Marel Stock Option Programs – Exercise process

Marel has implemented stock option programs with the objective of aligning interests of executive management and selected employees in strategic positions with the long-term goals of the Company and its shareholders. Following is information on the exercise process of Marel's stock option programs.

Vested options can be exercised four times per year, following the disclosure of the quarterly financial results and option holders may exercise their vested stock options by the following means:

a) By purchasing the vested options for shares for the stated exercise price, by paying the purchase price to Marel,
b) By a "net shares exercise" that entails that the option holder receives net shares, i.e. the number of shares corresponding to the net gain from exercised stock options based on the market price at the exercise date, or
c) By a combination of a) and b).

More information about the Net shares exercise
The net shares exercise means that the option holder chooses to set-off the payment of the purchase price for the exercised stock options against the number of shares to be delivered to the option holder following an exercise of the vested stock option. The option holder then receives a number of shares that are equal to the difference between (i) the number of exercised options multiplied with the closing price of the shares at Euronext Amsterdam on the exercise date and (ii) the number of exercised options multiplied with the exercise price, less taxes, and divided by the closing price. In case of a net exercise the obligations of the option holder and Marel are therefore set-off, and the only transaction in Marel shares is the delivery of the net shares from Marel to the option holder.

Example: Employee exercises the option to purchase 100 shares from Marel. The exercise price per share is EUR 4.00 and the closing price on the market on exercise date is EUR 5.00. The purchase price of the 100 shares based on the exercise price per share is EUR 400 (100 shares x 4.00). The purchase price of the 100 shares based on the closing price is EUR 500 (100 shares x 5.00). The difference is the gain of the employee which amounts to EUR 100. Income tax is deducted, if applicable, (in this example 35% or EUR 35), resulting in a net gain of EUR 65. The net gain is divided by the closing price per share on the exercise date; 65/5.00 = 13 which then equals the number of shares to be delivered to the employee.

As this transaction takes place through a set-off, no shares are sold on the market and Marel only delivers the 13 shares to the employee, which corresponds to the calculated benefit from exercising the option. Tax treatment remains the same as if the 87 shares had actually been sold on the market and not set off.

The employee will be subject to income tax when exercising a stock option, depending on the rules applicable in the relevant tax jurisdiction. In case the employee is a resident for tax purposes in Iceland, the taxable income upon exercise is determined as the gain of the employee, i.e. the difference between the market value of the shares on the exercise date and the purchase price for the shares based on exercise price according to the terms of the relevant stock option agreement.

For the sake of completeness, it is noted that by applying the net exercise, an employee who is a resident for tax purposes in Iceland exercises the option to acquire shares which is followed with a set-off of the exercise price against the number of shares to be delivered to the employee, and payment of income taxes for the net shares can be deferred.

Example of tax treatment in Iceland: The employee exercises the option to purchase 100 shares. The employee realizes taxable income which is the difference between the market value and purchase price for the shares based on the exercise price. The employee pays for the shares with 87 shares through set off and receives 13 shares. As the employee has sold 87 shares via set off (87% of the purchased shares), he/she is liable to pay income tax (35-46%) on 87% of his/her taxable income from the exercise of the stock option. He/She is able to defer payment of income tax of 13% of the taxable income until the shares are sold.

For the sake of clarity, the option holder may choose different processes when exercising stock options as follows: i) purchase of shares by payment of purchase price to Marel, ii) net shares exercise as explained in more detail above, and iii) a combination of share purchase and net shares exercise. In case of a combined exercise process, the number of purchased shares disclosed to the market equals the sum of purchased shares and delivered net shares. The disclosed exercise price is the weighted average exercise price per share.

Option holders may, in the same exercise period, exercise vested options from different option programs, where the exercise price is different between programs. In this case the exercise price disclosed to the market is the weighted average exercise price per share.