Marel's Annual Report, where the Company's corporate governance is discussed in detail.

The Company's management structure consists of the Board of Directors and the Executive Team, led by the Chief Executive Officer. The two bodies are separate, and no person serves as a member of both. The Board of Directors has supreme authority in Company affairs between shareholders' meetings. The Board of Directors are elected by shareholders at the Annual General Meeting for a one-year term and operate in accordance with applicable Icelandic laws and regulations, the Company's Articles of Association and the Board's Rules of Procedure. A major share of the Board's work is carried out in its sub-committees: the Remuneration Committee, the Audit Committee and the Nomination Committee. Sub-committee members are appointed by the Board of Directors for a term of one year, in accordance with the rules set for each sub-committee by the Board.

Sustainability at Marel

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

Social Responsibility

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

Environmental Responsibility

Marel encourages efficient use of resources in its value chain and promotes positive environmental impact and environmental protection. Innovation focuses on continuously creating new methods for improving yields and minimizing waste in food production, reducing the use of scarce resources such as energy and water, and promoting food safety and animal well-being. As environmental risk can translate into financial risk for Marel as well as its stakeholders, Marel is implementing the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). Marel has committed to the Science Based Targets initiative to meet the goals of the Paris Agreement.

Economic Responsibility

Marel promotes long-term value creation, fair trade and good business practices in its value chain through transparency, innovation and collaboration with all its partners. Marel takes compliance with global anti-bribery and anti-corruption laws and regulations very seriously, and Marel's anti-bribery and anti-corruption policy applies to all employees, officers and directors as well as contractors, consultants, agents and other business partners of Marel.

Further information on sustainability at Marel is available on marel.com/sustainability. Marel will publish its 2021 Annual Report in March 2022.

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 2021, operating performance and the cash flows for the year ended 31 December 2021 as well as describe the principal risk and uncertainty factors faced by the Group.

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

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

Management of the Group believes it is well placed to manage its business risks successfully based on the present economic outlook. Further information on the financial risks is disclosed in note 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 2021 with their signatures.

Gardabaer, 2 February 2022

Board of Directors

Arnar Thor Masson
Chairman of the Board

Ann Elizabeth Savage

Astvaldur Johannsson

Lillie Li Valeur

Olafur S. Gudmundsson

Svafa Grönfeldt

Ton van der Laan

Chief Executive Officer

Arni Oddur Thordarson

Independent Auditor's report

To the Board of Directors and Shareholders of Marel hf.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the Consolidated Financial Statements of Marel hf. (the 'Group'), which comprise the Consolidated Statement of Financial Position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and additional disclosure requirements for listed companies in Iceland.

Our opinion is consistent with the additional report submitted to the Audit Committee and the Board of Directors.

Basis for Opinion

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

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Articles (1) of the Regulation (EU) 537/2019 and that we remained independent in conducting the audit.

We were first appointed as auditors by the Annual General Meeting on 10 March 2009. We have been re-appointed by resolutions passed by the Annual General Meeting uninterrupted since then.

Key Audit Matters

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

Key audit matters	How the matter was addressed in our audit
Recoverability of Goodwill	
Refer to note 2.9 and note 16. Goodwill amounted to EUR 705 million and represents 35% of total assets as at 31 December 2021. The goodwill is allocated to four cash generating units (CGUs). Management prepared a value-in-use model to estimate the present value of forecasted future cash flows for each CGU, which was compared with the carrying value of the net assets of each CGU. Determining if an impairment charge is required for goodwill involves significant judgments about forecasted future performance and cash flows of the CGUs, including growth in revenues and operating profit margins. It also involves determining an appropriate discount rate and long-term growth rate. Based on the significance of the goodwill amount and judgments in the goodwill calculations, recoverability of goodwill is a key audit matter.	We have performed the following procedures to address this risk: • We evaluated the cash flow projections included in the goodwill impairment test by management. We considered the level of historical budgeting inaccuracies and how the assumptions compared with the actual performance achieved in prior years, also taking into account the best estimate of the COVID-19 impact on the business of Marel. • We assessed and tested the assumptions, methodologies, the weighted average cost of capital and other data used, for example by comparing them to external and historical data and by analyzing sensitivities in Marel's valuation model. • We included our valuation specialists in the team to assist us with these procedures. • We specifically focused on the sensitivity in the available headroom for the cash generating units, evaluating whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount and assessed the historical accuracy of management's estimates. • We also assessed the adequacy of the disclosures in note 16 to the Consolidated Financial Statements.
Revenue recognition	
Refer to note 2.4 and note 7. The Group's revenue is comprised of several types of customer contracts utilized, including sale of standard and customized equipment, service contracts and sale of spare parts. Revenue recognition for production contracts is based on over time accounting or point in time accounting following the requirements of IFRS15. For over time accounting, the assessment of the stage of the contract is made by reference to the proportion of contract cost incurred for the work performed to the reporting date relative to the estimated total contract costs to completion. The recognition of revenue therefore relies on estimates in relation to the final outcome of expected costs on each contract, which can be judgmental and could be susceptible to a material misstatement. Revenue recognition is therefore a key audit matter.	We have performed the following procedures to address the risk: • We assessed the accuracy of the revenue streams by testing on a sample basis the revenue amounts recorded in the general ledger against the underlying contracts and orders, invoices, payments and if relevant proof of delivery. • We tested a sample of credit notes issued after year end to agree that revenue was not reversed after year end. • We performed procedures to test the correctness of the transactions in the appropriate period. • We performed test of details on a sample of year end open equipment projects. We selected projects based on size and risk assessment. We agreed the selected items to contracts, precalculations and invoices. • We considered the progress of per year end open equipment projects, agreed the accrued cost on the selected projects and agreed that the over time revenues are valid. • We scrutinized specific revenue journal entries in the context of journal entries testing, e.g. regarding manual entries on revenues. • We assessed whether the accounting policies for revenue recognition and other financial statements disclosures related to revenue were in accordance with International Financial Reporting Standards as adopted by the EU.

Other information

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

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

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

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

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

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

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

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

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

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

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Report on European Single Electronic Format (ESEF Regulation)

As part of our audit of the Consolidated Financial Statements of Marel hf. we performed procedures to be able to issue an opinion on whether the Consolidated Financial Statements of Marel hf. for the year 2021 with the file name [5299008YTLEN09WTHW26-2021-12-31] are prepared, in all material respects, in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021 relating to requirements regarding European Single Electronic Format Regulation EU 2019/815 which includes requirements related to the preparation of the Consolidated Financial Statements in XHTML format and iXBRL markup.

The Board of Directors and CEO are responsible for preparing the Consolidated Financial Statements in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021. This includes preparing the Consolidated Financial Statements in an XHTML format in accordance with EU Regulation 2019/815 on the ESEF Regulation.

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the Consolidated Financial Statements are prepared in all material respects, in compliance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error.

In our opinion, the Consolidated Financial Statements of Marel hf. for the year 2021 with the file name [5299008YTLEN09WTHW26-2021-12-31] are prepared, in all material respects, in compliance with the ESEF Regulation.

Report on the Board of Directors' and CEO's report

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial 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 Audur Thorisdottir.

Reykjavik, 2 February 2022

KPMG ehf.

Saemundur Valdimarsson
Audur Thorisdottir

Consolidated Statement of Income

In EUR million unless stated otherwise	Notes	2021	2020
Revenues	5 & 6 & 7	1,360.8	1,237.8
Cost of sales	5 & 8	(867.0)	(778.4)
Gross profit	5	**493.8**	**459.4**
Selling and marketing expenses	5 & 8	(180.4)	(148.6)
General and administrative expenses	5 & 8	(96.2)	(87.8)
Research and development expenses	5 & 8	(86.9)	(73.3)
Result from operations	5	**130.3**	**149.7**
Finance costs	9	(9.2)	(18.9)
Finance income	9	0.5	0.5
Net finance costs	9	**(8.7)**	**(18.4)**
Share of result of associates	18	(0.9)	0.3
Result before income tax		**120.7**	**131.6**
Income tax	12	(24.5)	(29.0)
Net result		**96.2**	**102.6**
Of which:			
- Net result attributable to Shareholders of the Company	13	96.8	102.5
- Net result attributable to non-controlling interests	22	(0.6)	0.1
Earnings per share for result attributable to Shareholders of the Company during the period (expressed in EUR cent per share):			
- Basic	13	12.85	13.62
- Diluted	13	12.73	13.51

The notes on pages 17-67 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

In EUR million	Notes	2021	2020
Net result		**96.2**	**102.6**
Items that are or may be reclassified to profit or loss:			
Currency translation differences	22	4.9	(18.2)
Cash flow hedges	22	(0.5)	1.9
Deferred income taxes	20 & 22	0.2	(0.3)
Other comprehensive income / (loss) for the period, net of tax		**4.6**	**(16.6)**
Total comprehensive income for the period		**100.8**	**86.0**
Of which:			
- Total comprehensive income attributable to Shareholders of the Company		101.4	85.9
- Total comprehensive income attributable to non-controlling interests	22	(0.6)	0.1

The notes on pages 17-67 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position

In EUR million	Notes	2021	2020
Assets			
Property, plant and equipment	14	228.7	196.7
Right of use assets	15	40.5	42.7
Goodwill	16	705.2	678.8
Intangible assets	17	357.2	331.0
Investments in associates	18	12.7	17.6
Other receivables	19	-	2.1
Deferred income tax assets	20	18.1	13.3
Non-current assets		**1,362.4**	**1,282.2**
Inventories	21	273.4	199.9
Contract assets	7	69.6	46.1
Trade receivables	7 & 19	154.7	151.3
Assets held for sale		-	1.8
Derivative financial instruments	26	1.1	1.9
Other receivables and prepayments	19	66.7	53.1
Cash and cash equivalents		77.1	78.6
Current assets		**642.6**	**532.7**
Total assets		**2,005.0**	**1,814.9**
Equity and liabilities			
Share capital	22	6.7	6.7
Share premium reserve	22	450.3	442.8
Other reserves	22	(22.1)	(27.5)
Other equity	22	(13.6)	-
Retained earnings	22	593.8	536.4
Shareholders' equity		**1,015.1**	**958.4**
Non-controlling interests	22	8.0	0.3
Total equity		**1,023.1**	**958.7**
Liabilities			
Borrowings	23	234.9	240.2
Lease liabilities	23	30.9	33.6
Deferred income tax liabilities	20	92.1	84.9
Provisions	24	4.0	4.1
Other payables	27	22.7	1.1
Derivative financial instruments	26	0.4	3.7
Non-current liabilities		**385.0**	**367.6**
Contract liabilities	7	306.0	236.6
Trade and other payables	27	259.4	222.7
Derivative financial instruments	26	0.8	-
Current income tax liabilities		10.7	8.8
Borrowings	23	0.0	0.0
Lease liabilities	23	10.5	10.0
Provisions	24	9.5	10.5
Current liabilities		**596.9**	**488.6**
Total liabilities		**981.9**	**856.2**
Total equity and liabilities		**2,005.0**	**1,814.9**

The notes on pages 17-67 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

In EUR million	Share capital	Share premium reserve[1]	Other reserves[2]	Other equity[3]	Retained earnings[4]	Share-holders' equity	Non-controlling interests	Total equity
Balance at 1 January 2021	**6.7**	**442.8**	**(27.5)**	**-**	**536.4**	**958.4**	**0.3**	**958.7**
Net result for the period					96.8	96.8	(0.6)	96.2
Total other comprehensive income			5.4	(0.8)		4.6		4.6
Transactions with owners of the Company								
Treasury shares sold	0.0	9.9				9.9		9.9
Options granted / exercised / canceled	0.0	(2.4)			1.6	(0.8)		(0.8)
Non-controlling interests on acquisition of subsidiary							8.5	8.5
Transactions with non-controlling interests				(12.8)		(12.8)		(12.8)
Dividend					(41.0)	(41.0)	(0.2)	(41.2)
	0.0	**7.5**	**5.4**	**(13.6)**	**57.4**	**56.7**	**7.7**	**64.4**
Balance at 31 December 2021	**6.7**	**450.3**	**(22.1)**	**(13.6)**	**593.8**	**1,015.1**	**8.0**	**1,023.1**

In EUR million	Share capital	Share premium reserve[1]	Other reserves[2]	Other equity[3]	Retained earnings[4]	Share-holders' equity	Non-controlling interests	Total equity
Balance at 1 January 2020	**6.8**	**483.1**	**(10.9)**	**-**	**476.5**	**955.5**	**0.3**	**955.8**
Net result for the period					102.5	102.5	0.1	102.6
Total other comprehensive income			(16.6)			(16.6)		(16.6)
Transactions with owners of the Company								
Treasury shares purchased	(0.1)	(55.8)				(55.9)		(55.9)
Treasury shares sold	0.0	15.0				15.0		15.0
Options granted / exercised / canceled	0.0	0.5			1.3	1.8		1.8
Dividend					(43.9)	(43.9)	(0.1)	(44.0)
	(0.1)	**(40.3)**	**(16.6)**	**-**	**59.9**	**2.9**	**0.0**	**2.9**
Balance at 31 December 2020	**6.7**	**442.8**	**(27.5)**	**-**	**536.4**	**958.4**	**0.3**	**958.7**

1 Includes reserve for share-based payments as per 31 December 2021 of EUR 7.3 million (31 December 2020: EUR 5.5 million).
2 For details on other reserves refer to note 22.
3 Includes equity impact of the option to acquire the remaining shares of non-controlling interests. For further information refer to notes 4 and 22.
4 Includes a legal reserve for capitalized intangible assets related to product development projects as per 31 December 2021 of EUR 88.1 million (31 December 2020: EUR 76.5 million).

The notes on pages 17-67 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

In EUR million	Notes	2021	2020
Cash Flow from operating activities			
Result from operations		**130.3**	**149.7**
Adjustments to reconcile result from operations to net cash provided by / (used in) operating activities:			
Depreciation and impairment of property, plant and equipment and right of use assets	14 & 15	29.8	27.5
Amortization and impairment of intangible assets	17	38.8	35.3
Adjustments for other non-cash income and expenses		3.8	2.5
Working capital provided by / (used in) operating activities		**202.7**	**215.0**
Changes in working capital:			
Inventories and contract assets and liabilities		(11.7)	(2.0)
Trade and other receivables		(7.3)	6.3
Trade and other payables		30.7	2.4
Provisions		(2.1)	(4.1)
Changes in operating assets and liabilities		**9.6**	**2.6**
Cash generated from operating activities		**212.3**	**217.6**
Taxes paid		(29.2)	(25.4)
Interest and finance income		0.5	0.5
Interest and finance costs		(7.4)	(10.1)
Net cash from operating activities		**176.2**	**182.6**
Cash Flow from investing activities			
Purchase of property, plant and equipment	14	(46.1)	(27.5)
Investments in intangibles	17	(24.8)	(27.1)
Proceeds from sale of non-current assets and assets held for sale	14 & 17	3.8	2.9
Loans in associates		-	(1.0)
Investments in associates	18	(10.4)	(1.7)
Acquisition of subsidiary, net of cash acquired	4	(43.9)	(107.2)
Net cash provided by / (used in) investing activities		**(121.4)**	**(161.6)**
Cash Flow from financing activities			
Purchase of treasury shares	22	-	(55.9)
Sale of treasury shares and options exercised	22	0.7	2.4
Dividends paid	22	(41.2)	(44.0)
Proceeds from borrowings	23	52.2	730.0
Repayments of borrowings	23	(62.9)	(857.6)
Payments of lease liabilities	23	(13.1)	(10.5)
Net cash provided by / (used in) financing activities		**(64.3)**	**(235.6)**
Net increase / (decrease) in net cash		**(9.5)**	**(214.6)**
Exchange gain / (loss) on net cash		8.0	(10.5)
Net cash at beginning of the period		78.6	303.7
Net cash at end of the period		**77.1**	**78.6**

The notes on pages 17-67 are an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1 General information

1.1 Reporting entity

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

The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2021 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 2 February 2022. 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 16 March 2022.

The Company is listed on the Nasdaq Iceland ("Nasdaq") and on Euronext Amsterdam ("Euronext") exchanges.

1.2 Basis of Accounting

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and additional Icelandic disclosure requirements for consolidated financial information of listed companies in accordance with Icelandic Financial Statements Act No. 3/2006 and rules for issuers of financial instruments at the Nasdaq Iceland. The accounting policies applied by Marel comply with IFRS as adopted by the EU and the pronouncements of the International Financial Reporting Interpretation Committee ("IFRIC") effective at 31 December 2021.

These Consolidated Financial Statements have been prepared on a going concern basis. Marel's balance sheet and cash flow remain strong despite the pandemic.

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

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

1.3 Functional and presentation currency and exchange rates

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

All amounts are in millions of EUR unless otherwise indicated.

Exchange rates

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

	2021		2020	
	Year end rate	Average rate	Year end rate	Average rate
1 euro =				
USD	1.14	1.18	1.22	1.14
GBP	0.84	0.86	0.90	0.89
ISK	147.45	150.22	156.19	154.35
BRL	6.34	6.38	6.34	5.90

1.4 Use of estimates and judgments

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

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

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

Further information about the assumptions made in measuring fair values is included in note 2.12, note 3 and note 26.

2 Summary of significant accounting policies

2.1 General

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. The accounting policies set out in these Consolidated Financial Statements have been applied consistently for all periods presented.

Changes in accounting policies

The Group has initially adopted Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The amendments provide temporary relief which addresses the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate. These amendments had no impact on the Consolidated Financial Statements of Marel. Marel intends to use the practical expedients in future periods if they become applicable.

A number of other new standards are also effective from 1 January 2021 but do not have a significant effect on the Group's financial statements.

Prior-year information

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

COVID-19

Marel does not foresee any specific accounting risks due to COVID-19.

Specific choices with IFRS

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

Tangible and intangible fixed assets

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

Presentation of the Consolidated Statement of Income

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

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

Presentation of the Consolidated Statement of Cash Flows

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

Relevance and importance of notes to the reader

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

2.2 Consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.

The Group has the option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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

The purchase consideration in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a purchase is recognized in the Consolidated Statement of Income immediately. Transaction costs are expensed as incurred, except if related to the issuance of debt or equity securities.

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

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

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

Details of the acquisition of PMJ, Curio and Valka are disclosed in note 4.

Subsidiaries

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

Non-controlling interests

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

Loss of control

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

Investments in associates

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

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

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

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

Transactions eliminated on consolidation

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

Transactions and non-controlling interests

Transactions that result in changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders. As a result, no gain or loss on such changes is recognized in the Consolidated Statement of Income but rather in equity. Furthermore, no change in the carrying amounts of assets (including goodwill) or liabilities is recognized as a result of such transactions. This approach is consistent with NCI being a component of equity.

2.3 Foreign currency translation

Transactions and balances

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

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Income, except when deferred in equity as a permanent loan, as qualifying cash flow hedges and as qualifying net investment hedges as explained in note 2.13. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents as well as all other foreign exchange gains and losses are recognized immediately in the Consolidated Statement of Income within finance income or finance costs.

Group entities

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

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

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

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

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

2.4 Revenue recognition

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

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

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

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

Equipment revenue

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

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

Revenues for standard equipment are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods. Invoices are issued at that point in time.

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

Complete solutions or systems have a similar margin for all components of the solution or system.

Aftermarket revenue

Aftermarket revenue relates to the sale of spare parts as well as performing related maintenance services to the equipment.

Revenues for spare part sales are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods. Invoices are issued at that point in time.

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

Payment terms

For the sale of complete solutions or systems and for most of the standard equipment down payments are obtained. Payment terms on invoices are usually 30 days from the date of invoice issued according to the contractual terms.

Commissions

The Group applies the practical expedient in relation to the incremental costs of obtaining a contract. The Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

Interest income

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

Impairment of receivables

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

2.5 Contract assets and contract liabilities

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

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

2.6 Employee benefits

Short-term employee benefits

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

Share-based compensation

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

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

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

Profit sharing and bonus plans

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

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

Pension plans

Marel has several pension plans in accordance with local rules and conditions. These pension plans are classified as defined contribution pension plans. Obligations relating to defined contribution pension plans are charged to the Consolidated Statement of Income as employee benefit expenses when the contributions are payable. Contributions paid in advance are presented as assets to the extent that cash repayment or a reduction in future contributions is available.

The jubilee rights in the Netherlands and the post retirement medical benefit plan in the United States of America are classified as defined benefit obligations. Because of their non-material character, these arrangements are not disclosed separately.

2.7 Current and deferred income tax

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

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

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

Deferred tax

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

Deferred tax is not recognized for:

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

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

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Future taxable profits are determined based on managements internal forecasts for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions are reversed when the probability of future taxable profits improves.

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

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

2.8 Property, plant and equipment

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount (note 2.11).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in the Consolidated Statement of Income when the disposal is completed.

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

2.9 Intangible assets

Goodwill

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

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

Technology, research and development

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

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

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

Customer relationships, patents & trademarks

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

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

Other intangible assets

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;

- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be measured reliably.

Directly attributable costs capitalized as part of the software product include the software development employee costs, consultancy costs and the licence fees incurred during the development phase of the software product.

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

Computer software development costs recognized as intangible assets are amortized over their estimated useful lives, which can vary from 3 to 5 years.

General

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

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

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

2.10 Leases

Marel leases property, plant and equipment including manufacturing and demo facilities, office buildings, small equipment and cars. The leases for manufacturing and demo facilities can run up to 10 years. The leases for office buildings are typically annual, with an automatic renewal. The lease payments, if relevant, are adjusted every year based on the change in the consumer price index in the preceding year. The small equipment and car leases typically run for a period of 3-5 years.

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

Right of use assets

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

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

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Short-term leases and leases of low-value assets

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

2.11 Impairment of non-financial assets

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

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from business combinations is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

2.12 Financial instruments

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

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

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

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

Financial assets at amortized cost

Financial assets are measured at amortized cost if both:

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

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

Financial assets at fair value through other comprehensive income

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

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

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

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets are not met, a financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognized in profit or loss.

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

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

Fair value measurement

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

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

Impairment – Financial assets and contract assets

Loss allowances are measured based on the Expected Credit Losses ("ECL") that result from all possible default events over the expected life of a financial instrument. Marel's financial assets are currently limited to trade receivables and contract assets without significant financing components and are as such always impaired based on lifetime ECLs.

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

Cash and cash equivalents

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

Financial liabilities

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

An entity has to account for modifications and revisions on its financial liabilities and report any (expected) gain or loss as a result in the Consolidated Statement of Income on the day of modification or revision.

Non-derivative financial liabilities

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

Derecognition of financial assets

The Group derecognizes a financial asset when:

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

Derecognition of financial liabilities

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

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

2.13 Derivative financial instruments and hedging activities

After the implementation of IFRS 9, the Group has chosen to continue to apply the hedge accounting requirements of IAS 39.

The group uses financial derivatives such as foreign currency forward contracts and interest rate swaps to hedge risks associated with foreign currency and interest rate fluctuations. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently revalued at their fair value and changes therein are recognized in profit or loss unless cash flow hedge accounting or net investment hedge accounting is applied. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risk of the host contract and the embedded derivative are not directly closely related.

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

The Group designates certain derivatives as either:

- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge); or
- derivatives at fair value through profit or loss.

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

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

Cash flow hedge

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

Amounts accumulated in equity are recycled in the Consolidated Statement of Income in the periods when the hedged item affects profit or loss. When the forecasted transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or non-current assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in the cost of goods sold for inventory or in depreciation for non-current assets.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Net investment hedge

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

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

2.14 Inventories

Inventories are measured at the lower of historical cost or net realizable value. Cost is determined using the weighted average method and an adjustment to net realizable value is considered for items which have not moved during the last 12 months. The cost of finished goods and work in progress comprise raw materials, direct labor, other direct costs and related production overhead based on normal operating capacity but exclude borrowing costs.

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

2.15 Assets held for sale

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

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

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

2.16 Share capital

Ordinary shares are classified as equity.

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

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

When any Group entity purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's shareholders until the shares are canceled or reissued. Repurchased shares are classified as treasury shares and are presented in the share premium reserve. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included within share premium.

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

2.17 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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

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

A provision for guarantee commitments is recognized when the underlying product and services are sold based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on incremental costs necessary to fulfill the obligation under the contract.

2.18 New standards and standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Consolidated Financial Statements.

Next to the new standards that have become effective from 1 January 2021, the IFRS Interpretations Committee published an agenda decision in April 2021 clarifying the accounting for implementation costs in a cloud computing arrangement. Marel has analyzed the additional guidance provided by the IFRS Interpretations Committee and has adapted its accounting policies accordingly. Marel concluded this change in accounting policies does not have a significant effect on the Consolidated Financial Statements.

The following amended standards and interpretations are not expected to have a material effect on the Group's Consolidated Financial Statements:

- COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16);
- Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- Annual Improvements to IFRS standards 2018-2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to Conceptual Framework (Amendments to IFRS 3);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2; and
- Definitions of Accounting Estimates (Amendments to IAS 8)

3 Critical accounting estimates and assumptions

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

COVID-19 could have a significant impact on the estimates and assumptions made in the preparation of these Consolidated Financial Statements. Despite positive developments in 2021 in parts of the world following the introduction of vaccines, infectious new variants have affected the recovery of the global economy. In the second half of 2021, Marel has been impacted by an imbalance between supply and demand for electronic components and other raw materials, resulting in an increase in prices and delivery times. Supply chain and logistics challenges are expected to continue to have an impact in 2022, although it is not known what the full economic impact will be on Marel. Marel enjoys a balanced exposure to global economies and local markets through its global reach, innovative product portfolio and diversified business mix. Marel is committed to achieve its mid- and long term growth targets.

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

The estimates and assumptions that are most likely affected by COVID-19 are:

- Revenue recognition;
- Estimated impairment;
- Expected Credit Losses; and
- Deferred income taxes.

For each of these estimates and assumptions, additional analyses and/or tests have been done in 2021 to confirm if they were materially impacted by COVID-19. The results of these tests are that no material impact was found. Details are described further in notes 7, 16, 17, 19 and 20. We do not expect that the other estimates and assumptions listed below are or will be significantly impacted by COVID-19.

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

Revenue recognition

The Group uses the percentage-of-completion method in accounting for its revenues for complete solutions or systems. The percentage-of-completion method places importance on the accurate estimates of progress towards completion and scope of deliveries and services required for fulfilling the contractually defined obligations. These estimates include total estimated costs, total estimated revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue and margin. Due to supply chain challenges, with higher supply chain and logistics costs, these estimates are less certain, which may impact revenue and margin recognition on complete solutions or systems. For further information refer to note 7.

Estimated impairment

The Group annually tests whether the financial and non-financial assets, including goodwill, were impaired in accordance with the accounting policies stated in note 2.9 and 2.11. The recoverable amounts of CGUs have been determined based on a value in use calculation. These calculations require the use of estimates which are more uncertain due to COVID-19. For further information refer to note 16.

The recoverability of the capitalized development cost is tested regularly and is subject to the annual impairment tests, to verify if expected future economic benefits justify the values captured in the intangible fixed assets. The Group uses a discounted cash flow analysis for this purpose. This analysis requires the use of estimates which are more uncertain due to COVID-19. For further information refer to note 17.

Expected Credit Losses

Loss allowances are measured based on the Expected Credit Losses that result from all possible default events over the expected life of a financial instrument. The estimated ECL were calculated based on actual credit loss experience over the past five years. As a result of COVID-19, Marel reassessed the ECL used in calculating its loss allowances. Based on the industry which Marel operates in and current market insights, it is expected that impairment losses will remain at similar limited levels as they are currently going forward. The Group takes a holistic view of its financial assets and applies the same expected credit loss rate over all trade receivables. For further information refer to note 19.

Income taxes and deferred income taxes

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

As of each period-end, the Group evaluates the recoverability of deferred tax assets, based on projected future taxable profits. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, Marel believes it is probable the Group will realize the benefits of these deductible differences. As future developments are uncertain and partly beyond Marel's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. For further information refer to note 20.

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

Purchase Price Allocations

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

Leases

The Group has applied its judgment in presenting related information on leases in a manner that considers to be the most relevant to an understanding of its financial performance and financial position. Certain property leases contain extension options exercisable by the

Group. Estimates have been made on the estimated (remaining) useful lives of these right of use assets and the remaining lease terms. The Group reassesses it's estimates if there is a significant event or change within its control.

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

		2021		2020	
	Notes	Assets	Liabilities	Assets	Liabilities
Goodwill	16	705.2	-	678.8	-
Intangible assets	17	357.2	-	331.0	-
Right of use assets / lease liabilities	15 & 23	40.5	41.4	42.7	43.6
Current and deferred income taxes	20	18.1	102.8	13.3	93.7
Contract assets / liabilities	7	69.6	306.0	46.1	236.6
Trade receivables	7 & 19	154.7	-	151.3	-

4 Business combinations

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

PMJ

On 21 January 2021, Marel concluded the acquisition of the entire share capital of PMJ, including all relevant business activities of the group. PMJ's complementary product portfolio of primary processing, including waxing and automated evisceration, will make Marel the industry's only full-line provider of duck processing solutions. PMJ has 40 employees and is located in Opmeer in the Netherlands. PMJ's annual revenues are around EUR 5.0 million. Closing was subject to standard closing conditions. The purchase consideration was paid with EUR 12.4 million in cash. The acquisition was financed through Marel's strong cash position and existing credit facilities.

Goodwill amounted to EUR 6.7 million and is allocated to the poultry segment. The resulting goodwill from this acquisition is primarily related to the strategic (and cultural) fit of PMJ and Marel with a highly complementary product portfolio in the duck processing industry. The purchase price allocation ("PPA") of PMJ is finalized.

Curio

On 4 January 2021, Marel purchased an additional 10.7% stake in Curio for a cash consideration of ISK 408.0 million (EUR 2.6 million), bringing Marel's total share to 50.0%. As of 4 January 2021, Marel has assessed that it has control of Curio as it is entitled to appoint a majority of Curio's Board of Directors, including the Chairman. Curio's results are consolidated into the Group's results as per 2021. The remaining 50.0% of the shares in Curio continues to be held by Gullmolar ehf., Marel has an option to acquire the remaining 50.0% of shares within three years; a liability for the option has been recorded in non-current other payables.

Goodwill amounted to EUR 3.7 million and is allocated to the fish segment. The resulting goodwill from this acquisition is primarily related to the strategic (and cultural) fit of Curio and Marel with a highly complementary product portfolio to Marel's existing portfolio of fish processing solutions. Marel elected to measure the non-controlling interest in Curio at the proportionate share of Curio's identifiable net assets. The PPA of Curio is finalized.

Valka

On 19 November 2021, Marel concluded the acquisition of 100% of the shares of Valka, an Icelandic provider of advanced processing solutions for the global fish industry. Valka is a highly innovative player in the whitefish and salmon processing industries. Since its foundation in 2003, Valka has successfully introduced several advanced fish processing solutions that have been well received in the market. Valka is based in Iceland and Norway and has around EUR 17.0 million in annual revenues and 105 employees.

Closing was subject to customary closing conditions, including anti-trust approval. The purchase consideration contains a cash consideration of ISK 3.2 billion (EUR 21.1 million) and 2.6 million Marel shares (EUR 14.5 million). The purchase consideration is preliminary and may be adjusted when the net working capital calculations are finalized. Part of the purchase consideration in the form of 0.8 million Marel shares and ISK 0.2 billion (EUR 1.5 million) in cash is held back for the first 18 months following the acquisition date. The fair value of the Marel shares transferred was based on the listed share price of the Company at 19 November 2021 of ISK 842.0 per share. The acquisition was financed through Marel's strong cash position, existing credit facilities and available treasury shares. The treasury shares will be held by the sellers with a lock-up period of 18 months.

Immediately after the acquisition date the PPA activities started. The amounts recorded for the acquisition are provisional. The preliminary purchase price allocation may be further revised within the one year period from the acquisition date if additional information is obtained which might impact the purchase consideration and / or fair value of assets and liabilities.

Provisional goodwill amounted to EUR 17.3 million and is allocated to the fish segment. The resulting goodwill from this acquisition is primarily related to the strategic (and cultural) fit of Valka and Marel with a highly complementary product portfolio to Marel's existing portfolio of fish processing solutions and cutting-edge technology which can also be transferred to other segments at Marel.

Together, Marel, Curio and Valka will be in a stronger position to transform the fish processing industry in partnership with customers.

PMJ, Curio and Valka contributed EUR 12.7 million to revenues since their acquisition dates and had limited impact on adjusted result from operations. If these acquisitions had occurred on 1 January 2021, revenues contributed to Marel would have been approximately EUR 27.0 million.

The goodwill for the PMJ, Curio and Valka acquisitions is not deductible for corporate income tax.

TREIF

In 2021, the purchase price allocation ("PPA") for TREIF Maschinenbau GmbH ("TREIF") was finalized. Compared to the provisional goodwill reported in the Annual Consolidated Financial Statements for the period ended 31 December 2020, it resulted in an allocation of EUR 1.2 million to inventories, a decrease of the purchase consideration of EUR 0.8 million and a decrease of the goodwill amount from EUR 36.7 million to EUR 34.7 million.

In 2021, Marel paid an amount of EUR 11.5 million as a final settlement of the purchase consideration.

The goodwill for TREIF is tax deductible in Germany if certain conditions are met.

The impact to Marel's Consolidated Statement of Financial Position of acquisitions in 2021 is shown in the below table.

Impact on the Consolidated Statement of Financial Position in 2021	**Curio**	**Valka**	**Other[1]**	**Total**
Property, plant and equipment	1.8	0.4	0.6	2.8
Right of use assets	2.0	3.2	0.3	5.5
Intangible assets	12.4	21.0	5.6	39.0
Inventories	6.2	2.0	1.7	9.9
Contract assets	-	4.7	-	4.7
Trade receivables	2.7	1.9	0.2	4.8
Other receivables and prepayments	0.5	0.4	-	0.9
Cash and cash equivalents	0.2	0.3	1.7	2.2
Assets acquired	**25.8**	**33.9**	**10.1**	**69.8**
Non-controlling interests	8.5	-	-	8.5
Borrowings, current and non-current	1.5	3.5	-	5.0
Lease liabilities, current and non-current	2.0	3.2	0.3	5.5
Provisions, current and non-current	0.5	-	-	0.5
Deferred and other tax liabilities	3.0	3.8	1.5	8.3
Contract liabilities	-	1.7	-	1.7
Trade and other payables	1.8	3.4	1.4	6.6
Liabilities assumed	**17.3**	**15.6**	**3.2**	**36.1**
Total net identified assets	**8.5**	**18.3**	**6.9**	**33.7**
Purchase consideration	**12.2**	**35.6**	**11.6**	**59.4**
of which paid / to be paid in cash	-	21.1	11.6	32.7
of which paid / to be paid in shares	-	14.5	-	14.5
of which fair value of previously held interest	12.2	-	-	12.2
Goodwill on acquisition	**3.7**	**17.3**	**4.7**	**25.7**

1 Relates to PPA finalization for the 2020 TREIF acquisition and the acquisition of PMJ in 2021.

5 Non-IFRS measurement

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

Management has presented adjusted result from operations as a performance measure because it monitors this performance measure at a consolidated level and believes that this measure is relevant to an understanding of the Group's financial performance. Adjusted result from operations is calculated by adjusting result from operations to exclude the impact of PPA related costs (consisting of depreciation and amortization of acquisition related (in)tangible assets) and acquisition related expenses (consisting of fees incurred as part of an acquisition process). 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.

	2021 As reported	2021 Non-IFRS adjustments	2021 Non-IFRS measures	2020 As reported	2020 Non-IFRS adjustments	2020 Non-IFRS measures
Revenues	1,360.8	-	1,360.8	1,237.8	-	1,237.8
Cost of sales	(867.0)	4.3	(862.7)	(778.4)	3.1	(775.3)
Gross profit	**493.8**	**4.3**	**498.1**	**459.4**	**3.1**	**462.5**
Selling and marketing expenses	(180.4)	10.4	(170.0)	(148.6)	7.5	(141.1)
General and administrative expenses	(96.2)	2.5	(93.7)	(87.8)	2.3	(85.5)
Research and development expenses	(86.9)	6.1	(80.8)	(73.3)	4.2	(69.1)
Adjusted result from operations		**23.3**	**153.6**		**17.1**	**166.8**
Non-IFRS adjustments		(23.3)	(23.3)		(17.1)	(17.1)
Result from operations	**130.3**	**-**	**130.3**	**149.7**	**-**	**149.7**

The non-IFRS adjustments to the result from operations includes the following:

	2021	2020
PPA related charges	21.1	15.2
Acquisition related expenses	2.2	1.9
Total non-IFRS adjustments	**23.3**	**17.1**

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.

	2021	2020
Result from operations (EBIT)	130.3	149.7
Depreciation, amortization and impairment	68.6	62.8
Result before depreciation & amortization (EBITDA)	**198.9**	**212.5**

6 Segment information

Operating segments

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

- Poultry processing: Our poultry full-line product range offers integrated systems, software and services for processing broilers, turkeys and ducks;
- Meat processing: Our meat industry is a full-line supplier for primary, secondary and further processing equipment, systems, software and services of pork, beef, veal and sheep;

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

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

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

The Group's CEO reviews the internal management reports of each segment on a monthly basis.

Fluctuations between quarters are mainly due to general economic developments, timing of receiving and delivery of orders, margin on projects and business mix. Decisions on tax and financing structures including cash and cash equivalents are taken at a corporate level, therefore no financial income and expenses nor tax are allocated to the operating segments. The profit or loss per operating segment is the adjusted result from operations; finance costs and taxes are reported in the column total.

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

31 December 2021	**Poultry**	**Meat**	**Fish**	**Other**	**Total**
Revenues	**639.1**	**512.5**	**161.1**	**48.1**	**1,360.8**
Adjusted result from operations	**91.2**	**47.0**	**9.1**	**6.3**	**153.6**
PPA related charges	(0.4)	(17.0)	(2.0)	(1.7)	(21.1)
Acquisition related expenses	-	-	-	(2.2)	(2.2)
Result from operations	**90.8**	**30.0**	**7.1**	**2.4**	**130.3**
Net finance costs					(8.7)
Share of result of associates					(0.9)
Result before income tax					**120.7**
Income tax					(24.5)
Net result for the period					**96.2**
Assets	**803.6**	**844.5**	**227.3**	**129.6**	**2,005.0**
Capital expenditures	39.6	32.3	10.2	3.0	85.1
Depreciation and amortization	(25.5)	(32.8)	(7.0)	(2.6)	(67.9)
Impairment	(0.3)	(0.4)	-	-	(0.7)

31 December 2020	**Poultry**	**Meat**	**Fish**	**Other**	**Total**
Revenues	**635.4**	**419.1**	**150.7**	**32.6**	**1,237.8**
Adjusted result from operations	**116.0**	**36.3**	**8.1**	**6.4**	**166.8**
PPA related charges	-	(14.4)	-	(0.8)	(15.2)
Acquisition related expenses	-	-	-	(1.9)	(1.9)
Result from operations	**116.0**	**21.9**	**8.1**	**3.7**	**149.7**
Net finance costs					(18.4)
Share of result of associates					0.3
Result before income tax					**131.6**
Income tax					(29.0)
Net result for the period					**102.6**
Assets	**757.1**	**812.3**	**141.2**	**104.3**	**1,814.9**
Capital expenditures	36.4	24.1	8.7	1.9	71.1
Depreciation and amortization	(24.8)	(27.8)	(6.6)	(0.8)	(60.0)
Impairment	(0.2)	(0.2)	(0.6)	(1.8)	(2.8)

Geographical information

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

Assets excluding cash and cash equivalents	2021	2020
Europe, Middle East and Africa[1]	1,669.4	1,501.4
Americas	228.3	213.3
Asia and Oceania	30.2	21.6
Total	**1,927.9**	**1,736.3**

[1] Iceland accounts for EUR 270.8 million (31 December 2020: EUR 149.0 million).

Total assets exclude the Group's cash pool which the Group manages at a corporate level. Capital expenditures include investments in property, plant and equipment, right of use assets and intangible assets (including capitalized technology and development costs, refer to note 17).

Capital expenditure	2021	2020
Europe, Middle East and Africa[1]	65.5	64.3
Americas	14.4	6.0
Asia and Oceania	5.2	0.8
Total	**85.1**	**71.1**

[1] Iceland accounts for EUR 16.9 million (2020: EUR 14.3 million).

Cash capital expenditures are made up of capital expenditures excluding the investments in right of use assets. Cash capital expenditures for the year ended 31 December 2021 amount to EUR 70.9 million (2020: EUR 54.6 million).

7 Revenues

Revenues

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

Disaggregation of revenue

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

Revenue by geographical markets	2021	2020
Europe, Middle East and Africa[1]	692.5	701.8
Americas	491.3	408.3
Asia and Oceania	177.0	127.7
Total	**1,360.8**	**1,237.8**

[1] Iceland accounts for EUR 10.9 million (2020: EUR 20.0 million).

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

Revenue by business mix	2021	2020
Equipment revenue	817.4	745.2
Aftermarket revenue	543.4	492.6
Total	**1,360.8**	**1,237.8**

Trade receivables and contract balances

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

Trade receivables and contract balances	2021	2020
Trade receivables	154.7	151.3
Contract assets	69.6	46.1
Contract liabilities	(306.0)	(236.6)

No information is provided about remaining performance obligations at 31 December 2021 that have an original expected duration of one year or less, as allowed by IFRS 15.

Marel continuously reassesses the impaired trade receivables and contract assets. A part of the impairment is related to product risk, which is reported as write-down to net-realizable value of contract assets for an amount of EUR 0.1 million (2020: EUR 0.4 million).

8 Expenses by nature

The table below shows the expenses by nature:

Expenses by nature	**2021**	**2020**
Cost of goods sold	483.2	435.9
Employee benefits	520.8	463.3
Depreciation, amortization and impairment	68.6	62.8
Maintenance and rent of buildings and equipment	16.7	15.0
Other	141.2	111.1
Total	**1,230.5**	**1,088.1**

9 Net finance costs

Net finance costs	**2021**	**2020**
Finance costs:		
Interest on borrowings	(4.7)	(5.6)
Interest on leases	(1.0)	(0.9)
Other finance expenses	(2.1)	(4.2)
Net foreign exchange transaction losses	(1.4)	(8.2)
Subtotal finance costs	**(9.2)**	**(18.9)**
Finance income:		
Interest income	0.5	0.5
Subtotal finance income	**0.5**	**0.5**
Total	**(8.7)**	**(18.4)**

10 Employee benefits

Employee benefit expenses	**2021**	**2020**
Salaries and wages	430.2	387.7
Social security contributions	54.3	47.6
Expenses related to equity-settled share-based payments	3.8	2.5
Post retirement costs	32.5	25.5
Total	**520.8**	**463.3**

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

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

Employee benefit expenses	**2021**	**2020**
Cost of sales	270.2	249.7
Selling and marketing expenses	116.3	94.0
General and administrative expenses	68.3	66.5
Research and development expenses[1]	66.0	53.1
Total	**520.8**	**463.3**

[1] EUR 13.2 million were capitalized in 2021 (2020: EUR 12.4 million) as intangible assets.

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

For details on the remuneration of the members of the Board of Directors and the Executive Team, refer to note 29.

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

Employees in FTEs	**2021**	**2020**
Cost of sales	3,801	3,494
Selling and marketing	1,250	1,078
General and administrative	652	604
Research and development	942	901
Employees	**6,645**	**6,077**
3rd party workers	495	387
Total	**7,140**	**6,464**

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

Employees in FTEs	**2021**	**2020**
Europe, Middle East and Africa[1]	4,777	4,263
Americas	1,466	1,471
Asia and Oceania	402	343
Employees	**6,645**	**6,077**
3rd party workers	495	387
Total	**7,140**	**6,464**

[1] Iceland accounts for 695 FTE (2020: 680 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 2021 and 2020.

Audit fees	**2021**	**2020**
Financial Statement audit fees	1.1	1.0
Other fees, including tax services	0.2	0.1
Total	**1.3**	**1.1**

12 Income tax

Income tax recognized in the Consolidated Statement of Income	2021	2020
Current tax	(30.7)	(29.3)
Deferred tax	6.2	0.3
Total	**(24.5)**	**(29.0)**

In December 2021, a new corporate tax law was enacted in the Netherlands increasing the corporate tax rate from 25.0% to 25.8%. This change resulted in a tax expense in 2021 of EUR 1.4 million related to the re-measurement of deferred tax assets and liabilities of the Group's Dutch subsidiaries.

In December 2020, a new corporate tax law was enacted in the Netherlands. Consequently, the reduction in the corporate tax rate from 25.0% to 21.7% as approved by the Dutch Government in 2019 was reversed and the Dutch income tax rate remained at 25.0%. This change resulted in a tax expense in 2020 of EUR 5.7 million related to the re-measurement of deferred tax assets and liabilities of the Group's Dutch subsidiaries.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience.

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

Reconciliation of effective income tax	2021	%	2020	%
Result before income tax	120.7		131.6	
Income tax using Icelandic rate	(24.2)	20.0	(26.3)	20.0
Effect of tax rates in other jurisdictions	(4.7)	3.9	(3.8)	2.9
Weighted average applicable tax	(28.9)	23.9	**(30.1)**	**22.9**
Foreign exchange effect Iceland	0.6	(0.5)	(1.4)	1.0
Research and development tax incentives	4.6	(3.8)	7.2	(5.5)
Permanent differences	(0.1)	0.1	1.2	(0.9)
(Impairment)/reversal of tax losses	(0.1)	0.1	0.1	(0.1)
Effect of changes in tax rates	(1.4)	1.2	(5.2)	4.0
Others	0.8	(0.7)	(0.8)	0.6
Tax charge included in the Consolidated Statement of Income	**(24.5)**	**20.3**	**(29.0)**	**22.0**

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)	2021	2020
Net result attributable to Shareholders (EUR millions)	96.8	102.5
Weighted average number of outstanding shares issued (millions)	753.6	752.7
Basic earnings per share (EUR cent per share)	**12.85**	**13.62**

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

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

Diluted earnings per share (EUR cent per share)	2021	2020
Net result attributable to Shareholders (EUR millions)	96.8	102.5
Weighted average number of outstanding shares issued (millions)	753.6	752.7
Adjustments for stock options (millions)	6.9	5.8
Weighted average number of outstanding shares for diluted earnings per share (millions)	760.5	758.5
Diluted earnings per share (EUR cent per share)	**12.73**	**13.51**

14 Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Under con-struction	Total
1 January 2021					
Cost	204.4	91.6	56.9	4.5	357.4
Accumulated depreciation	(58.1)	(58.3)	(44.3)	-	(160.7)
Net book value	**146.3**	**33.3**	**12.6**	**4.5**	**196.7**
Year ended 31 December 2021					
Opening net book value	146.3	33.3	12.6	4.5	196.7
Divestments	(0.1)	(0.5)	(0.5)	0.0	(1.1)
Effect of movements in exchange rates	1.0	0.7	0.1	0.0	1.8
Additions	17.9	7.9	3.2	17.1	46.1
Business combinations, note 4	0.1	2.0	0.7	-	2.8
Transfer between categories	1.1	3.5	0.9	(5.5)	-
Depreciation charge	(6.0)	(7.6)	(4.0)	-	(17.6)
Closing net book value	**160.3**	**39.3**	**13.0**	**16.1**	**228.7**
At 31 December 2021					
Cost	233.0	103.9	61.4	16.1	414.4
Accumulated depreciation	(72.7)	(64.6)	(48.4)	-	(185.7)
Net book value	**160.3**	**39.3**	**13.0**	**16.1**	**228.7**

	Land & buildings	Plant & machinery	Vehicles & equipment	Under con-struction	Total
At 1 January 2020					
Cost	190.9	83.3	62.3	4.2	340.7
Accumulated depreciation	(54.8)	(56.1)	(48.4)	-	(159.3)
Net book value	**136.1**	**27.2**	**13.9**	**4.2**	**181.4**
Year ended 31 December 2020					
Opening net book value	136.1	27.2	13.9	4.2	181.4
Divestments	(0.6)	(0.5)	(0.6)	-	(1.7)
Effect of movements in exchange rates	(3.1)	(0.9)	(0.7)	0.0	(4.7)
Additions	10.8	4.8	4.5	7.4	27.5
Held for sale	(1.8)	-	-	-	(1.8)
Business combinations, note 4	8.5	2.7	1.7	-	12.9
Reclassifications between categories	0.1	(0.1)	-	-	-
Transfer between categories	2.7	7.0	(2.6)	(7.1)	-
Impairment charge	(0.6)	(0.2)	-	-	(0.8)
Depreciation charge	(5.8)	(6.7)	(3.6)	-	(16.1)
Closing net book value	**146.3**	**33.3**	**12.6**	**4.5**	**196.7**
At 31 December 2020					
Cost	204.4	91.6	56.9	4.5	357.4
Accumulated depreciation	(58.1)	(58.3)	(44.3)	-	(160.7)
Net book value	**146.3**	**33.3**	**12.6**	**4.5**	**196.7**

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

Depreciation of property, plant and equipment	2021	2020
Cost of sales	7.6	7.1
Selling and marketing expenses	0.5	0.5
General and administrative expenses	9.3	8.3
Research and development expenses	0.2	0.2
Total	**17.6**	**16.1**

15 Right of use assets

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2021				
Cost	38.8	1.2	24.4	64.4
Accumulated depreciation	(9.3)	(0.7)	(11.7)	(21.7)
Net book value	**29.5**	**0.5**	**12.7**	**42.7**
Year ended 31 December 2021				
Opening net book value	29.5	0.5	12.7	42.7
Divestments[1]	(10.4)	(0.1)	(0.3)	(10.8)
Effect of movements in exchange rates	0.8	0.1	0.2	1.1
Business combinations, note 4	5.4	-	0.1	5.5
Additions	5.8	0.7	7.7	14.2
Depreciation charge	(5.0)	(0.2)	(7.0)	(12.2)
Closing net book value	**26.1**	**1.0**	**13.4**	**40.5**
At 31 December 2021				
Cost	39.5	1.8	27.7	69.0
Accumulated depreciation	(13.4)	(0.8)	(14.3)	(28.5)
Net book value	**26.1**	**1.0**	**13.4**	**40.5**

[1] Divestments in land & buildings in 2021 include the impact of reassessing remaining estimated lease terms.

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2020				
Cost	32.0	1.2	19.3	52.5
Accumulated depreciation	(7.4)	(0.5)	(8.2)	(16.1)
Net book value	**24.6**	**0.7**	**11.1**	**36.4**
Year ended 31 December 2020				
Opening net book value	24.6	0.7	11.1	36.4
Divestments	(3.9)	-	-	(3.9)
Effect of movements in exchange rates	(0.6)	-	0.0	(0.6)
Business combinations, note 4	2.9	-	2.0	4.9
Reclassifications between categories	-	0.1	(0.1)	-
Additions	10.9	-	5.6	16.5
Depreciation charge	(4.4)	(0.3)	(5.9)	(10.6)
Closing net book value	**29.5**	**0.5**	**12.7**	**42.7**
At 31 December 2020				
Cost	38.8	1.2	24.4	64.4
Accumulated depreciation	(9.3)	(0.7)	(11.7)	(21.7)
Net book value	**29.5**	**0.5**	**12.7**	**42.7**

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

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

Depreciation of right of use assets	2021	2020
Cost of sales	3.4	3.0
Selling and marketing expenses	2.3	2.0
General and administrative expenses	6.2	5.3
Research and development expenses	0.3	0.3
Total	**12.2**	**10.6**

16 Goodwill

	2021	2020
At 1 January		
Cost	678.8	645.8
Net book value	**678.8**	**645.8**
Year ended 31 December		
Opening net book value	678.8	645.8
Business combinations, note 4	25.7	36.9
Exchange differences	0.7	(3.9)
Closing net book value	**705.2**	**678.8**
At 31 December		
Cost	705.2	678.8
Net book value	**705.2**	**678.8**

Business combinations for 2021 relate to the acquisition of PMJ (increase in goodwill of EUR 6.7 million), Curio (increase in goodwill of EUR 3.7 million) Valka (increase in provisional goodwill of EUR 17.3 million and TREIF (decrease in goodwill of EUR 2.0 million due to finalization of the PPA). Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

For 2020 business combinations relate to the acquisition of TREIF (increase in provisional goodwill of EUR 36.7 million) and Cedar Creek (increase in goodwill of EUR 0.2 million due to the finalization of the PPA).

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, fish and other, in accordance with IFRS 8 Operating Segments. Only at the level of the operating segments, the connection can be made between the businesses for which the goodwill was originally paid for and the results of the synergies after those acquisitions.

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

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

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

Key assumptions used in the impairment tests for the CGUs were sales growth rates, EBITDA and the rates used for discounting the projected cash flows.

These cash flow projections were determined using managements internal forecasts that cover an initial period until 2024. Projections were extrapolated with stable growth rates for 2025 and 2026, after which a terminal value was calculated. The weighted growth rate for 2025 and 2026 of forecast cash flows is between 6% and 7% for all CGUs, which is management's best estimate. These growth rates are in line with external market predictions of the worldwide industry for providing equipment and solutions for the protein industry. Revenues, operating results and cash flows beyond the 5 year forecast period are extrapolated using estimated growth rates of 2.1% (31 December 2020: 1.7%). The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

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

The time value of money and price of uncertainty, calculated as the Weighted Average Cost of Capital ("WACC"), are based on external market information about market risk, interest rates and some CGU specific elements like country risk. The post-tax discount rate is calculated at CGU level and is in the range of 6.8% - 7.2% (2020: 6.7% - 7.3%) for all CGUs. The pre-tax discount rate for the CGUs is calculated in the range of 8.4% - 9.1% (2020: 8.2% - 8.9%).

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

2021	Poultry	Meat	Fish	Other[1]	Total
Goodwill	337.5	309.4	52.4	5.9	705.2
Infinite Intangible assets	-	-	-	-	-
Terminal growth rate[2]	2.1%	2.1%	2.1%	2.1%	2.1%
Discount rate (post-tax)[3]	7.2%	7.1%	7.0%	6.8%	7.1%

2020	Poultry	Meat	Fish	Other[1]	Total
Goodwill	325.5	314.1	32.7	6.5	678.8
Infinite Intangible assets	-	-	-	-	-
Terminal growth rate[2]	1.7%	1.7%	1.7%	n/a	1.7%
Discount rate (post-tax)[3]	7.3%	7.3%	6.7%	n/a	7.2%

1 The goodwill in other relates to the acquisition of TREIF. Since the PPA process was completed in 2021, no impairment test was performed in 2020.
2 Weighted average growth rate used to extrapolate cash flows beyond management's internal forecast period.
3 Discount rate applied to the cash flow projections.

The goodwill impairment test performed in the fourth quarter, which is based on the numbers of 30 September 2021, is rolled forward to 31 December 2021 and shows that there is sufficient headroom and that there are no triggers indicating that impairment is necessary. For all four operating segments the recoverable amount exceeds the carrying amount by a substantial amount.

Taking into account increased uncertainty due to COVID-19, sensitivity tests were performed on growth assumptions (a 50% reduction of the sales growth rate), adjusted EBITDA margin assumptions (a 1% decrease in EBITDA) and for WACC (a 1% increase in WACC). All sensitivity tests showed that the conclusions would not have differed if significant adverse changes in key parameters had been assumed.

The market capitalization of Marel at 31 December 2021 amounted to EUR 4.6 billion (31 December 2020: EUR 3.9 billion) which is clearly above the carrying amount of net assets, thus providing an additional indication that goodwill was not impaired.

17 Intangible assets

	Technology & development costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2021				
Cost	313.3	233.5	89.7	636.5
Accumulated amortization	(166.5)	(72.1)	(66.9)	(305.5)
Net book value	**146.8**	**161.4**	**22.8**	**331.0**
Year ended 31 December 2021				
Opening net book value	146.8	161.4	22.8	331.0
Divestments	-	-	(0.9)	(0.9)
Business combinations, note 4	13.8	25.2	-	39.0
Exchange differences	1.1	1.0	0.0	2.1
Additions	19.5	-	5.3	24.8
Impairment charge	(0.6)	-	(0.1)	(0.7)
Amortization charge	(18.3)	(12.3)	(7.5)	(38.1)
Closing net book value	**162.3**	**175.3**	**19.6**	**357.2**
At 31 December 2021				
Cost	351.6	261.5	94.1	707.2
Accumulated amortization	(189.3)	(86.2)	(74.5)	(350.0)
Net book value	**162.3**	**175.3**	**19.6**	**357.2**

	Technology & development costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2020				
Cost	267.5	177.8	81.9	527.2
Accumulated amortization	(152.2)	(64.5)	(58.1)	(274.8)
Net book value	**115.3**	**113.3**	**23.8**	**252.4**
Year ended 31 December 2020				
Opening net book value	115.3	113.3	23.8	252.4
Divestments	(0.8)	-	(0.1)	(0.9)
Business combinations, note 4	30.4	58.6	0.4	89.4
Exchange differences	(0.5)	(1.1)	(0.1)	(1.7)
Additions	19.2	0.5	7.4	27.1
Impairment charge	(1.1)	-	(0.9)	(2.0)
Amortization charge	(15.7)	(9.9)	(7.7)	(33.3)
Closing net book value	**146.8**	**161.4**	**22.8**	**331.0**
At 31 December 2020				
Cost	313.3	233.5	89.7	636.5
Accumulated amortization	(166.5)	(72.1)	(66.9)	(305.5)
Net book value	**146.8**	**161.4**	**22.8**	**331.0**

Business combinations for 2021 relate to the acquisition of PMJ, Curio and Valka. For 2020, business combinations relate to the acquisition of TREIF. Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

The additions for 2021 predominantly comprise internally generated assets of EUR 24.8 million (31 December 2020: EUR 27.1 million) for product development and for development of software products.

The recoverability of the capitalized development cost is subject to an annual impairment test, to verify if expected future economic benefits justify the values captured in the intangible fixed assets. The Group uses a discounted cash flow analysis for this purpose. During the annual impairment test, it was evaluated if estimates were impacted due to COVID-19; there was no material impact found. The impairment charge recognized in 2021 is not related to COVID-19.

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

Impairment of intangible assets	2021	2020
Cost of sales	-	0.6
Selling and marketing expenses	-	0.1
General and administrative expenses	0.1	0.1
Research and development expenses	0.6	1.2
Total	**0.7**	**2.0**

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

Amortization of intangible assets	2021	2020
Selling and marketing expenses	11.8	8.5
General and administrative expenses	7.9	9.1
Research and development expenses	18.4	15.7
Total	**38.1**	**33.3**

18 Investments in associates

The investments in associates relate to a 40.0% stake in Stranda, a Norwegian provider of salmon processing solutions and a 25.3% interest in the Canadian software company Worximity Technology ("Worximity").

On 29 January 2021, Marel acquired a 40.0% interest for an amount of EUR 8.6 million in Stranda.

On 26 November 2021, Worximity issued new shares for a total amount of CAD 9.7 million (EUR 6.7 million). Marel participated pro-rata in line with the current shareholding and invested CAD 2.5 million (EUR 1.8 million).

As of 4 January 2021, Marel has assessed that it has control of Curio as it holds 50.0% of the shares and is entitled to appoint a majority of Curio's Board of Directors, including the Chairman. From that date, Curio's results are consolidated into the Group's results as per 2021 and no longer reported as an investment in associates. For further information refer to note 4.

19 Trade receivables, other receivables and prepayments

Trade receivables, other receivables and prepayments	2021	2020
Trade receivables	156.1	153.1
Less: write-down to net-realizable value	(1.4)	(1.8)
Trade receivables - net	**154.7**	**151.3**
Prepayments	14.2	11.0
Other receivables	52.5	44.2
Other receivables and prepayments	**66.7**	**55.2**
Less non-current portion	-	(2.1)
Current portion of other receivables and prepayments	**66.7**	**53.1**

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

The aging of trade receivables is as follows:

Aging of trade receivables	2021	2020
Not overdue	97.4	110.2
Up to 90 days overdue	44.7	36.1
Over 90 days overdue	14.0	6.8
Total	**156.1**	**153.1**
Write-down to net-realizable value	(1.4)	(1.8)
Total	**154.7**	**151.3**

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

Movement of write-down to net-realizable value	2021	2020
Balance at 1 January	**1.8**	**1.3**
Provision for receivables impairment	1.2	0.7
Receivables written off during the year as uncollectible	(0.7)	(0.1)
Business combinations, note 4	0.3	0.5
Reclassification to production contracts and unused amounts reversed	(1.2)	(0.6)
At 31 December	**1.4**	**1.8**

The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. COVID-19 has not caused a material impact on collections of trade receivables.

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

The impairment to net-realizable value and reversals have been included in selling and marketing expenses in the Consolidated Statement of Income. Due to the insignificant amount of write-downs, these are not shown separately in the Consolidated Statement of Income.

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

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

Trade receivables in currencies	2021	2020
EUR	81.1	94.4
USD	51.4	35.9
GBP	5.2	3.7
BRL	5.8	6.8
Other currencies	12.6	12.3
	156.1	**153.1**
Write-down to net-realizable value	(1.4)	(1.8)
Total	**154.7**	**151.3**

20 Deferred income tax

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

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

Deferred income taxes	2021	2020
At 1 January	**(71.6)**	**(43.6)**
Exchange differences and changes within the Group	(0.5)	0.4
Consolidated Statement of Income charge (excluding tax rate change)	7.6	5.6
Effect of changes in tax rates	(1.4)	(5.2)
Business combinations, note 4	(8.3)	(28.5)
Recognized in other comprehensive income	0.2	(0.3)
At 31 December	**(74.0)**	**(71.6)**

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

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

Deferred income taxes recognized in other comprehensive income	2021	2020
Employer's contribution social charges on stock option exercises	0.0	0.1
Hedge reserve	0.2	(0.4)
Total	**0.2**	**(0.3)**

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

Deferred income taxes	2021	2020
Deferred income tax assets	18.1	13.3
Deferred income tax liabilities	(92.1)	(84.9)
Total	**(74.0)**	**(71.6)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Based on future profits expected in managements internal forecasts, the recoverability has been tested; in 2021 EUR 0.1 million tax losses were impaired (2020: a reversal of EUR 0.1 million). Taking into account increased uncertainty due to COVID-19, sensitivity analysis on impairment of tax losses were performed using the assumption of decreasing the forecasted profit before tax by 5%. The sensitivity test showed that the conclusions would not have been different if significant adverse changes had been assumed.

The Group has no unrecognized deferred tax liabilities.

Taxable effects of losses will expire according to below schedule:

Taxable effects of losses	2021 Total tax losses	2021 Of which not capitalized	2020 Total tax losses	2020 Of which not capitalized
Less than 6 years	34.4	8.7	33.2	-
Between 6 and 10 years	28.1	7.5	11.4	1.0
More than 10 years	1.5	1.4	1.3	1.3
Indefinite	25.2	15.8	25.3	17.3
Total	**89.2**	**33.4**	**71.2**	**19.6**

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Movement in deferred tax balances	At 1 January 2021	Recognized in income statement	Other[1]	At 31 December 2021	Deferred Tax Assets	Deferred Tax Liabilities
Property, plant and equipment	(10.0)	0.7	(0.4)	(9.7)	0.8	(10.5)
Right of use assets	0.1	(0.1)	-	0.0	8.8	(8.8)
Intangible assets	(85.3)	(0.1)	(8.1)	(93.5)	0.2	(93.7)
Other receivables	(0.1)	0.7	0.0	0.6	4.4	(3.8)
Other financial assets	0.0	0.1	0.1	0.2	0.5	(0.3)
Inventories	4.1	2.8	(1.5)	5.4	6.0	(0.6)
Non-current liabilities	1.8	(0.5)	(0.6)	0.7	1.4	(0.7)
Provisions	0.8	0.4	0.1	1.3	2.0	(0.7)
Current liabilities	6.0	3.0	(0.1)	8.9	10.3	(1.4)
Subtotal	**(82.6)**	**7.0**	**(10.5)**	**(86.1)**	**34.4**	**(120.5)**
Subtotal tax losses	11.0	0.6	0.5	12.1	18.4	(6.3)
Total	**(71.6)**	**7.6**	**(10.0)**	**(74.0)**	**52.8**	**(126.8)**

Movement in deferred tax balances	At 1 January 2020	Recognized in income statement	Other[1]	At 31 December 2020	Deferred Tax Assets	Deferred Tax Liabilities
Property, plant and equipment	(9.9)	(0.5)	0.4	(10.0)	0.8	(10.8)
Right of use assets	0.1	0.0	0.0	0.1	5.9	(5.8)
Intangible assets	(53.4)	1.2	(33.1)	(85.3)	0.7	(86.0)
Other receivables	(0.4)	0.3	(0.0)	(0.1)	3.4	(3.5)
Other financial assets	0.3	0.1	(0.4)	0.0	0.4	(0.4)
Inventories	2.5	1.8	(0.2)	4.1	4.7	(0.6)
Non-current liabilities	(0.4)	2.1	0.1	1.8	1.9	(0.1)
Provisions	0.9	0.2	(0.3)	0.8	1.4	(0.6)
Current liabilities	5.3	0.9	(0.2)	6.0	7.6	(1.6)
Subtotal	**(55.0)**	**6.1**	**(33.7)**	**(82.6)**	**26.8**	**(109.4)**
Subtotal tax losses	11.4	(0.5)	0.1	11.0	14.5	(3.5)
Total	**(43.6)**	**5.6**	**(33.6)**	**(71.6)**	**41.3**	**(112.9)**

[1] Other includes the effect of tax rate changes and movements of assets and liabilities recognized in OCI, which includes foreign currency translation differences, acquisitions and divestments.

21 Inventories

Inventories	2021	2020
Raw materials	54.6	31.4
Semi-finished goods	193.8	136.4
Finished goods	58.1	58.7
Gross inventories	**306.5**	**226.5**
Allowance for obsolescence and/or lower market value	(33.1)	(26.6)
Net inventories	**273.4**	**199.9**

Inventories in 2021 increased by EUR 9.9 million due to the acquisition of PMJ, Curio and Valka. Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

The cost of inventories recognized as an expense and included in cost of sales amounted to EUR 666.4 million (2020: EUR 613.4 million).

In 2021 the write-down of inventories to net-realizable value amounted to EUR 6.5 million (2020: EUR 5.3 million).

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

22 Equity

Share capital	Ordinary shares (thousands)	Treasury shares (thousands)	Outstanding number of shares (thousands)
At 1 January 2021	**771,008**	**(18,768)**	**752,240**
Treasury shares - purchased	-	-	-
Treasury shares - sold	-	3,505	3,505
At 31 December 2021	**771,008**	**(15,263)**	**755,745**
	100.00%	1.98%	98.02%
At 1 January 2020	**771,008**	**(10,774)**	**760,234**
Treasury shares - purchased	-	(14,332)	(14,332)
Treasury shares - sold	-	6,338	6,338
At 31 December 2020	**771,008**	**(18,768)**	**752,240**
	100.00%	2.43%	97.57%

Class of share capital	2021	2020
Nominal value	6.7	6.7
Share premium reserve	443.0	437.3
Reserve for share based payments	7.3	5.5
Total share premium reserve	**450.3**	**442.8**

Share capital

The total authorized number of ordinary shares on the Nasdaq and Euronext exchanges is 771.0 million (31 December 2020: 771.0 million) with a par value of ISK 1 per share. All issued shares are fully paid.

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

Dividends

In 2021 a dividend of EUR 41.0 million (EUR 5.45 cents per share) was declared and paid for the operational year 2020 (in 2020, a dividend of EUR 43.9 million (EUR 5.79 cents per share) was declared and paid for the operational year 2019).

After the reporting date the Board of Directors will propose to the 2022 Annual General Meeting that EUR 5.12 cents dividend per outstanding share will be paid for the operational year 2021, corresponding to approximately 40% of net results.

Treasury shares

From time to time the Company purchases its own shares in the market. Treasury shares purchased by the Company are intended to be used for issuing stock options and as payment for potential future acquisitions. Buy and sell decisions are taken by the Board of Directors. At the Company's 2021 Annual General Meeting on 17 March 2021, the authorization to the Board of Directors to purchase up to 10% of the Company's own shares was renewed. Requirements pursuant to Article 55 of the Icelandic Companies Act No. 2/1995 need to be taken into consideration when own shares are purchased on the basis of this authorization. This authorization is effective for the next 18 months from approval.

In 2021, Marel used 1.7 million treasury shares (EUR 4.2 million) to fulfill obligations of stock option agreements to its employees. Marel used 1.8 million treasury shares (EUR 9.9 million) as part of the purchase consideration for the acquisition of Valka. At the end of 2021 Marel held 15.3 million treasury shares.

In 2020, Marel purchased 14.3 million treasury shares for a total amount of EUR 55.9 million. Marel sold 3.4 million treasury shares for EUR 2.4 million in order to fulfill obligations of stock option agreements. Marel used 2.9 million treasury shares (EUR 12.6 million) as part of the purchase consideration for the acquisition of TREIF. At the end of 2020 Marel held 18.8 million treasury shares.

Stock options

Stock options are granted to the Executive Team and selected employees. The exercise prices of options granted are originally the same as the market price at the date of each granting except for options granted in June 2019, when the exercise price was the same as the final offer price in the listing on Euronext. The exercise prices are adjusted afterwards according to dividend per share when paid, i.e. the exercise prices are lowered by the same amount as the paid dividend per share (cent against cent). The exercise prices of options granted 2015 – 2016 are subject to a hurdle rate. For options from 2015 it is 3% annually and 2% for options from 2016. Exercise prices in other outstanding options are not affected by a hurdle rate.

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

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

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

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

Movements of stock options	Average exercise price per share	Stock options (thousands)
At 1 January 2021	**EUR 3.273**	**18,301**
Granted	EUR 5.646	4,831
Exercised	EUR 2.475	(4,264)
Forfeited	EUR 4.236	(449)
At 31 December 2021	**EUR 4.005**	**18,419**
Exercisable stock options at 31 December 2021		**902**
At 1 January 2020	**EUR 2.736**	**19,218**
Granted	EUR 3.800	6,115
Exercised	EUR 1.879	(5,098)
Forfeited	EUR 2.727	(1,934)
At 31 December 2020	**EUR 3.273**	**18,301**
Exercisable stock options at 31 December 2020		**1,564**

Outstanding stock options if exercised represent 2.39% (2020: 2.37%) of the total issued shares.

Stock options granted in the year Stock options expire in year	2015 2022	2016 2022	2018 2022	2019 2023	2020 2024	2021 2025
The exercise price per share after:[1]						
2 February 2022	EUR 1.351	-	-	-	-	-
2 February 2022	-	EUR 1.771	-	-	-	-
2 February 2022	-	-	EUR 2.713	-	-	-
13 February 2022	-	-	-	EUR 3.082	-	-
7 June 2022	-	-	-	EUR 3.588	-	-
24 April 2023	-	-	-	-	EUR 3.746	-
5 February 2024	-	-	-	-	-	EUR 5.646

[1] Exercise prices after dividend payment in 2016; EUR 0.0158 per share, after dividend payment in 2017; EUR 0.0214, after dividend payment in 2018; EUR 0.0419, after dividend payment in 2019; EUR 0.0557, after dividend payment in 2020; EUR 0.0579 and after dividend payment in 2021; EUR 0.0545.

In 2021 the following shares were exercised. No options were cash settled.

	Shares (thousands)	Exercise price per share (EUR)
Stock options granted 2014	135	0.775
Stock options granted 2014	45	0.824
Stock options granted 2015	60	1.331
Stock options granted 2015	20	1.377
Stock options granted 2016	468	1.743
Stock options granted 2016	36	1.789
Stock options granted 2017	300	2.569
Stock options granted 2017	300	2.623
Stock options granted 2018	2,900	2.713

In 2020 the following shares were exercised. No options were cash settled.

	Shares (thousands)	Exercise price per share (EUR)
Stock options granted 2014	585	0.804
Stock options granted 2014	585	0.817
Stock options granted 2015	480	1.345
Stock options granted 2015	400	1.365
Stock options granted 2016	360	1.761
Stock options granted 2016	288	1.779
Stock options granted 2017	2,400	2.623

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

	Exercise price per share (EUR)	Expected term (years)	Annual dividend yield	Expected risk-free interest rate	Estimated volatility	Weighted average remaining contr. life in months[1]
Option plan August 2015						
60% exercisable > 25 October 2018	1.477	3.0	0.00%	3.00%	22.04%	1
20% exercisable > 25 October 2019	1.517	4.0	0.00%	3.00%	22.04%	1
20% exercisable > 25 October 2020	1.558	5.0	0.00%	3.00%	22.04%	1
Option plan May 2016						
60% exercisable > 28 April 2019	1.902	3.0	0.00%	2.00%	21.52%	4
20% exercisable > 24 April 2020	1.938	4.0	0.00%	2.00%	21.52%	4
20% exercisable > 28 April 2021	1.974	5.0	0.00%	2.00%	21.52%	4
Option plan February 2018						
100% exercisable > 13 February 2021	2.923	3.0	0.00%	2.00%	21.16%	1
Option plan February 2019						
100% exercisable > 13 February 2022	3.250	3.0	0.00%	2.00%	20.00%	13
Option plan June 2019						
100% exercisable > 7 June 2022	3.700	3.0	0.00%	2.00%	20.00%	22
Option plan April 2020						
100% exercisable > 24 April 2023	3.800	3.0	0.00%	-0.70%	23.32%	28
Option plan February 2021						
100% exercisable > 5 February 2024	5.700	3.0	0.00%	-0.73%	24.51%	37

[1] Based on last possible exercise dates in each stock option grant.

Share premium reserve

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

Other reserves

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

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

Other reserves	Hedge reserve	Translation reserve	Total other reserves
Balance at 1 January 2021	**0.9**	**(28.4)**	**(27.5)**
Total other comprehensive income	(0.3)	5.7	5.4
Balance at 31 December 2021	**0.6**	**(22.7)**	**(22.1)**

Other reserves	Hedge reserve	Translation reserve	Total other reserves
Balance at 1 January 2020	**(0.7)**	**(10.2)**	**(10.9)**
Total other comprehensive income	1.6	(18.2)	(16.6)
Balance at 31 December 2020	**0.9**	**(28.4)**	**(27.5)**

Other equity

Other equity includes the impact of the option to acquire the remaining shares of non-controlling interests. Currency revaluation related to this option is posted through other comprehensive income within other equity.

Limitation in the distribution of Shareholders' equity

As at 31 December 2021, 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 88.1 million as at 31 December 2021 (31 December 2020: EUR 76.5 million).

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

The amount of the legal reserve for the share of profit of affiliates is reduced by dividends received from those companies and those dividends from them which can be claimed. Therefore Marel could, based on its control as the parent company, decide to let its subsidiaries pay dividends. The dividends would lower the amount of legal reserves within equity and therefore leave more room for Marel to make dividend payments to its shareholders. The provision of the Icelandic Financial Statement Act No. 3/2006 does not prevent Marel from making dividend payments to its shareholders as the Company has sufficient retained earnings from previous years.

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

Non-controlling Interests

Non-controlling interests relate to minority shares held by third parties in consolidated Group companies. The net result attributable to NCI amounted to a loss of EUR 0.6 million for the year 2021 (31 December 2020: profit of EUR 0.1 million).

A dividend of EUR 0.2 million was paid to the NCI in 2021 for the operational year 2020 (2020: EUR 0.1 for the operational year 2019).

The NCI relates to Curio ehf., Iceland, in which Gullmolar ehf. holds an ownership percentage of 50.0% and to MPS France S.A.R.L., France, in which the managing director of MPS France holds an ownership percentage of 24.0%.

23 Borrowings and lease liabilities

Marel has two main funding facilities:

Syndicated revolving credit facility

On 5 February 2020 Marel signed a syndicated revolving credit facility of EUR 700.0 million with seven leading international banks: ABN AMRO, BNP Paribas, Danske Bank, HSBC, ING Bank, Rabobank and UniCredit. The facility is based on investment grade Loan Market Association documentation. This credit facility replaced the previous syndicated loan facility. The key elements of the syndicated revolving credit facility are:

- the term of the EUR 700.0 million syndicated revolving credit facility is for five years with two one-year extension options with final maturity in February 2027 if utilized;
- interest terms are EURIBOR/LIBOR +80bp and will vary in line with Marel's leverage ratio (Net debt/EBITDA) and the facility utilization level; and
- the credit facility includes an incentive structure based on a set of sustainability KPIs. Based on the extent to which the KPIs are met, Marel will either receive a margin reduction or increase.

The facility includes a 0% interest floor for EURIBOR/LIBOR. At inception of the loan, the 0% floor did not have an intrinsic value and is not separated from the original contract in the Consolidated Statement of Financial Position.

Schuldschein promissory notes

On 7 December 2018 Marel finalized an issue of Schuldschein promissory notes for EUR 140.0 million. The investors were a mixture of Central European and Asian commercial banks. The notes were split in 5 and 7 year terms and a mixture of fixed and floating rates:

- EUR 8.5 million at 1.83% fixed interest for 7 years;
- EUR 15.5 million at 1.366% fixed interest for 5 years;
- EUR 106.0 million with floating EURIBOR rate and 1.1% margin for 5 years; and
- EUR 10.0 million with floating EURIBOR rate and 1.3% margin for 7 years.

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

The Group has a financing structure which can accommodate the Group's financing requirements until 2027 and will give Marel strategic and operational flexibility to support its 2026 strategic vision for further growth and value creation.

Borrowings and lease liabilities

Borrowings and lease liabilities	2021	2020
Borrowings	234.9	240.2
Lease liabilities	30.9	33.6
Non-current	**265.8**	**273.8**
Borrowings	0.0	0.0
Lease liabilities	10.5	10.0
Current	**10.5**	**10.0**
Total	**276.3**	**283.8**
Borrowings	234.9	240.2
Lease liabilities	41.4	43.6
Total	**276.3**	**283.8**

As of 31 December 2021, interest bearing debt amounted to EUR 277.9 million including lease liabilities (31 December 2020: EUR 286.0 million).

The Group loan agreements contain restrictive covenants, relating to interest cover and leverage. At 31 December 2021 and 2020 the Group complies with all restrictive covenants. COVID-19 has not had a material impact on Marel's ability to comply with restrictive covenants in place.

The Group has the following headroom in committed facilities:

Available headroom	2021	2020
Expiring within one year	-	-
Expiring beyond one year	589.4	567.8
Total	**589.4**	**567.8**

Liabilities in currency recorded in EUR in 2021	Borrowings	Capitalized finance charges	Lease liabilities	Total
Liabilities in EUR	236.5	(1.3)	17.3	252.5
Liabilities in USD	-	(0.3)	6.3	6.0
Liabilities in other currencies	-	-	17.8	17.8
Total	**236.5**	**(1.6)**	**41.4**	**276.3**
Current maturities	(0.7)	0.7	(10.5)	(10.5)
Non-current maturities	**235.8**	**(0.9)**	**30.9**	**265.8**

Liabilities in currency recorded in EUR in 2020	Borrowings	Capitalized finance charges	Lease liabilities	Total
Liabilities in EUR	241.8	(1.8)	22.7	262.7
Liabilities in USD	-	(0.4)	8.4	8.0
Liabilities in other currencies	0.6	-	12.5	13.1
Total	**242.4**	**(2.2)**	**43.6**	**283.8**
Current maturities	(0.7)	0.7	(10.0)	(10.0)
Non-current maturities	**241.7**	**(1.5)**	**33.6**	**273.8**

Annual maturity of non-current borrowings in 2021	Borrowings	Capitalized finance charges	Lease liabilities	Total
Between 1 and 2 years	120.8	(0.8)	10.7	130.7
Between 2 and 3 years	-	(0.1)	6.0	5.9
Between 3 and 4 years	113.5	-	4.1	117.6
Between 4 and 5 years	0.2	-	4.2	4.4
After 5 years	1.3	-	5.9	7.2
Total	**235.8**	**(0.9)**	**30.9**	**265.8**

Annual maturity of non-current borrowings in 2020	Borrowings	Capitalized finance charges	Lease liabilities	Total
Between 1 and 2 years	-	(0.7)	11.7	11.0
Between 2 and 3 years	120.7	(0.7)	7.4	127.4
Between 3 and 4 years	-	(0.1)	5.0	4.9
Between 4 and 5 years	118.7	-	5.0	123.7
After 5 years	2.3	-	4.5	6.8
Total	**241.7**	**(1.5)**	**33.6**	**273.8**

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

	Borrowings and lease liabilities	Interest rate swap and forward exchange contracts – assets	Interest rate swap and forward exchange contracts – liabilities	Share capital and share premium reserve	Other reserves	Other equity	Retained earnings	NCI	Total
At 1 January 2021	**283.8**	**(1.9)**	**3.7**	**449.5**	**(27.5)**	**-**	**536.4**	**0.3**	**1,244.3**
Changes from financing cash flows									
Proceeds from loans and borrowings	52.2								52.2
Sale of treasury shares				0.7					0.7
Repayment of borrowings	(62.9)								(62.9)
Payment of lease liabilities	(13.1)								(13.1)
Dividend paid							(41.0)	(0.2)	(41.2)
Total changes from financing cash flows	**(23.8)**	**-**	**-**	**0.7**	**-**	**-**	**(41.0)**	**(0.2)**	**(64.3)**
Changes arising from obtaining or losing control of subsidiaries or other businesses	**10.5**								**10.5**
The effect of changes in foreign exchange rates	**1.9**								**1.9**
Other changes									
Liability related	(9.7)[1]	0.8	(2.5)						(11.4)
New leases	14.2								14.2
Borrowing costs expensed	(0.6)								(0.6)
Total liability related other changes	**3.9**	**0.8**	**(2.5)**	**-**	**-**	**-**	**-**	**-**	**2.2**
Total equity related other changes				6.8	5.4	(13.6)	98.4	7.9	**104.9**
At 31 December 2021	**276.3**	**(1.1)**	**1.2**	**457.0**	**(22.1)**	**(13.6)**	**593.8**	**8.0**	**1,299.5**

1 The liability related other changes in 2021 mainly relate to the impact of reassessing remaining estimated lease terms.

	Borrowings and lease liabilities	Interest rate swap and forward exchange contracts – assets	Interest rate swap and forward exchange contracts – liabilities	Share capital and share premium reserve	Other reserves	Retained earnings	NCI	Total
At 1 January 2020	**401.3**	**-**	**3.0**	**489.9**	**(10.9)**	**476.5**	**0.3**	**1,360.1**
Changes from financing cash flows								
Proceeds from loans and borrowings	730.0							730.0
Purchase of treasury shares				(55.9)				(55.9)
Sale of treasury shares				2.4				2.4
Repayment of borrowings	(857.6)							(857.6)
Payment of lease liabilities	(10.5)							(10.5)
Dividend paid						(43.9)	(0.1)	(44.0)
Total changes from financing cash flows	**(138.1)**	**-**	**-**	**(53.5)**	**-**	**(43.9)**	**(0.1)**	**(235.6)**
Changes arising from obtaining or losing control of subsidiaries or other businesses	**7.3**							**7.3**
The effect of changes in foreign exchange rates	**1.9**							**1.9**
Other changes								
Liability related	(3.5)	(1.9)	0.7					(4.7)
New leases	16.5							16.5
Borrowing costs expensed	(1.6)							(1.6)
Total liability related other changes	**11.4**	**(1.9)**	**0.7**	**-**	**-**	**-**	**-**	**10.2**
Total equity related other changes				13.1	(16.6)	103.8	0.1	100.4
At 31 December 2020	**283.8**	**(1.9)**	**3.7**	**449.5**	**(27.5)**	**536.4**	**0.3**	**1,244.3**

24 Provisions

	Guarantee commitments	Pension commitments	Other provisions	Total
Balance at 1 January 2021	**6.1**	**3.9**	**4.6**	**14.6**
Additions	2.4	0.2	6.2	8.8
Business combinations, note 4	-	-	0.5	0.5
Exchange differences	0.2	0.3	0.0	0.5
Used	(1.3)	(0.3)	(7.5)	(9.1)
Release	(0.8)	(0.7)	(0.3)	(1.8)
Balance at 31 December 2021	**6.6**	**3.4**	**3.5**	**13.5**

	Guarantee commitments	Pension commitments	Other provisions	Total
Balance at 1 January 2020	**7.2**	**11.0**	**0.6**	**18.8**
Additions	1.0	2.0	5.9	8.9
Business combinations, note 4	0.3	0.2	-	0.5
Exchange differences	(0.2)	(0.3)	(0.2)	(0.7)
Used	(1.4)	(6.0)	(1.4)	(8.8)
Release	(0.8)	(3.0)	(0.3)	(4.1)
Balance at 31 December 2020	**6.1**	**3.9**	**4.6**	**14.6**

Analysis of provisions	**2021**	**2020**
Non-current	4.0	4.1
Current	9.5	10.5
Total	**13.5**	**14.6**

Nature of obligation for 2021	**Country**	**Maturity**	**Likelihood**	**Amount**
Guarantee	Netherlands	Dynamic	Dynamic	2.1
Guarantee	US	Dynamic	Dynamic	1.1
Guarantee	Denmark	Dynamic	Dynamic	1.0
Other provisions	Netherlands	Dynamic	Dynamic	1.7

Nature of obligation for 2020	**Country**	**Maturity**	**Likelihood**	**Amount**
Guarantee	Netherlands	Dynamic	Dynamic	1.8
Guarantee	US	Dynamic	Dynamic	0.7
Guarantee	Denmark	Dynamic	Dynamic	0.9
Other provisions	US	Dynamic	Dynamic	2.7

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 2021 were EUR 32.5 million (2020: EUR 25.5 million). This includes defined contribution plans for EUR 17.8 million (2020: EUR 15.2 million), as well as a pension plan based on a multi-employer union plan for EUR 14.7 million (2020: EUR 10.3 million).

The Company's employees in the Netherlands, 1,801 (2020: 1,695), participate in a multi-employer union plan ("Bedrijfstakpensioenfonds Metalektro", PME). This plan is determined in accordance with the collective bargaining agreements effective for the industry in which Marel operates. This pension plan is treated as a defined contribution scheme based on the following grounds:

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

The multi-employer plan covers approximately 1,430 companies and 158,000 contributing members. The plan monitors its risks on a global basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By law ("the Dutch Pension Act"), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan's assets to its obligations. This coverage ratio must exceed 104.3% for the total plan. Every company participating in a Dutch multi-employer union plan contributes a premium calculated as a percentage of its total pensionable wages and salaries, with each company subject to the same percentage contribution rate.

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

The coverage ratio ("Beleidsdekkingsgraad") of the multi-employer plan increased to 103.2% as per 31 December 2021 (31 December 2020: 92.3%). The coverage ratio is below the required equity of 118.0%. The Recovery Plan PME ("Herstelplan PME") indicates that the coverage ratio will increase within 10 years to the minimum required equity of 118.0%.

In 2022 the pension premium will be 28.0% of the total pensionable salaries (2021: 27.6%), in accordance with the articles of association of the Pension Fund. The coverage ratio is calculated by dividing the fund's capital by the total sum of pension liabilities and is based on actual market interest.

26 Financial instruments and risks

Financial risk factors

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

Risk management framework

The main financial risks faced by Marel relate to market risk, credit risk and liquidity risk. Risk management is carried out by a central treasury department (Group Treasury) under policies and with instruments approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures and does not enter into financial contracts for speculative purposes.

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

Market risk

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

(a) Foreign exchange risk

The Group operates internationally and is exposed to currency risk arising from mainly the USD, GBP, ISK and BRL, primarily with respect to the EUR, as the EUR is the Group's reporting currency. Financial exposure is hedged in accordance with the Group's general policy and within set limits. The Group monitors foreign exchange risk arising from commercial transactions, recognized assets and liabilities (transaction risk) that are determined in a currency other than the entity's functional currency. Derivative hedging is applied if the exposure is outside of the risk tolerance band on a consolidated basis. Generally Marel maintains a good natural hedge in its operations with a good match between revenues and costs in most currencies although less than 1% of revenues are denominated in ISK, while around 7% of costs are in ISK. In line with Marel's risk management policy, the Group started to hedge up to 80% of its estimated foreign currency exposure in ISK relating to forecasted transactions over the following 12 months. No other currency exposure is hedged.

The Group uses forward exchange contracts to hedge its exposure to fluctuations in foreign exchange rates. At year end, these instruments had remaining maturities of less than one year. Currency derivatives are not used for speculative purposes. When necessary, forward exchange contracts are rolled over at maturity.

Currency exposure arising from net assets of the Group's major foreign operations (translation risk) is managed primarily through borrowings denominated in the relevant foreign currencies as the policy is to apply natural exchange rate hedging where possible. Economic risk is defined as the extent to which currency fluctuations can alter a company's future operating cash flows, that is future revenues and costs.

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

	2021		2020	
	Year end rate	Average rate	Year end rate	Average rate
1 euro =				
USD	1.14	1.18	1.22	1.14
GBP	0.84	0.86	0.90	0.89
ISK	147.45	150.22	156.19	154.35
BRL	6.34	6.38	6.34	5.90

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

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

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

	2021		2020	
	Profit or (loss) impact	Equity impact	Profit or (loss) impact	Equity impact
USD	(5.0)	(9.3)	(2.9)	(6.9)
ISK	0.9	(1.5)	0.3	(4.3)
GBP	(0.3)	(2.5)	0.5	(2.6)
BRL	(0.4)	(2.7)	(0.7)	(2.4)

(b) Interest rate risk

The Group is exposed to interest rate risk on borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risk is managed by maintaining a mix between fixed and floating interest rates on borrowings.

Generally the Group raises long term borrowings and pays a floating interest rate. To hedge the resulting cash flow interest rate risk the Group uses interest rate swaps, where it pays a fixed interest rate and receives a floating interest rate. The floating rates are fixed on a quarterly or semi-annual basis. The Group adopts a policy of ensuring that between 50 – 70% of its exposure to changes in interest rates on core debt is hedged with an interest rate swap with a maximum maturity of 5 years.

Currently around 33% (2020: 33%) of the core debt has floating interest rates and the rest is fixed by means of fixed tranches or hedged floating interest rates. As at year end 2021 a total of EUR 70.0 million (2020: EUR 70.0 million) of liabilities were swapped into fixed interest rates or in fixed rate debt instruments. The weighted average fixed rate of the interest swaps currently is 0.4% (2020: 0.4%).

Marel applies cash flow hedge accounting to hedge the variability in the interest cash outflows of the 3 month EURIBOR/LIBOR Senior Secured Floating Rate Notes.

Throughout the year 2021, as well as per year end, the cash flow hedge accounting relationships were effective.

The amounts deferred in equity at year end are expected to affect interest costs within the coming 2 years.

Marel holds interest rate swaps for an amount of EUR 164.0 million linked to the former syndicated loan facility which was repaid in February 2020. Marel does not apply cash flow hedge accounting for these swaps and all changes in value are processed through the Consolidated Statement of Income.

At year end 2021, 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 (2020: 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.

Managing interest rate benchmark reform and associated risks

In 2021 the Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 became effective and was adopted by Marel.

Marel has exposure to IBORs on its syndicated revolving credit facility where drawdowns in GBP and USD are indexed to sterling LIBOR and US dollar LIBOR. As per 31 December 2021, Marel had no drawdown in those currencies. The Group has agreed in principle with the banking group to update the terms of the facility to replace the relevant IBORs with SOFR (USD) and SONIA (GBP). Marel expects the documentation to be finalized in the first quarter of 2022. Marel will not use the drawdown option for GBP and USD until the terms have been updated.

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:

	2021	2020
Trade receivables	154.7	151.3
Derivative financial instruments	1.1	1.9
Other receivables and prepayments	66.7	55.2
Cash and cash equivalents	77.1	78.6
Total	**299.6**	**287.0**

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and products are not delivered until payments are secured. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. No significant credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by its customers (refer to note 19). COVID-19 has not caused a material impact on collections of trade receivables.

The Group has banking relations with a diversified set of financial institutions around the world. The Group has policies that limit the amount of credit exposure to any one financial institution and has International Swaps and Derivatives Association agreements in place with counterparties in all derivative transactions. The majority of cash and cash equivalents are held with bank and financial institution counterparties, which have an investment grade rating, based on Standard & Poor's ratings as at 31 December 2021. Marel holds the majority of its cash and cash equivalents with financial institutions that are lending partners to the Group to minimize further credit risk.

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and committed credit facilities to give reasonable operating headroom. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by maintaining availability under committed credit lines.

The Group has EUR 700.0 million of committed facilities, which can be used both as a revolver and to issue guarantees for down payments. As per 31 December 2021, the Group had drawn EUR 95.0 million on the syndicated revolving credit facility (31 December 2020: EUR 100.0 million), and issued guarantees for EUR 15.6 million (31 December 2020: EUR 32.2 million), therefore the total usage is EUR 110.6 million (31 December 2020: EUR 132.2 million), leaving a headroom of EUR 589.4 million (31 December 2020: EUR 567.8 million). All facilities are subject to operational and Consolidated Statement of Financial Position covenants (interest cover and leverage). At 31 December 2021 there is sufficient headroom.

At 31 December 2021, net cash and cash equivalents were EUR 77.1 million (31 December 2020: EUR 78.6 million).

Marel has a strong cash position and sufficient headroom in its committed facilities and therefore, does not foresee additional liquidity risks despite the challenging environment due to COVID-19.

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

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

At 31 December 2021	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	0.7	234.5	1.3
Interest on borrowings	3.8	3.6	-
Lease liabilities	10.5	25.0	5.9
Trade and other payables	259.4	22.7	-
Interest rate swaps	0.8	0.4	-
Forward exchange contracts			
Outflow	-	-	-
Inflow	(1.1)	-	-
Total	**274.1**	**286.2**	**7.2**

At 31 December 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	0.7	239.4	2.3
Interest on borrowings	4.3	14.9	0.2
Lease liabilities	10.0	29.1	4.5
Trade and other payables	222.7	1.1	-
Interest rate swaps	2.3	1.4	-
Forward Exchange contracts			
Outflow	-	-	-
Inflow	(1.9)	-	-
Total	**238.1**	**285.9**	**7.0**

Capital management

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

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

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

Insurance

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

The Group has covered Business Interruption Risks with an insurance policy for a maximum period of 24 months for Marel Poultry B.V. and 18 months for all other Marel entities. The insurance benefits for Business Interruption amount to EUR 738.0 million for 2021 (2020: EUR 720.0 million) for the whole Group.

The Group insurance value of buildings amounts to EUR 185.0 million (2020: EUR 185.0 million), production machinery and equipment including software and office equipment amount to EUR 198.0 million (2020: EUR 201.0 million) and inventories to EUR 230.0 million (2020: EUR 181.0 million). Currently there are no major differences between appraisal value and insured value.

Fair value versus carrying amount

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

Level 1

The fair value of financial instruments traded in an active market is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2

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

Level 3

Valuation techniques using significant unobservable inputs.

The fair value of borrowings equals their carrying amount, as the impact of discounting, based on the borrowings rate of 1.76% (2020: 2.04%), is not significant.

The weighted average interest rate on borrowings in 2021, including the effect of floating to fixed interest rates swaps is 1.76% (2020: 2.04%).

The fair value of the lease liabilities equals their carrying amount, as the impact of discounting, based on the average interest rate of the relevant currency and applicable average credit spreads of the company's external funding sources, is not significant.

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

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

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

Fair value of financial assets and liabilities	Cash flow-hedging instruments	Cash & receivables	Other financial liabilities	Total carrying amount	Fair Value
2021					
Cash and cash equivalents	-	77.1	-	77.1	77.1
Trade receivables, other receivables and prepayments	-	221.4	-	221.4	221.4
Forward exchange contracts	1.1	-	-	1.1	1.1
Subtotal financial assets	**1.1**	**298.5**	**-**	**299.6**	**299.6**
Interest rate swaps	(1.2)	-	-	(1.2)	(1.2)
Borrowings	-	-	(234.9)	(234.9)	(234.9)
Lease liabilities	-	-	(41.4)	(41.4)	(41.4)
Trade and other payables	-	-	(282.1)	(282.1)	(282.1)
Subtotal financial liabilities	**(1.2)**	**-**	**(558.4)**	**(559.6)**	**(559.6)**
Total	**(0.1)**	**298.5**	**(558.4)**	**(260.0)**	**(260.0)**

Fair value of financial assets and liabilities	Cash flow-hedging instruments	Cash & receivables	Other financial liabilities	Total carrying amount	Fair Value
2020					
Cash and cash equivalents	-	78.6	-	78.6	78.6
Trade receivables, other receivables and prepayments	-	206.5	-	206.5	206.5
Forward exchange contracts	1.9	-	-	1.9	1.9
Subtotal financial assets	**1.9**	**285.1**	**-**	**287.0**	**287.0**
Interest rate swaps	(3.7)	-	-	(3.7)	(3.7)
Borrowings	-	-	(240.2)	(240.2)	(240.2)
Lease liabilities	-	-	(43.6)	(43.6)	(43.6)
Trade and other payables	-	-	(223.8)	(223.8)	(223.8)
Subtotal financial liabilities	**(3.7)**	**-**	**(507.6)**	**(511.3)**	**(511.3)**
Total	**(1.8)**	**285.1**	**(507.6)**	**(224.3)**	**(224.3)**

The table below analyzes financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

Derivatives held for risk management	Level 1	Level 2	Level 3	Total
At 31 December 2021	-	(0.1)	-	(0.1)
At 31 December 2020	-	(1.8)	-	(1.8)

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

Foreign exchange contracts

The purpose of foreign exchange contracts is to minimize the risk of volatility of future cash flows. These may result from a recognized asset or liability or a forecasted transaction that is considered highly probable (firm commitment). The Group designates the spot element of forward exchange contracts to hedge its currency exposure and applies a hedge ratio of 1:1. Changes in fair value are recognized in other comprehensive income (Hedging reserve), and material ineffectiveness (mainly as a result of changes in timing of the hedged transactions) will be recognized in the Consolidated Statement of Income. As soon as the forecasted transaction is realized (the underlying hedged item materializes), the amount recognized in other comprehensive income will be reclassified to the Consolidated Statement of Income. In case the hedged future transaction is a non-financial asset or liability, the gain or loss recognized in other comprehensive income will be included in the cost of acquisition of the asset or liability.

In 2021, Marel hedged ISK 7.7 billion of its projected net cash flow in ISK against the EUR by means of average rate currency forward contracts at an average exchange rate of ISK 153.1 per EUR for the 12 months of 2022. Each month, the relevant hedges for that month are settled and recognized in the Consolidated Statement of Income. Cash flow hedge accounting is applied for these hedges. As a result of similar hedges concluded in 2020 for the year 2021, EUR 4.0 million positive was recognized in the 2021 operating profit in accordance with the realization of the expected cash flows. There was no ineffectiveness in relation to these hedges.

Forward currency contracts	**2021**	**2020**
Nominal amount hedged item	50.0	43.0
Carrying amount assets	1.1	1.9
Line item Consolidated Statement of Financial Position	Derivative financial instruments	Derivative financial instruments
Change in the value of the outstanding hedging instruments	1.1	1.9
Costs of hedging recognized in OCI	-	-
Reclassified from hedging reserve to income statement	(4.0)	(0.0)
Line item Consolidated Statement of Income[1]	Expenses	Expenses

[1] In 2021, cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses were lowered by EUR 4.0m (2020: 0.0m).

For movements in hedge or translation reserve, refer to note 22.

Interest rate swaps

To protect Marel from fluctuations in base rates and in accordance with the interest hedge policy, Marel has entered into interest rate swaps to receive floating interest and to pay fixed interest. This is in line with Marel's risk management policy to have 50 - 70% of core debt fixed for 3 – 5 years. The Group accounts for fixed rate financial assets and liabilities at fair value through profit or loss, and the Group designates interest rate swaps as hedging instruments and applies cash flow hedge accounting if a hedge relationship exists.

Marel holds interest rate swaps linked to the former syndicated loan facility which was repaid in February 2020. Marel does not apply cash flow hedge accounting for these swaps and all changes in values of those contracts have been processed as finance cost through the Consolidated Statement of Income. At the end of 2021, the value of interest rate derivatives not accounted for using the hedge accounting model was EUR 0.8 million (31 December 2020: EUR 2.9 million) and EUR 0.4 million (31 December 2020: EUR 0.8 million) of contracts where hedge accounting is used.

The notional principal amount of the outstanding active interest rate swap contracts at 31 December 2021 was EUR 234.0 million (31 December 2020: EUR 231.0 million).

At 31 December 2021	**Currency**	**Principal**	**Maturity**	**Interest %**
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	80.0	2022	0.4
Interest rate SWAP	EUR	40.0	2022	0.4
Interest rate SWAP	USD	50.0	2022	2.3

At 31 December 2020	**Currency**	**Principal**	**Maturity**	**Interest %**
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	80.0	2022	0.4
Interest rate SWAP	EUR	40.0	2022	0.4
Interest rate SWAP	USD	50.0	2022	2.3
FX EUR DKK Interest rate SWAP (EUR fixed, DKK floating)	EUR	0.8	2027	5.2

27 Trade and other payables

Trade and other payables	2021	2020
Trade payables	117.1	81.8
Accruals	11.0	5.4
Personnel payables	65.5	66.3
Other payables	88.5	70.3
Total	**282.1**	**223.8**
Less non-current portion	(22.7)	(1.1)
Current portion of trade and other payables	**259.4**	**222.7**

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

28 Contingencies

Contingent liabilities

At 31 December 2021 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 33.8 million (31 December 2020: EUR 48.3 million) to third parties.

Legal proceedings

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

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

Environmental remediation

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

29 Related party transactions

At 31 December 2021 and 2020 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 2021 and 2020.

The Board of Directors' remuneration is shown in the table below. The Board of Directors is not granted stock options.

Board of Directors' fee for the year and shares at year end (in thousands)	2021 Board fee	2021 Pension contribution[1]	2021 Shares at year end[2]	2020 Board fee	2020 Pension contribution[1]	2020 Shares at year end[2]
Arnar Thor Masson, Chairman	139	16	-	100	12	-
Olafur S. Gudmundsson, Vice-Chairman	75	9	1,705	56	6	1,705
Ann Elizabeth Savage, Board Member	59	7	-	63	7	-
Astvaldur Johannsson, Board Member	57	7	-	56	6	-
Lillie Li Valeur, Board Member (from 18-03-2020)	55	6	-	35	4	-
Svafa Grönfeldt, Board Member (from 17-03-2021)	54	6	-	-	-	-
Ton van der Laan, Board Member	57	7	-	56	6	-
Asthildur Margret Otharsdottir, Chairman (until 17-03-2021)	36	4	32	144	17	32
Margret Jonsdottir, Board Member (until 18-03-2020)[2]	-	-	-	14	2	193
Total Board of Directors	**532**	**62**	**1,737**	**524**	**60**	**1,930**

1 Pension contributions for all board members are part of a defined contribution plan.
2 Margret Jonsdottir is the Managing Director of Operations of Eyrir Invest hf. and Arni Oddur Thordarson is a major shareholder of Eyrir Invest hf., which on 31 December 2021 and 2020 held 190,366,838 shares in Marel hf. 24.7% of total issued shares.

The Executive Team remuneration is shown in the tables below.

Executive Team remuneration 2021 (in thousands)	Total fixed remuneration	Short-term bonus	Stock options awarded[1]	Total variable remuneration	Extra-ordinary items	Pension contribution[2]	Total remuneration	Shares at year end[3]
Arni Oddur Thordarson, CEO	**728**	207	363	**570**	-	123	**1,421**	238
Other Executive Team Members	**2,699**	510	1,001	**1,511**	60	310	**4,580**	1,201
Total Executive Team	**3,427**	**717**	**1,364**	**2,081**	**60**	**433**	**6,001**	**1,439**

Executive Team remuneration 2020 (in thousands)	Total fixed remuneration	Short-term bonus	Stock options awarded[1]	Total variable remuneration	Extra-ordinary items	Pension contribution[2]	Total remuneration	Shares at year end[3]
Arni Oddur Thordarson, Chief Executive Officer	**706**	332	334	**666**	-	137	**1,509**	140
Other Executive Team Members	**2,486**	489	1,058	**1,547**	-	283	**4,316**	771
Former Executive Team Members	**941**	189	-	**189**	819	235	**2,184**	1,048
Total Executive Team	**4,133**	**1,010**	**1,392**	**2,402**	**819**	**655**	**8,009**	**1,959**

1 The granted options during 2021 and 2020 are valued according to the model of Black-Scholes with the assumptions applied when granted. The options granted in 2021 and 2020 had a vesting period of 3 years. The calculated total cost for the 3 years is disclosed in this table.
2 Pension contributions for the Executive Team are part of a defined contribution plan.
3 Including financially related.

In 2021 and 2020 Marel identified nine executives who have material significance for Marel's operations. The Executive Team consists of the Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer and executive vice president ("EVP") of Strategic Business Units, EVP Marel Poultry, EVP Marel Meat, EVP Marel Fish, EVP Global Markets and Service, EVP Global Supply Chain, and EVP Innovation. Two executives joined the Executive Team in March 2020; five former executives left the Executive Team at the same time and are included in the 2020 table.

An overview of the Executive Team's stock options are shown in the tables below.

Stock options 2021 (number of shares in thousands)	Main conditions of the stock option plan: Award date	Last vesting date	Expiration date	Exercise price per share[1]	Information regarding the financial year: Stock options awarded	Stock options vested	Stock options exercised	Stock options forfeited	Stock options at year end
Arni Oddur Thordarson,	3-5-2016	28-4-2021	28-4-2022	1.743	360	72	72	-	-
Chief Executive Officer	12-2-2018	13-2-2021	13-2-2022	2.713	650	650	650	-	-
	12-2-2019	13-2-2022	13-2-2023	3.082	650	-	-	-	650
	24-4-2020	24-4-2023	24-4-2024	3.746	580	-	-	-	580
	5-2-2021	5-2-2024	5-2-2025	5.646	400	-	-	-	400
Other Executive	2-12-2014	24-4-2020	28-4-2021	0.775	450	-	135	-	-
Team members	4-8-2015	25-10-2020	10-2-2022	1.351	400	-	40	-	200
	3-5-2016	28-4-2021	15-5-2022	1.771	540	108	180	-	252
	5-3-2017	6-3-2020	15-5-2021	2.569	300	-	300	-	-
	12-2-2018	13-2-2021	13-2-2022	2.713	1,350	1,350	975	-	375
	12-2-2019	13-2-2022	13-2-2023	3.082	1,600	-	-	-	1,600
	6-6-2019	7-6-2022	15-11-2023	3.588	250	-	-	-	250
	24-4-2020	24-4-2023	24-4-2024	3.746	1,840	-	-	-	1,840
	5-2-2021	5-2-2024	5-2-2025	5.646	1,105	-	-	-	1,105
Former Executive	2-12-2014	24-4-2020	28-4-2021	0.824	225	-	45	-	-
Team members	4-8-2015	25-10-2020	28-10-2021	1.354	200	-	40	-	-
	3-5-2016	28-4-2021	28-4-2022	1.750	360	72	252	-	-
	5-3-2017	6-3-2020	15-5-2021	2.623	300	-	300	-	-
	12-2-2018	13-2-2021	13-2-2022	2.713	900	900	825	-	75
	12-2-2019	13-2-2022	13-2-2023	3.082	1,000	-	-	-	1,000
Total Executive Team	2-12-2014	24-4-2020	28-4-2021	0.775	675	-	180	-	-
	4-8-2015	25-10-2020	10-2-2022	1.351	600	-	80	-	200
	3-5-2016	28-4-2021	15-5-2022	1.771	1,260	252	504	-	252
	5-3-2017	6-3-2020	15-5-2021	2.569	600	-	600	-	-
	12-2-2018	13-2-2021	13-2-2022	2.713	2,900	2,900	2,450	-	450
	12-2-2019	13-2-2022	13-2-2023	3.082	3,250	-	-	-	3,250
	6-6-2019	7-6-2022	15-11-2023	3.588	250	-	-	-	250
	24-4-2020	24-4-2023	24-4-2024	3.746	2,420	-	-	-	2,420
	5-2-2021	5-2-2024	5-2-2025	5.646	1,505	-	-	-	1,505

[1] As per 31 December 2021, with the exception of actual exercise prices of stock options granted 2014-2018 and exercised in 2021. The exercise prices of options granted are originally the same as the market price at the date of each granting except for options granted in June 2019, the exercise price is the same as the final offer price in the listing on Euronext Amsterdam. The exercise prices are adjusted afterwards according to dividend per share when paid, i.e. the exercise prices are lowered by the same amount as the paid dividend per share (cent against cent). The exercise prices of options granted 2015-2016 are subject to a hurdle rate. For options from 2015 it is 3% annually and 2% for options from 2016. Exercise prices in other outstanding options are not affected by a hurdle rate.

Stock options 2020 (number of shares in thousands)	Main conditions of the stock option plan: Award date	Last vesting date	Expiration date	Exercise price per share[1]	Stock options awarded	Information regarding the financial year: Stock options vested	Stock options exercised	Stock options forfeited	Stock options at year end
Arni Oddur Thordarson,	3-5-2016	28-4-2021	28-4-2022	1.797	360	72	288	-	72
Chief Executive Officer	5-3-2017	6-3-2020	15-5-2021	2.623	600	600	600	-	-
	12-2-2018	13-2-2021	13-2-2022	2.768	650	-	-	-	650
	12-2-2019	13-2-2022	13-2-2023	3.136	650	-	-	-	650
	24-4-2020	24-4-2023	24-4-2024	3.800	580	-	-	-	580
Other Executive	2-12-2014	24-4-2020	28-4-2021	0.830	675	135	360	-	135
Team members	4-8-2015	25-10-2020	28-10-2021	1.385	600	120	200	-	240
	3-5-2016	28-4-2021	28-4-2022	1.797	540	108	-	-	432
	5-3-2017	6-3-2020	15-5-2021	2.623	1,100	1,100	800	-	300
	12-2-2018	13-2-2021	13-2-2022	2.768	1,350	-	-	-	1,350
	12-2-2019	13-2-2022	13-2-2023	3.136	1,600	-	-	-	1,600
	6-6-2019	7-6-2022	15-11-2023	3.642	250	-	-	-	250
	24-4-2020	24-4-2023	24-4-2024	3.800	1,840	-	-	-	1,840
Former Executive	2-12-2014	24-4-2020	28-4-2021	0.830	1,125	180	810	90	45
Team members	4-8-2015	25-10-2020	28-10-2021	1.385	1,000	160	680	120	40
	3-5-2016	28-4-2021	28-4-2022	1.797	900	144	360	180	252
	5-3-2017	6-3-2020	15-5-2021	2.623	1,300	1,300	1,000	-	300
	12-2-2018	13-2-2021	13-2-2022	2.768	1,650	-	-	750	900
	12-2-2019	13-2-2022	13-2-2023	3.136	1,500	-	-	500	1,000
Total Executive Team	2-12-2014	24-4-2020	28-4-2021	0.830	1,800	315	1,170	90	180
	4-8-2015	25-10-2020	28-10-2021	1.385	1,600	280	880	120	280
	3-5-2016	28-4-2021	28-4-2022	1.797	1,800	324	648	180	756
	5-3-2017	6-3-2020	15-5-2021	2.623	3,000	3,000	2,400	-	600
	12-2-2018	13-2-2021	13-2-2022	2.768	3,650	-	-	750	2,900
	12-2-2019	13-2-2022	13-2-2023	3.136	3,750	-	-	500	3,250
	6-6-2019	7-6-2022	15-11-2023	3.642	250	-	-	-	250
	24-4-2020	24-4-2023	24-4-2024	3.800	2,420	-	-	-	2,420

1 The exercise prices of options granted are originally the same as the market price at the date of each granting except for options granted in June 2019, the exercise price is the same as the final offer price in the listing on Euronext Amsterdam. The exercise prices are adjusted afterwards according to dividend per share when paid, i.e. the exercise prices are lowered by the same amount as the paid dividend per share (cent against cent). The exercise prices of options granted 2014-2016 are subject to a hurdle rate. For options from 2014-2015 it is 3% annually and 2% for options from 2016. Exercise prices in other outstanding options are not affected by a hurdle rate.

30 Subsequent events

Acquisition of remaining shares of Curio

On 1 February 2022, Marel acquired the remaining 50.0% of the shares of Curio for an additional investment of EUR 15.9 million. Curio and Marel have worked closely together since Marel acquired 39.3% of Curio on 22 October 2019 and an additional 10.7% of the share capital on 4 January 2021 and as such, Marel initiated the acquisition of the remaining shares ahead of the timing agreed in the put option. Curio was consolidated into Marel's financial results as of Q1 2021. Together, Marel, Curio and Valka will be in a stronger position to transform the fish processing industry in partnership with customers.

No other significant events have taken place since the reporting date, 31 December 2021.

31 Subsidiaries

The following lists presents the material subsidiaries as per 31 December 2021 representing greater than 1% of either the consolidated Group revenues or total asset value. All of the entities are fully consolidated in Group financial statements. Companies are listed in alphabetical order of the country of incorporation.

	Country of Incorporation	Ownership Interest
Marel Australia Pty. Ltd.	Australia	100%
Marel Brasil Commercial e Industrial Ltda	Brazil	100%
Marel (Beijing) Co., Ltd.	China	100%
Marel Salmon A/S	Denmark	100%
Marel Meat A/S	Denmark	100%
Marel A/S	Denmark	100%
Marel France S.A.R.L.	France	100%
Marel TREIF GmbH	Germany	100%
MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG	Germany	100%
Marel Iceland ehf.	Iceland	100%
Valka ehf.	Iceland	100%
Marel Holding B.V.	Netherlands	100%
MPS Holding III 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 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%
TREIF USA Inc.	USA	100%
Marel USA Holding Inc.	USA	100%

Appendices

1 Marel hf. Corporate Governance Statement

Icelandic law and the company's corporate governance framework determine the duties of the various bodies within the company. They define and dictate how the company is governed and controlled – including the interaction between the CEO, who is responsible for day-to-day management, the Board of Directors, shareholders, regulators, and other stakeholders. Marel hf. is committed to recognized general principles aimed at ensuring good corporate governance.

Corporate Governance Framework and Compliance

Marel's corporate governance consists of a framework of principles and rules, including its Articles of Association and the Guidelines on Corporate Governance issued in July 2021 by the Iceland Chamber of Commerce, Nasdaq OMX Nordic Iceland and the Confederation of Icelandic Employers, which are accessible on the website of the Iceland Chamber of Commerce.

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

Article 1.3

Of the Guidelines concerning Share Registry: Marel is listed in ISK on Nasdaq Iceland and in EUR on Euronext in Amsterdam. In the Netherlands, shares are registered in the account-based electronic securities system operated by Euroclear Nederland, a central securities depository and clearing organization authorized under the Securities Bank Giro Transactions Act. All securities in its depository are registered in the name of Euroclear Nederland. Under Dutch property law governing Euroclear Nederland, the legal title to the shares registered in the name of Euroclear Nederland are owned by all investors collectively, each in proportion to their percentage shareholding. Dutch law further regulates how Euroclear Nederland must afford the investors the rights to the securities in its custody, such as voting rights and rights to dividends. For this reason, Marel is unable to keep a shareholder registry for the EUR shares listed on Euronext in Amsterdam. Marel keeps a shareholder registry for the ISK shares listed on Nasdaq Iceland.

Article 1.5.1

Of the Guidelines concerning the appointment of a Nomination Committee: According to the Guidelines, the shareholders' meeting shall appoint members to the Nomination Committee or decide how they should be appointed. Marel deviates from this provision as the Nomination Committee is a sub-committee of the Board of Directors, and the Board appoints its members. This is in line with the Dutch corporate governance code.

Article 1.5.3

Of the Guidelines concerning the appointment of Board members in the Nomination Committee: as the Nomination Committee is a sub-committee of the Board of Directors, the members of the Nomination Committee are all also members of the Board of Directors. This is in line with the Dutch corporate governance code.

Article 1.5.6

Of the Guidelines stating that Shareholders' meetings should determine the role of the Nomination Committee and the manner in which its operation shall be carried out. Marel's Nomination Committee is a sub-committee of the Board of Directors and therefore the Board determines its role and the manner in which its operation is carried out.

Article 1.5.10

Of the Guidelines concerning the Nomination Committee's request for proposals from shareholders before the company's AGM: The Nomination Committee consults with the company's major shareholders on the nomination process as well as engaging professional firms, but does not formally request proposals from shareholders. Information on how to contact the Nomination Committee is however publicly available on the Committee's website. This is line with the Dutch corporate governance code.

Main Aspects of Internal Controls and the Company's Risk Management in Connection with Preparation of Financial Statements

The CEO is responsible for ensuring adequate internal controls and risk management in connection with financial reporting. The Board of Directors maintains an ongoing dialogue with the CEO to identify, describe and manage the business risks that the company may be exposed to. Significant risks are discussed in the 2021 Consolidated Financial Statements.

Internal Audit and Control

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

External Audit

An independent auditing firm is elected at the Annual General Meeting (AGM) for a term of one year. The external auditors examine the company's Consolidated Financial Statements in accordance with generally recognized auditing standards and, for this purpose, inspect its accounting records and other material relating to the operation and financial position of the company. The external auditors report any significant findings regarding accounting matters and internal control deficiencies via the Audit Committee to the Board of Directors.

KPMG ehf. was elected as the company's auditor at the company's AGM held on 17 March 2021. Auditors on KPMG's behalf are Saemundur Valdimarsson and Audur Thorisdottir, both Certified Public Accountants (CPAs). They have audited and endorsed Marel's Consolidated Financial Statements for the year 2021.

In 2027 the provisions of EU Regulation no. 537/2014, on specific requirements regarding statutory audit of public-interest entities, concerning the maximum duration of audit engagements, will enter into force for Marel, cf. Article 55(2) of the Icelandic Act on Auditors no. 94/2019. The Board of Directors will organize a tender process in due time, in line with the requirements of Article 16 of EU Regulation no. 537/2014.

Composition and Activities of the Board of Directors, its Sub-committees, the CEO and Executive Team

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

Board of Directors

The Board of Directors has supreme authority in company affairs between shareholders' meetings. It is elected by shareholders at the AGM for a one-year term and operates in accordance with applicable Icelandic laws and regulations, the company's Articles of Association and the Board's Rules of Procedure. The Board currently comprises of seven directors who were elected at the company's AGM on 17 March 2021. In line with Icelandic law, the Board of Directors convenes immediately following the AGM in which it is elected to allocate responsibilities between the board members. The Board of Directors elects a Chairman and Vice-Chairman, as well as the Chairmen and members of its committees.

The Board of Directors is responsible for the company's organization, for setting the objectives for long-term performance and business development and ensuring proper conduct of its operations at all times. The Board decides all matters regarded as extraordinary or of major consequence in accordance with the statutory division of responsibilities between the Board, CEO and Executive Team. The Board defines strategic objectives for the company and sets targets aimed at achieving these goals.

Regular board meetings are held with management over the course of the year, including quarterly meetings coinciding with the publication of financial results, two strategy sessions and an operational planning meeting for the coming year. The Board of Directors meets at least once a year without management to structure its agenda and conduct a self-assessment. Additional meetings are convened as needed. The Board of Directors has a number of on-site visits to company locations and to customers during the year but due to travel restrictions all visits in 2020 and 2021 were postponed to a later date. All matters dealt with at Board meetings are decided by a majority vote, provided that the meeting has been lawfully convened. In the event of a tie vote, the Chairman casts the deciding vote. However, important decisions are not made unless all directors have been given an opportunity to discuss the matter.

At the company's AGM on 17 March 2021 Svafa Grönfeldt was elected to the Board of Directors. After serving on the Board of Directors for 11 years, thereof 8 years as Chairman and 1 year as Vice-Chairman, Asthildur Margret Otharsdottir did not declare candidature.

The Board of Directors convened 21 times in 2021, with an average attendance of 96%.

The Board of Directors has assessed which directors are independent according to the Icelandic Guidelines on Corporate Governance. All seven directors: Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Olafur S. Gudmundsson, Svafa Grönfeldt and Ton van der Laan, are considered independent of the company. Furthermore, six of the Board members, Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Svafa Grönfeldt and Ton van der Laan, are considered independent of the company's major shareholders. According to the Guidelines, the tenure of a director does not affect the independency assessment.

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

See marel.com for profiles of the Board members, the rules of procedure for the Board of Directors and for the Board's sub-committees.

Sub-committees

A major share of the Board's work is carried out in its sub-committees: the Remuneration Committee, the Audit Committee and the Nomination Committee. Sub-committee members are appointed by the Board of Directors for a term of one year, in accordance with the rules set for each sub-committee by the Board.

Remuneration Committee

The Remuneration Committee is composed of three Board members unless the Board decides otherwise. The majority of the Remuneration Committee shall be independent of the company and possess the knowledge and expertise needed to perform the Committee's tasks. The Remuneration Committee is intended to assist the Board in ensuring that compensation arrangements support the strategic aims of the company and enable the recruitment, motivation and retention of senior executives while also complying with legal and regulatory requirements. The Committee is responsible for ensuring that the performance of the Board and CEO is evaluated annually, and that succession planning is conducted.

The current Board decided to appoint three members to the Remuneration Committee as of March 2021: Arnar Thor Masson (Chair), Lillie Li Valeur and Olafur S. Gudmundsson.

The Remuneration Committee convened four times in 2021, attendance was 100%.

Audit Committee

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

Members of the Audit Committee since March 2021 are: Svafa Grönfeldt (Chair), Astvaldur Johannsson, Ann Elizabeth Savage and Ton van der Laan. All members are independent of the company, its auditors and of large shareholders.

The Audit Committee convened eight times in 2021, with an average attendance of 91%.

Nomination Committee

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

The Board has taken a balanced view of Corporate Governance Principles in Iceland and the Netherlands when structuring the framework for the Nomination Committee. Members of the Nomination Committee since March 2021 are: Lillie Li Valeur (Chair), Arnar Thor Masson and Olafur S. Gudmundsson.

The Nomination Committee convened five times in 2021, attendance was 100%.

Attendance in meetings of the Board of Directors and sub-committees in 2021:

2021		Board of Directors 21 meetings Attendance (%)		Audit Committee 8 meetings Attendance (%)		Nomination Committee 5 meetings Attendance (%)		Remuneration Committee[1] 4 meetings Attendance (%)
Arnar Thor Masson[2]	Chairman	100.0	(Chair)	100.0	√	100.0	Chair	100.0
Olafur S. Gudmundsson	Vice-Chairman	95.2			√	100.0	√	100.0
Ann Elizabeth Savage[3]	Director	90.5	√	75.0			(√)	100.0
Astvaldur Johannsson	Director	100.0	√	87.5				
Lillie Li Valeur[4]	Director	100.0			Chair	100.0	√	100.0
Svafa Grönfeldt[5]	Director	100.0	Chair	100.0				
Ton van der Laan	Director	85.7	√	100.0				
Asthildur Margret Otharsdottir[6]	(Chairman)	100.0			(√)	100.0	(Chair)	100.0

1 After 17 March 2021 members of the Remuneration Committee went from four to three.
2 Chair of the Audit Committee until 17 March 2021, while two Audit Committee meetings were held.
3 Member of the Remuneration Committee until 17 March 2021, while one Remuneration Committee meeting was held.
4 Chair of the Nomination Committee and member of the Remuneration Committee from 17 March 2021, after which three Nomination meetings and three Remuneration Committee meetings were held.
5 Board director and Chair of the Audit Committee from 17 March 2021, after which fifteen Board meetings and six Audit Committee meetings were held.
6 Chairman of the Board of Directors, Chair of the Remuneration Committee and member of the Nomination Committee until 17 March 2021, while there were six Board meetings, one Remuneration Committee meeting and two Nomination Committee meetings were held.

Chief Executive Officer

Arni Oddur Thordarson assumed the position of CEO of Marel in November 2013. An Icelandic citizen, born in 1969, Mr. Thordarson has extensive international business experience within the industrial sector. He has an MBA degree from IMD Business School in Switzerland and a Cand. oecon. degree in Business Administration from the University of Iceland. Mr. Thordarson served on the Board of Directors of Marel from 2005-2013, for most of that time as Chairman.

Together with related parties, his direct holding is 237,644 shares in Marel. He is a major shareholder of Eyrir Invest, which on 2 February 2022, held 190,366,838 shares in Marel hf. (24.7% of total issued shares).

1. The CEO is responsible for daily operations and is obliged to follow the Board's policy and instructions in that regard. Daily operations do not include measures that are unusual or extraordinary. The CEO may only take such measures if specifically authorized by the Board or unless it was impossible to wait for the Board's decision without substantial disadvantage to the company's operations. In such an event, the CEO must inform the Board of his/her actions without delay.
2. The CEO is responsible for the work and results of the Executive Team.
3. The CEO shall ensure that the accounts of the company comply with the law and accepted financial reporting practices and that the treatment of company assets is secure. The CEO shall provide any information requested by the company's auditors.
4. At least once a year, the CEO shall evaluate the work and results of the Executive Team that he heads according to previously established criteria. The CEO shall discuss the results of his evaluation with each member of the Executive Team and decide on any actions to be taken.

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

Executive Team

Marel's Executive Team has nine members with clear accountability. The company's Executive Team is composed of:

Executive

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

Business Units

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

Operations

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

See marel.com for profiles of the Executive Team.

Diversity

Marel's Diversity and Inclusion policy, accessible on marel.com, guides and ensures commitment to fostering, cultivating and preserving a culture of diversity and inclusion within the company. The policy applies to all employees and governance bodies, including the Board of Directors, its sub-committees and the Executive Team.

The Nomination Committee has the role of reviewing and evaluating the structure and composition of the Board of Directors, in order to ensure balance of skills, knowledge, experience, diversity, tenure and independence. The Board as a whole should also encompass desirable diversity in aspects such as nationality, gender, age, education and different perspectives. Marel's Board of Director's skills matrix is used in the yearly evaluation and nomination process, see further in the Nomination Committee's report.

The Board of Directors and the CEO are responsible for reviewing and evaluating the structure and composition of the Executive Team, based on the same principles of diversity as apply to the Board of Directors in addition to Marel's diversity and inclusion policy.

Gender diversity within the Board of Directors remained stable at 43% (2020: 43%) following the election of Svafa Grönfeldt at the AGM on 17 March 2021. Following the consolidation within the Executive Team in March 2020 gender diversity rose to 44% (2019: 17%).

Gender diversity (female/male ratio)	2021	2020
Board of Directors	43/57	43/57
Executive Team	44/56	44/56
Total enterprise	17/83	16/84

Code of Conduct and Social Responsibility

Values and Social Responsibility

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

Marel places great emphasis on corporate and social responsibility with detailed information available in Marel's 2021 ESG report.

Code of Conduct

Marel's Board of Directors initially approved a Code of Conduct with a global application in October 2012, which was thoroughly revised and updated in 2021. It is closely linked to Marel's company values and rests on four pillars, i.e., the commitment of employees (including officers and directors) to: (i) each other; (ii) customers and the marketplace; (iii) shareholders; and (iv) partners, communities and the environment.

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

Communication Between Shareholders and the Board of Directors

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

The Chairman is the Board's authorized spokesperson. The Board of Directors does not engage in communication regarding the details of the company's operational matters and financial results, which is the responsibility of authorized members of management.

The Chairman communicates with the company's largest shareholders on an annual basis to exchange views on matters related to corporate governance and to maintain trust and understanding. All communication with shareholders is governed by rules and regulations on price-sensitive and non-public information (insider information) and on other sensitive business information, which could compromise the company's competitive position.

Further information on communication with shareholders can be found in the company's Investor Relations Policy on marel.com.

2 Quarterly results (unaudited)

	2021 Q1	2021 Q2	2021 Q3	2021 Q4	Total
Revenue	334.0	327.5	331.9	367.4	1,360.8
Cost of sales	(212.2)	(210.0)	(209.0)	(235.8)	(867.0)
Gross profit	**121.8**	**117.5**	**122.9**	**131.6**	**493.8**
Selling and marketing expenses	(42.6)	(42.3)	(47.2)	(48.3)	(180.4)
General and administrative expenses	(26.9)	(20.4)	(22.9)	(26.0)	(96.2)
Research and development expenses	(22.2)	(21.8)	(21.4)	(21.5)	(86.9)
Result from operations (EBIT)	**30.1**	**33.0**	**31.4**	**35.8**	**130.3**
Net finance costs	(4.4)	(1.9)	(2.1)	(0.3)	(8.7)
Share of result of associates	(0.1)	(0.4)	0.0	(0.4)	(0.9)
Result before income tax	**25.6**	**30.7**	**29.3**	**35.1**	**120.7**
Income tax	(4.4)	(7.4)	(6.1)	(6.6)	(24.5)
Net result for the period	**21.2**	**23.3**	**23.2**	**28.5**	**96.2**
Result before depreciation & amortization (EBITDA)	**47.3**	**49.8**	**48.0**	**53.8**	**198.9**

	2020 Q1	2020 Q2	2020 Q3	2020 Q4	Total
Revenue	301.6	305.7	287.2	343.3	1,237.8
Cost of sales	(194.3)	(191.5)	(174.7)	(217.9)	(778.4)
Gross profit	**107.3**	**114.2**	**112.5**	**125.4**	**459.4**
Selling and marketing expenses	(42.1)	(34.5)	(32.8)	(39.2)	(148.6)
General and administrative expenses	(24.0)	(18.7)	(21.4)	(23.7)	(87.8)
Research and development expenses	(18.4)	(18.6)	(16.9)	(19.4)	(73.3)
Result from operations (EBIT)	**22.8**	**42.4**	**41.4**	**43.1**	**149.7**
Net finance costs	(5.0)	(5.3)	(3.2)	(4.9)	(18.4)
Share of result of associates	0.0	0.1	(0.1)	0.3	0.3
Result before income tax	**17.8**	**37.2**	**38.1**	**38.5**	**131.6**
Income tax	(4.4)	(6.5)	(8.7)	(9.4)	(29.0)
Net result for the period	**13.4**	**30.7**	**29.4**	**29.1**	**102.6**
Result before depreciation & amortization (EBITDA)	**37.6**	**56.9**	**55.7**	**62.3**	**212.5**

The below tables provides an overview of the quarterly adjusted result from operations, which management believes to be a relevant Non-IFRS measurement, as mentioned in note 5.

	2021 Q1	2021 Q2	2021 Q3	2021 Q4	Total
Revenue	334.0	327.5	331.9	367.4	1,360.8
Cost of sales	(209.6)	(208.9)	(208.7)	(235.5)	(862.7)
Gross profit	**124.4**	**118.6**	**123.2**	**131.9**	**498.1**
Selling and marketing expenses	(40.0)	(39.8)	(44.6)	(45.6)	(170.0)
General and administrative expenses	(25.7)	(20.2)	(22.8)	(25.0)	(93.7)
Research and development expenses	(20.7)	(20.0)	(19.8)	(20.3)	(80.8)
Adjusted result from operations[1]	**38.0**	**38.6**	**36.0**	**41.0**	**153.6**
Non-IFRS adjustments	(7.9)	(5.6)	(4.6)	(5.2)	(23.3)
Result from operations (EBIT)	**30.1**	**33.0**	**31.4**	**35.8**	**130.3**

	2020 Q1	2021 Q2	2020 Q3	2020 Q4	Total
Revenue	301.6	305.7	287.2	343.3	1,237.8
Cost of sales	(194.3)	(191.5)	(174.7)	(214.8)	(775.3)
Gross profit	**107.3**	**114.2**	**112.5**	**128.5**	**462.5**
Selling and marketing expenses	(40.5)	(32.8)	(31.1)	(36.7)	(141.1)
General and administrative expenses	(23.9)	(18.6)	(21.3)	(21.7)	(85.5)
Research and development expenses	(17.5)	(17.8)	(16.0)	(17.8)	(69.1)
Adjusted result from operations[1]	**25.4**	**45.0**	**44.1**	**52.3**	**166.8**
Non-IFRS adjustments	(2.6)	(2.6)	(2.7)	(9.2)	(17.1)
Result from operations (EBIT)	**22.8**	**42.4**	**41.4**	**43.1**	**149.7**

[1] Result from operations is adjusted for PPA related costs, including depreciation and amortization, and as of Q4 2020, acquisition related expenses.

3 Definitions and abbreviations

AGM

Annual General Meeting

CGU

Cash Generating Units

EBIT

Earnings before interest and tax

EBITDA

Earnings before interest, tax, depreciation and amortization

ECL

Expected credit loss

ESEF Regulation

European Single Electronic Format Regulation

ESG

Environmental, Social and Governance

EURIBOR

Euro interbank offered rates

EVP

Executive Vice President

FTE

Full-time equivalent

FX

Foreign exchange

IAS

International Accounting Standards

IBOR

Interbank Offered Rate

IFRIC

International Financial Reporting Interpretation Committee

IFRS

International Financial Reporting Standards

KPI

Key performance indicator

LIBOR

London Interbank Offered Rate

NCI

Non-controlling interest

OCI

Other comprehensive income

PPA

Purchase Price Allocation

SOFR

Secured Overnight Financing Rate

SONIA

Sterling Overnight Interbank Average Rate

TCFD

Task Force on Climate-related Financial Disclosures

WACC

Weighted average cost of capital

	Environmental	2021	2020
E1	**Direct & Indirect GHG emissions (Tonnes CO2e)**	**18,629**	**19,129***
E1.1	Scope 1: Direct GHG emissions	7,563	6,041*
E1.2	Scope 2: Indirect GHG emissions (market-based)	7,328	9,371*
E1.2	*Scope 2: Indirect GHG emissions (location-based)*	*8,755*	*8,887**
E1.3	Scope 3: Other indirect GHG emissions	3,738	3,717*
E2	**Emission intensity** (Kg CO2e per EUR 1,000 of revenues)	**13.8**	**15.7***
E2	**Emission intensity** (Kg CO2e per m2)	**54.7**	**61.3***
E2	**Emission intensity** (Kg CO2e per average FTE)	**2,636**	**3,007***
E3	**Energy usage** (GWH)	**73.2**	**69.1***
E3.1	Directly consumed (GWH)	36.0	29.2*
E3.2	Indirectly consumed (GWH)	37.2	39.9*
E4	**Energy intensity** (MWH per FTE)	**10.4**	**10.9***
E5	**Energy mix** - renewable electricity	**55.4%**	**45.9%***
E6	**Water usage**	**-**	**-**
E7	**Environmental operations**	**Yes**	**Yes**
E7.1	Formal environmental policy	Yes	Yes
E7.2	Specific waste, water, energy, and/or recycling policies	Yes	Yes
E7.3	Recognized energy management system	Yes	Yes
E8	**Climate related risk oversight by the Board/Management**	**Yes**	**Yes**
E9	**Sustainability issue oversight by the Board/Management**	**Yes**	**Yes**
E10	**Climate oversight/management**	**Yes**	**-**

	Social	2021	2020
S1	**CEO pay ratio**	**18.2:1**	**19.3:1**
S1.2	Reported in regulatory filings	Yes	Yes
S2	**Gender pay ratio** (men/women)	**4.5%**	**3.4%**
S3	**Employee turnover ratio**	**11.4%**	**9.0%***
S4	**Overall female ratio**	**17.4%**	**16.4%**
S5	**Contingent worker ratio**	**7.9%**	**6.8%**
S6	**Non-discrimination policy**	**Yes**	**Yes**
S7	**Injury rate**	**0.78**	**0.91**
S8	**Global health & safety policy**	**Yes**	**Yes**
S9	**Child & forced labor policy**	**Yes**	**Yes**
S9.2	Policy covers suppliers and vendors	Yes	Yes
S10	**Human rights policy**	**Yes**	**Yes**
S10.2	Policy covers suppliers and vendors	Yes	Yes

	Governance	2021	2020
G1	**Board diversity** (women/men ratio)	**43/57**	**43/57**
G1.2	Board committee chairs (women/men ratio)	67/33	33/67
G2	**Independent board directors**	**Yes 100%**	**Yes 100%**
G2.1	CEO prohibited from serving as board chair	Yes	Yes
G3	**ESG incentivized pay**	**Yes**	**No**
G4	**Collective bargaining**	**Yes**	**Yes**
G5	**Supplier code of conduct**	**Yes**	**Yes**
G6	**Ethics & anti-corruption**	**Yes**	**Yes**
G7	**Data privacy**	**Yes**	**Yes**
G7.2	Compliance with GDPR	Yes	Yes
G8	**ESG reporting** (published and filed)	**Yes**	**Yes**
G9	**Disclosure practices**	**Yes**	**Yes**
G9.2	Specific focus on UN Sustainable Development Goals	2, 9, 12	2, 9, 12
G10	**External validation assurance**	**Partial**[1]	**Partial**[1][1]

[1] Environmental KPIs are determined with the support of Sustainalize, an ERM Group company.

Please see the Explanatory Note to the 2021 sustainability disclosure for further explanation including for restated* metric's.

Marel´s 2021 climate-related financial disclosure (TCFD) summary

This document should be viewed in combination with Marel's 2021 sustainability related disclosure.

Marel's TCFD journey

Marel committed to integrating the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into its 2021 climate-risk reporting. This was the first full year for Marel to internalize and implement the recommendations by the TCFD. As a founding member of the Nordic CEOs for a Sustainable Future, in May 2021 Marel released a guide on TCFD "Climate Risk Management, a Guide to Getting Started" to boost further TCFD support across the Nordic countries.

Having performed several climate assessment exercises throughout the year, Marel is better placed to embed climate risks in its strategic decisions going forward. The first year of Marel's TCFD journey created momentum for conducting exploratory analysis and improving understanding of what climate change means for its business, customers, and the community it engages with.

Timeline of climate action

2015
Joined the **UN Global Compact** as a signatory

2016
Approved a **CSR guidance policy** as compass for sustainable development

2017
Joined the **UN Global Compact** as a participant
Launched the **Sustainability Scorecard** to the product development process

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

2019
Certified as a **NASDAQ ESG transparency partner**
Introduced a **Sustainable procurement pillar**
Conducted **first full life cycle analysis**

2020
Integrating sustainability and finance by securing a new **EUR 700m sustainabilty linked syndicated credit facility**
Conducted a comprehensive **materiality analysis with over 160 stakeholders**
Established a **Sustainability Team as part of the CEO office**
Established a **Sustainability and ESG Committee**
Established a **Responsible Supply Chain risk management**
Finalized **life cycle analysis** of four core cross-industry products
Adopted a **Green Electricity Procurement Policy**
Announced commitment to integrate the recommendations by the **TCFD**
Announced commitment to the **Science Based Targets initiative**
Announced commitment to be **carbon neutral** well before 2050

2021
Launched **supplier sustainability program** involving EcoVadis
Life cycle analysis of seven core cross-industry solutions
100% of all new innovations passed **Marel's sustainability innovation scorecard**
Increased renewable electricity for Marel's manufacturing facilities to 61% (from 53% in 2020)
Commitment to becoming **net zero by 2040**
First climate stress testing to assess potential impacts on Marel's business under two scenarios
Gained further insights into product related purchased goods emissions **(Scope 3)**
Sustainability included as one of five key risks for Marel
Launch of **Marel's first sustainability program**, including environmental targets related to carbon emissions, recycling of waste, and use of renewable electricity

2040
Net zero by 2040

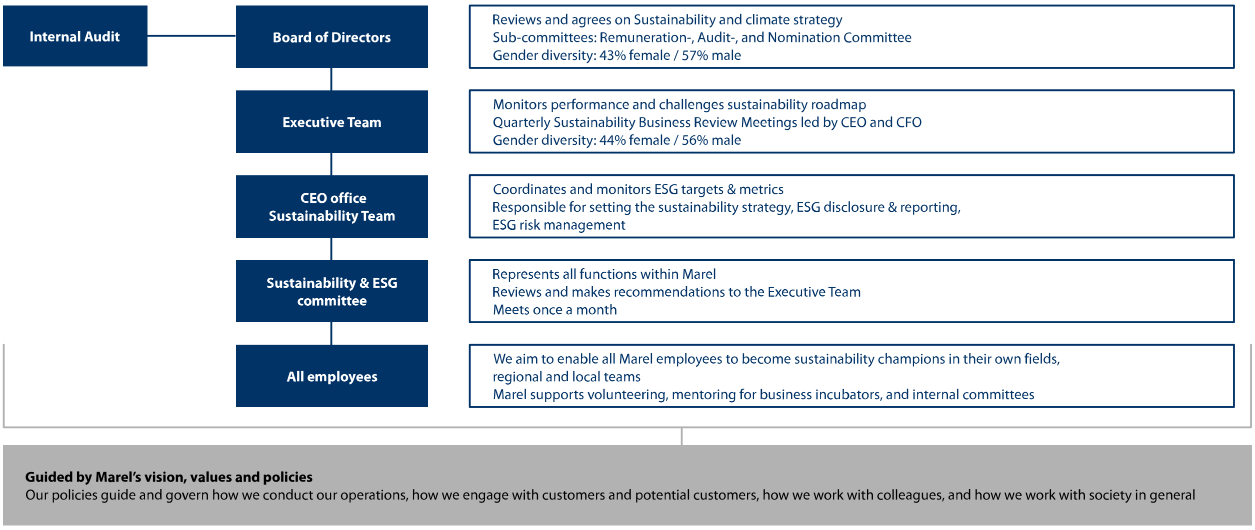
Governance

Effective governance underpins every corporate agenda at Marel. Marel has a best-in-class sustainability governance structure. Responsible governance is set with a clear objective of ingraining environmental, social, and governance (ESG) guidelines into all of Marel's business planning and operations.

The sustainability committee, a sub-committee of the executive team, is responsible for tracking the developments in climate risk management. The interdisciplinary committee makes recommendations to the executive team for proactive board oversight and governance on climate-related risks and opportunities.

Best-in-class sustainability governance structure

Clear objective of ingraining ESG into all of Marel's business planning and operations



Strategy

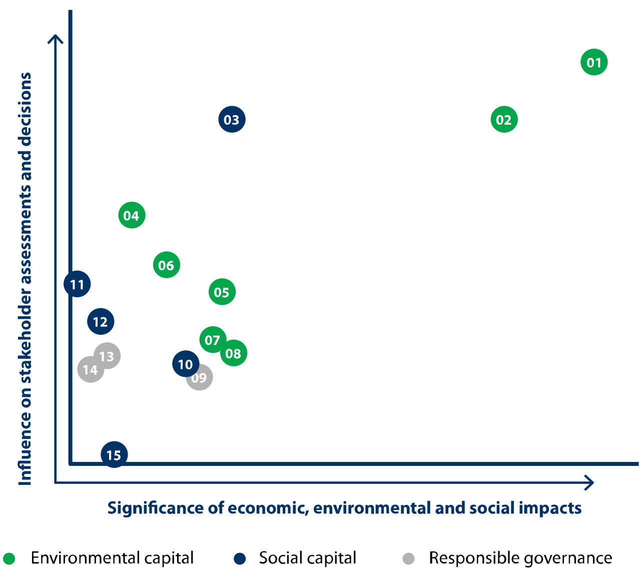
Climate change related risks and opportunities are a critical issue for Marel to manage, both internally and for its customers. To manage climate-related risks and opportunities in the food value chain, Marel needs to assist customers with using fewer natural resources, while minimizing its CO_2 footprint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

ESG materiality matrix

In its journey toward building resilience against the impacts of climate change, it is essential for Marel to understand the view of its internal and external stakeholders. This understanding enables Marel to be better placed in tackling the risks and capturing value from the opportunities that arise from climate change.

Through internal and external conversations with key stakeholders, Marel has gained significant insights and identified 15 key material topics. This exercise has assisted Marel in understanding the needs of the community it engages with and how those needs can be reflected in everything that Marel does.

Top 15 ESG topics based on a comprehensive stakeholder materiality analysis[1]



Rank	Material topics
1	Food waste reduction
2	Traceability & food safety
3	Animal wellbeing
4	Circular products & solutions
5	Environmental & safety impact
6	Emission, energy use & water
7	Sustainable protein
8	Sustainable innovation
9	Localized customer service
10	Responsible supply chain
11	Occupational health & safety
12	Talent attraction and retention
13	Flexibility & economic performance
14	Compliance & risk management
15	Diversity & inclusion

Notes: Company information. [1] Stakeholder materiality analysis conducted among more than 160 individual stakeholders in 2020. Conclusions on the main top 15 ESG topics is considered valid for 2021 and reflective of current materiality when it comes to the main ESG topics relevant for Marel (x-axis) and its stakeholders (y-axis).

Climate-related risk and opportunity triggers

During 2021, an assessment exercise was conducted based on the long-list TCFD model whereby 25 risk causes and 17 opportunity triggers were examined in light of likelihood and impact. Those risk causes and opportunity triggers were then further assessed in a double heat map.

Transition risks include policy and legal risks, risks arising from changing demand, availability of resources, and shift in consumer preferences, among others. Marel has also identified certain physical acute and chronic risks from rising temperatures and impacts on marine ecosystems.

Marel is conducting further analysis based on internal and external knowledge to further understand the impact of these risks. Multiple opportunity triggers have also been identified. These include among others a shift to better energy sources, development of new products and innovation, continuous integration of recycling, and new markets. All selected risk causes and opportunity triggers were assessed on impact and likelihood to determine which ones are most relevant for Marel.

Material opportunities and risks from climate change

Selected risk causes and opportunity triggers deemed most relevant for Marel

Identifier	Primary climate-related risk driver	Time horizon[1]	Likelihood	Magnitude of impact[2]	Likely potential financial impact[2]
Policy and Legal (Transition risk)	Emerging regulations on limitation of greenhouse gas emissions	Short-term	Likely	Medium	Increased operating/compliance costs
Market (Transition risk)	Increased cost of raw materials	Short-term	Likely	Medium	Reduced profitability
Energy sources (Opportunity)	Use of new technologies	Medium-term	Very likely	High	Increased revenues and increased profits
Products and services (Opportunity)	Development of new products or services through R&D and innovation	Medium-term	Very likely	High	Increased revenues and increased profitability
Market (Opportunity)	Access to new markets	Medium-term	Likely	High	Higher revenues

Notes: Company information. [1] Short-term <3yrs, Medium-term 3-10yrs, Long-term >10yrs. [2] Potential financial impact both positive and negative cannot yet be fully assessed and is likely to be integrated into Marel’s day-to-day operations. Mitigating actions are being assessed and will be used going forward to align with Marel’s business strategy to minimize negative effects and maximize the opportunities, where possible, from climate change on Marel’s operations.

Climate scenario analysis

Scenarios help Marel test its business resilience against a range of plausible climate futures in the face of broad uncertainty. Climate scenarios are not about predicting the future but can help Marel to identify and evaluate the likely climate-related risks and opportunities.

To enhance understanding of the impact that climate change can have on Marel’s business, a high-level assessment has been conducted to look at (i) a below 2 degrees warming scenario and (ii) an above 2 degrees warming scenario. This high-level assessment is in line with the TCFD recommendations. The scenarios adopted by Marel are based on pairing of the Intergovernmental Panel on Climate Change’s (IPCC) Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs). RCPs and SSPs provide information on factors such as global emissions, socioeconomic variables, and biodiversity.

The RCP and SSP combinations used by Marel for guidance on its climate scenario analysis are:

- SSP1/RCP2.6 This scenario is in line with the Paris Agreement. In this scenario there is less inequality and higher prosperity. The world is able to tackle and mitigate critical climate risks.
- SSP4/RCP4.5 This scenario assumes a delayed and uncoordinated global response to climate change. With unequal investment in human capital globally and increasing disparities in economic opportunity among different regions, in this scenario the world faces greater climate change mitigation challenges.

Through the lenses of IPCC scenarios, Marel is analyzing identified risks and opportunity triggers to estimate the impact on its value chain. In 2021 this involved translating IPCC scenario narratives in the context of Marel to better inform internal stakeholders on the intensity of each risk and opportunity trigger under SSP1/RCP2.6 and SS4/RCP4.5. Marel aims to review its climate impact assessment methodology in 2022 in line with global efforts toward limiting global warming.

Risk management

In 2020, Marel started incorporating climate risk as part of its internal control framework. Sustainability is one of five risk categories. This is part of Marel's commitment to implementing TCFD's recommendations. Climate risk within Marel is defined as a risk arising from the interaction between hazard, vulnerability, and exposure related to climate change impacts.

Risk categories

Strategic	**Strategic risk**	Risk that affects Marel's strategic ambitions, including economic and political developments
	Business risk	Risk related to customers, competition, government policy, etc.
	Reputational risk	Risk of damage to Marel's brand and reputation, resulting from actions that could be perceived as inappropriate, unethical, or inconsistent with Marel's values
Operations	**Operational risk**	Risk related to inadequate internal processes, people, and systems
Financial reporting	**Financial reporting risk**	Risk related to treasury and accounting, including finance, market, and credit risk
	Market risk	Risk related to financial markets, including FX and interest rate risks
	Credit risk	Risk that relates to credit quality of our customers and other business partners
Complicance	**Compliance risk**	Risk arising from failure to comply with laws and regulations, including internal standards and policies
Sustainability	**Climate risk**	Risk arising from the interaction between hazard, vulnerability, and exposure related to climate change impacts

Metrics and targets

Marel is on an ongoing journey tracking and reporting its carbon footprint in line with the Greenhouse Gas (GHG) Protocol. As of 2021 Marel reports on its emissions in scope 1, 2, and 3 (calculated in line with the GHG Protocol methodology) and several emission intensity metrics.

GHG emissions[1]

In tCO_2e	2021	2020	Change year-on-year
Scope 1: direct GHG emissions	7,563	6,041	+25%
Scope 2: indirect (market-based)	7,328	9,371	-22%
Scope 2: indirect (location-based)	8,755	8,887	-1%
Scope 3: other indirect emissions	3,738	3,717	+1%
Total tCO_2e	**18,629**	**19,129**	**-3%**

Carbon emissions intensity[1]

	2021	2020	Change year-on-year
Kg CO_2e average FTE	2,636	3,007	-12%
Kg CO_2e per EUR 1,000 of revenues	13.8	15.7	-12%

Notes: [1] Company information on Marel's market-based carbon emissions and carbon emission intensity. Please see the ESG Explanatory Note on 2020 restatements and Marel's 2021 NASDAQ ESG Indicators for further details

As part of Marel's sustainability program, Marel is committed to becoming net zero by 2040. Marel's long-term sustainability program complements Marel's climate ambitions as it sets a science-based target in 2022 in line with the Paris Agreement.

Key environmental targets set for 2026[1]

Reduce carbon emissions[2] by 20% by 2026	**Increase recycling of waste to 90% by 2026**	**Powering >85% manufacturing facilities on renewable electricity by 2026**

Notes: [1] Environmental targets are set against base year 2019. [2] Includes scope 1, scope 2, and business travel from scope 3.

Explanatory note to Marel's 2021 sustainability disclosure

This document should be viewed in combination with Marel's 2021 sustainability related disclosure.

Reporting scope and principles

Marel follows the Nasdaq ESG reporting guidelines and has been a Nasdaq ESG transparency partner since 2019. The Nasdaq ESG guidelines are aligned in most cases with the Global Reporting Initiative, the UN Global Compact, the Task Force on Climate Related Financial Disclosures and the Sustainability Accounting Standards Board. Marel presents its sustainability performance in line with the principles as described in this explanatory note as it believes it represents Marel's sustainability performance as best as possible until the global sustainability reporting landscape transitions towards homogenization of the various standards.

Entities that Marel has financial control over are included in its sustainability data. Marel does not account for sustainability performance from the operations it owns an interest in but has no control. Our sustainability reporting excludes recent acquisitions such as PMJ, Curio, and Valka in 2021. TREIF, acquired by Marel in October 2020 is excluded in the 2020 and included in the 2021 sustainability metrics, with the exception of the gender pay ratio. Total market-based carbon emissions decreased by 3% in 2021 compared to 2020. If TREIF was excluded in the 2021 environmental data, carbon emission decrease would have been 7%.

While the environmental data is in line with our expectations, we note an increase in carbon emissions from company owned vehicles for 2021 compared to 2020. This increase is two-fold. On one hand we collected more data based on actuals instead of using estimates, and secondly there has been some normalization in traveling by company car compared to 2020 when traveling was restricted during the pandemic.

2021 is the first time we are showing the carbon emissions from scope 2 on a market and location basis. This allows Marel to better show its progress to purchase renewable electricity that is emitting less greenhouse gases than country averages. In 2021 we reclassified nuclear electricity as non-renewable. In preparation for Marel setting a science-based target, we are switching from using UK DEFRA based conversion factors to International Energy Agency (IEA)'s country specific conversion factors for our electricity usage per location. In 2021 we further aligned our emission scoping with the GHG Protocol, whereby moving emissions from waste into scope 3 (previously under scope 1).

Marel's ESG data covers the reporting year from January until December, with the exception of the emission data from business air travel (scope 3) where we have opted to report the December until November period to provide full year information as December data is only available after publication of Marel's ESG disclosure.

As we become more mature in our ESG data journey we have more and better data quality available for 2021 compared to prior years, capturing not just manufacturing locations but also office locations. This further limits the need for using estimates going forward. As our data scope further increased in 2021 and the above-mentioned changes were implemented, the 2020 environmental indicators have been restated to allow a like-for-like comparison. We did this in close consultation with our sustainability advisor Sustainalize, part of the ERM Group.

Following a pre-assurance assignment with an external party during 2021 we have gained further insights and learnings which we have built into our 2021 sustainability reporting. This has led us to restate the 2020 employee turnover ratio and further define ESG metrics that reflect the sustainability journey that Marel is on.

Definitions and abbreviations

Average full-time employee
Average of employees at end of each month based on full-time equivalent.

CEO pay ratio
CEO total compensation to median Icelandic FTE compensation. CEO long-term incentives based on Black-Scholes.

CMD
Capital Markets Day. Marel held a CMD mini-session on Sustainability in December 2021.

Contingent workers ratio
Percentage of total headcount held by contingent workers. Contingent workers are workers not on Marel payroll. Also referred to as Third Party Workers.

CSR
Corporate Social Responsibility

Emission intensity
Emission intensity is represented by three metrics: (i) volume of carbon emissions per 1,000 Euros of revenue, (ii) emissions per square meter of all Marel facilities globally and, (iii) emissions per average full-time employee. All expressed in tons CO2e (carbon dioxide equivalent).

Employee turnover ratio
Percentage of employee turnover per average employee headcount.

Energy intensity
Total energy usage in megawatt hours (MWH) per average full- time employee.

Energy usage
Total amount of energy directly and indirectly consumed by Marel in gigawatt hours (GWH).

ESG
Environmental, Social, and Governance

Overall female ratio
Percentage of total enterprise headcount held by women.

Gender pay ratio
Male median annual base salary to female median annual base salary of employees at Marel at year-end. Salaries of part-time employees are annualized to full-time.

GHG Protocol
Greenhouse Gas Protocol

GDPR
General Data Protection Regulation

Headcount
Person with an employment agreement for an (un)limited period, either full-time or part-time and being paid directly by Marel. The words employee and headcount are used interchangeably.

HSE
Health, safety, and the environment

Independent board directors
All seven members of the Board of Directors: Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Olafur S. Gudmundsson, Svafa Grönfeldt and Ton van der Laan, are considered independent of the company. Furthermore, six of the Board members, Ann Elizabeth Savage, Arnar Thor Masson, Astvaldur Johannsson, Lillie Li Valeur, Svafa Grönfeldt and Ton van der Laan, are considered independent of the company's major shareholders.

Injury rate
Total reportable incident rate (TRIR) measured as number of total reportable injuries per 100 employees.

Market-based and location-based
Marel reports both a market-based and location-based scope 2 emissions figure, in line with the recommendation of the GHG protocol.

The market-based figure reflects emissions resulting from the specific electricity mix and other contractual instruments that Marel has purposefully purchased.

The location-based approach reflects the average emissions intensity of grids on which energy consumption occurs, using mostly grid-average emission factor data.

In instances where the energy mix is unknown the location-based approach is used to calculate the carbon emissions based on the average kgCO2-eq/kWh that applies in the country of that facility. These country specific energy mixes are derived from the International Energy Agency.

Non-renewable energy
Includes natural gas, coal, oil, and nuclear.

Renewable energy
Includes hydro, solar, wind, and biomass.

SBTi
Science Based Target initiative. Science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals.

Scope 1, 2 & 3
According to the Greenhouse Gas Protocol:

Scope 1: All direct GHG emissions that occur from sources directly controlled by the company. Marel's scope 1 is composed of the emissions from the combustion of natural gas in controlled boilers and the emissions from fuel combustion in vehicles operated by Marel such as company cars. Leased vehicles are operational leases and are reported under scope 1 based on their tank-to-wheel emissions.

Scope 2: All indirect GHG emissions that are associated with the purchase of electricity, steam, heat, or cooling. For Marel, scope 2 is composed of the emissions resulting from generating electricity purchased or used by Marel in offices and manufacturing facilities. Additionally, the emissions resulting from generating district heating is included in scope 2.

Scope 3: All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. In total there are 8 upstream emission categories and 7 downstream emission categories. Marel currently reports on business travel by air (downstream) and waste generated in operations (downstream) from its manufacturing facilities.

TCFD
Task Force on Climate-Related Financial Disclosures. Marel's 2021 climate-related report will be published as part of the 2021 Annual Report in March 2022.