

Q4 2018

**Investor meeting**

7 February 2019

**35** years since  
foundation

Listed on  
Nasdaq Iceland  
since 1992

Marel has  
created excellent  
value for its  
shareholders

+ 2,500

EUR 1.2bn  
of revenues

Compounded average  
revenue growth of

~ 20%

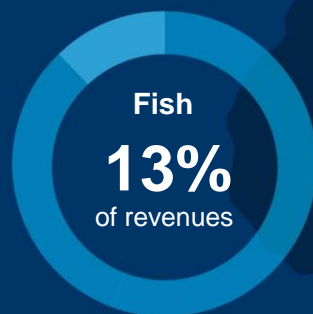
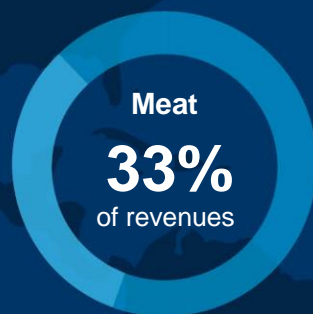
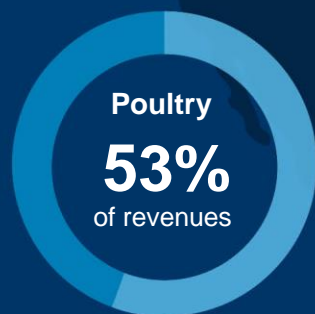
a year since 1992

30 countries

6 CONTINENTS



~6,000  
employees



~ 6%  
OF REVENUES  
INVESTED IN  
INNOVATION

ÁRNI ODDUR THÓRDARSON

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Chief Executive Officer



LINDA JÓNSDÓTTIR

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Chief Financial Officer



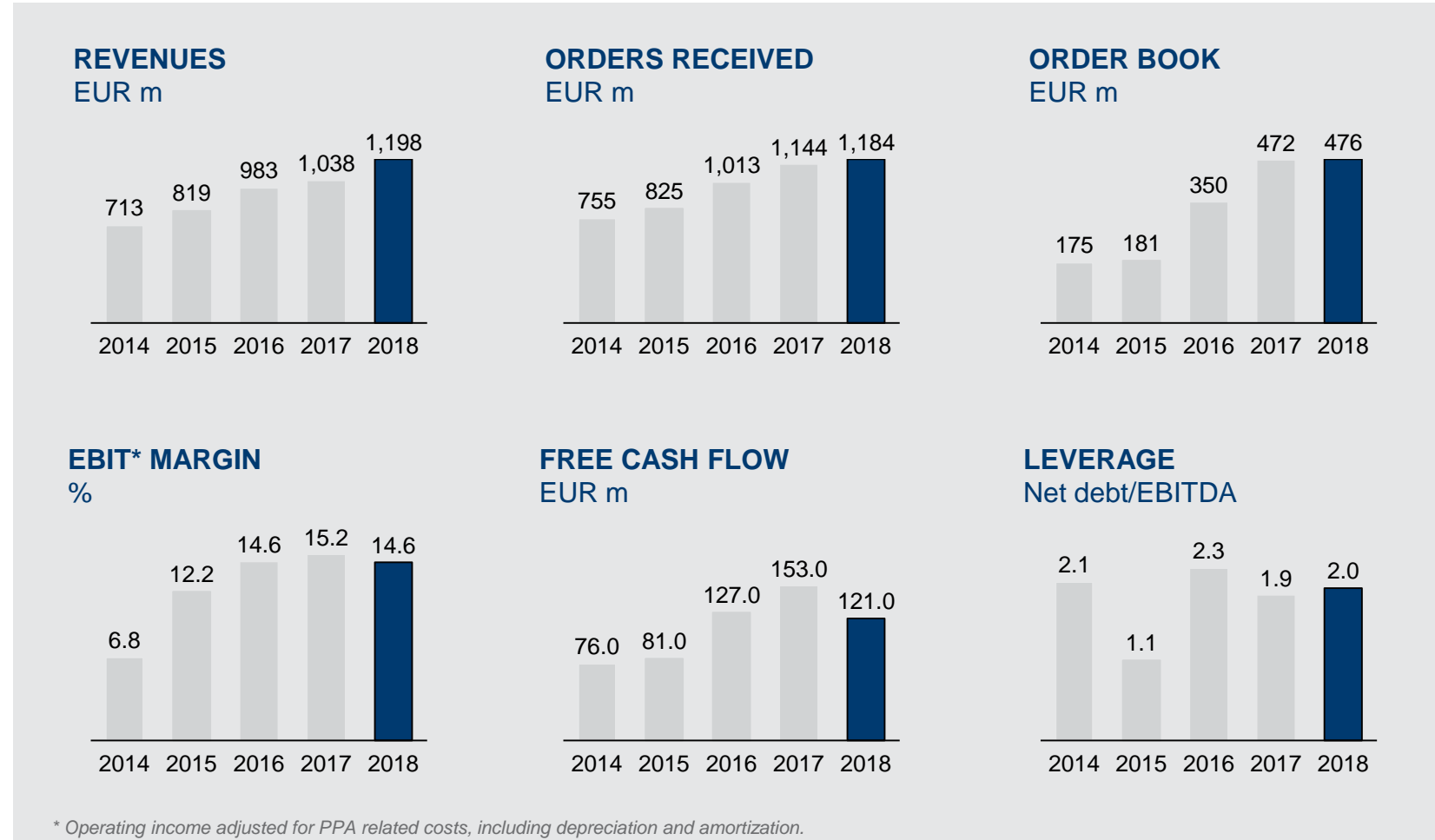
# STRONG ORGANIC GROWTH AND 14.6% EBIT\* MARGIN



Revenues were a record EUR 1.2 billion in 2018, up 15.4% from the previous year. Thereof, 12.5% was organic growth.

## HIGHLIGHTS

- Gross margin stable at 39%
- Strong order book of EUR 476m, or around 40% of trailing twelve month revenues
- Net profit was EUR 123m, up 26.4%
- Earnings Per Share was up 31%
- EUR 134m paid out in dividends, share buybacks and for the MAJA acquisition
- Strong operational cash flow and leverage at x2.0 net debt/EBITDA



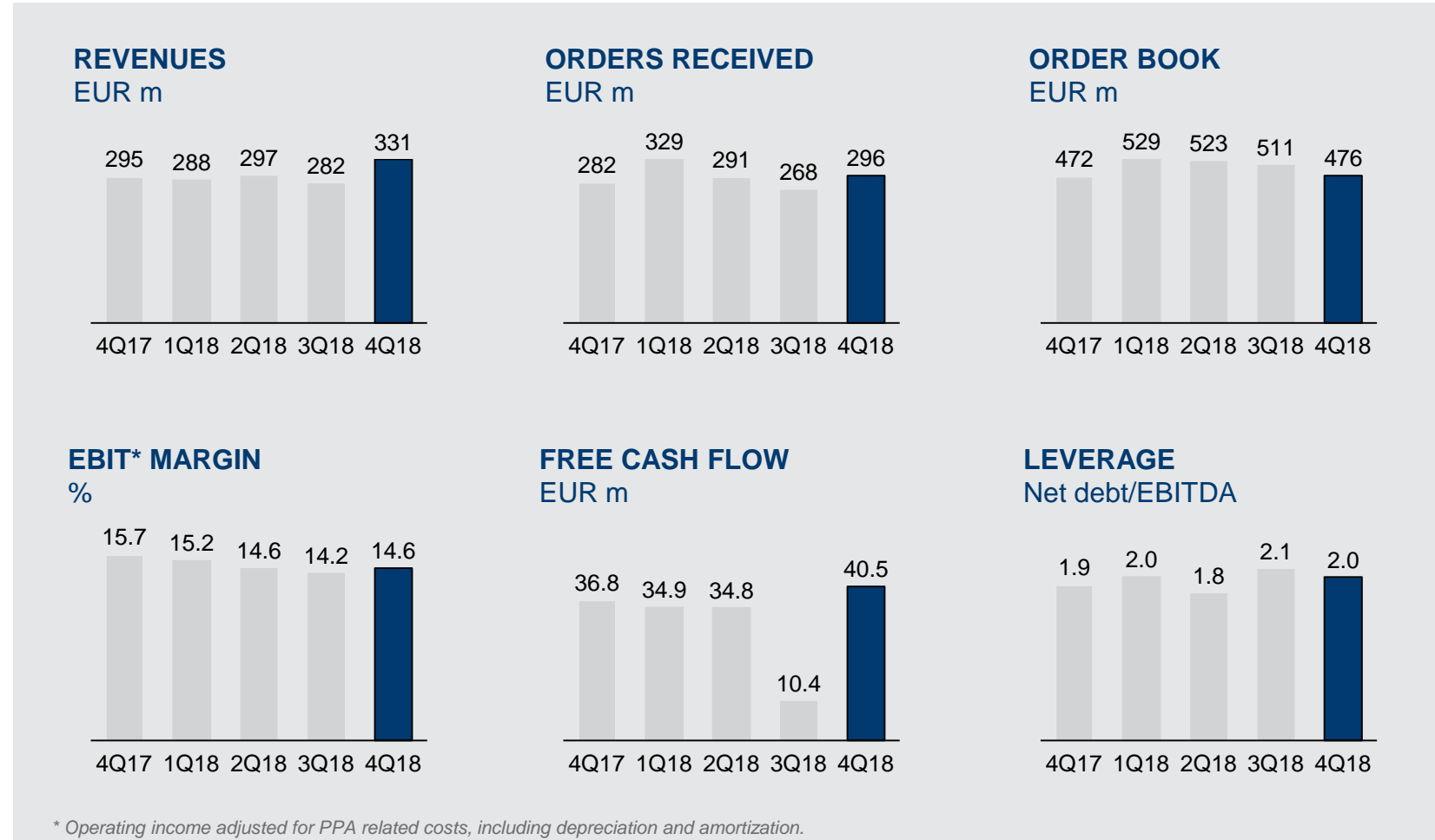
# RECORD REVENUES IN THE QUARTER



Revenues were EUR 331 million in 4Q18 and the EBIT\* margin was 14.6%. EBIT\* was EUR 48 million, up 4.3% year-on-year.

## HIGHLIGHTS

- Revenues of EUR 331m, up 12.2% YoY
- EBIT\* was EUR 48m, up 4.3% YoY
- EBIT\* margin was 14.6%
- Orders received were up 5.2% YoY
- Orders received were good for Marel Poultry and Marel Fish, although softer for Marel Meat
- Net profit was up 12.4% YoY, partly affected by one-off gain of EUR 7.6m due to lower corporate tax rate in the Netherlands



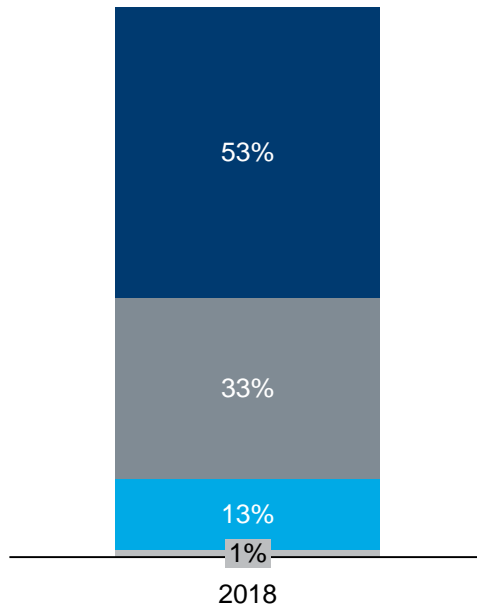
# GOOD QUALITY OF EARNINGS



Strong track record of a well diversified revenue structure across industries, business segments and geographies

## REVENUES BY INDUSTRY

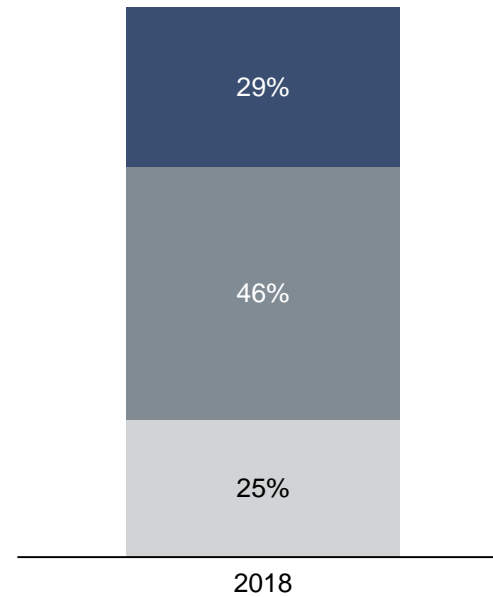
%



- Poultry
- Meat
- Fish
- Other

## REVENUES BY GEOGRAPHY

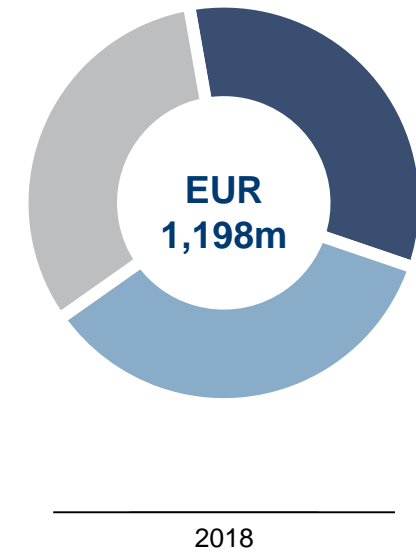
%



- North-America
- Europe
- Rest of the world

## REVENUES BY BUSINESS MIX

%



- Greenfield and projects
- Modernization and standard equipment
- Maintenance Service and repairs



# BALANCED REVENUE MIX

Poultry continues to be the biggest revenue driver. Global reach and focus on full-line offering across the poultry, meat and fish industries counterbalances fluctuations in operations.

## POULTRY



54% of revenues in 4Q18  
20.5% EBIT margin in 4Q18  
18.4% EBIT margin FY18

- Strong growth and operational performance
- Primary processing in the US is experiencing a temporary slow-down on the back of trade constraints. In such market conditions, there are opportunities to move US customers up the value chain. In Europe and new markets, there is need for step-up in total capacity to match supply and demand.

**With the most complete product range and one of the largest installed base worldwide, competitive position remains strong**

*All financial numbers relate to the 2018 Consolidated Financial Statements. Other segments account for around 1% of the revenues.*

## MEAT



34% of revenues in 4Q18  
10.0% EBIT\* margin in 4Q18  
11.3% EBIT\* margin FY18

- Orders received for Marel Meat strong in 2018 although softer in 4Q18
- Bolt-on acquisition of MAJA, to strengthen secondary processing offering, closed 14 August
- Management is targeting medium and long-term EBIT margin expansion for Marel Meat

**Focus going forward on increased standardization and modularization**

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

## FISH



11% of revenues in 4Q18  
2.9% EBIT margin in 4Q18  
7.9% EBIT margin FY18

- The full year of 2018 delivered strong revenues for Marel Fish, up 20.3% and solid operational improvements year-on-year
- Good order intake in 2018 with an uptick in 4Q18 compared to soft 3Q18
- Management is targeting medium and long-term EBIT margin expansion for Marel Fish

**Focus on full-line offering for wild whitefish, farmed salmon and farmed whitefish**

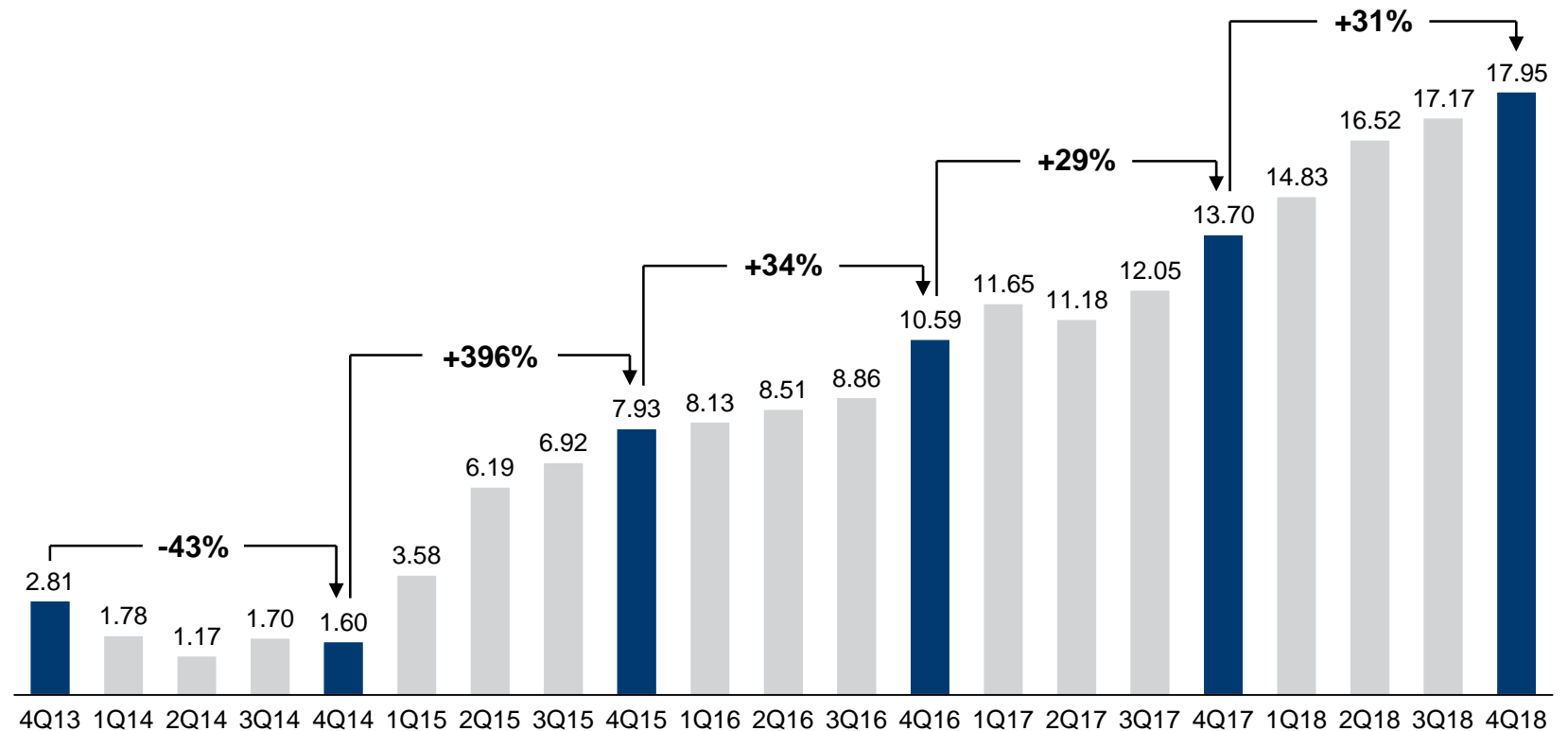
# EARNINGS PER SHARE



Favorable development in Earnings per Share (EPS) over recent quarters, management expects EPS to grow faster than revenues

- Robust growth and operational improvements with best in class cash flow
- Cash flow reinvested in innovation, infrastructure and global reach to sustain growth and value creation
- Dividends paid out in recent years within the targeted dividend policy of 20-40% of net profit
- Proposal to AGM on dividend payout of EUR 5.57 cents per share, or approximately 30% of net result

**EARNINGS PER SHARE (EPS)**  
Trailing twelve months, euro cents





# FINANCIAL PERFORMANCE

LINDA JONSDOTTIR

Chief Financial Officer



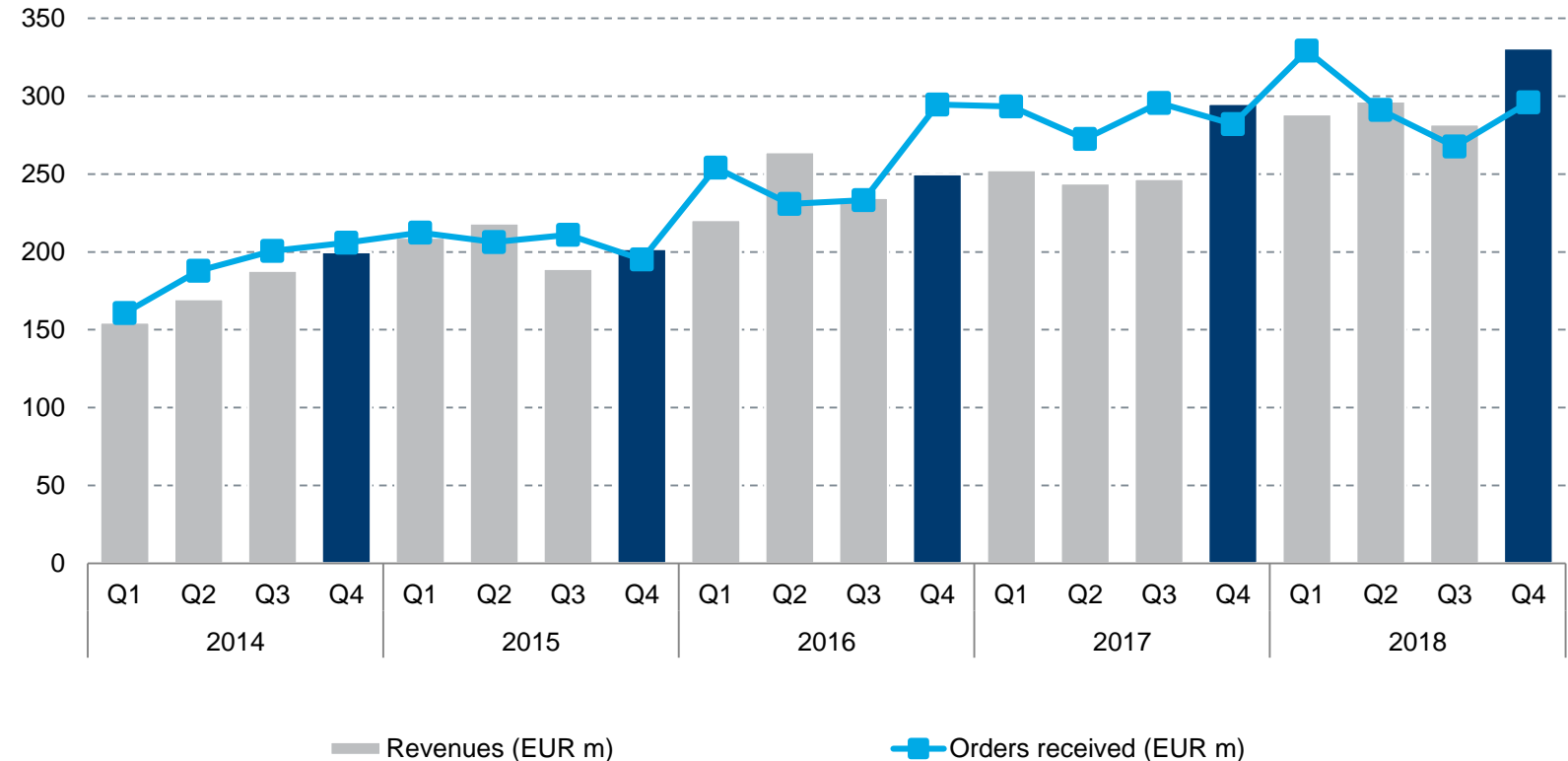
# ORDERS RECEIVED



Orders received in Q4 2018 amounted to EUR 296 million and revenues were EUR 331 million. For the full year, orders received were EUR 1,184 million and total revenues were EUR 1,198 million.

- At year-end, the order book was around 40% of trailing twelve months revenues
- Orders received were up 3.5% YoY
- Book-to-bill was 0.99 in 2018, compared to 1.10 for FY17
- Greenfields and projects with long lead times constitute the vast majority of the order book
- Standard equipment and spare parts run with shorter cycles than larger projects

**REVENUES AND ORDERS RECEIVED**  
EUR m

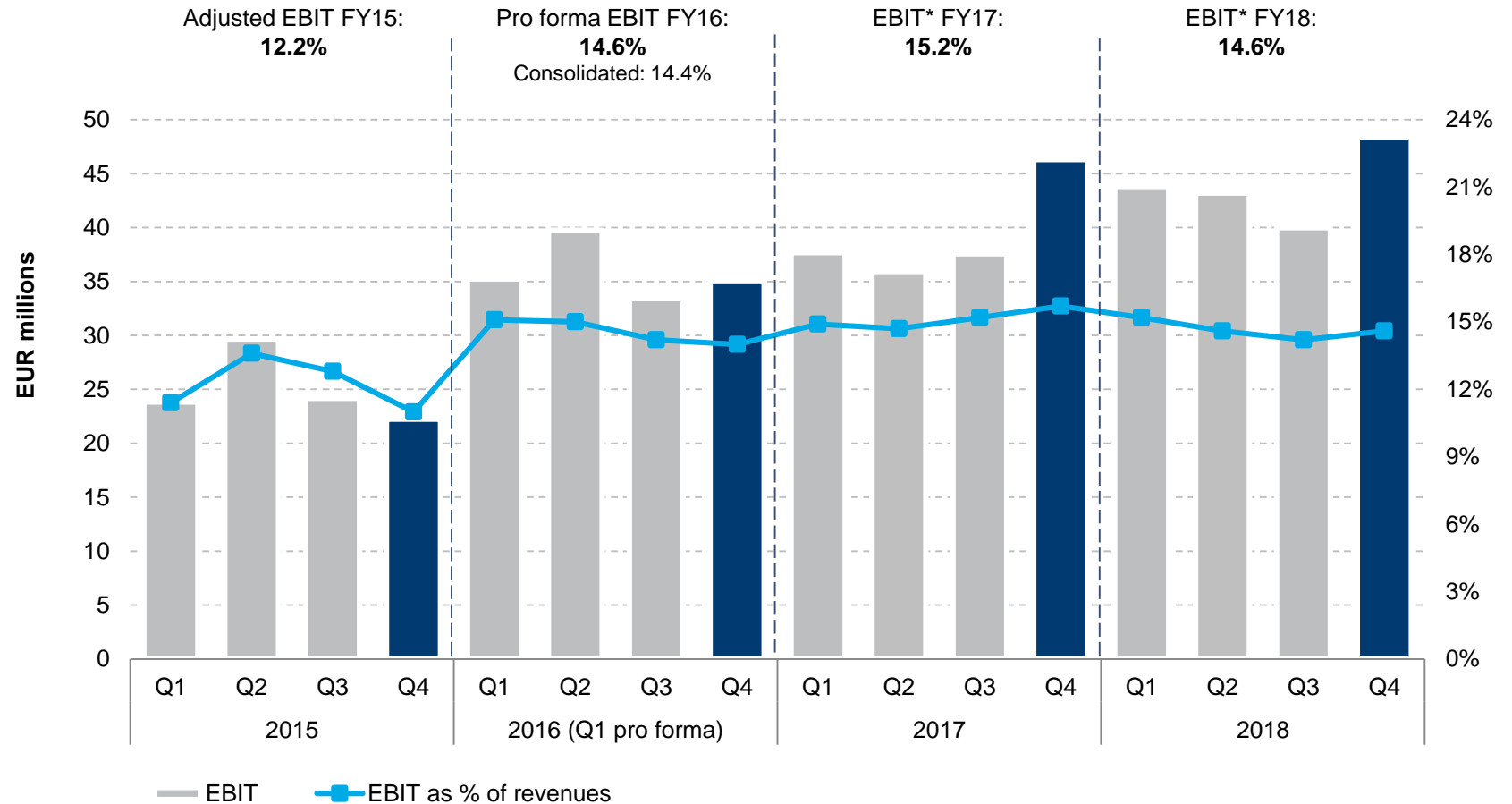


# STRONG AND STEADY OPERATIONAL PERFORMANCE



Double-digit revenue growth in the quarter of 12.2% YoY with a profit margin of 14.6% EBIT\*

- EBIT\* margin of 14.6% in 4Q18 and 14.6% in FY18
- Revenues increased by 12.2% YoY in 4Q18 leading to an increase in EBIT\* by 4.3% YoY
- 6.2% of revenues invested in innovation in 2018, compared to 5.7% in 2017
- Ongoing and continued investment in the future scalability of our platform, IT infrastructure and global reach



\*Operating income adjusted for PPA related costs, including depreciation and amortization in 2016-2018. 2015 EBIT adjusted for refocusing cost and acquisition costs.

# INCOME STATEMENT: FULL YEAR 2018



Revenues in 2018 were EUR 1.2 billion with an adjusted EBIT of EUR 175 million or 14.6% EBIT margin. Gross profit was EUR 468 million or 39.0% of revenues.

In EUR million (unless stated otherwise)	FY 2018	Of revenues	FY 2017	Of revenues	Change
Revenues	1,197.9		1,038.2		+15.4%
Cost of sales	(730.4)		(631.5)		+15.7%
<b>Gross profit</b>	<b>467.5</b>	<b>39.0%</b>	<b>406.7</b>	<b>39.2%</b>	<b>+14.9%</b>
Selling and marketing expenses	(133.7)	11.2%	(120.5)	11.6%	+11.0%
Research and development expenses	(73.7)	6.2%	(57.8)	5.6%	+27.5%
General and administrative expenses	(84.9)	7.0%	(71.0)	6.8%	+19.6%
<b>Adjusted result from operations</b>	<b>175.2</b>	<b>14.6%</b>	<b>157.4</b>	<b>15.2%</b>	<b>+11.3%</b>
PPA related costs	(14.3)		(17.1)		+16.4%
<b>Result from operations</b>	<b>160.9</b>	<b>13.4%</b>	<b>140.3</b>	<b>13.5%</b>	<b>+14.7%</b>
Net finance costs	(14.9)		(20.3)		-26.6%
<b>Result before income tax</b>	<b>146.0</b>		<b>120.0</b>		<b>+21.7%</b>
Income tax	(23.5)		(23.1)		+1.7%
<b>Net result</b>	<b>122.5</b>	<b>10.2%</b>	<b>96.9</b>	<b>9.3%</b>	<b>+26.4%</b>

# INCOME STATEMENT: Q4 2018



Gross profit was EUR 130.3 million or 39.4% of revenues and net result was EUR 38.0 million

In EUR million (unless stated otherwise)	Q4 2018	Of revenues	Q4 2017	Of revenues	Change
Revenues	330.8		294.8		+12.2%
Cost of sales	(200.5)		(177.9)		+12.7%
<b>Gross profit</b>	<b>130.3</b>	<b>39.4%</b>	<b>116.9</b>	<b>39.6%</b>	<b>+11.5%</b>
Selling and marketing expenses	(35.6)	10.8%	(32.2)	10.9%	+10.6%
Research and development expenses	(21.2)	6.4%	(16.7)	5.7%	+26.9%
General and administrative expenses	(25.3)	7.6%	(21.8)	7.3%	+16.1%
<b>Adjusted result from operations</b>	<b>48.2</b>	<b>14.6%</b>	<b>46.2</b>	<b>15.7%</b>	<b>+4.3%</b>
PPA related costs	(7.3)		(2.4)		+204.2%
<b>Result from operations</b>	<b>40.9</b>	<b>12.4%</b>	<b>43.9</b>	<b>14.9%</b>	<b>-6.8%</b>
Net finance costs	(2.9)		(4.4)		-34.1%
<b>Result before income tax</b>	<b>38.0</b>		<b>39.5</b>		<b>-3.8%</b>
Income tax	0.0		(5.7)		-100.0%
<b>Net result</b>	<b>38.0</b>	<b>11.5%</b>	<b>33.8</b>	<b>11.5%</b>	<b>+12.4%</b>

# ORDER BOOK

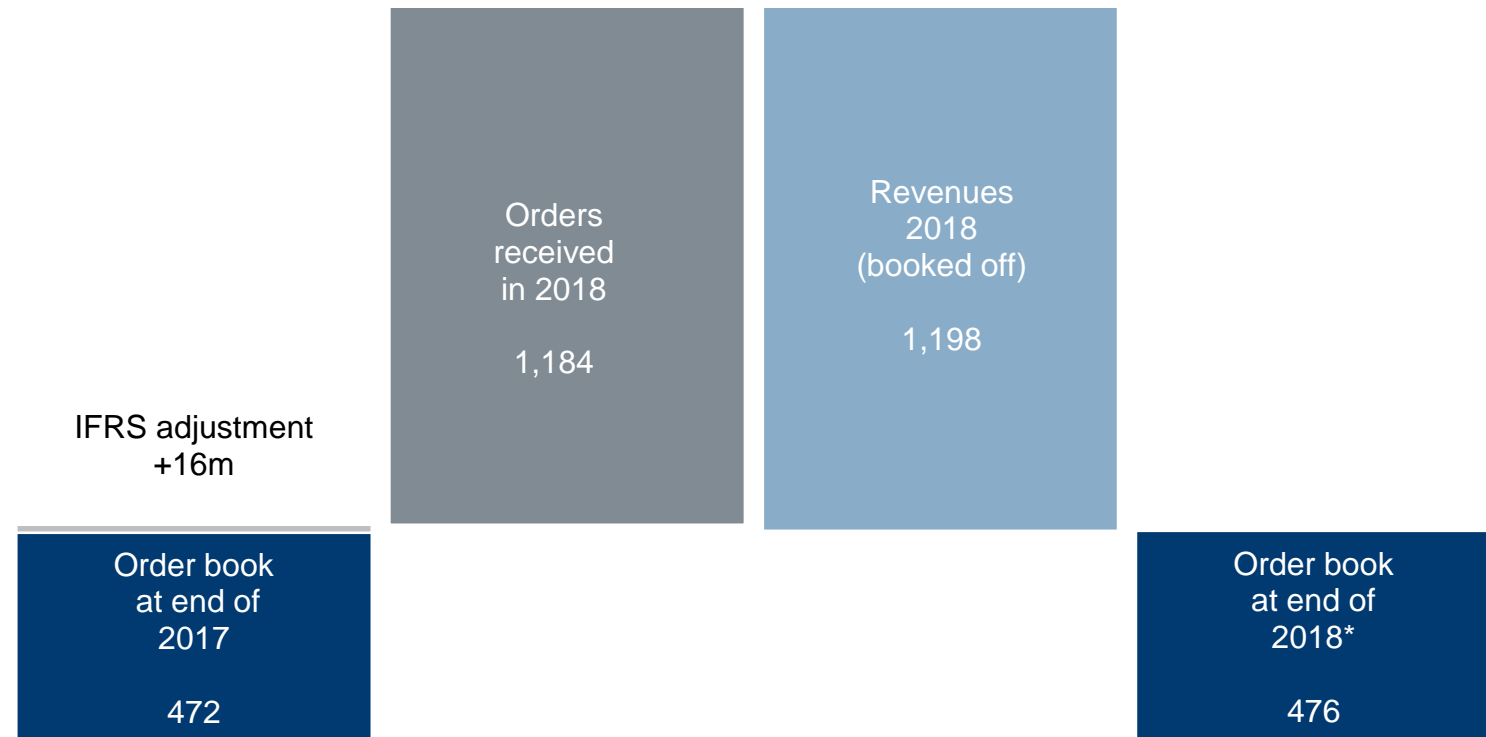


Strong order book of EUR 476 million, greenfields and projects with long lead times constitute the vast majority of the order book

## HIGHLIGHTS

- Order book at year-end was EUR 476m
- IFRS adjustment on opening balance was EUR 16m and delay of revenues in 2018 was EUR 1m
- At year-end, the order book was around 40% of trailing twelve months revenues
- The strong order book provides a good foundation going forward

## ORDER BOOK EUR m



The order book represents the total amounts of financially secured orders received that have not been booked off yet.

\*including order book of MAJA of EUR 2m

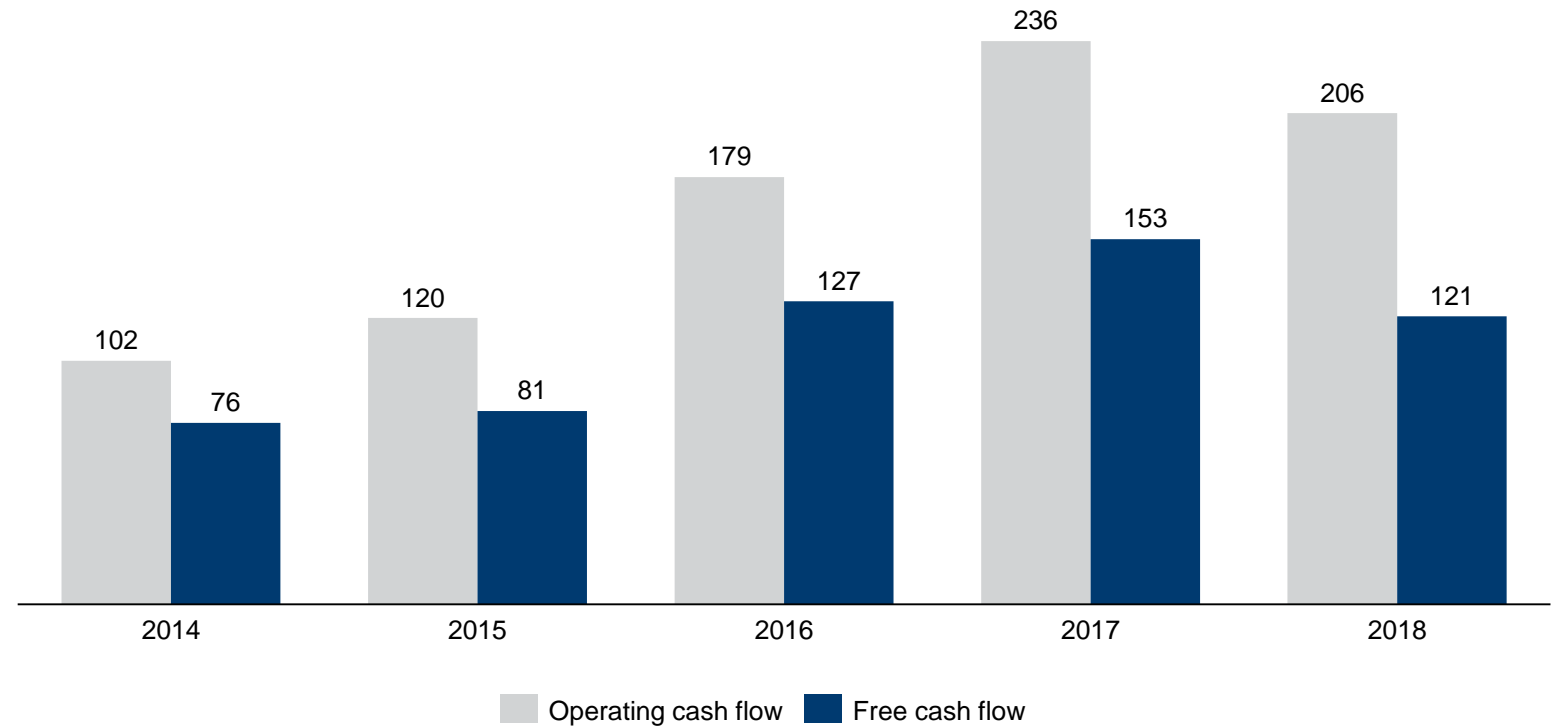
# STRONG CASH FLOW



Strong cash flow enabled both deleveraging and the undertaking of strategic acquisitions, free cash flow in 2018 amounted to EUR 121 million

- Strong operating cash flow, slightly down in line with book-to-bill ratio
- Investments of EUR 54m in 2018 in both tangibles and intangibles to maintain and support future growth, investments above normalized levels
- Free cash flow strong EUR 121m in line with operational performance and revenue growth

**CASH FLOW**  
EUR m



Free cash flow defined as cash generated from operating activities less tax and investments



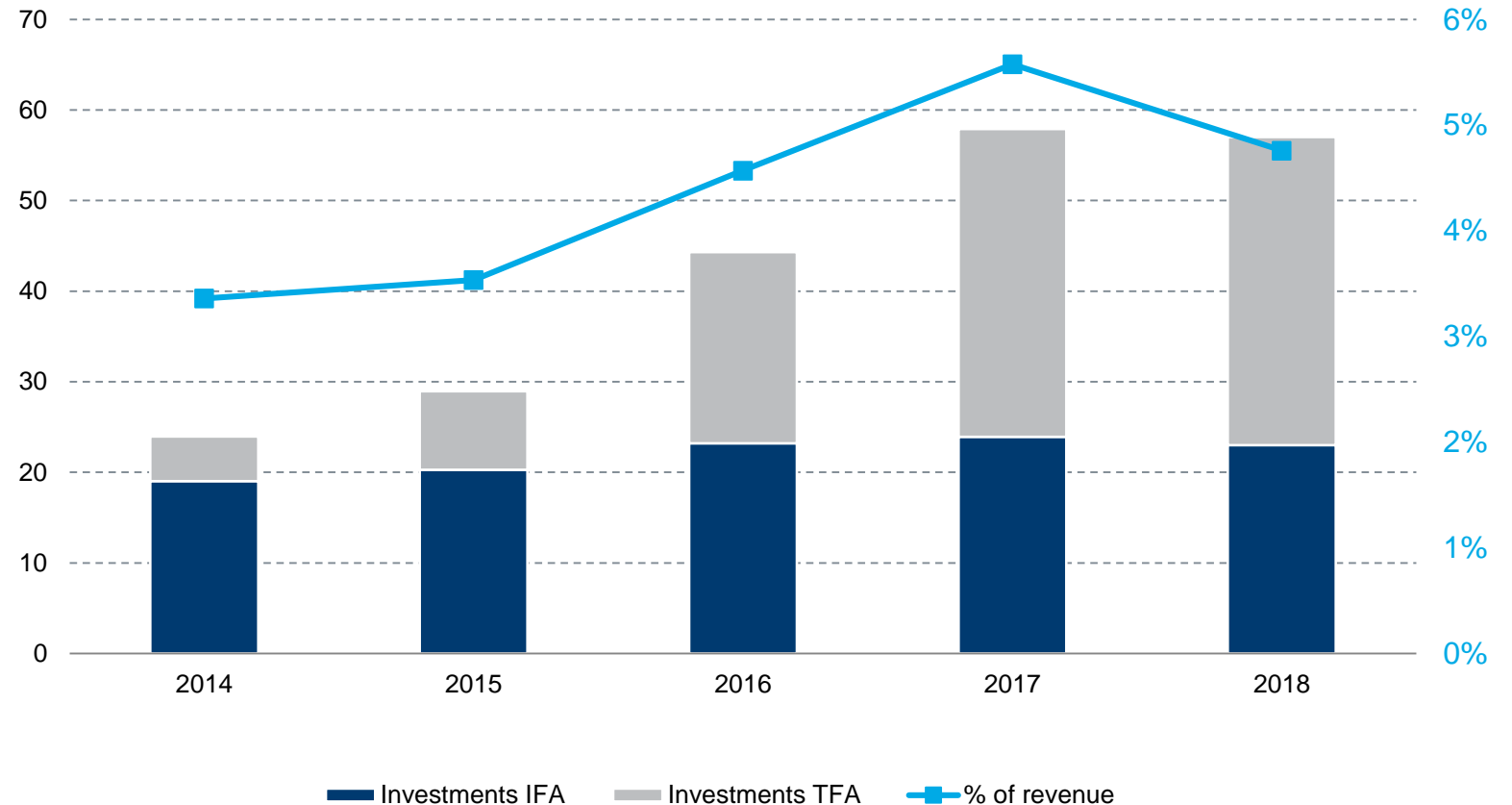
# INVESTING IN THE BUSINESS TO SUPPORT FUTURE GROWTH



Strong cash flow enables substantial investments in innovation and the future platform to the advantage of Marel and our customers

- Objective to use part of the cash flow to invest in innovation and the business, strengthening the platform to support future growth
- Advancing our manufacturing and innovation facilities
- Investing in our IT platform affects CAPEX but also creates need for additional business support that is directly absorbed in the P&L

**CAPEX 2014 – 2018**  
EUR m

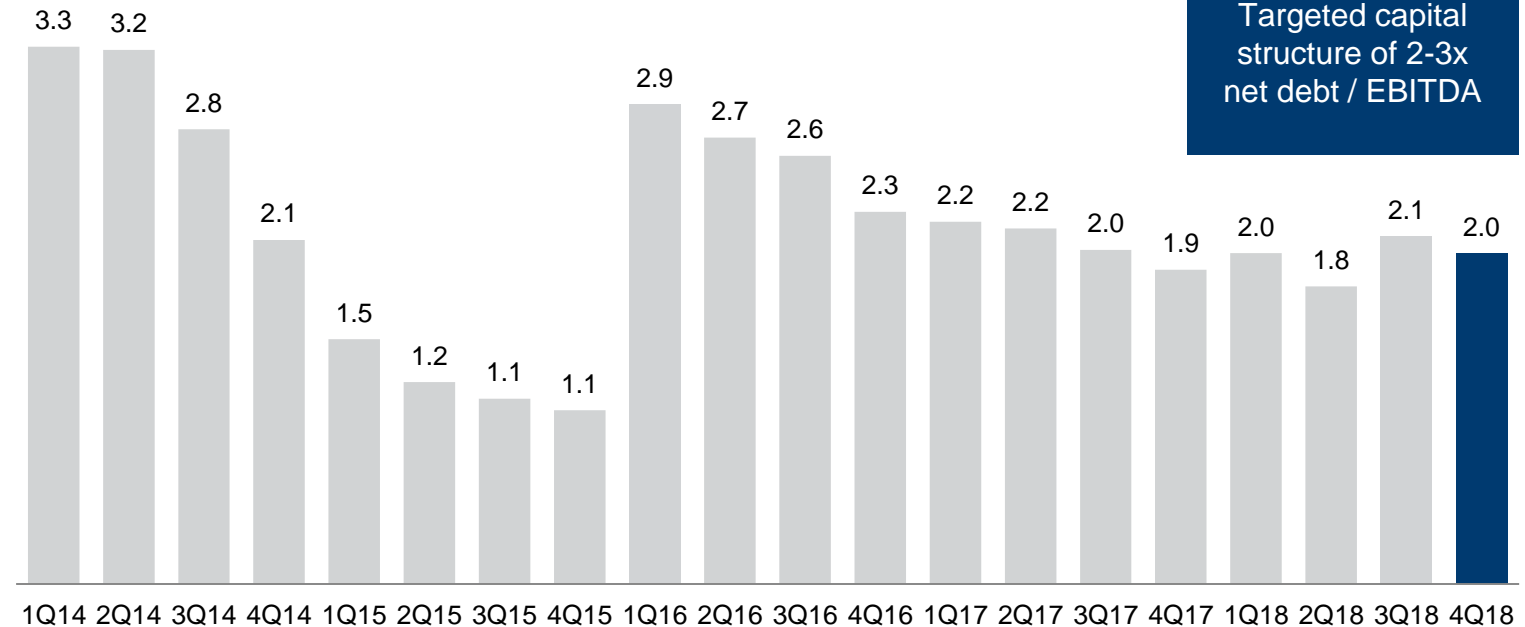


# LEVERAGE REMAINS AT LOWER END OF TARGET

In addition to raising its first issue in the Schuldschein market of EUR 140 million in 2018, Marel also paid out EUR 134 million in dividends, share buybacks and for the MAJA acquisition

- First issue in the Schuldschein market of EUR 140m with a mixture of floating and fixed tranches in maturities of 5 & 7 years
- Because of oversubscription the Schuldschein was increased to EUR 140m from EUR 100m
- Vast majority placed in the 5-year tranche priced at 110bp over EURIBOR, and the 7-year priced at 130bp over EURIBOR
- Joint bookrunners were ABN AMRO, Bayerische Landesbank, and UniCredit

**LEVERAGE RATIO**  
Net debt / EBITDA



**MAREL  
CURRENT  
BORROWER  
PROFILE**

Net debt  
EUR 432m

Equity ratio  
36%

Leverage ratio  
2.0x

Interest cover  
19x EBITDA

# BALANCE SHEET: ASSETS



## 2018 Consolidated Financial Statements

### HIGHLIGHTS

- Marel continues to invest in its facilities, equipment and improving the working environment across the company
- Lease assets and liabilities were added to the balance sheet in relation to IFRS16
- Total operating working capital increased in 2018, up EUR 26m
- Inventories are rising due to higher volume and timing of larger projects
- Trade receivables are increasing due to timing of invoicing and higher volume

### ASSETS

In EUR million	31/12 2018	31/12 2017	Change
Property, plant and equipment	175.6	144.7	+21.4%
Right of use assets	33.3	-	-
Goodwill	641.3	643.9	-0.4%
Intangible assets (excluding goodwill)	267.0	262.7	+1.6%
Trade and other receivables	3.2	4.0	-20.0%
Derivative financial instruments	1.3	0.9	+44.4%
Deferred income tax assets	10.2	4.4	+131.2%
<b>Non-current assets</b>	<b>1,131.9</b>	<b>1,060.6</b>	<b>+6.7%</b>
Inventories	149.9	124.4	+20.5%
Contract assets	44.0	48.2	-8.7%
Trade receivables	138.8	128.9	+7.7%
Other receivables and prepayments	45.0	46.6	-3.4%
Cash and cash equivalents	56.3	31.9	+76.5%
<b>Current assets</b>	<b>434.0</b>	<b>380.0</b>	<b>+14.2%</b>
<b>TOTAL ASSETS</b>	<b>1,565.9</b>	<b>1,440.6</b>	<b>+8.7%</b>

# BALANCE SHEET: EQUITY AND LIABILITIES



2018 Consolidated Financial Statements

## HIGHLIGHTS

- Leverage was 2.0x at a similar level as end of 2017
- Contract liabilities (production contracts) reflect down payments from customers on projects that will be produced
- Trade and other payables rose in line with higher volumes

## EQUITY AND LIABILITIES

In EUR million	31/12 2018	31/12 2017	Change
<b>Group equity</b>	<b>560.9</b>	<b>541.9</b>	<b>+3.5%</b>
Borrowings	429.3	370.5	15.9%
Lease liability	27.1	0.2	-
Deferred income tax liabilities	57.3	61.3	-6.5%
Provisions	9.2	8.6	+7.0%
Other liabilities	3.0	3.6	-16.7%
Derivative financial instruments	1.4	2.7	-48.2%
<b>Non-current liabilities</b>	<b>527.3</b>	<b>446.9</b>	<b>+18.0%</b>
Contract liabilities	212.1	209.6	1.2%
Trade and other payables	217.0	195.9	+10.8%
Current income tax liabilities	9.3	11.0	-15.5%
Borrowings	24.8	26.2	-7.3%
Lease liability	6.7	-	-
Provisions	7.8	9.1	-14.3%
<b>Current liabilities</b>	<b>477.7</b>	<b>451.8</b>	<b>+5.7%</b>
<b>Total liabilities</b>	<b>1,005.0</b>	<b>898.7</b>	<b>+11.8%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,565.9</b>	<b>1,440.6</b>	<b>+8.7%</b>

# IMPACT OF IFRS ON THE FINANCIAL STATEMENTS

Early adoption of IFRS 16, IFRS 9 and IFRS 15 implemented in 2018 with limited effect on Marel in line with expectations in the beginning of 2018

## IFRS 16 – Operating Lease

Impact from 1 January 2018

- Only 2,3% of total assets added to assets and liabilities in the balance sheet as at 1 January 2018, EUR 33m
- No effect on opening retained earnings in equity
- Operating expenses in 2018 decreased by EUR 9m and depreciation increased by EUR 9m. Non material impact on EBIT
- Finance costs in 2018 increased by around EUR 1m
- EBITDA in 2018 increased by EUR 9m and net debt increased – net impact on leverage minimal

## IFRS 9 – Financial Instruments

Impact from 1 January 2018

- Profit and loss from amended financial liability recognized upfront
- Limited change on doubtful debt provision
- EUR 4.1m increase in opening retained earnings in equity
- Finance cost in 2018 increased by around EUR 1m and will increase by the same amount for the life time of the financing facility

## IFRS 15 – Revenue Recognition

Impact from 1 January 2018

- Slight delay in revenue recognition, impact in revenues EUR 1m (negative) and slightly positive impact on EBIT\*
- Revenues from standard equipment will be recognized when control of the equipment is moved to the customer instead of over time
- For large projects IFRS requires us to classify large projects as one customer contract instead of two previously (equipment and installation) with average margin
- EUR 8.9m reduction in opening of retained earnings in equity
- Order book as at 1 January 2018 increased by EUR 16m, a one time effect

*The impact of recognition of revenues and net profit could fluctuate quarter by quarter.*

# BUSINESS & OUTLOOK

ÁRNI ODDUR THÓRDARSON

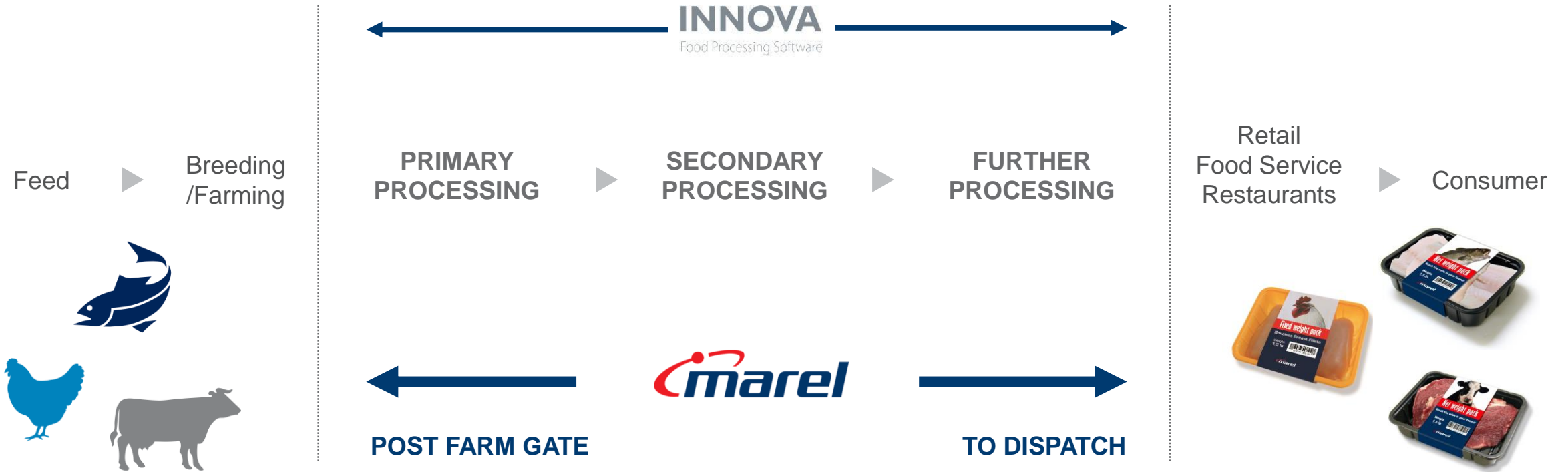
Chief Executive Officer



# POST FARM GATE TO DISPATCH



Marel's playing field is gradually expanding up and down the value chain, with our overarching Innova software to monitor and control the process
























# AT THE FOREFRONT OF INNOVATION



Marel invests ~6% of its revenue in product development and launched several new or improved products last year alone – EUR 74 million in 2018 (or 6.2% of revenues compared to 5.7% in 2017)

<p><b>ATLAS</b> Increased efficiency &amp; animal wellbeing</p>		<p><b>SENSORX MAGNA</b> Meat trim with specific CL ratio</p>		<p><b>LEG POSITIONER</b> Simplifying leg handling for batching &amp; packing</p>		<p><b>I-SAW</b> Cutting frozen Meat products</p>	
<p><b>INNOVA RECIPE MANAGER</b> Full control over recipe-based production</p>		<p><b>ROBOT WITH A KNIFE</b> Intelligent fillet cutting and batching for optimal value</p>		<p><b>FLEXITRIM</b> The next step in high-tech method of whitefish processing</p>		<p><b>DEBOFLEX IN-LINE DE-SKINNER</b> Text</p>	
<p><b>VC 20RS</b> Proven hygienic at highest speed &amp; lower cost of ownership</p>		<p><b>Q-WING</b> Labor-saving, quality assessment and distribution of chicken wings</p>		<p><b>HELIX DRUM</b> Patented forming technology for the RevoPortioner</p>		<p><b>M-LINE ROBOT MSS</b> A new generation of slaughter robotization</p>	
<p><b>DEBOFLEX MODULES</b> Shoulder blade, shank pre-cutting &amp; -sawing</p>		<p><b>AUTO-INFEED &amp; QC SCANNER</b> Improving salmon filleting</p>		<p><b>15,000 BIRDS PER HOUR</b> New standard for Poultry, first proven in the market</p>		<p><b>LINELINK (DE/EC)</b> Worry-free transfer at 15,000 bph</p>	
<p><b>SALMON DEHEADER</b> Improving Salmon fillet quality</p>		<p><b>FRANK-A-MATIC</b> Next generation sausage linker</p>		<p><b>ROBOT PALLETIZER</b> Integrated solution for storage/distribution</p>		<ul style="list-style-type: none"> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #1a3d4d; margin-right: 5px;"></span> Products free for sale</li> <li><span style="display: inline-block; width: 15px; height: 15px; background-color: #4a7c9c; margin-right: 5px;"></span> Products introduced to market</li> </ul>	

# REVIEW OF ALTERNATIVE LISTING OPTIONS



Three alternatives narrowed to dual listing. Following active discussions with selected exchanges primary focus now on Nasdaq Copenhagen and Euronext in Amsterdam.

## DUAL LISTING

- A decision has been reached to dual list the shares of Marel, where the listing on Nasdaq Iceland is continued and a second listing added internationally
- Other alternatives that were under review were:
  - No change to current set up where Marel is listed on Nasdaq Iceland
  - Delisting from Nasdaq Iceland and relisting on an international exchange (the form and constitution of shares expected to remain the same)

## LISTING LOCATION

- Primary focus now on Euronext Amsterdam & Nasdaq Copenhagen



- Listing venue considerations
  - Market depth and sector awareness
  - Access to international investor base
  - Analyst coverage
  - Index inclusion
  - Valuation
  - Peer group
- Marel specific considerations
  - Operational footprint
  - Shareholder journey
  - Clearing and settlement mechanics
  - Reporting currency

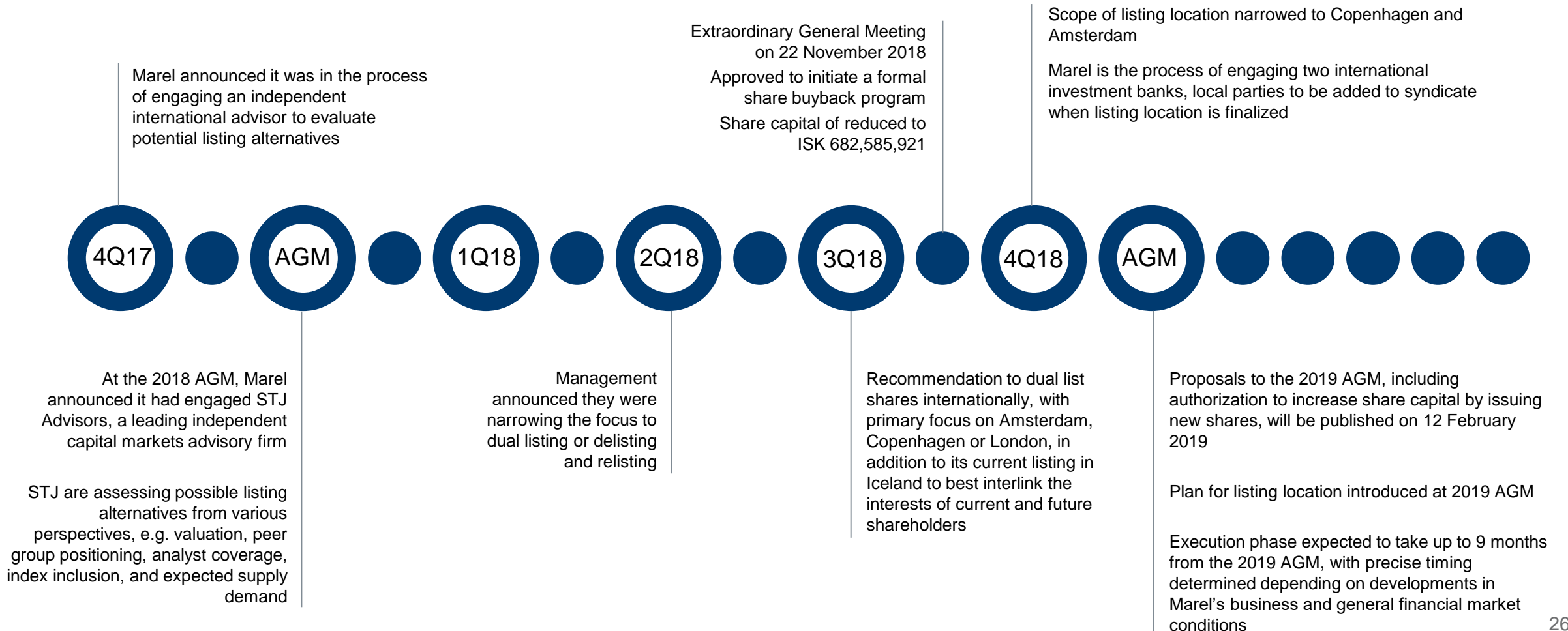
## LISTING PROCESS

- STJ advisors engaged in March 2018 to review the alternative listing options available to Marel
- Marel is in the process of engaging two international investment banks as joint global coordinators
- Local partners will be added to the syndicate once the listing location has been finalized

# ESTIMATED TIMELINE FOR LISTING PROJECT



Scope of listing location narrowed to Copenhagen and Amsterdam, listing location expected to be finalized and introduced at 2019 AGM



# FROM START UP TO A GLOBAL LEADER

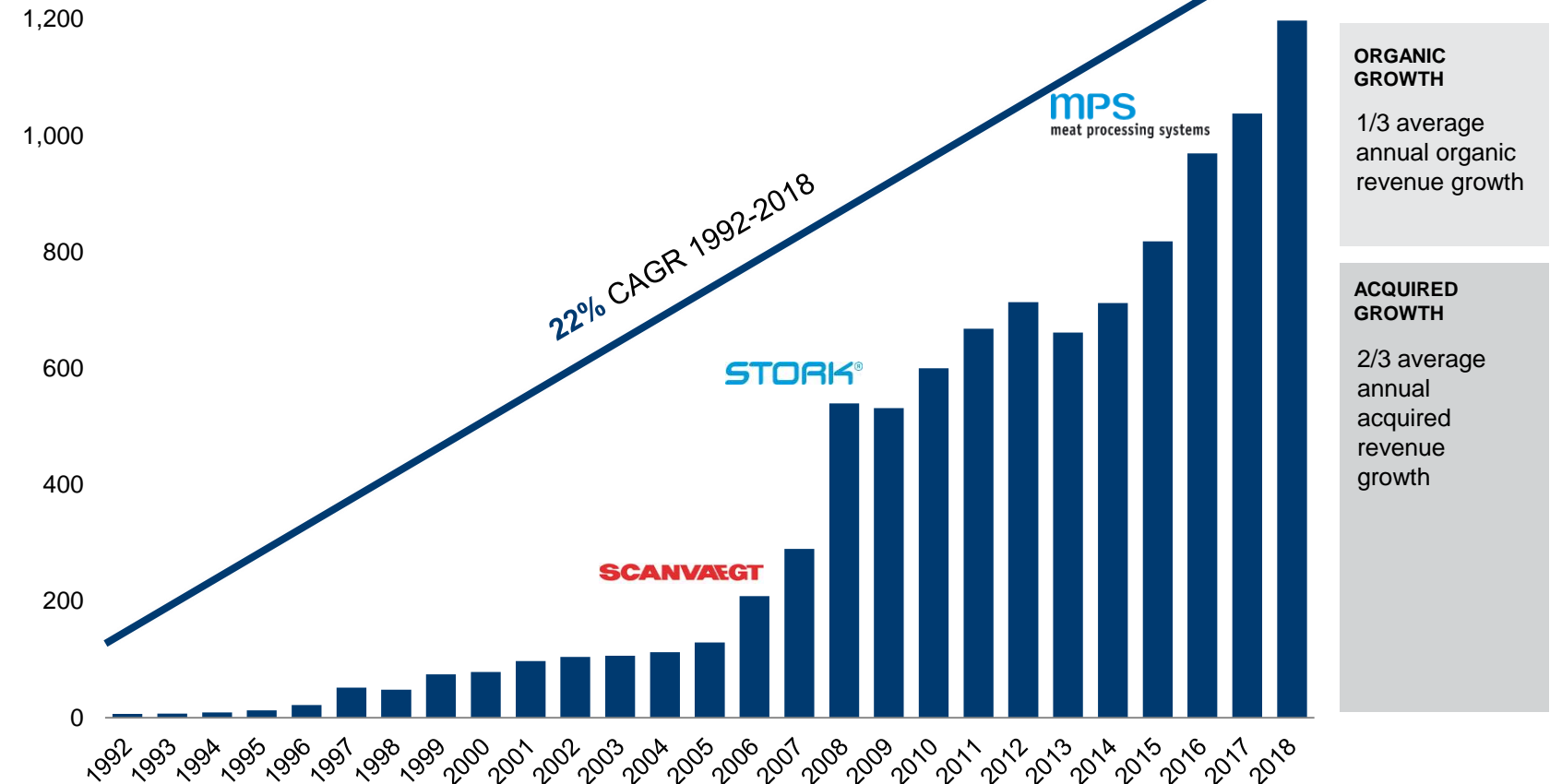


Marel had 6,100 employees working in over 30 countries and EUR 1.2 billion in revenues at year-end, a stark contrast to its 45 employees and revenues of EUR 6 million at the time of listing in 1992

- Good support from shareholders since listing on Nasdaq Iceland in 1992
- Growth strategy announced and agreed at the 2006 AGM
- Acquisitions of Scanvaegt and Stork Food Systems financed with equity contribution of EUR 268 million
- MPS, Sulmaq and MAJA acquisitions financed with support from banking partners, strong operational results and cash flow

LISTED ON NASDAQ ICELAND STOCK EXCHANGE SINCE 1992

EUR m



# FINANCIAL TARGETS



In the period 2017-2026, Marel is targeting 12% average annual revenue growth through market penetration and innovation, complemented by strategic partnerships and acquisitions

	TARGET	FY18	FY17	FY16	
<b>REVENUE GROWTH*</b>	12% average annual revenue growth in 2017-2026*	<b>15.4%</b>	5.6%	20.1%	<p>Marel enjoys a balanced exposure to global economies and local markets. Market conditions have been exceptionally favorable but are currently more challenging in light of geopolitical uncertainty and the general slowdown in global economic growth.</p> <p>In the long term*, management expects 4-6% average annual market growth. Marel aims to grow organically faster than the market, driven by innovation and market penetration.</p> <p>Solid operational performance and strong cash flow is expected to support 5-7% revenue growth on average by acquisition.</p>
<b>INNOVATION INVESTMENT</b>	~6% of revenues	<b>6.2%</b>	5.6%	6.5%	To support new product development and ensure continued competitiveness of existing product offering.
<b>Earnings per Share (euro cent)**</b>	EPS to grow faster than revenues	<b>17.95</b>	13.70	10.59	Marel's management expects Earnings per Share to grow faster than revenues.
<b>LEVERAGE</b>	Net debt/ EBITDA x2-3	<b>x2.0</b>	x1.9	x2.3	The leverage ratio is estimated to be in line with the targeted capital structure of the company.
<b>DIVIDEND POLICY</b>	20-40% of net profit	<b>30%</b>	30%	20%	Dividend or share buy-back targeted at 20-40% of net profits. Excess capital used to stimulate growth and value creation, as well as paying dividends.

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

\*\*Trailing twelve months, EUR cents

# Q&A

ÁRNI ODDUR THÓRDARSON  
CEO

LINDA JÓNSDÓTTIR  
CFO





# DISCLAIMER



## FORWARD-LOOKING STATEMENTS

Statements in this press release that are not based on historical facts are forward-looking statements. Although such statements are based on management's current estimates and expectations, forward-looking statements are inherently uncertain.

We therefore caution the reader that there are a variety of factors that could cause business conditions and results to differ materially from what is contained in our forward-looking statements, and that we do not undertake to update any forward-looking statements.

All forward-looking statements are qualified in their entirety by this cautionary statement.

## MARKET SHARE DATA

Statements regarding market share, including those regarding Marel's competitive position, are based on outside sources such as research institutes, industry and dealer panels in combination with management estimates.

Where information is not yet available to Marel, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

## US DISCLAIMER

Any sale of Marel hf.'s ordinary shares has not been and will not be registered under the United States Securities Act of 1933, as amended (the Securities Act), and will not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act.

There will be no public offer of the ordinary shares in the United States (for these purposes, the "United States" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia).



THANK YOU

