

# Marel Annual Report 2013

Our strategy stands firm and we made strategic progress in 2013.  
Explore our performance and draw your own conclusion.  
Select an icon below to view different graphs.

## Chairman's Address

We look to the future with optimism. With our innovative products and global presence in a market with powerful growth drivers, we are in a unique position to secure healthy growth, improved profitability, and increased shareholder value.



## CEO's Address

We have formally started our refocusing plan with the objective of becoming simpler, smarter, and faster. We now strive for operational excellence throughout the organization with a greater focus on aligning execution with strategy.

## Financial Performance

Revenue was EUR 661.5 million in 2013 compared to EUR 714.0 million in 2012, a decrease of 7.3%. The EBIT margin was 6.5%. Orders received, order book and net debt improved compared to 2012.



Revenues



EBIT



Order Book



Free Cash Flow

## Introduction



## Market Leader

Marel is the largest provider to the global poultry, fish and meat processing industries

## Who We Are

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

Marel's state-of-the-art equipment and systems help food processors of all sizes, in all markets, to operate at peak productivity.

## Global Presence

With around 4,000 employees worldwide, offices and subsidiaries in some 30 countries, and a network of more than 100 agents and distributors, Marel is in a unique position to serve its customers wherever they may be located.



Employees



Countries



Partners

## One Company Serving Four Industries

Marel's four Industry Centers gathers together all the knowledge, expertise, and decades of experience accumulated across the company in each of the four core industries it serves.

Marel's brands – Marel, Stork Poultry Processing and Townsend Further Processing – are among the most respected in the industry. United in one company, Marel offers its customers the convenience of a single source for products to meet their every need.



**Largest provider to the global poultry, meat, and fish processing industries**



### Poultry Processing

Marel offers integrated systems for processing broilers, turkeys, and ducks under the brand name of Stork Poultry Processing.



### Fish Processing

Marel provides advanced equipment and systems for salmon and whitefish processing, both farmed and wild, onboard and ashore.



## Meat Processing

Marel provides advanced equipment and systems to the meat industry, specializing in the key processes of deboning and trimming, case ready, food service and bacon processing.



## Further Processing

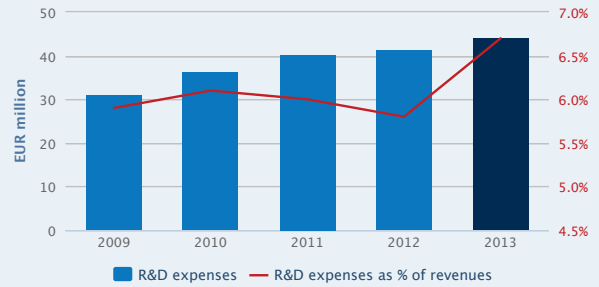
Marel offers an extensive range of products for portioning, coating, heat treatment, and sausage-making under the brand name of Townsend Further Processing.

## Innovation: It's in our DNA

Marel's annual investment of 5-7% of revenue in research and development has led to breakthrough innovations that have transformed the way food is processed around the world.

Marel's primary goal is to deliver market-driven innovation that serves its customers and helps them to be profitable – from small family-owned businesses to leading global producers.

## Research and development expenses



## Introduction

## Marel in Figures

With the exception of the order book and key figures from Marel's core operations (normalized), the figures in the table and graphs below are from the consolidated accounts of Marel.



Revenues



EBIT



Order Book



Free Cash Flow

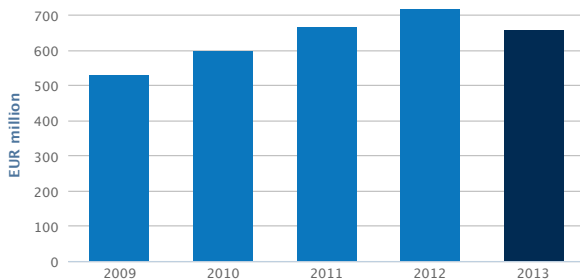
## Marel's Financial Results

Marel's financial results were below full potential in 2013. Cash flow was strong. Order book and orders received were steady. Strategic progress was made.

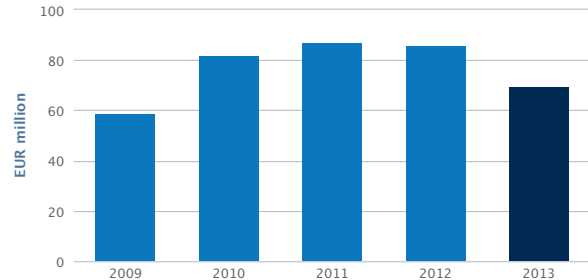


\* Compounded Annual Growth Rate

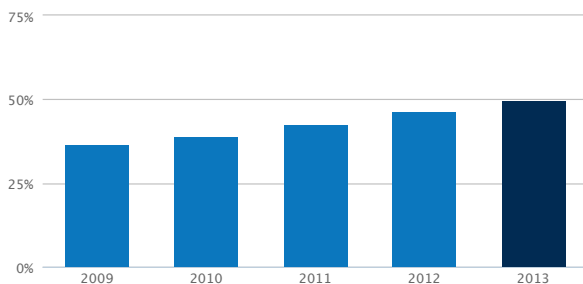
### Revenues



### EBITDA

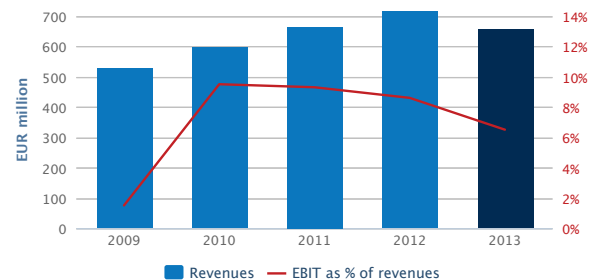


### Equity ratio



### Revenues and profit

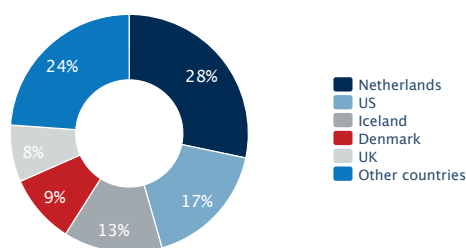
from operations (EBIT) as percentage of revenues



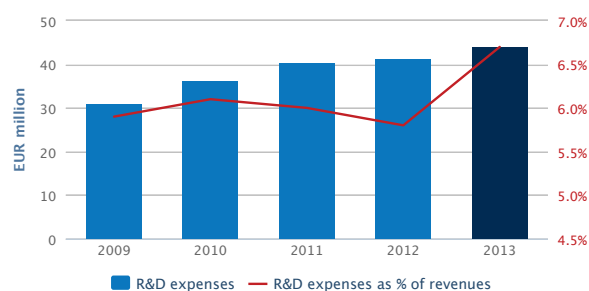


## Number of employees (FTEs)

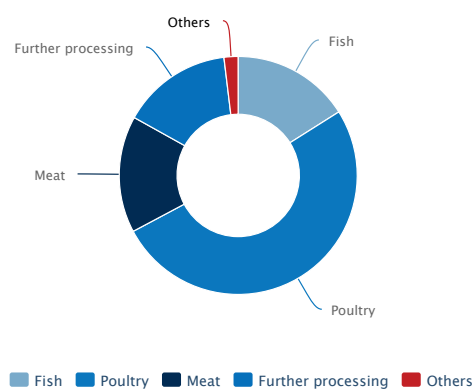
by geographical location at year end 2013



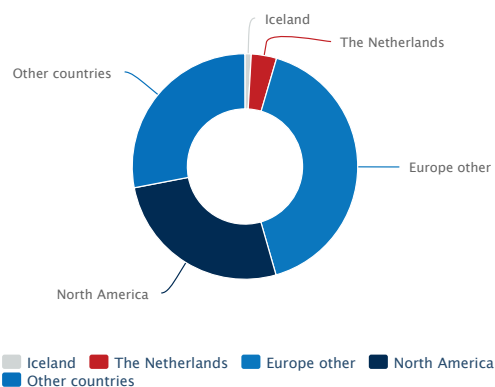
## Research and development expenses



## Revenues in 2013, by business segments



## Revenues in 2013, by geographical location



Results	2013	2012	2011	2010	2009
Revenue	661,536	713,960	668,357	600,421	531,680
Gross profit	233,644	249,226	247,289	227,074	191,674
Result before depreciation (EBITDA)	69,444	85,963	87,006	82,177	58,752
Result from operations (EBIT)	42,909	61,081	62,166	57,334	8,047
Net result for the period	20,620	35,609	34,463	13,626	(11,811)

Order Book	2013	2012	2011	2010	2009
Orders Received*	668,584	650,493	702,419	638,453	474,077
Order Book	132,438	125,390	196,218	162,155	105,832

\* Includes service revenues.

Cash flow statement	2013	2012	2011	2010	2009
Cash generated from operating activities, before interest & tax	80,320	65,569	63,716	114,881	75,395
Net cash from (to) operating activities	64,097	49,095	43,183	78,986	25,526
Investing activities	(31,963)	(37,294)	(28,690)	(16,757)	10,758
Financing activities	(26,461)	(26,486)	(47,120)	(67,453)	10,168

Financial position	2013	2012	2011	2010	2009
Total assets	839,568	865,128	877,818	877,623	882,882
Working capital	49,041	59,076	52,487	78,114	109,111
Equity	419,339	403,748	373,471	343,269	323,797
Net debt	217,130	243,242	250,489	256,741	295,012

## Introduction

## Chairman's Address

"Population growth combined with urbanization and rising incomes puts increasing pressure on global natural resources. One of society's greatest challenges is to fulfill rising consumption demands in an environmentally, economically, and socially sustainable way, providing safe and healthy food for all."

**Asthildur Otharsdottir, Chairman of Marel's Board of Directors**



### Powerful Growth Drivers

The global population already exceeds seven billion people and is expected to exceed nine billion by 2050. In addition to more mouths to feed, increased economic development allows people to consume more, leading to an expected increase in food demand of well over 50% by mid-century.

At the same time, it is estimated that each year, more than one third of all the food the world produces is lost or wasted. Not only does this mean an economic loss, it means that all of the natural resources used for growing, processing, packaging, transporting, and marketing that same food were also wasted.

In a world with more people to feed and less natural resources, we cannot afford this.

These trends and challenges are powerful growth drivers for Marel's industry. The opportunities are abundant. With our innovative products and global presence, we are in a great position to participate in solving one of the world's greatest problems: how to feed the growing population.

### Doing More With Less

Marel is committed to the continuous advancement of how food is processed – doing more with less:

- By reducing our customers' reliance on energy and water, we promote sustainability and conservation of scarce resources.
- By helping our customers reduce cost and increase efficiency, we make food more affordable.
- By improving the handling of raw material and embracing hygienic design principles, we elevate the quality and nutritional value of food.
- By developing highly advanced inspection and traceability systems, we ensure that the food we eat is safer.
- By reducing waste by-products and increasing efficiency in food processing, we help protect the environment.



### Potential To Do Better

Marel's operating results for 2013 did not reflect potential. We need to improve our earnings to enable us to better serve our customers and provide satisfactory returns to shareholders. Economic uncertainty has delayed investments in food processing equipment and the turnaround has been slower than we expected. This has affected our revenues. There is now a clear need for expansion and modernization in our industry - external signs are pointing in the right direction.

We can increase the efficiency of our internal operations. In the last few years, we have taken crucial steps towards becoming a market-driven organization and standardizing our products. Our newly launched Simpler – Smarter – Faster program marks the beginning of a new phase with a focus on simplifying our structure and driving down fixed costs, while improving service and customer value. Our cash-flow has remained strong and our balance sheet is healthy. We have a solid foundation for future growth and increasing profitability.

## Dividend

In 2011, the Board introduced a targeted capital structure for Marel of net debt in the range of 2-3 times earnings before interest, tax, depreciation, and amortization, where excess capital is used to stimulate growth and pay dividends to shareholders targeted at 20-40% of net profits.

In 2012 and 2013, dividends of €6.9 and €7.1 million, respectively, were paid to shareholders. In light of the current capital structure and upcoming refocusing program, the Board has proposed that no dividends will be paid for 2013.

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## Management Changes

Structural changes were made at Marel in 2013, including at the level of senior management. The Board of Directors would like to thank Theo Hoen, who has been an integral part of the Marel and Stork Food Systems story for 28 years, for his dedication and contribution to the growth and success of Marel.

At the same time, we welcome Arni Oddur Thordarson as new CEO. Arni has been instrumental in shaping Marel's strategy during his eight year tenure as Chairman of the Board of Directors. We would also like to thank Theo Bruinsma, who has left the Board of Directors, for his valuable contribution.

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## Bright Future

We look to the future with optimism. With our innovative products and global presence in a market with powerful growth drivers, we are in a unique position to secure healthy growth, improved profitability, and increased shareholder value.

Our highly skilled and motivated people are the assurance that we will continue to create value in 2014 and beyond. We are also grateful to our customers who buy and use our products, as well as help drive our innovations, and to our investors for their continued support.

The Board would like to thank the entire Marel team for their dedication in 2013.

## Introduction

# CEO's Address

"I enjoyed eight years as Chairman of the Board of Directors of Marel and it was with passion that I assumed the role of CEO in November 2013. Since becoming CEO, I have had the pleasure of meeting over 2,500 of Marel's committed and talented employees, and I have experienced first-hand how truly innovative and market-driven company Marel is. We are all passionate about Marel's future and looking forward to pursuing the opportunities ahead."



## A Simpler, Smarter, and Faster Marel

Our commitment to providing sustainable value has led to continuous advancement in food processing, benefitting consumers around the world.

Marel is already the partner of choice in the production of high-quality food that is convenient, nutritious, and environmentally friendly. Now we are working towards becoming simpler, smarter and faster at keeping ahead of the industry's needs

## Marel as a Global Leader

Marel achieved 4% average annual growth over the last 5 years. Yet during the same period, the global economy has been sluggish. This has been a difficult period for food processors that have seen a spike in corn and energy prices. The situation is improving, however and food processors returned healthy profits in 2013, which enabled them to strengthen their financials.

There is now a clear need for expansion and modernization in several markets. Marel has both the solutions and capabilities to meet those needs.

## Clear Strategy and Quality of Earnings

Marel's strategy is clear. We will continue to focus on the industry segments of poultry, fish, meat, and further processing. Marel's market position is strong on all continents and our global service network remains a clear competitive advantage. Securing after sales services with minimum downtime in our customers' factories is essential.

Bringing value to our customers also means we increase the quality of earnings for Marel shareholders. Last year, recurring revenues in the form of spare parts and service revenues accounted for 35% of total revenues, compared with around 20% in 2005.

## Aligning Execution and Strategy

Recent operational results have not reflected our full potential and competitive position. We now strive for operational excellence throughout the organization, with a greater focus on aligning execution with strategy. We have formally launched our refocusing plan with the objective of becoming simpler, smarter, and faster.

We have already taken several steps to simplify Marel's structure and reduce fixed costs. First, we expanded and strengthened Marel's executive team with several experienced and highly qualified Marel managing directors. Secondly, we are streamlining our freezing activities in Singapore in order to focus more on unique products that are supporting Marel's full-line solutions.

Finally, we have simplified Marel's meat activities by merging three business units to better utilize existing innovation and sales capabilities within the company. Those units include Carnitech activities that were acquired last year.

As a part of our new strategy, Marel's organizational structure will be further simplified in order to provide customers with better service. We will take considered steps to combine business units that serve the same customer needs and rely on the same technical capabilities. Our current manufacturing footprint is extensive and widespread, causing both over and underutilization in the system. We will drive higher gross margins through the optimization of the manufacturing footprint. Our aim is to surpass EUR 100 million in operating profits in 2017.

## Huge Potential

Marel is ready for the future. We will continue to expand the boundaries in food processing by constantly securing a strong and steady flow of new solutions to the market that are tailored to our customers' needs. We are firmly committed to the aim of delivering increased value to customers and shareholders. We have exceptional people and we operate in a market with huge potential. Together we are about to accomplish great things.



Over  
**50%**  
Increase in food  
demand to 2050

Strategy and Finance

# Sustainability & Environment

Our innovative AeroScalder uses up to 75% less water and 50% less energy than competing technologies

## Our Roadmap

### Marel's mission is to Be the Preferred Partner in the Production of Quality Food

Sustainability is the core of Marel's strategy and operations. Marel's primary focus is on increasing yield and reducing waste, and hence promoting sustainability in food processing. Marel will continue to find ways to improving efficiency in the industry. Marel's customers are looking for solutions that use less water and electricity, and that also offer impeccable hygiene and traceability. Marel has these solutions.

Marel has maintained its position as an industry leader in the challenging market environment that has prevailed for the past two years. This can be attributed to Marel building its strategy around two important pillars: market penetration and innovation.

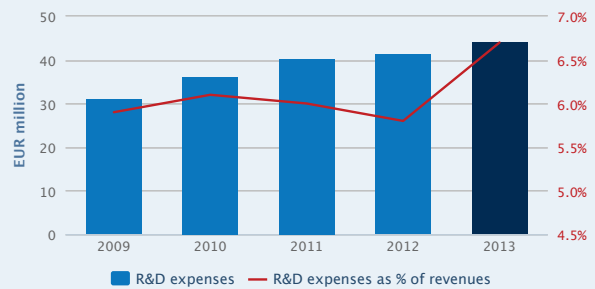
## Market Penetration and Innovation

Marel's extensive sales and service network is its key competitive edge, and has enabled the company to shift its focus to new markets when the economic environment has been less favorable in its more traditional markets. Marel's sales and service network is spread out across more than 30 countries on all continents. The network is Marel's first line of contact for customers at the local level, and brings first-rate service, consistency, and continuity to its partnership with clients.

Marel's continuous focus on innovation, even during challenging times, has resulted in a steady flow of innovative products that have transformed the way food is processed around the world. The key to success is through partnership with customers to find products that set new benchmark in the industry and to listen to the customers' needs in order to reach continuous improvements.

In 2013, Marel's expenditure in research and development equaled 6.7% of revenue, which is among the highest in the industry. Marel's commitment to innovation continues to bring added value for its customers worldwide.

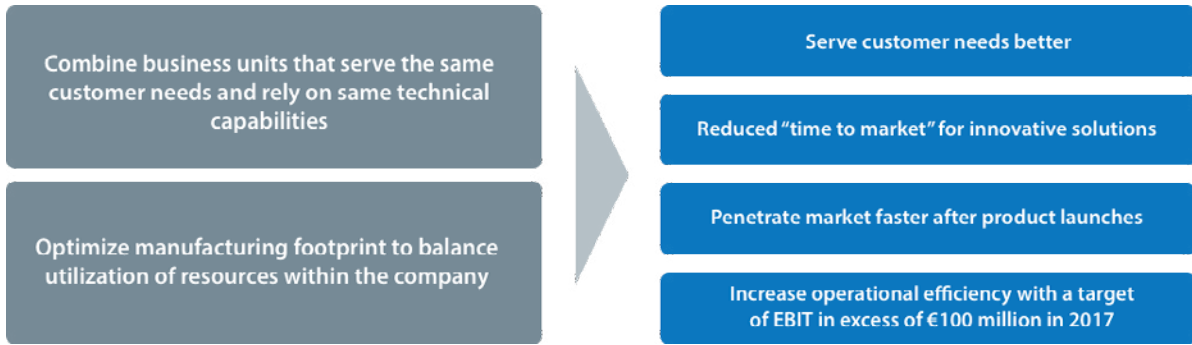
### Research and development expenses



## Simpler, Smarter, Faster

Marel's strategy is clear. Its competitive advantage is the market-driven organization that aims to bring all employees together under single, united vision, serving customers in the fish, meat, and poultry industries. In order to further align execution with strategy, reduce costs and simplify Marel's organizational structure, a new refocusing plan called "simpler, smarter, faster" has now been introduced. Since the appointment of a new CEO in November, and the expansion of the Marel's executive team in December, the company has launched several new initiatives.

In January 2014, changes were made to Marel's meat activities when three business units were merged to better utilize existing innovation and sales capabilities and the decision was made to streamline the company's product portfolio in the freezing segment, focusing on the unique products that are supporting Marel's full line solutions.

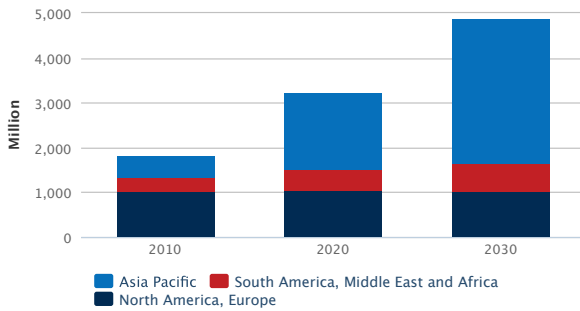


## Next Steps

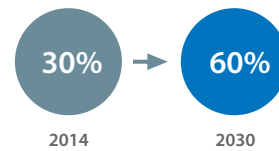
The recent changes will further align execution with strategy, provide better service to customers and enable Marel to achieve its long-term goals. Many additional projects are underway to help meet these goals and enable the company to operate to its full potential.

Business units serving the same customer needs and relying on the same technical capabilities will be combined. Marel's manufacturing footprint will be reduced; it is extensive and widespread and is causing both over and underutilization in the system.

### Active Consumer Base Growing Fast



### Active Consumers' Share of World Population

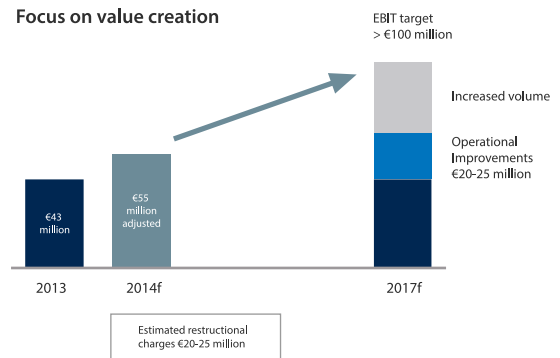


Source: OECD

## Shifting the Focus

Simultaneously, the focus has been changed from volume to value creation, with targeted operating profit (EBIT) exceeding EUR 100 million in 2017. Marel's objective for 2014 is to achieve organic revenue growth and adjusted operating profit (EBIT) of EUR 55 million. The long-term outlook in the industry remains favorable and Marel's goal is to continue to grow faster than the market average.

### Focus on value creation





## Strategy and Finance

# 2013 Milestones, Achievements & Events

Although 2013 was a challenging year for Marel, the people of Marel around the globe achieved many important milestones throughout the year.

We introduced

48

new products

We have

276

active patent families

We applied for

24

patents on new innovations

We exhibited at

45

tradeshows and exhibitions

We held

8

ShowHows &amp; Customer events

JAN

15 JANUARY

## New Marel Code of Conduct published



Marel adopted a new code of conduct applicable to all Marel employees, officers and directors globally.

30 JANUARY

## Marel is chosen supplier of the year



Marel was awarded the American Meat Institute's (AMI) supplier of the year during the 2013 AMI international production & processing exposition in Atlanta.

FEB

27 FEBRUARY

**Marel's stand at the Gulfood Exhibition in Dubai attracts steady stream of visitors from all around the world**



The Gulfood exhibition is billed as the world's largest annual food and hospitality show.

MAR

29 MARCH

**Marel's AeroScalder wins the AGRAME award for the Best New Poultry Product for the Gulf Market**



At the AGRAME tradeshow in Dubai, Marel's AeroScalder wins the AGRAME award for the best new poultry product for the Gulf Market. The award is another boost for the successful AeroScalder and a confirmation of Marel's position as global technology leader for poultry processing solutions.

APR

4 MARCH

**Gerrit den Bok is appointed the new General Manager of Further Processing**



Gerrit den Bok is appointed the new General Manager of Further processing.

25 APRIL

**Marel launches new responsive website, optimized for mobile devices**



Marel's websites are visited by tens of thousands of people every month from over 190 countries.

7 MAY

### Marel's ModularOven 700 wins the Meat Technology Awards 2013 at the IFFA exhibition



Marel's ModularOven 700 was awarded the Meat Technology Awards in the category Air Conditioning and Heating

MAY

18 JUNE

### Successful presence at VIV Turkey



The VIV Turkey, held in Istanbul, was successful for Marel. Several innovative solutions were on display and with the theme "100% innovation" Marel confirmed its position as innovative technology leader.

JUN

8 JULY

### Marel Acquires Part of Carnitech's Activities



Marel reached an agreement to acquire Carnitech's mixing and grinding activities.

JUL

16 AUGUST

### Marel awarded for leading innovation at the Aqua-Nor exhibition



Marel was awarded second place in the 2013 Aqua-Nor Innovation awards.

AUG

10 SEPTEMBER

### Tour de Marel raises 75.000 Euros for SOS Children's Villages



Marel employees around the world united in raising money for SOS Children's Villages in the Ivory Coast.

SEP

1 NOVEMBER

### Arni Oddur Thordarson appointed the new CEO of Marel



Marel's board of Directors appointed Arni Oddur Thordarsson the new CEO of Marel.

NOV

7 NOVEMBER

### Marel opens Progress Point in Denmark



Progress Point Marel latest and most extensive training and demonstration facility opens in Copenhagen, Denmark.

DEC

10 DECEMBER

### One Thousand Innova systems Sold



Marel reached the milestone to sell one thousand Innova systems.

19 DECEMBER

### Marel Expands its Executive Team



Marel's executive team was expanded with several experienced and highly qualified Marel Managing Directors.

## Strategy and Finance

# Financial Performance

## The year 2013 can be characterized as steady but slow

"In line with the end of 2012, the year started out slow. Contrary to our expectations, the trend did not pick up as the year progressed. Revenues amounting to EUR 661.5 million in 2013 compared to EUR 714.0 million in 2012, a decrease of 7.3%. The EBIT margin was 6.5%. However, the orders received, order book and net debt improved compared to 2012."

Erik Kaman, Chief Financial Officer



## Development of Order Book in 2013

In EUR million	Total 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Total 2013
Orders received*	650.4	183.7	159.1	163.3	162.4	668.6
Order book	125.4	151.1	131.8	138.3	132.4	132.4

\* Includes service revenues

## Natural Variations in the Business Environment

"The order book grew by 5.6% in 2013 while revenue decreased by 7.3%. There are fluctuations in both orders received and revenue from quarter to quarter, but they are considered natural variations in the business and depend on the timing of orders received and manufacturing lead times. Food processors delayed their investment decisions due to factors such as higher feed prices, uncertain economic conditions, and more difficult financing possibilities.

"Recovery has been slow in our most important markets," says Erik. "On the positive side, we see that the customer lead pipeline is mounting, which confirms a growing demand for investment. We see some early signs of recovery in certain markets like the U.S., but those trends were not strong enough to compensate for the decrease in other markets worldwide.

The economic environment is still challenging and sometimes it is difficult for our customers to finance projects and more standard equipment. Marel has now teamed up with a financial partner to offer leasing solutions for standard equipment, to adapt to the needs of the customers", says Erik.

## Focus on Strengthening Our Global Network

"We have maintained our focus on strengthening our global sales and service network, and streamlining our sales and service teams in order to enhance our customer partnerships. We have also continued to invest considerably in research and development. We aim to strengthen our position as a market leader by bringing food processors worldwide a steady flow of innovative products that cater to the ever-changing consumer needs," says Erik.

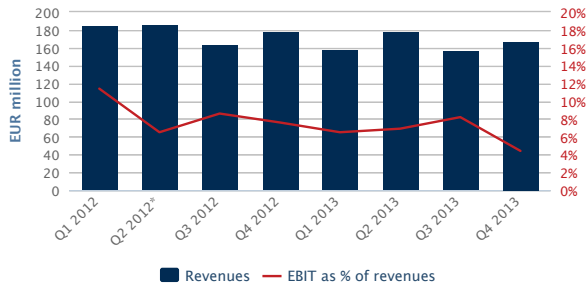
The company's revenue base remains strong and can generally be divided into three approximately equal components: 1) the sale of large systems, often for greenfield projects, 2) the sale of stand-alone equipment and smaller standardized systems, and 3) service and spare parts. In the past, large projects have generated about 1/3 of Marel's revenue, but last year they generated about 25% of revenue, whereas standard solutions accounted for about 35%.

Marel's poultry industry sector still accounts for slightly over 50% of the company's revenue; but there are signs that other segments may grow faster in the coming years.

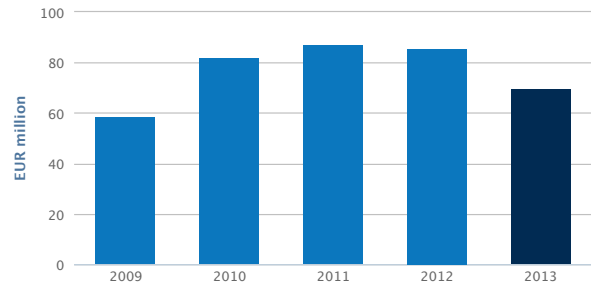


## Revenues of core operations and

normalised EBIT as % of revenues



## EBITDA



## Response to Economic Environment

In the present economic situation, Marel will focus on keeping a tight control of the cost level without lowering the resources allocated to research and development, and without impacting the sales and service network. According to the strategy laid out in 2006, Marel is now in its organic growth phase. The company can expand its production capacity without heavy investments in facilities and equipment.

"We have taken many important steps in recent years to align the company's resources, and to become more efficient in processes throughout the company's operations. This will be the foundation which supports our long-term business goals. We are guided by operational excellence in every aspect of our business. We continue to limit our investments in working capital by accelerating our cash conversion cycle. During 2013, we were able to maintain our levels of days of sales outstanding and inventory turnover rate, despite lower revenues.

The changes in management are intended to accelerate the reduction of costs that are not contributing to future growth. This also means that some units in the organization which have a subscale nature will be combined with bigger units, leading to a simpler management structure, leaner processes and reduced costs. The first such steps have been taken in the company's freezing and meat activities," says Erik.

## EBIT and Cost Efficiency

In 2013, the operational profit (EBIT) was 42.9 million, or 6.5%, compared to an EBIT of 61.1 million or 8.6% in 2012.

"This is a reasonable result in a difficult environment. The gross profit margin must improve. We will continue to maintain a strict focus on manufacturing efficiency, overhead costs, improvement and simplification of processes, and using economies-of-scale wherever possible. There are many ongoing projects which aim at streamlining the business, further reducing Marel's cost base in a sustainable manner, and preparing the company for continued growth in line with strategic goals," says Erik.

20   
billion chickens  
are in the world

## Financing

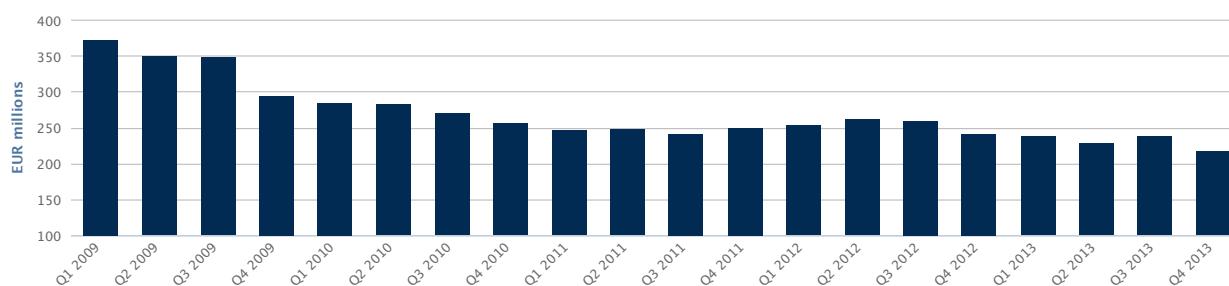
In December 2012, Marel signed agreements with its lenders to amend and extend the term of the present loan facilities from November 2010 by one year, to the end of 2016, while reducing interest costs. In December 2013 and January 2014 Marel repaid the Danish mortgage loans to further streamline the capital structure. The company is now financed by one bank consortium, and in a proportion of EUR and USD that gives a good natural hedge to exposures.

Since 2009 net debt has decreased substantially or by 157 million, at the same time Marel has issued 46 million through private placements, paid dividend in the amount of 14 million and pension payments settlements in the amount of 22 million. During 2013 the company's net debt has decreased from 243.2 million to 217.1 million due to the cash flow from operational results, strict working capital management, and limited investments. This gives a good starting point to support future growth in 2014 and beyond.

## Key Events During the Year

In 2013 Marel paid 3.7 million in pension payments in the U.S. The pension fund has now been closed and there are not further obligations. P&L impacts of this were already taken in 2012.

## Development of Net interest bearing debt since 2009



## Development of Net Interest Bearing Debt in 2013

End of quarter in EUR million	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Change since Q4 2012
Non-current borrowings	239.7	234.6	230.7	234.0	214.8	(24.9)
Current borrowings	19.4	19.4	19.4	19.5	22.1	2.6
<b>Total borrowings</b>	<b>259.2</b>	<b>254.0</b>	<b>250.1</b>	<b>253.5</b>	<b>236.9</b>	<b>(22.3)</b>
Cash and equivalents	15.9	14.7	21.3	14.5	19.8	3.9
<b>Net interest bearing debt</b>	<b>243.2</b>	<b>239.3</b>	<b>228.8</b>	<b>239.0</b>	<b>217.1</b>	<b>(26.2)</b>

## 2013 Results in Comparison to 2012

In EUR million	2013	2012	Change in %
Revenues	661.5	714.0	(7)
Cost of sales	(427.9)	(464.7)	(8)
Gross profit	233.6	249.3	(6)
Gross profit margin	35%	35%	0
Other operating income	0.0	0.5	-
Selling and marketing expenses	(95.1)	(90.1)	6
Research and development expenses	(44.4)	(41.6)	7
Administrative expenses	(51.3)	(56.9)	(10)
Result from operations (EBIT)	42.9	61.1	(30)
EBITDA	69.4	86.0	(19)



## Market Overview

## Diet & Lifestyle Change

In the next 20 years, active consumers will grow from 2 to 5 billion worldwide

Source: OECD

### Global Leader

As a leading provider of advanced solutions for the poultry, meat and fish processing industries Marel's market position is strong on all continents.

In spite of the challenges encountered last year, Marel maintained its position as a global leader in the industry. Marel achieved 4% average annual growth during the last five years.

At the same time, global economic growth has been historically low.

This has been a difficult period for food processors, which have seen a spike in corn and energy prices and have therefore not been investing in large projects. This has affected Marel's results as large projects normally account for about one-third of the company's revenue.

Revenue from spare parts and service, on the other hand, continued to increase in 2013.

### Marel's Growth Drivers



Population growth



Urbanization



Diet & lifestyle change



Sustainability & environment

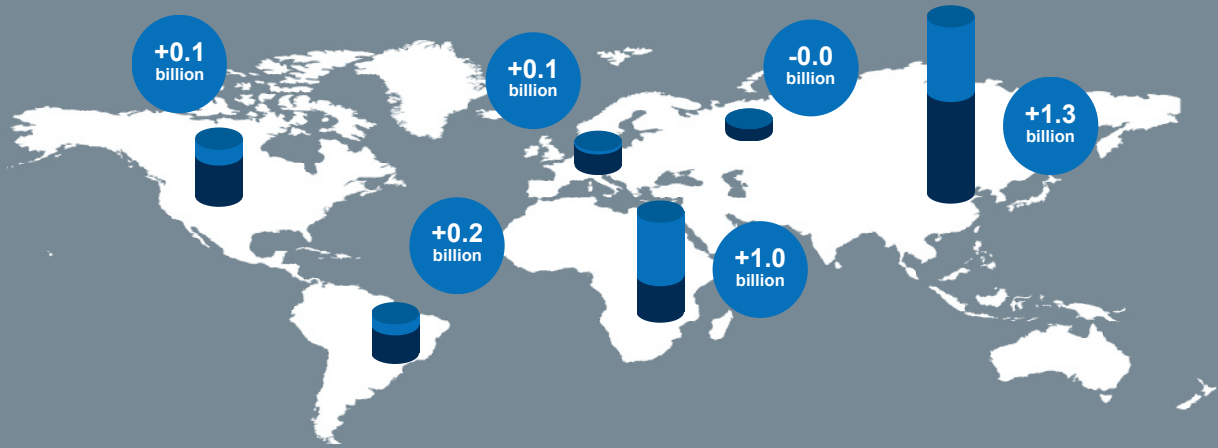
### The World is on a Three-Speed Track

The world is now on a three-speed track. The United States is back on a growth course and food processors there are in need of expansion and modernization. Europe is on a slower path, with gradual economic recovery progressing. Emerging markets such as South America and Asia are on a long-term growth track. Retail and food services have increased significantly in these markets in recent years while investments in food processing are lagging.

Marel's view of the market's long-term prospects remains unchanged. There is strong underlying growth in the industry and market activity is expected to continue to improve. Marel believes that demand for investment and modernization of food processing equipment is increasing, with many promising projects underway. According to industry reports, Marel operates in the fastest growing segment of the global market for food processing machinery.

MAREL'S GROWTH DRIVERS

Projected Growth in Urban Population to 2050



Source: UN's Department of Economic and Social Affairs, Population Division (2012).

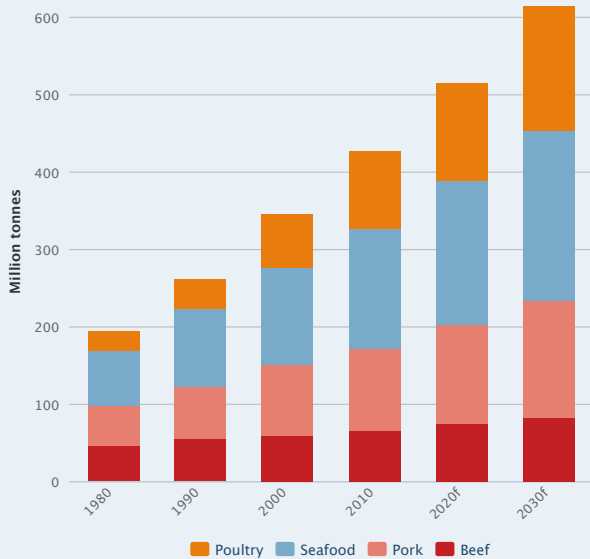
Abundance of Opportunities

Marel operates in a dynamic market with abundant opportunities. Proteins play an increasingly large role in the global diet and the protein segment of the industry has been growing at an average annual rate of 5-6% for the past 20 years.

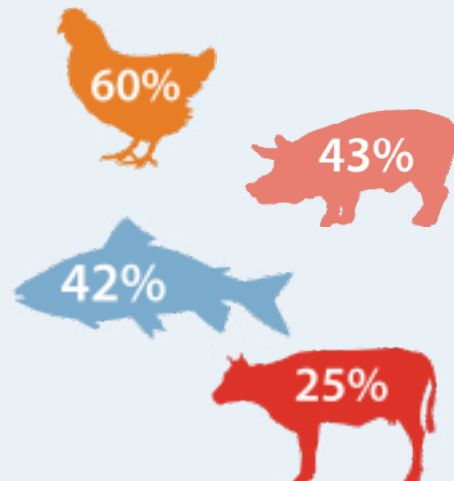
According to Rabobank's forecasts, global demand will grow by 45% in the next 20 years. Poultry will grow 60% and seafood 42%.

Global production of poultry, pork, fish and beef

Source: Rabobank



Forecasted Increase in Production to 2030



## Market Insight

**Nan-Dirk Mulder**, Associate Director and a Senior Animal Protein Analyst at Rabobank, says that the main drivers for this growth are population growth (the world's population is expected to grow by 1.2 billion over the next 20 years) and expected income growth that, in emerging markets, will lead to a move from vegetable-based consumption patterns to protein-based consumption patterns.



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**Gorjan Nikolik**, Senior Industry Analyst - Aquaculture and Fisheries at Rabobank, says that the future of the seafood industry is marked by positive growth in demand met by an increasingly more constrained supply, from both aquaculture and wild catch.

The result is increasingly more value-based growth and lower volume-based growth than seen in the past. This is all positive news for Marel, since all the major trends seem to be working in its favor, thereby ensuring demand for the company's products and solutions in the future.



## Market Overview

# Poultry Processing

## Present in Every Corner of the World

"Many of our 2013 projects confirm once again our position as the customers' choice in processing technology, globally present with local sales and service networks from which we service our customers efficiently. Although the global economic situation has had an adverse effect on investments in many markets, we have finalized a significant number of projects, both large and small, in every corner of the world."

Anton de Weerd, Managing Director Marel's Poultry Industry Center



## Sustainable, Safe and Traceable Processes

Poultry consumption worldwide continues to grow, and in many markets fresh, portioned and further processed products are becoming ever more popular.

Our leading position in this growing market enables us to develop even better products and services, allowing our customers to continue to improve their processes, cost base, and the quality of their products. To us, an important starting point is a sustainable, safe, and traceable process.

Duck processing has become a focus area. Our latest projects – a 6,000 bph (broilers per hour) line in South Korea and a 4,000 bph project in Russia – are fine displays of high-speed duck processing lines with the highest possible level of automation.

The integrated solutions are controlled and supported by our software solutions and enable the production of high quality duck products. We are confident that these successes enable us to grow in this segment of the poultry market. We are continuously working in close partnership with our customers on new processing techniques and technologies in almost every step of the process.

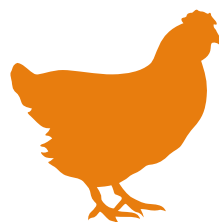
## Market Environment Still Challenging

For most of the year 2013 a slowdown in the poultry industry prevailed and led, in general, to a lower number of orders received. Positive exceptions were Poland, the U.K., Brazil, and Russia.

In Europe we implemented several exciting new greenfield projects, which bring together the best and most innovative technologies to produce a wide variety of top quality chicken products at the highest levels of throughput and automation.

The focus is on fresh products with retail quality, and on moving towards a cleaner and even more sustainable process. Once again, the award winning [AeroScalder](#) has proven to be successful. The AeroScalder introduces a new scalding concept that uses humidified hot air for scalding broilers.

The scalding system has several advantages; it saves up to 75% of water, up to 50% of energy, and broilers are no longer immersed in scalding water. Furthermore there is virtually no cross-contamination during scalding.

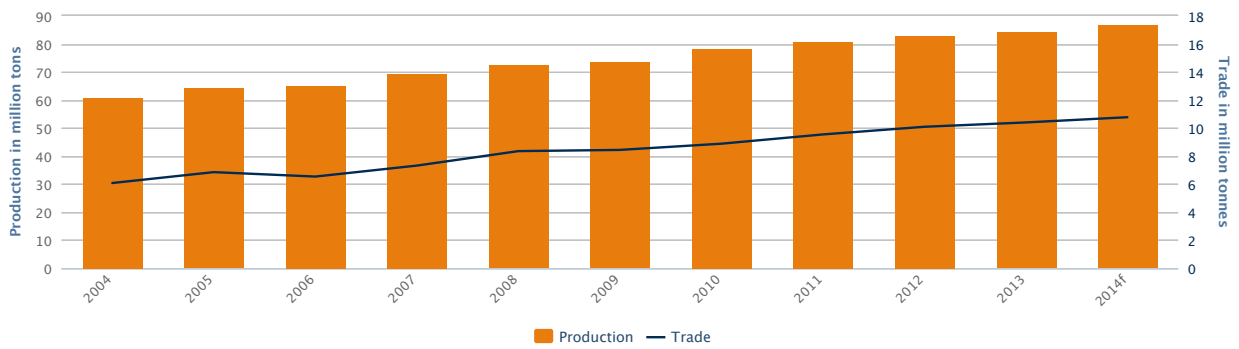


**Poultry birds  
make up over  
80%  
of all livestock**

In the U.S. market the situation has improved during the year. This development has already resulted in substantial orders for big bird lines. Also a number of substantial orders were secured in Latin and Central America.

In Mexico orders have been secured, reflecting a clear result of a focused market approach in this important poultry market. While the poultry market in the US continued to improve, most of the European and Asian markets were slow in terms of investment activity.

### Global broiler production and trade



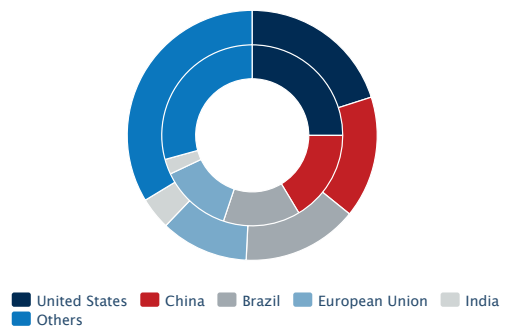
Source: USDA

### Compounded annual growth rate



### Global broiler production

in 2004 and 2014f



### Global turkey production and trade



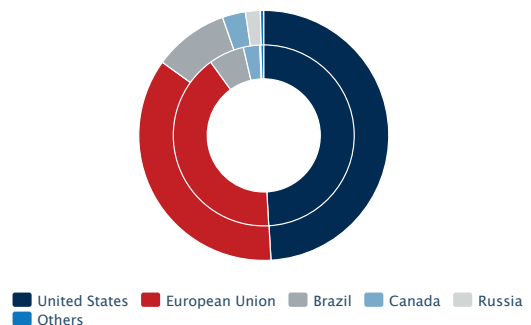
Source: USDA

### Compounded annual growth rate



### Global turkey production

in 2004 and 2014f





Customer story

## Charmfre in South Korea

With the realization of their new poultry processing facility near Buan in South Korea, Charmfre opted for quality, efficiency, and hygiene at the highest levels.



Charmfre is one of South Korea's poultry processing elite. The huge project, with a capacity of over 35,000 broilers per hour (bph), houses four high-capacity lines for the production of a wide variety of fresh broiler and duck products. The duck processing line offers the highest available automation level and processing speed available in the industry.

The Charmfre greenfield project is an example of the integrated approach that Marel offers, integrating the best new proven technologies. Marel is proud to have contributed to the realization of this great high-end poultry processing project.

### Several Innovative Solutions Brought to the Market

In 2013 several innovative solutions were launched. A new version of the [IRIS \(Intelligent Reporting, Inspection & Selection\) System](#) to inspect the back side of products was introduced.

The new [SmartWeigher](#), was launched, positioned in the selection line and is designed to weigh whole birds on a line and the new [Water Bath Stunner EU](#) improves the way handling the chicken at the first stages which complies fully with the new EU regulation.

In secondary processing, the new modular [StreamLine Poultry](#) improves trimming operations, and manages and monitors product flow and quality control. The StreamLine is controlled by [Innova Software Solutions](#) and offers many functionalities and improved hygiene.

The new dual-lane [SensorX 25](#) bone detection system with enlarged throughput was successfully launched and number of other solutions to further increase efficiency and yield.

During the Russia trade exhibition our [TrayTrack](#) system received the best new product award. The Traytrack is a perfect example of how we translate our innovative nature into value adding poultry processing solutions.





Market Overview

# Fish Processing

## Strong Commitment Towards Innovation

“Overall 2013 was a challenging year, where global markets for investments in fish processing were clearly impacted by the difficult economic climate in the world’s major economies. Towards the end of the year, however, we noticed some signs of gradual improvement. Pipelines remain strong and the level of outgoing new proposals indicates that the long-term outlook is positive.”

**Jon Birgir Gunnarsson, Managing Director of Marel’s Fish Industry Center**



## Underlying Need for Investment is Growing

With a steady increase in the total world production of fish, the industry overall is still going strong and processors will continue investing and updating their processing technology to accommodate increased volume.

All key trends suggest that the underlying need for investment is growing despite challenging market conditions, and Marel’s customers are facing increased demand for seafood.


Consumers of seafood products continue to demand more convenience and practicality, triggering more value-added processing.

Marel’s **Innova Software Solutions** are uniquely tied into its systems and equipment, and continue to give customers competitive advantage as consumers are increasingly aware of ethical sourcing, traceability to origin, correct labeling of all food products and food safety, Marel continues to be an industry leader in this field.

## Well Positioned for the Future

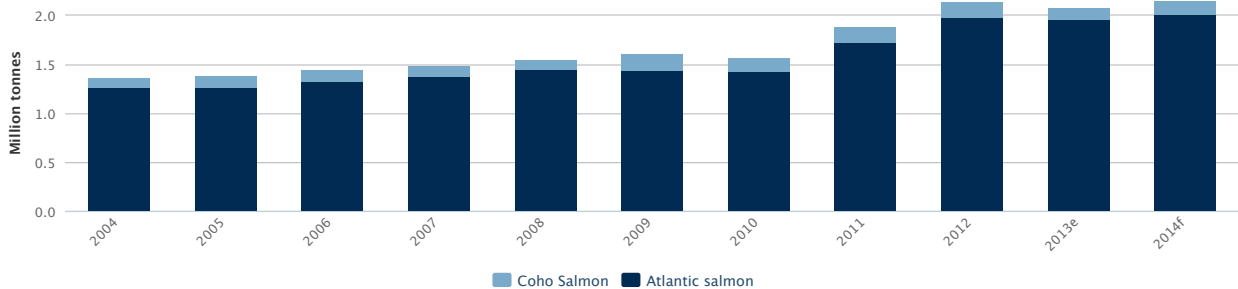
Given the above mentioned trends and expectations, Marel is well positioned to continue playing a big role in the future of the industry, both with its existing strong range of products and systems, as well as a constant commitment towards innovation.

Our strong sales and service network around the world has provided flexibility as customers in some markets have been forced to postpone investments.

Aquaculture provides **48%** of all seafood 

### Farmed salmon

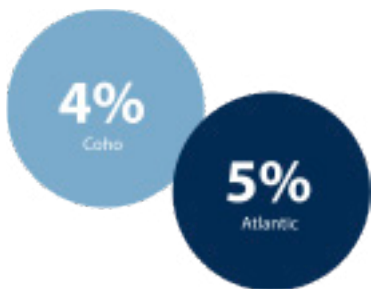
Global production



Source: FAO and Groundfish Forum

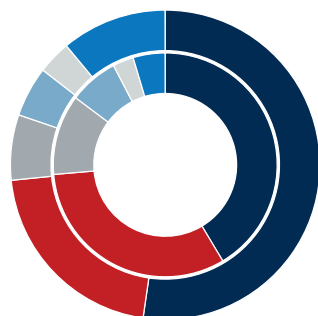


### Compounded annual growth rate



### Global salmon production

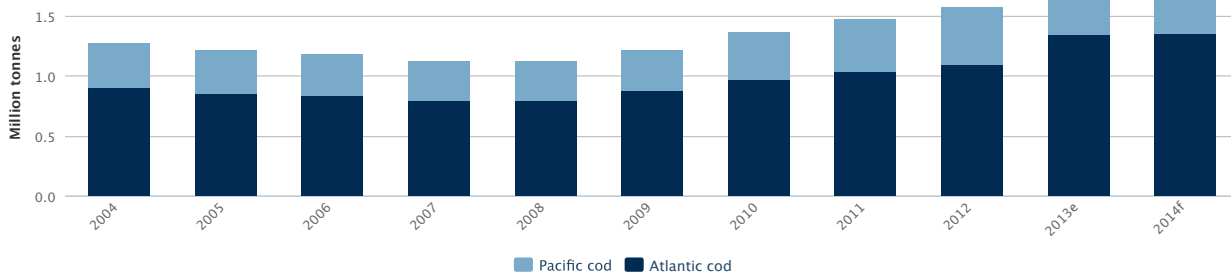
in 2004 and 2014f



■ Norway ■ Chile ■ United Kingdom ■ Canada ■ Faroe Island  
■ Others

### Cod

Global production



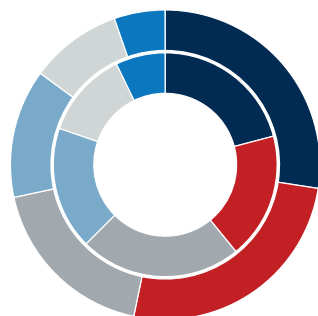
Source: FAO and Groundfish Forum

### Compounded annual growth rate



### Global cod production

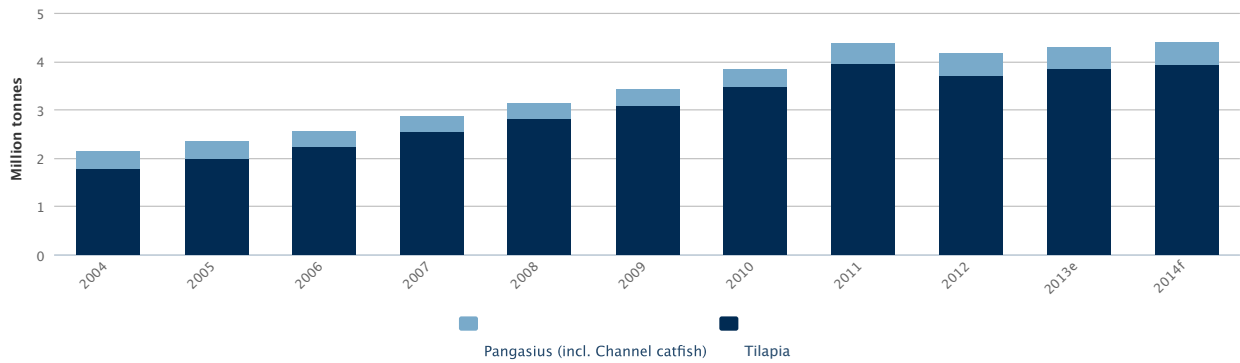
in 2004 and 2014f



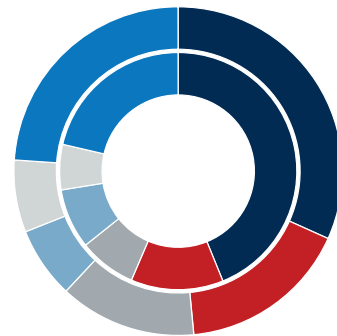
■ Russia ■ Norway ■ US and Canada ■ Iceland ■ EU (incl. Greenland)  
■ Others

## Farmed tilapia and pangasius

Global production



in 2003 and 2013\*



■ China ■ Egypt ■ Indonesia ■ Thailand ■ Philippines ■ Others



### Customer story

## Terrapez in Costa Rica

Terrapez in Costa Rica is part of the Grupo ACI, a vertically integrated company that controls the entire production chain, from the genetic development, farming, and processing, to the marketing and sale of the product, with the purpose of supplying the United States and European markets with fresh tilapia.

When Terrapez chose Marel as its partner for a purpose-built tilapia processing facility, its main goals were clear: speed up processing, gain better management control, increase yield, and improve product handling. "We have now reduced the processing time by around 40%, which helps us increase the product's shelf life, but also prevents costly drip loss and gives us a higher quality end product. In addition, the system enables us to deliver a more uniform product size," explains Max Fernández M., Plant Manager, Terrapez S.A

"This project was driven by the competitive market situation. Our competitors are global, both in the fresh and frozen segments. Our product has the unique value proposition that we have not only a sustainable product but also high quality. We have all necessary certifications, which is important to us. We managed to improve certain processes greatly, hereby enabling us to increase productivity and quality at the same time," Victor Jiménez General Manager Grupo ACO explains.

## Strong Range of Innovative Products and Systems

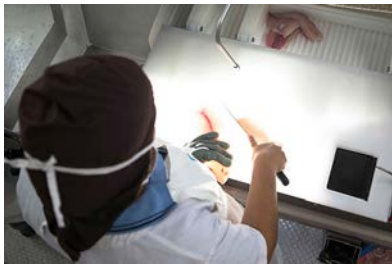
In 2013 Marel introduced several exciting innovations.

Early in the year, at the 2013 Salmon ShowHow, a [Portioning and Robot Loading Solution](#) for the salmon industry were introduced, which had been developed in partnership with Norwegian salmon processor solution automates the process of portioning and loading fixed weight salmon portions into retail packs, and enables a seamless flow of salmon portions without manual handling.

Later in the year, Marel won [innovation awards for this solution](#) at the 2013 Aqua-Nor expo in Trondheim.

Marel received good feedback from the salmon industry for updating the [MS2730 Filleting Machine](#) with a new back trim tool. In 2013 we also launched the [next generation of portion cutters](#), specially designed for fish, which is already triggering orders, confirming Marel's leading position in the portioning industry.

Finally we greatly extended the maturity of our portfolio of processing flowlines for whitefish with an updated version of the [Standard Flowline](#). Over the years Marel's close partnerships with some of the fish industry's most forward thinking processors have enabled many breakthrough successes and industry benchmarks, and will continue to do so.



## Market Overview

# Meat Processing

## Focus on Flexibility and Efficiency

"2013 has been a challenging, yet exciting year in the global meat industry. In Latin America we have seen more sales of StreamLine deboning and trimming systems, and after launching DeboFlex at the IFFA exhibition in May, we sold the first line to a customer in Brazil. In Europe we have installed our new X-ray based trim handling and inspection systems, and most recently we have sold a major greenfield project to one of the largest Australian retailers."

David Wilson, Managing Director of Marel's Meat Industry Center



## The Single Most Consumed Protein

The experiences and findings of Marel in the red meat industry in 2013 are in line with general industry trends.

Typically we have seen an increase in red meat production in developing countries while developed countries have experienced relative stagnation and even decline. This is expected to carry through into 2014.

Red meat production growth will come mostly from the pork sector, which benefits from lower feed costs, shorter production cycles, higher feed-to-meat conversion rates compared to beef, as well as a growing global consumer demand for pork meat.

Income growth and urbanization in developing countries will continue to drive the increase of consumption. Pork is currently the single most consumed protein, globally.

## Traceability, Food Safety and Affordability

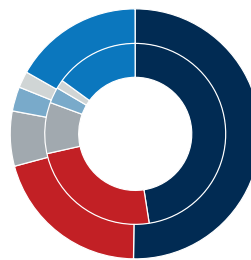
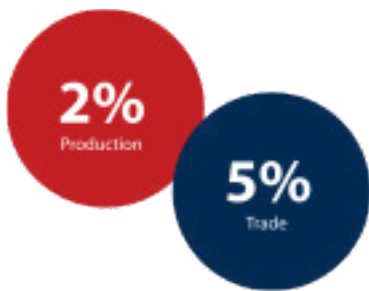
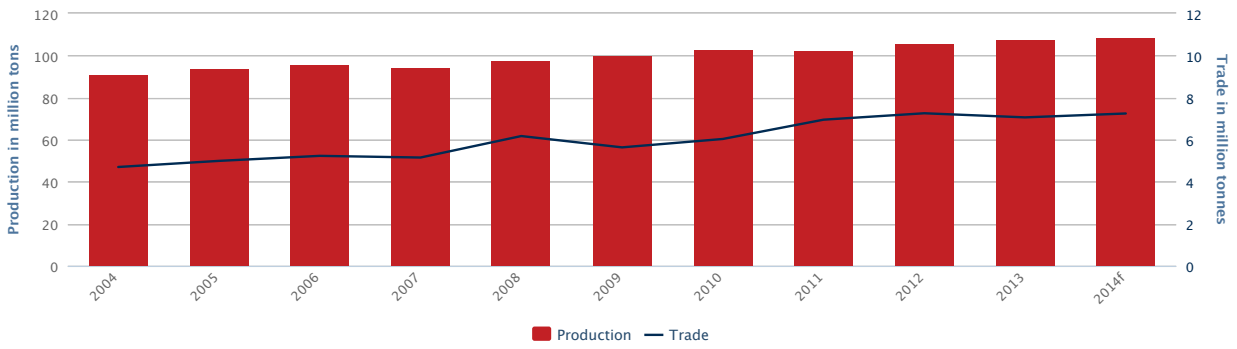
Global consumer trends ultimately influence how red meat is processed. These include, but are not limited to, food safety, price, and convenience. However, these trends also vary somewhat between developed and developing countries. Both food safety and traceability continue to become ever more important features in quality food production.

Marel, in close partnership with its customers, is working to develop solutions to meet these new requirements, particularly in the areas of traceability, food safety, and affordable health products through solutions such as: controlled portion sizes, value-added solutions, bone detection and fat analysis. Throughout these processes the focus is on flexibility and efficiency.



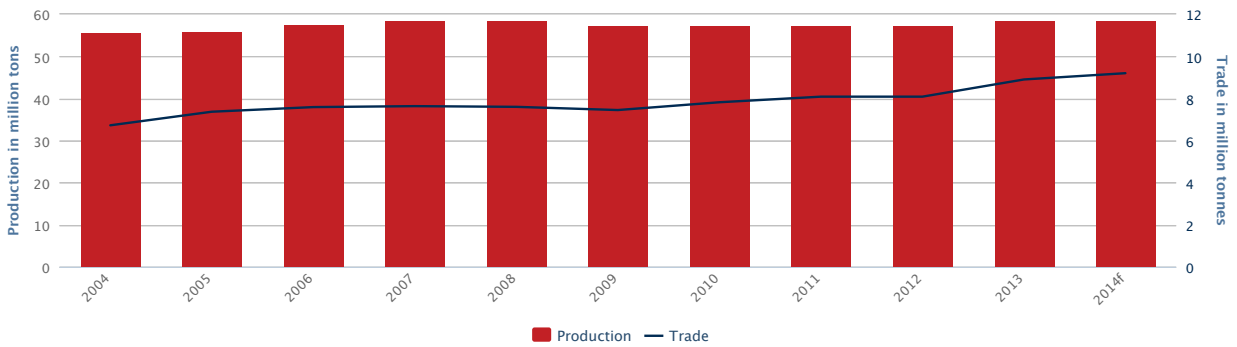
**1.4**  
billion cattle  
in the world

### Global pork production and trade

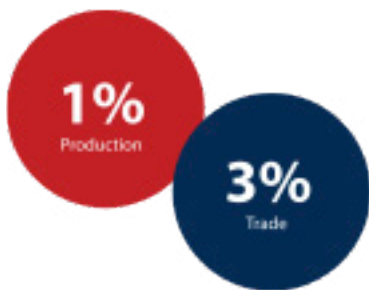


■ China ■ European Union ■ United States ■ Brazil ■ Russia  
■ Other

### Global beef and veal production and trade

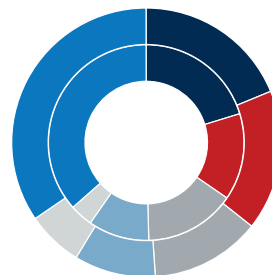


Source: USDA



### Global beef and veal production

in 2004 and 2014f



■ United States ■ Brazil ■ European Union ■ China ■ India ■ Other



## Customer story

# Compaxo in Holland

DeboFlex is Marel's new flexible pork fore-end deboning solution. This groundbreaking shackle-based logistical solution makes deboning and cutting pork fore-ends so much easier and more efficient, bringing production management to a new level. With DeboFlex, the processing flow is made simple and orderly, which results in higher capacity, increased yield, and improved logistics and ergonomics.



The first company to install the new DeboFlex system was Compaxo Meat Ltd in Zevenaar, Holland. Marel formed a close partnership with Compaxo to improve and further develop DeboFlex to the revolutionary system it is today.

At the Compaxo pig slaughterhouse, craftsmanship goes hand in hand with the latest technologies and sciences – and the new DeboFlex fits well within that philosophy.

Menno van der Post, Production Manager at Compaxo in Zevenaar, immediately adapted to the new way of working. “We are very happy with the DeboFlex. The flexibility and easy logistics of the system are simply impressive,” he says. The DeboFlex offers many benefits for Compaxo, as van der Post explains: “We constantly see new benefits. Efficiency in the production hall has risen, the transport of products has become simpler, the cutting process has become easier, and the bacterial counts have dropped. And all this within just a couple of months after installation.”

## Increasing Production in Latin America

Some of our highlights in 2013 were seen in Latin America where red meat production is increasing, especially in Mexico and Brazil, as a result of rising export demand, and competitive prices.

We have experienced a great deal of interest in systems and equipment from the Latin American beef and pork industries – especially in our [StreamLine deboning and trimming systems](#).

In fact, we sold the largest system ever to a Mexican customer. We are also extremely happy about the first sale of the new [DeboFlex](#) system for deboning pork fore-ends to a Brazilian customer.

Once up and running, this system will be processing 800 fore-ends per hour.

DeboFlex is a groundbreaking logistical solution that makes deboning and cutting pork fore-ends so much easier and more efficient, bringing production management to a new level. With DeboFlex the processing flow is made simple and orderly, which results in higher capacity, increased yield, and improved logistics and ergonomics.



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## Static Production in Developed Countries

In the U.S., meat production declined in 2013 due to declining herd numbers, which was a consequence of the droughts in recent years, high feed costs and low product prices.

A similar picture has been seen in Europe and Oceania. There we saw a slight rise in production during the year because of the growth in exports, small herd expansion and lower feed costs.

The European meat industry is beginning to invest again – and we see that our [Trim Handling Systems](#) are showing great results in the companies where they have been installed.

## Partnership With One of the Largest Retail Supermarkets in Australia

The most impressive project in 2013 took place in Australia, where Marel, in partnership with one of the largest retail supermarkets, designed the equipment set-up for a new greenfield case-ready plant, with processes covering the entire chain from intake to dispatch.

This project demonstrates Marel's huge capability for combining equipment into a full plant layout and gluing it all together with its Innova software.



Market Overview

# Further Processing

## Focus on Competitive Strength and Innovative Approach

“Over the year 2013 we can conclude that Marel has proven itself to be a world player in the field of processing equipment for the market of cooked products. At the same time we need to focus more on equipment for other product market combinations like fresh products, co-extruded products, and traditional sausages.”

Gerrit den Bok, Managing Director of Marel's Further Processing Industry Center



## A Fantastic Market with Huge Growth Potential

The further processing industry market shows sustainable growth as protein consumption is forecast to grow 45% over the next 15 years.

In developed markets, like Europe and the U.S., this trend will be supported by on-line sales of convenience food, which is the result of the digitalization of consumers worldwide.

In emerging markets like Latin America, Africa, and Asia, the consumption of convenience food is growing rapidly, supported by changes in eating patterns in these countries.

Another factor supporting growth in the consumption of convenience food is the growth of the middle class in emerging economies worldwide.



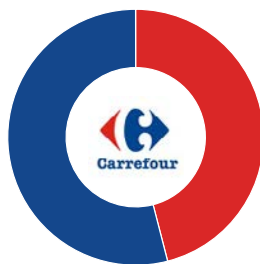
**3x**  
World trade value  
of poultry, meat and fish  
in the last ten years

## Largest Global Food Retailers

Revenue in home market and globally



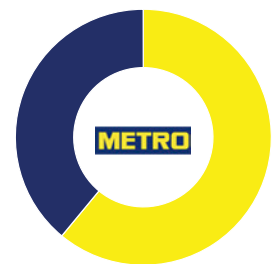
■ US ■ Global



■ France ■ Global



■ UK ■ Global



■ Germany ■ Global

Source: Company information



## Customer Story

# HB Grandi in Iceland

HB Grandi is one of the largest fish companies in Iceland and a leader in its field. HB Grandi greatly emphasizes using the latest advances in technology for fishing and processing. This is why they chose the RevoPortioner from Marel.

The RevoPortioner enables processors to make perfectly portioned products at low pressure, which retain the texture and the structure of the raw material. Until recently the RevoPortioner has been used with meat masses, but it is now breaking ground in the seafood industry.

"The RevoPortioner fully meets our expectations. We get the correct texture and bite," says Kari Solmundarson Sales Manager of HB Grandi. He explains that the RevoPortioner is an opportunity for fish processors to continue adding value to their products: "The 3D shape and the natural bite of the piece is actually a revolution in the seafood industry".

## Focus on Four Different Product Lines

To capitalize on prevailing market trends, Marel's Further Processing Industry Center will focus on four different product market combinations: convenience products, co-extruded products, traditional sausage making, and fresh products.

From 2014, Marel will organize itself accordingly in dedicated product groups. This change will help equip Marel for the future and support its long-term growth potential and future prospects in the further processing industry.

Throughout 2013, Marel's Further Processing Industry Center has become a more mature full line supplier on cooked products, in which it can now offer complete Marel solutions.

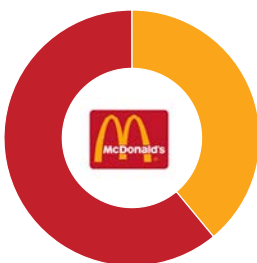
Parallel to this, we have gone through a steep learning curve on equipment for [co-extruded products \(QX systems\)](#).

We see a lot of potential for this equipment worldwide, and a lot of interest is shown in the U.S. and Latin America, as well as in Europe.

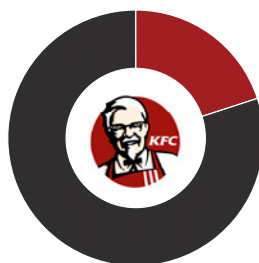
We have seen good revenues from equipment for traditional sausage making (linkers and peelers), especially in Latin America, Asia, and the U.S., while the market on fresh products is doing exceptionally well in France.

## Leading Global Quick Service Restaurants

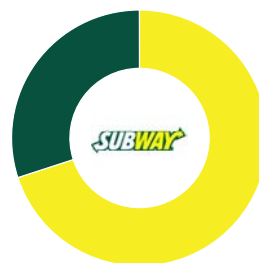
Revenue in home market and globally



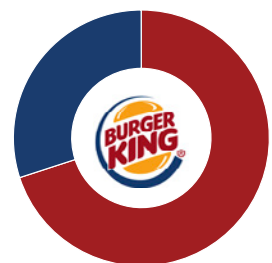
■ US ■ Global



■ US ■ Global



■ US ■ Global



■ US ■ Global

Source: Company information

## Unique and Innovative Award Winning Products

At the IFFA show in Frankfurt, we demonstrated our potential to our customers with a very positive spin-off, resulting in stronger relationships with our growing customer base and some new orders.

Marel also received the award for Heating Technology for our [Modular Oven Systems](#) which shows once more that we are differentiating ourselves from the competition by means of unique developments.

Over the year, we completed some very exiting innovations in different fields of expertise.

For the cooked market we developed a new [ValueFryer](#) and the next version of our [RevoPortioner](#)'s program. Both developments will support our plan for 2014 in convenience products.

We sold the first version of our new [High Capacity Cook Smoke Link system](#), which will be installed early in 2014. This system will strengthen our position on the co-extruded sausage market.

For the fresh market we were able to launch our [Modular Sausage Loader](#), which has great potential in the fresh market. We continued to strengthen our partnerships with reliable food equipment suppliers around the world.



## Business operations



# Urbanization

Half of the world's population lives in urban areas

Source: United Nations

## Market Penetration

### Enhancing our Resources Worldwide

**"Marel's sales and service network represents most of the key markets worldwide, and the goal in 2013 was to strengthen it further.**

The focus was on improving the level of sales and service competences for the benefit of our customers, with minimal increase in costs. This was done using some untraditional methods such as sales training through Live Broadcasting (Marel TV), and eLearning. Additionally, hundreds of people attended the traditional face-to-face training sessions.

A big milestone was reached at the end of the year when the new demo and training center, Progress Point, was opened in Copenhagen, Denmark."

**Petur Gudjonsson, Managing Director of Marel's International Sales and Service Network**



## THE MAREL WAY OF LIFE

## Progress Point

**A major milestone was reached when Progress Point was opened in November 2013.**

This 2,900m<sup>2</sup> demonstration facility, with its 900m<sup>2</sup> of demonstration halls, is revolutionizing how Marel demonstrates its newest equipment, solutions, and processes to customers. Most of the demonstration area is chilled so it can simulate a real processing environment. The facility also includes numerous meeting rooms and an auditorium.

In addition to demonstrations, Progress Point is used for training purposes, and customer and internal meetings. With this new facility the focus will shift from trade shows, and more emphasis will be placed on inviting customers to a hands-on experience at Progress Point.



## Regional Approach

In order to harmonize strategies for Marel in the world markets an official definition of six regions has been defined. Each region can consist of one or more independent Sales and Service Units (SSUs) and agents. This will allow a common strategy towards that region, and facilitate more sharing of resources within each region.

To support this strategy, the operations of Marel's SSUs have been centralized by merging smaller SSUs with larger ones; such as Denmark with Norway and Sweden, Romania with Poland, Italy with Iberia as well as Chile and Uruguay.

We exhibited



tradeshows and exhibitions

We held



ShowHows & Customer events



## New Marel Offices

In 2013 new Sales and Service Units in Mexico and India finished their first full year of business with good results. Numerous large projects were concluded in Mexico, where Marel partnered up with leading food producers.

This success is an example of customers moving towards Marel and being open to establishing partnerships on a solid foundation, thanks to Marel demonstrating its commitment to customers in a local market by establishing a local sales and service team.

## Global Presence

Marel's global distribution network includes offices and subsidiaries in some 30 countries, and approximately 100 agents and distributors around the world.

Building on their knowledge of the market and customer needs, our local teams sell, market, distribute, install and service Marel's standard products.



## Business operations

## Service

### Improved Service Efficiency

"We are currently in the middle of a transition from being a product oriented service organization to being more customer centric. This includes increased focus on customer insight, like improved installed base and customer management. We want to meet the actual needs and demands of our customers."

**Trausti Arnason, Global Service Director**



### The Golden Service Triangle

Marel's service mission is to support our customers' preferred balance between maximum uptime (throughput), minimal cost of ownership, and highest yield (performance). With the Golden Service Triangle, Marel aims to generate added value for the customer; develop, maintain, and improve customer relationships by creating a balanced service triangle for each customer.

**156**   
million tonnes of fish produced

## THE MAREL WAY OF LIFE

## Tour de Marel 2013

**Tour de Marel, took place for the second time in 2013. This time Marel employees around the globe raised €75,000 to support SOS Children's Villages in the Ivory Coast.**

Marel employees around the world participated in Tour de Marel by running, walking, cycling, playing football and participating in a variety of different events and fundraisers. Marel's donation will be used to build new primary school, located in the SOS Children's Village that will provide quality education for 210 children aged 6 to 16 years.



### Developing Long-Term Partnerships

"We will become more involved in the customer's processes and shift the relationship from reactive to proactive; from provider to partner. We hope to meet our customers' needs throughout the lifecycle of the products and solutions that they have," says Trausti.

"To be able to realize our service mission to develop long-term partnerships with our customers, we have prepared a Strategic Service model that will guide us in building the foundation for future growth in our service areas for the years to come," says Trausti.

### Focus on Performance and Customer Experience

Marel took some important steps in 2013 on global alignment projects for service. One of those projects is the global spare part pricing policy that was rolled out in all markets in 2013, with the main goals of simplifying the pricing structure and offering competitive prices to our customers. A global performance program was also rolled out to steer improvements for reactive service. Those two projects are very important and will have extensive impact for Marel's customers on a global scale. "I expect our customers will see positive changes in 2014," says Trausti.

## Best-in-Class Performance

"In order to execute the long-term service strategy it is mandatory to get the right building blocks in place. The first step in our five-year roadmap was the startup of a global performance program in the beginning of the year 2013. In the first year we implemented key priority projects and started measuring performance on those," says Trausti.

"The improvements exceeded expectations and we saw an improvement in both first-time fix rate and planning accuracy. According to research reports this performance is rated as best-in-class performance for similar companies".

Spare part performance has been improved with a focus on shorter lead times and reliable delivery times. Shorter lead times on spare parts show the largest improvement so far. On average lead time improved by 15-25% in our large warehouses and manufacturing centers, both in Europe and the U.S., while the delivery accuracy has been maintained.

Along with more reliable and efficient service delivery, like higher first-time fix rate and accurate planning, this will affect the customer experience in positive way.



## Business operations

# Innovation

## Innovation Through Partnership

For Marel, innovation is the essential element when striving to offer the best, every single day. The company's goal is to provide its customers with solutions that give them an edge over their competitors. To achieve this goal, Marel introduced 48 new products in 2013 and applied for patents for 24 new innovations.

Marel had 276 active patent families at the end of the year. Marel believes that bringing innovative products to its customers is the best way to keep them ahead in a competitive market.

Marel has proven once more that innovation is a lifeline. Despite challenging market conditions in 2013 innovation activities were sustained at a high level.

Marel has brought a large number of new solutions to the market to suit its customers' needs, increasingly based on its combined knowledge of the different heritages and entities in the company.

We introduced

48

new products

We have

276

active patent families

We applied for

24

patents on new innovations

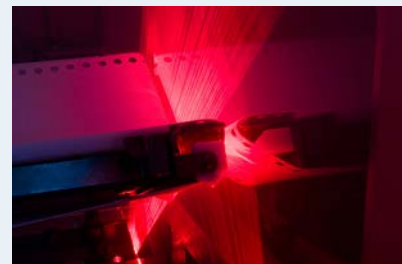
## Investment in Innovation is Key

The structure of Marel reflects its emphasis on innovation. For every market and application, Marel designates a team of sales, service and innovation specialists to make sure there is a continuous flow of valuable ideas being developed into new additions to the product portfolio.

Innovation is not luck, but hard work that involves leaving the office to learn and work in the field with customers and state-of-the-art technology suppliers. On the other hand, Marel also provides an internal network for innovators to learn from the different industries and centers across the company to fuel creativity and make best use of the available knowledge.

The ultimate aim is to simplify existing processing methods and use intelligent thinking to develop the products that mean fundamental changes for the industry and consumers. Changes in production costs, higher value of the product, waste reduction etc. With the current product quality and speed requirements of protein processing, this is becoming more and more challenging. Marel is convinced that we can only fulfill this task with strong partnerships.

In addition to having its own large and strong research and development team, Marel enjoys good relations with many suppliers of knowledge and solutions. The company's annual investment in innovation is well above the industry average. Investment in innovation means investing in people who are dedicated to finding increasingly ingenious ways to benefit customers and consumers.

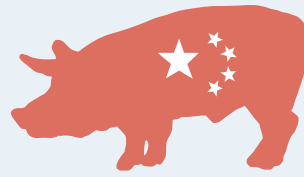


## Understanding Our Customers

Good innovation starts with the market drivers. At Marel, we commit to understanding the business models and drivers of our customers in various parts of the world.

We have created not only an environment but also a formal process to make sure that the market plays a central role throughout the whole development cycle. Intensive cooperation between Marel's team of experts – in sales, service, innovation and manufacturing – and the company's entrepreneurial customers is the real reason Marel excels in innovation each year.

This partnership ensures that Marel can assist its customers in reacting to ever-changing consumer habits and in rising against challenges in the external environment such as the need to save energy and water, or improve the yield of the protein being processed.



China  
consumes  
**50%**  
of the world  
production of pork

### THE MAREL WAY OF LIFE

## Marel TV

**Marel operates its own TV station that broadcasts live to Marel employees that are located all around the globe.**

In monthly live broadcasts Marel's newest solutions are introduced by sales specialist. At the end of each session, Marel viewers can send in questions which are answered in real-time by specialists. This way all the Marel sales around the world are kept updated on new equipment and solutions that Marel steadily introduces to the market.

## The Innovation Tree

The Marel innovation tree expresses our vision on innovation. Its roots thrive on ideas and knowledge to form the seedling of a large tree. A multidisciplinary, firm, and thorough development process forms the tree's branches that finally bear fruit for customers to enjoy.

The cycle begins again as this process bears seeds for new ventures and new discussions with customers. "Open your mind" is a call to the Marel innovators and customers to look to the future and sow the seeds of innovation.



## Business operations

## Global Supply Chain

**“Partnership with our suppliers is becoming increasingly important as they provide us with innovative solutions in our product offering as well as flexibility in our supply chain.**

They are crucial in realizing Marel's long-term growth strategy. For the coming years we foresee even closer cooperation with our key suppliers.”

**Paul van Warmerdam, Head of Global Supply Chain**



## Manufacturing


In 2013 Marel continued to make good progress with the implementation of the Marel Manufacturing System (MMS) across all our manufacturing sites. On all sites, we have completed projects and started new initiatives to support the continuous effort to refine both the effectiveness and efficiency of our processes.

These projects comprise all areas, such as people, processes, capital investments in production equipment, and development and optimization of production technology. “The cooperation in the global community continues to create energy and present new opportunities, and the success stories that have been reported from different corners of the world confirm our belief in one shared vision,” says Paul.

Marel's focus on cellular manufacturing has led to the successful implementation of a number of production cells within our manufacturing environment. These cells have resulted in a significant reduction of lead times and increases in productivity. “In 2014 we will continue our efforts and apply what we have learned,” says Paul.

“In parallel we continued to further improve the triangle of innovation, procurement and manufacturing. This will remain an important focus area in the coming period, as this is essential to continuously reduce time to market of our innovations, and bringing cost-effective solutions to the market,” says Paul.

## Megacities - World's Ten Largest Extended Cities in 2025



Urban Agglomeration	Country	Population (millions)
Tokyo	Japan	38.7
Delhi	India	32.9
Shanghai	China	28.4
Mumbai (Bombay)	India	26.6
Ciudad de México (Mexico City)	Mexico	24.6
New York-Newark	United States	23.6
São Paulo	Brazil	23.2
Dhaka	Bangladesh	22.9
Beijing	China	22.6
Karachi	Pakistan	20.2

Source: United Nations

## Procurement

In Marel's Global Procurement program, an aligned cost management approach has been introduced across the Marel procurement function to secure alignment and better control our costs and working capital. These initiatives lead to improved bottom-line results, and better control of working capital.

Marel has enabled close cooperation with selected suppliers and has developed processes and a toolkit to define the right strategy and supply base that fit its innovation and service strategy. This ensures that Marel benefits from suppliers' innovations for improved technologies.

In 2013 Marel started to see the benefits of its Supplier Relationship Management (SRM) process and toolkit. Within this process Marel continuously works towards strengthening its relationships with global and local suppliers, with the goal of creating value through long-term partnerships.

# The Marel Blues Project

**Marel has its own Blues Band, the Marel Blues Project, which consists of Marel employees and special guests**

Every year Marel's headquarters in Gardabaer are for one night transformed into a Blues Club when the band goes on stage and performs outstanding blues. In January 2014 the Blues night was held for the 7<sup>th</sup> time and the event was broadcast live to Marel employees around the world. The broadcast was sent out to more countries than the famous Eurovision Song contest.

## Partnership

"Marel has valued its partnership with customers for a long time. Partnership with our suppliers is becoming increasingly important as they provide us with innovative solutions in our product offering as well as flexibility in our supply chain. They are crucial in realizing Marel's long-term growth strategy, and we foresee even closer cooperation with our key suppliers in the coming years," says Paul.

**50.5%**   
of the world lives in urban areas

## Operational Excellence

Marel's strategic focal points – improved customer service, improved data integrity, and modularization of products – call for operational excellence practices to enhance performance and make it possible to realize strategic goals. In 2013, Marel continued promoting operational excellence in several parts of the organization, resulting in increased activity in the operating units.

The modularization program and working capital/business process improvement program progressed well in defining actions to make the cash conversion cycle shorter. It is commonly accepted that this helps the organization in many ways; such as by minimizing time-to-market in innovation, or shortening the processes of delivering products and services to customers.

Mariette Ferrari, Corporate Director of Finance: "Continuous analysis of the total value stream and creating transparency in the cash conversion cycle, has led to identified improvement potential in many parts of the company. In 2013 the global initiative to implement a credit management and collection tool was finalized and resulted in a continuous lower level of Days Sales Outstanding, the main Key Performance Indicator measuring improvement of customer receivables. We are also proud of the new demonstration and training center Progress Point in Copenhagen, which will enable a streamlined demonstration process supporting the sales function, with controlled investment in working capital."

"By promoting operational excellence we encourage our people to become problem solvers, so that as many employees as possible are improving processes as part of their daily work and are identifying further improvement potential while doing so. The result should be that Marel will do more with less; i.e. increase throughput with minimal capital investments, with resulting positive effects on our profit margins. We use operational excellence to free up time, energy, and space for our valuable employees to create breakthrough products, penetrate new markets, and fulfil the needs of our existing and future customers," says Mariette.



**Corporate Director of Finance**

**Mariette Ferrari**

"By promoting operational excellence we encourage our people to become problem solvers, so that as many employees as possible are improving processes as part of their daily work and are identifying further improvement potential while doing so."

Business operations

# Our people

## Fit for Future Challenges

“2013 was an eventful and challenging year for Marel employees, dealing with many post-integration challenges and changes in our management workforce.”

**David Freyr Oddsson, Corporate Director of Human Resources**



## We Support Employees so They Can Support Customers

“Our focus on human resources has changed a lot over the past few years and will continue to do so as we head for the future and new challenges, but our goal remains the same: to provide excellent and value-added services to our employees so they can support customer achievement.

Therefore we have to ensure that all of our employees possess the knowledge, skills, and attitudes needed for present and future competence and success,” says David.

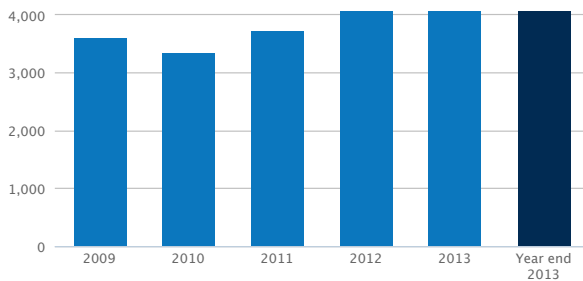
“One way to achieve this goal is to have the most qualified and dedicated employees possible in all areas throughout Marel.

Human resources is an integral part of this goal, as its primary functions are: recruitment and hiring talented and qualified employees; working with managers regarding their employees’ allocations; talent management; employee benefits; employee relations; performance evaluations; contract management; and policy regulation.”

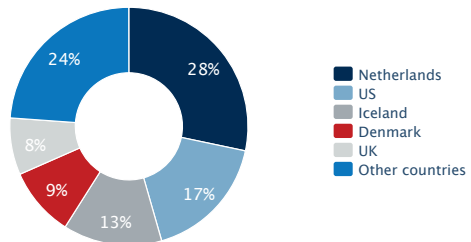
## Stability in Numbers

The number of employees at year end 2013 was 4,087 full time equivalents. The largest number of employees is located in the Netherlands, followed by the U.S., Iceland, Denmark, and the U.K. Just over 70% of employees are located in Europe.

**Number of employees**  
average per year



**Number of employees (FTEs)**  
by geographical location at year end 2013



# The Marel Leadership Program

**Marel has developed the Marel leadership Program in collaboration with TiasNimbas Business School.**

“Together with 24 other potential leaders from all over the world, I was given the opportunity to participate in the Marel Leadership Program. It is a great opportunity to learn, and not an easy program as much is required from you as a participant. My experience is that willingness to learn and an open mind are most important, because you have to be ready to step out of your comfort zone. Learn, interact, reflect and dig deep. Personal and professional development really go hand in hand in the Marel Leadership Program.”

**Mayke Theloesen**, Human resources Manager in Oss, Neatherlands , participant in Marel leadership program



## Developing Our People

“Our people are our most valuable asset; therefore developing them is a crucial task. In 2013 we started the second Marel Leadership Program with 25 of our potential future leaders involved. This program is well fitted to the company’s needs, and participants are confident that it will help them develop personally as well as professionally, which will make them stronger and better prepared for the challenge of becoming a successful manager. In 2013 we offered 121 training courses in over 7 countries with over 1,300 attendees,” says David.

## Highly Competent and Qualified People

“Despite the period of integration being formally over, we were still dealing with some post-integration challenges in 2013. We needed to fill a few key global positions, and in more than 80% of those appointments we hired from within our company. That gives us confidence that we have high quality and highly competent people who have the opportunity to grow into more responsible roles, and there is no shortage of internal management talent,” says David.

## Strengthen Our Human Resources Structure

“The coming year will continue to be a time of change for our human resources people. Priorities stem from the major initiatives we have undertaken with our partners, including a new human resources structure that will support our workforce and streamline processes to increase client satisfaction,” says David.



To our shareholders



## Population Growth

India will have overtaken China  
in terms of population by 2030

Source: United Nations

## Shares & Shareholders

### Share Performance

Marel's shares have been listed on the [NASDAQ OMX Nordic Exchange Iceland since 1992 under the symbol MARL](#). Marel's share price stood at ISK 133.00 at the end of 2013, compared to ISK 140.50 at the end of 2012, a decrease of 5.3%.

In euros, the shares stood at 84 cents per share at year end compared to 83 cents at the beginning of the year.

### Shareholders

The number of Marel's shareholders was recorded in the shareholders' register to be 1,846 at year-end 2013, compared to 2,144 shareholders at year-end 2012. As of 31 December 2013, Marel held 117,300 treasury shares.

Eyrir Invest hf. is Marel's largest shareholder, with 29.3% of shares, followed by Grundtvig Invest A/S (8.4%) and Lífeyrissjóður verzlunarmanna – the Pension Fund of Commerce (8.1%).

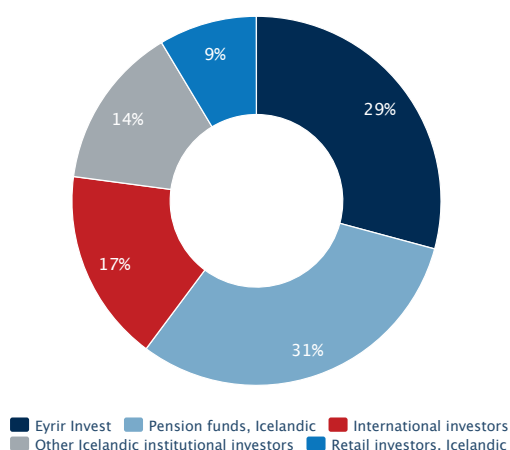
The ten largest shareholders held 70.3% of the total shares. In total, Icelandic pension funds held 31.1% of Marel's share capital. International shareholding was 17.0% at year-end 2013. The free float of Marel shares was 71% and free float adjusted market value of the company was EUR 433 million.

## Top 10 Shareholders as of 31 December 2013

Shareholders		No of shares	%
1. Eyrir Invest ehf	Investment company	215,366,838	29.3%
2. Grundtvig Invest A/S	Investment company	61,560,494	8.4%
3. Lífeyrissjóður verzlunarmanna	Pension fund	59,275,042	8.1%
4. Gildi - Lífeyrissjóður	Pension fund	36,139,331	4.9%
5. Columbia Acorn International	Asset management	35,982,499	4.9%
6. Lífeyrissjóður starfsmanna ríkisins (A & B division)	Pension fund	31,350,000	4.3%
7. Stefnir – ÍS 15	Asset management	26,785,199	3.6%
8. Stafir Lífeyrissjóður	Pension fund	17,322,964	2.5%
9. Sameinaði Lífeyrissjóðurinn	Pension fund	16,564,347	2.3%
10. Stapi Lífeyrissjóður	Pension fund	15,233,239	2.1%
	<b>Top 10 total</b>	<b>517,012,078</b>	<b>70.3%</b>
	<b>Others</b>	<b>218,556,919</b>	<b>29.7%</b>
	<b>Total issued shares</b>	<b>735,568,997</b>	<b>100.0%</b>

## Holdings by type of investor

as of 31 December 2013



## Share Capital

At year-end, Marel's shares totaled 735.6 million, all in one class; thereof Marel holds 0.1 million treasury shares.

In 2013, Marel purchased 4.7 million shares for EUR 4.2 million to fulfil stock option obligations, and sold 8.7 million treasury shares for a total amount of EUR 4.7 million to fulfil the employees' stock option program.

Stock options are granted to management and selected key employees. Total granted and unexercised stock options at end of the year 2013 were 18.1 million shares, of which 5.0 million were exercisable at the end of 2013 and the remainder will become exercisable in the years 2014 to 2018.

At the company's 2010 Annual General Meeting, the shareholders authorized the Board of Directors to increase the company's share capital by 45 million shares to fulfil stock option agreements. Thereof, 8.4 million shares have been issued at end of 2013.

## Liquidity of Shares

Marel has made agreements with Landsbankinn hf. and MP Bank hf. regarding market making for the issued shares of Marel. The purpose of the agreements is to improve liquidity and to enhance transparent price formation in the company's shares on NASDAQ OMX Iceland. The duration of these agreements is unspecified but they can be terminated with one month's notice.

Shares in Marel were traded 1,831 times in 2013 for a total market value of ISK 28.8 billion (up from ISK 27.4 billion in 2012), which corresponds to a turnover rate of 28.0%.

This places Marel with the third highest turnover on the NASDAQ OMX Nordic Exchange Iceland in 2013. The average end-of-day spread of Marel was 0.93%. The market value of the company at year-end 2013 was ISK 97.8 billion (EUR 612.8 million) compared to ISK 103.3 billion (EUR 607.6 million) at year-end 2012, a decrease of ISK 5.5 billion (an increase of EUR 5.3 million). As the company's shares are traded in ISK, the fluctuations of the Icelandic krona during the year 2013 affects the market value, when converted into EUR.

## Dividend

The Board of Directors will propose to the 2014 Annual General Meeting that no dividend will be paid for the operational year 2013.



## Stock options as of 31 December 2013

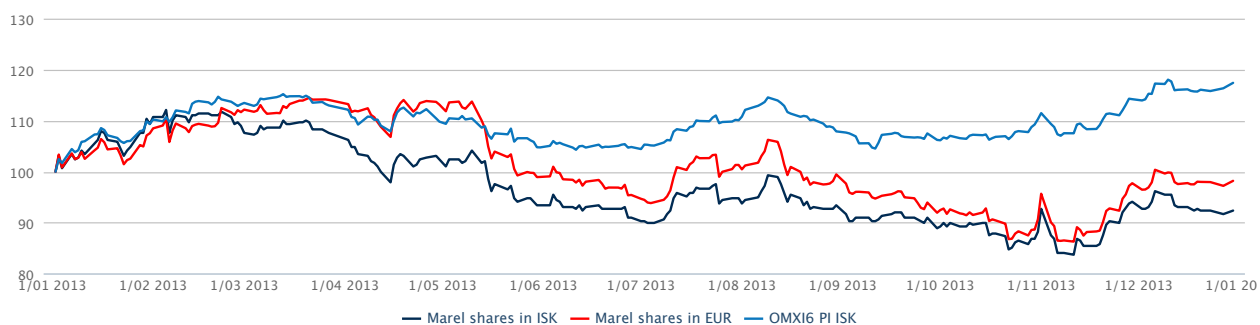
Program initiated	Number of shares in thousands	Exercise price per share	Exercisable in
May 2010	8,910	EUR 0.549 - 0.572	2014 - 2015
June 2012	9,198	EUR 1.056 - 1.143	2015 - 2018
<b>Total</b>	<b>18,108</b>		

## Distribution of shares as of 31 December 2013

Number of Shares	Shareholders	%	Shares	%
1 - 9,999	1,178	36.81%	4,292,277	0.58%
10,000 - 99,999	513	27.79%	16,023,468	2.18%
100,000 - 199,999	53	2.80%	7,030,160	0.96%
200,000 - 799,999	49	2.26%	17,798,942	2.42%
800,000 - 1,399,999	10	0.54%	11,163,693	1.52%
1,400,000 - 2,999,999	12	0.65%	23,627,953	3.21%
3,000,000 - 9,999,999	16	0.87%	87,094,961	11.84%
10,000,000 - 99,999,999	14	0.76%	353,170,705	48.01%
100,000,000 - >100,000,000	1	0.05%	215,366,838	29.28%
	<b>1,846</b>	<b>100.00%</b>	<b>735,568,997</b>	<b>100.00%</b>

## Marel's stock price compared to the OMXI6 PI ISK index

Note: Indexed numbers, set at 100 at beginning of year 2013



To our shareholders

## Investor Relations

**Providing investors with equal access to timely and accurate information about Marel's operations and business environment is the central aim of the company's Investor Relations policy which was approved by Marel's Board of Directors in October 2013.**

Marel believes that timely distribution of honest, consistent, and transparent information, within the bounds of commercial sensitivity, is key in building trust with current shareholders and potential investors. The newly approved policy also lists the main channels

of communication, sets the frame for communication with analysts and investors, defines the length and scope of the quiet period and provides information about the company's authorized spokespersons.

### Meetings With the Investor Community

In addition to stock exchange and company announcements, the main channels of communication with investors and analysts are the regular investor meetings that follow the publication of the company's quarterly results, annual general meetings, and other meetings held on an ad-hoc basis. Quarterly investor meetings are webcast and presentations from the meetings are published via the [NASDAQ OMX news system](#).

In April 2013, Marel participated in a Capital Markets Day event organized by Arion Bank in Iceland, where the company was presented to investors and analysts.

In November 2013, Marel participated in the Icelandic Exchange Day that was held for the first time by the Nasdaq OMX Stock Exchange in Iceland in cooperation with Reykjavik University.

The aim of the day was to increase financial literacy and raise public awareness of the stock market and investment possibilities.



The Icelandic Exchange Day



Annual General Meeting



Quarterly Investor Meetings

## Regular Information Disclosure

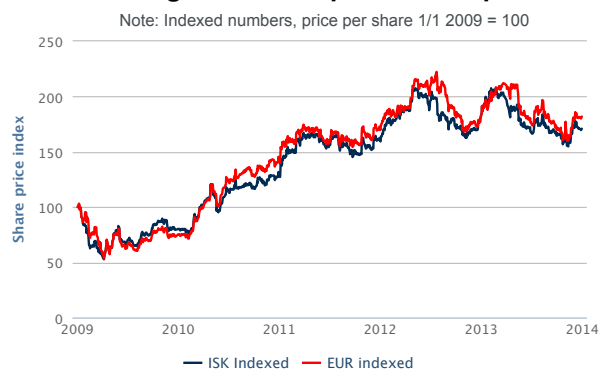
All price-sensitive information, regulatory announcements about Marel, and announcements regarding performance and future prospects are published in a timely manner, initially on the [website of NASDAQ OMX Iceland](#), and subsequently on [Marel's official website](#).

Financial results are issued quarterly in accordance with the requirements of NASDAQ OMX Iceland.

**For further information, please see**

[nasdaqomxnordic.com](http://nasdaqomxnordic.com)  
[marel.com](http://marel.com)

### Marel's long term share price development



#### Publication Schedule for 2014

Annual General Meeting 2014	5 March 2014
1st quarter 2014	28 April 2014
2nd quarter 2014	23 July 2014
3rd quarter 2014	22 October 2014
4th quarter 2014	4 February 2015
Annual General Meeting 2015	4 March 2015

## Website and Annual report

Marel's website contains detailed information about the company, its history, operations, and activities. Current and past press releases, presentations, and annual reports are archived in the Investor relations section of the website and available for download, and the company's current and historic share prices are available for review against key indices.

For the first time the Annual Report is only available on the web. It can be accessed on desktop computer, tablet or mobile phone through [marel.com/annualreport](http://marel.com/annualreport).



## Investor relations contacts



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**Investor Relations  
Specialist**

**Audbjorg Olafsdottir**

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Phone (+354) 5638626



To our shareholders



## Board of Directors



### Chairman of the Board

#### Asthildur Margret Otharsdottir

Asthildur Margret Otharsdottir is an independent consultant with extensive prior business experience as a Director of Treasury and Corporate Development at Össur hf. from 2006 to 2010, Senior Account Manager at Kaupthing Bank, now Arion bank, from 2004 to 2006, and Consultant at Accenture from 1996 to 2000.

She is a member of the Board of Directors of Icelandair Group, Marorka, and Jör. Asthildur is on the board of the Research Center for Business Ethics at the University of Iceland and The Court of Arbitration of the Icelandic Chamber of Commerce.

#### Education:

MBA, Rotterdam School of Management, The Netherlands, 1996; Cand. Oecon., University of Iceland, 1992.

#### Elected:

2010, chairman of the board since November 2013

#### Holdings in Marel, including those of financially related parties:

32,000

## Vice-Chairman of Board

### Arnar Thor Masson

Arnar Thor Masson has extensive experience in reorganization, strategy and project management. He is currently the Director General of the Department of Administrative and Social Development at the Prime Minister's Office in Iceland.

Before, he was Deputy Director General of the Financial Management Department at the Ministry of Finance. Masson was an adjunct lecturer at the Department of Political Science of the University of Iceland from 2000 until 2008. He does not sit on the board of any other company than Marel.

#### Education:

M.Sc. in Comparative Politics, the London School of Economics and Political Science, U.K., 1997. BA in Political Science, University of Iceland, 1996. Studied securities brokerage in 2007.

#### Elected:

2001. Vice-Chairman since November 2013.

#### Holdings in Marel, including those of financially related parties:

0



## Board Members

### Ann Elizabeth Savage

Ann Savage is (since 2004) the Group Technical Director of Bakkavör Group and also serves as its Member of Management Board. She is mainly responsible for Food Safety, Health and Safety management, Manufacturing Excellence and Environmental management at Bakkavör.

Savage has played variety of roles during her career, spanning over 30 years in technical and research and development departments within the retail and food industry, more specifically for Cooperative Wholesale Society (CWS) Northern Foods (1990-1999) and Geest (1999-2004). Currently, she does not sit on the Board of any other company (outside of Bakkavör Group).

#### Education:

Studied at the Open University. Post Graduate Diploma in Management Studies from Nottingham University.

#### Elected:

2013

#### Holdings in Marel, including those of financially related parties:

0



## Board Member

### Helgi Magnusson

Helgi Magnusson is the Chairman of the board of: Blue Lagoon, Harpa Holding, and Husasmiðjan. He is the vice-chairman of the Board of the Pension Fund of Commerce and he also serves as board member of several other Icelandic companies including N1 and Skipti.

He served as a member of the Board of Directors and the Executive Board of the Confederation of Icelandic Employers 2006 -2013 and as Chairman of the Federation of Icelandic Industries 2006-2012. Magnusson served previously as a board member of Íslandsbanki hf, Framsyn Pension Fund and the Icelandic Chamber of Commerce. For several years, he was the Chairman of the Board of Harpa and Harpa-Sjófn Paint Factory and Flúgger Iceland Paint Factory.



#### Education:

Business Administration, University of Iceland, 1974; CPA, 1975.

#### Elected:

2005

#### Holdings in Marel, including those of financially related parties:

4,505,044



## Board Member

### Margret Jonsdottir

Margret Jonsdottir is the Managing Director of Operations of Eyrir Invest ehf. Previously, she was the Director of Finance at Edda Publishing from December 2001 until October 2002. She was Director of Finance at Kreditkort from August 2000 until December 2001, and Manager of Accounts at FBA Investment Bank (now Íslandsbanki), and Director of Finance at the Industrial Loan Fund (FBA Investment Bank predecessor), from September 1988 until June 2000.

#### Education:

Master of Accounting and Auditing, University of Iceland, 2006; Cand. Oecon. in Business Administration, University of Iceland, 1983.

#### Elected:

2006

#### Holdings in Marel, including those of financially related parties:

200,419

To our shareholders

## Executive Team

**In November 2013 Marel's executive team was expanded and strengthened with several experienced and highly qualified Marel Managing Directors.**

These changes will further align execution with strategy and enable Marel to reach its long term goals.

All of Marel's key industries and operations are now represented in the executive team sharpening the market and innovative-driven focus of the company.



### Arni Oddur Thordarson CEO

Arni Oddur Thordarson (44) is Marel's CEO. He has extensive international business experience within the industrial sector. Before taking up his current position as Marel's CEO in November 2013 he was the CEO of Eyrir Invest, which he co-founded in the year 2000.

Thordarson served on the Board of Directors of Marel since 2005, majority of the time as a Chairman. Thordarson serves as non-executive director in Fokker Technologies.

**Education:**

MBA, IMD, Switzerland, 2004; Cand. Oecon. in Business Administration, University of Iceland, 1993.

**Holdings in Marel by Thordarson, Eyrir Invest hf. and financially related parties:**

215,498,707

### Sigsteinn Gretarsson, COO

Sigsteinn Gretarsson (47) is Marel's Chief Operating Officer. He joined Marel in 1997 as Sales Manager and Consultant in sales and marketing. In 2001 he moved to Brisbane, Australia, where he served as Managing Director of Marel's Australian subsidiary until 2005.

He then worked on mergers and investment projects before being appointed Managing Director of Marel ehf. in June 2007. Gretarsson was appointed the Chief Operating Officer of Marel in October 2011.

**Education:**

B.Sc. degree in Mechanical Engineering from Bradley University, Illinois, 1990, and a M.Sc. degree in Mechanical Engineering from the University of Illinois at Urbana-Champaign, 1992. Sigsteinn has completed Executive Education Business Programs at Insead and Reykjavik University.

**Holdings in Marel, including those of financially related parties:**

25,997





## Erik Kaman, CFO

Erik Kaman (57) is the CFO of Marel. He has been with Marel and its predecessors since 1992. Before taking up his current post in May 2008, he was the Finance Director of Stork Aerospace Industries.

Prior to that, he was Director of Corporate Strategy and Control at Stork NV.

**Education:**

M.Sc in Applied Physics from Technical University of Delft in the Netherlands.

**Holdings in Marel, including those of financially related parties:**

1,675,000

## Gerrit den Bok

Gerrit den Bok (51) is the Managing Director of Marel's Further Processing Industry Center. He has been with Marel and its predecessors since 1989. Before taking up his current position in 2013 he was responsible for Marel Stork Poultry service globally.

Previous positions within the company include food technologist in the service department of Stork PMT and a coach of the Technology department.

**Education:**

B.Sc degree in Food Technology from HAS University

**Holdings in Marel, including those of financially related parties:**

0



## Petur Gudjonsson

Petur Gudjonsson (55) is the Managing Director of Marel's Global Sales and Service Network. He joined Marel in 1984 as a programmer in electronic design.

Before taking up his current post in 2009 he served in numerous different positions for Marel, including General Manager for Marel in Canada and Sales Director for Marel Iceland and Denmark.

**Education:**

B.Sc Degree in Electrical Engineering from the University of Iceland

**Holdings in Marel, including those of financially related parties:**

114,430

## Jon Birgir Gunnarsson

Jon Birgir Gunnarsson (42) is the Managing Director of Marel's Fish Industry Center. He has been with Marel since 1996 and has served in various different positions within the company before taking up his current post in January 2012 including senior business manager and sales and business development director.

**Education:**

MBA degree from the University of Iceland, Diploma in Technical Engineering from Reykjavik University

**Holdings in Marel, including those of financially related parties:**

10,000





## David Freyr Oddsson

David Freyr Oddsson (39) is Marel's Corporate Director of Human Resources. He joined Marel in 2011 as HR Director in the International Sales and Service Network. He took up his current post in 2013.

Before joining Marel, he worked at Straumur Investment Bank as Global Head of Human Resources and Corporate Services 2006-2011 and as a HR Consultant at Capacent 1999-2006.

**Education:**

MBA degree from Reykjavik University, Cand. Theologus from University of Iceland.

**Holdings in Marel, including those of financially related parties:**

0

## Paul van Warmerdam

Paul van Warmerdam (43) is the Head of Marel's Global Supply Chain. He joined Marel as Director of Manufacturing and Materials Management Industry Center Poultry and was appointed to his current position in 2013.

Before joining Marel, he worked in the semiconductor industry in various operations and business management roles.

**Education:**

M.Sc degree in Mechanical Engineering at Delft University of Technology in the Netherlands

**Holdings in Marel, including those of financially related parties:**

0



## Anton de Weerd

Anton de Weerd (55) is the Managing Director of Marel's Poultry Industry Center. He has been with Marel and its predecessors since 1982 and has during that time served in many different positions including sales engineer, area sales manager, regional sales manager, general sales manager, commercial director, managing director and president. He took up his current post in 2007.

**Education:**

M.Sc degree in Mechanical Engineering from Avans University

**Holdings in Marel, including those of financially related parties:**

0

## David Wilson

David Wilson (42) is the Managing Director of Marel's Meat Industry Center. He has been with Marel and its predecessors since 1998. Before taking up his current position in March 2012 he served as senior vice president for Marel's Poultry Industry Center in Gainesville, USA.

**Education:**

M.Sc degree in Animal Science and a B.Sc Honors degree in Agricultural Business Management from Aberdeen University.

**Holdings in Marel, including those of financially related parties:**

0





To our shareholders

## Risk Management

**Marel's activities expose the company to a variety of financial risks: market risk, including foreign exchange risk and price risk, credit risk, liquidity risk, cash flow risk, and fair value interest-rate risk.**

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures when needed to manage its exposure to interest rate and foreign exchange rate risk.

Risk management is carried out within the company, where applicable, under policies approved by the Board of Directors. Financial risk is monitored and managed centrally in group treasury.

### Foreign Exchange Risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR/USD, EUR/GBP, and EUR/ISK on the cost side. The general policy is to apply natural currency hedging to the extent possible and prohibit any speculative trading of

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

### Credit Risk

The company minimises credit risk by monitoring credits granted to customers, and assigns collateral to cover potential claims. The company has policies in place to ensure that sales of products and services are made to customers with an acceptable credit history, and products are not delivered until payments are secured. One of the Marel's manufacturing sites is located in Iceland, but

sales to domestic customers is less than 1% of total sales and the company is exposed to very limited credit risk in Icelandic krona. Marel has banking relations with a diversified set of financial institutions around the world. There are policies in place that limit the amount of credit exposure to any one financial institution.

### Insurance Policies

The company 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 company believes that its current insurance coverage is adequate.

### Liquidity Risk

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



## **Cash Flow and Fair-Value Interest Rate Risk**

The company's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates of finance leases to which the company is lessor or lessee are fixed at inception of the lease. These leases expose the company to fair-value interest rate risk. The company's cash-flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash-flow interest rate risk, while borrowings issued at fixed rates expose it to fair-value interest rate risk.

The company manages its cash-flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The company raises long-term borrowings at floating rates, and swaps a portion of them into fixed rates. The risk, measured as the potential increase in interest paid during the coming year based on a defined movement in interest rates, is monitored and evaluated regularly.

To our shareholders

## Corporate Governance

Icelandic law and Marel's corporate governance framework determine the duties of the various bodies within the company. Corporate governance defines the way in which the company is directed and controlled – it involves the broader interworking of the

day-to-day management, the Board of Directors, the shareholders at large, and other interested parties, to formulate and implement corporate strategy.

### 1. Rules on Corporate Governance Which the Company Follows

The company's corporate governance policy is based on the Guidelines on Corporate Governance issued in March 2012 by the Iceland Chamber of Commerce, NASDAQ OMX Iceland hf., and the Confederation of Icelandic Employers, in accordance with

Clause 2.26 in the [Rules for issuers of financial instruments on NASDAQ OMX Iceland, issued in December 2013](#).

### 2. Departures from the Guidelines on Corporate Governance

In general, the company is in compliance with the Guidelines on Corporate Governance. The Board of Directors evaluates the performance of the CEO at least once a year, but not specifically the performance of other members of the Executive Team. The CEO is responsible to the Board of Directors for the performance of the Executive Team.

The Board of Directors has not established a nomination committee. The Rules of Procedure for the Board of Directors clearly stipulate what items shall be taken into consideration when preparing the nomination of Directors. The Board of Directors has not issued a specific social responsibility policy for the company but such policy is being prepared.

### 3. Main Aspects of Internal Controls and the Company's Risk Management in Connection with the Preparation of Financial Statements

#### External Audit

An independent auditing firm is elected at the Annual General Meeting (AGM) for a term of one year. The auditor shall examine the company's annual accounts in accordance with generally accepted accounting standards, and shall for this purpose inspect account records and other material relating to the operation and financial position of the company.

KPMG hf. was elected as the company's auditor at the AGM on 6 March 2013. Auditors on its behalf are Saemundur Valdimarsson and Kristrun H. Ingolfsdottir, both State Authorized Public Accountants. They have audited and signed without reservation Marel's consolidated financial statements for the year 2013.

#### Internal Audit and Control

The company's risk management and internal controls, in relation to financial processes, are designed with the purpose of effectively controlling the risk of material misstatements in financial reporting. Marel's internal auditor plays a key role in relation to internal control along with the external auditors, as applicable.

## 4. The Company's Values, Code of Conduct, and Social Responsibility Policy

Values	Code of Conduct	Corporate Social Responsibility
<p>Marel's company values are shared ideals and standards that provide direction in day to day operations. As part of the integration process in 2010, employees had a direct hand in defining the values that the company will henceforth embrace.</p> <p>The outcome was a set of eight values: commitment, partnerships with customers, diversity, teamwork, learning and excellence, open communication, humor and fun, and success. The values are regularly promoted in daily operations.</p>	<p>The Board of Directors of Marel approved a Code of Conduct with global application in October 2012.</p> <p>It is closely linked with Marel's company values and is built on four pillars – employees' (including officers and directors) commitment to: (i) each other; (ii) customers and marketplace; (iii) shareholders; and (iv) partners, communities, and the environment.</p>	<p>Being a responsible corporate citizen means going beyond statutory legal requirements and aligning all business operations with socially accepted principles, as well as contributing to society in a positive way.</p> <p>Marel acknowledges its social responsibility as stated above, a specific social responsibility policy for Marel is currently being prepared.</p>

## 5. Composition and Activities of the Board of Directors, Executive Team, and Sub-Committees of the Board of Directors

### Board of Directors

The company's Board of Directors is the supreme authority in the affairs of the company between shareholder meetings. It is elected by shareholders at the AGM for a term of one year and operates in accordance with the company's Articles of Association and the Board's Rules of Procedure. The Board currently comprises five members, since the resignation of two members in November 2013 out of the seven who were elected at the company's AGM on 6 March 2013.

The Board is responsible for the organization of the company and for ensuring the proper conduct of its operation at all times. The Board of Directors shall decide on all matters regarded as extraordinary or of major consequence. The same applies to major borrowing requiring pledging of the company's property and assets. The Board shall establish goals for the company in accordance with the company's objectives and shall formulate the policy and strategy required to achieve these goals.

Regular board meetings are held with management over the course of the year, including quarterly results meetings, a strategy meeting in autumn and a next-year budget meeting in December. In addition, the Board of Directors meets twice a year without the management. Additional meetings are convened as needed. All matters brought before a Board meeting shall be decided by majority vote, provided that the Board meeting has been lawfully convened. In the event of a tie vote, the Chairman of the Board casts the deciding vote. Whenever possible, important decisions shall not be taken unless all members of the Board have had the opportunity to discuss the matter.

### Board Sub-Committees

The Board's work is supported by its working committees: the Remuneration Committee and Auditing Committee. Members of the Remuneration Committee are Asthildur Margret Otharsdottir, Ann Elizabeth Savage, and Arnar Thor Masson. Its scope involves negotiating wages and other benefits for the CEO and senior management, and framing the company's remuneration policy, including wage incentives and stock option rights for company shares. Members of the Auditing Committee are Arnar Thor Masson, Helgi Magnusson, and Margret Jonsdottir. Its scope includes monitoring Marel's financial status and evaluating the company's internal monitoring and risk management systems, management reporting on finances, compliance with laws and regulations, and the work of the company's statutory auditors.

### Executive Team

In December 2013 The Board of Management was expanded from three to ten members and is now called the Executive Team. The new Executive Team replaces the Board of Management. The Executive Team is composed of: Arni Oddur Thordarson, Chief Executive Officer (CEO); Erik Kaman, Chief Financial Officer (CFO); Sigsteinn P. Gretarsson, Chief Operating Officer (COO); Anton de Weerd, Managing Director of Poultry; David Wilson, Managing Director of Meat; David Freyr Oddsson, Corporate Director of Human Resources; Gerrit den Bok, Managing Director of Further Processing; Jon Birgir Gunnarsson, Managing Director of Fish; Petur Gudjonsson, Managing Director of the Sales and Service Network; and Paul van Warmerdam, Head of Global Supply Chain.

## 6. Arrangement of the Appointment of Sub-Committee Members

Sub-committee members are appointed by the Board of Directors for a term of one year, in accordance with the rules of each sub-committee adopted by the Board.

The Audit Committee is composed of either three or four members of the Board of Directors, unless the Board decides otherwise. The majority of the Audit Committee shall be independent of the company and its external auditors. At least one member of the Audit Committee shall be independent of shareholders that hold 10% or more of the total share capital of the company. The members of the Audit Committee shall possess the knowledge and expertise needed to perform the tasks of the Audit Committee.

At least one Member of the Audit Committee shall have solid knowledge and experience in the field of financial statements or auditing.

The Remuneration Committee is composed of either three or four members of the Board of Directors, unless the Board decides otherwise. The majority of the Remuneration Committee shall be independent of the company. The members of the Remuneration Committee shall possess the knowledge and expertise needed to perform the tasks of the Committee.

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## 7. Information on the Number of Board Meetings and Sub-Committee Meetings as well as Their Attendance

The Board of Directors convened 11 times in 2013, with a weighted average attendance of 95%. The sub-committees of the Board of Directors, the Audit Committee and Remuneration Committee, convened 5 and 4 times respectively in 2013. They were all fully attended.

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## 8. Access Information for the Written Rules of Procedure for the Board of Directors

## 9. Members of the Board of Directors

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## 10. Information on which Board Members are Independent of the Company and its Major Shareholders

The Board of Directors has made an assessment on which Board members are independent according to the Guidelines on Corporate Governance. All five Board members are considered independent of the company: Ann Elizabeth Savage, Arnar Thor Masson, Asthildur Margret Otharsdottir, Helgi Magnusson, and Margret Jonsdottir.

Furthermore, four of the five Board members are considered independent of the company's major shareholders: Ann Elizabeth Savage, Arnar Thor Masson, Asthildur Margret Otharsdottir, and Helgi Magnusson.

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## 11. Principal Aspects in the Board of Directors' Performance Assessment

At least once a year, the Board of Directors evaluates the work, results, size, and composition of the Board, as well as the work and results of individual Board members 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 which is consistent with the established goals. The Board shall discuss the results of the assessment and decide which actions are to be taken, if any.

At least once a year the CEO shall evaluate the work and results of the Executive Team, for which she/he is responsible, according to previously established criteria.

The CEO shall discuss the results of the assessment with each member of the Executive Team and decide which actions shall be taken, if any.

At least once a year, the Chairman and the CEO shall have a meeting to discuss the results of the Board's assessment of the CEO's work and results, and the proposed actions to be taken, if any. The CEO shall inform the Chairman of the results of his/her evaluation of the Executive Team and which actions will be taken, if any. The Chairman shall inform the Board of Directors of the discussions with the CEO as he/she deems necessary and appropriate.

## 12. Information on the Company's CEO and a Description of the CEO's Main Duties

Arni Oddur Thordarson, is the CEO of Marel. He took over as a CEO in November 2013. He has extensive international business experience with the industrial sector. Thordarson served on the Board of Directors of Marel since 2005, majority of time as Chairman. He has an MBA degree from IMD Business School in Switzerland and a Cand.Oecon degree in Business Administration from the University of Iceland.

The principal duties of the CEO are as follows:

1. The CEO is responsible for daily operations and is obliged to follow the Board's policy and instructions in that regard. The daily operations do not include measures which are unusual or extraordinary. The CEO may only take such measures if specially authorized by the Board, unless it is impossible to wait for the Board's decision without substantial disadvantage to the company's operations. In such an event, the CEO shall inform the Board of his/her measures, without delay.
2. The CEO shall act as chairperson in the company's material subsidiaries which are connected with the sales and manufacturing activities and/or the core activities of the company, unless the Board decides otherwise.
3. The CEO is responsible for the work and results of the Executive Team. See further information of this part of her/his duties in item no. 11 above.
4. The CEO shall ensure that the accounts of the company conform to the law and accepted practices, and that the treatment of the property of the company is secure. The CEO shall provide any information that may be requested by the company's Auditors.

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## 13. Information on Violations of Laws and Regulations that the Appropriate Supervisory or Ruling Body has Determined

No violations of laws and regulations have been determined in 2013 by a supervisory or ruling body.

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## 14. Arrangement of Communications between Shareholders and the Board of Directors

Shareholders' meetings, within the limits established by the company's Articles of Association and statutory law, are the supreme authority in Marel's affairs, as well as the primary communication between shareholders and the Board of Directors.

Additionally, Marel's communication to shareholders and furthermore to the market shall be in compliance with relevant regulatory bodies at all times and disseminated via recognized distribution channels.

The Annual General Meeting (AGM) is scheduled once a year, before the end of August, and other shareholders' meetings are convened when necessary. The AGM is advertised publicly with at least three-week's notice, in accordance with Icelandic law.

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## 15. Analysis of Environmental Factors and Social Factors

The company's Annual Report contains analysis of environmental factors and social factors that help to understand the development, success, and position of the company.