

# ANNUAL REPORT 2018



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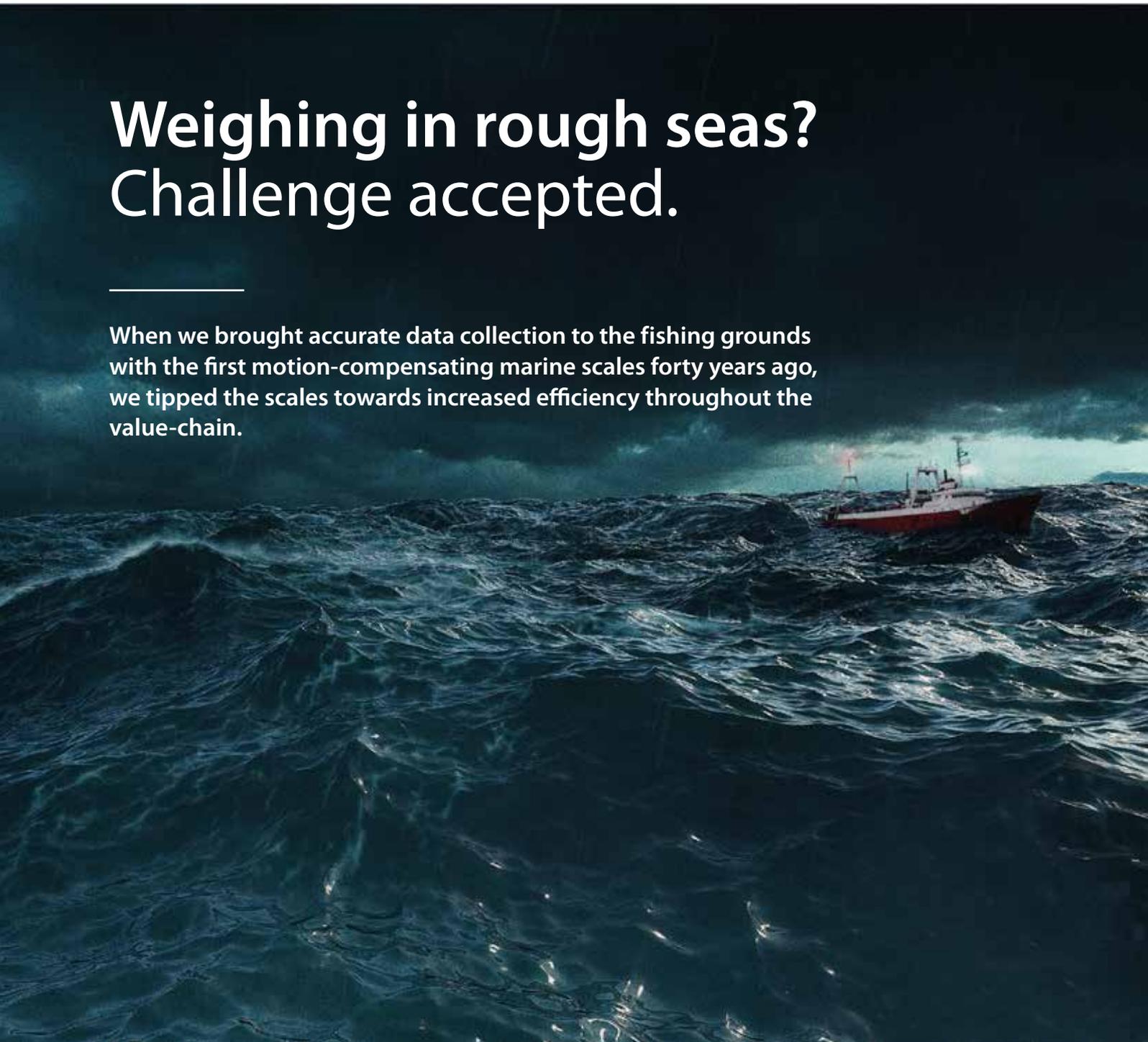
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## TO OUR STAKEHOLDERS

# Weighing in rough seas? Challenge accepted.

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When we brought accurate data collection to the fishing grounds with the first motion-compensating marine scales forty years ago, we tipped the scales towards increased efficiency throughout the value-chain.



## CHAIRMAN'S STATEMENT

### Business as a force for good

Global challenges ranging from climate, water and food crises, to poverty, conflict and inequality are in need of solutions that require the combined efforts of the public, private and civil sectors. We are inspired by the UN Sustainable Development Goals and Global Compact's call to the corporate sector for responsible business operations. Our response is to apply our culture of innovation and collaboration to address some of the societal challenges ahead.

Marel's vision is founded on the strong belief that we can create economic value and have a positive social impact at the same time: In partnership with our customers, we are transforming the way food is processed. *Our vision is of a world where quality food is produced sustainably and affordably.*

We are proud of our achievements in 2018. Excellence in operations and disciplined capital allocation are the foundation for us to effectively serve our customers and other stakeholders, as well as provide a healthy return to our shareholders.

### Data-driven from day one

When we brought accurate data collection to the fishing grounds with the first motion-compensating marine scales forty years ago, we tipped the scales towards increased efficiency throughout the value chain. Marel's marine scales, developed by passionate entrepreneurs at the University of Iceland, introduced data collection to the Icelandic fishing grounds. Using decades of precise data, we've continuously developed solutions that ensure quality food at the lowest cost – to businesses and to the environment. This is a great example of both the power of numbers, and how our extraordinary and talented team here at Marel use their power in numbers.

In 2018, we celebrate the 35th anniversary of the founding of Marel. The listing of Marel's shares on Nasdaq Iceland in 1992 was an important milestone in Marel's progress from a start-up to a leading global provider of advanced processing systems and services to the poultry, meat and fish industries. At the end of 2018, Marel had over 6,000 employees, working



in more than 30 countries, and total revenues of EUR 1.2 billion. Quite a contrast to the company's 45 employees and revenues of EUR 6 million at the time of listing.

### Returning value to shareholders

Marel's remarkable average revenue growth of over 20% per year since its listing in 1992 has been fueled by innovation and several strategic acquisitions, made possible by strong shareholder support. The acquisitions of Scanvægt in 2006 and Stork in 2008 were funded with an equity contribution of EUR 268 million, while the more recent acquisitions of MPS, Sulmaq and MAJA in 2016-2018 were financed with support from banking partners, operational results and cash flow.

A review of financial developments over the last 5 years shows just how great the company's progress has been. Revenues increased by an average of 13% in the past five years and earnings per share rose 43% on average yearly. During that same period, Marel's share price also climbed by an average of 27% per year in EUR terms.

In 2018, revenues increased by over 15% and earnings per share by 31%. Operational performance has improved significantly, with EBIT averaging around 15% for the past three years. The share price rose 15% in 2018 and the number of shareholders grew from 2,206 to 2,491.

In 2018, EUR 28.9 million were paid in dividends to shareholders for the operational year 2017. In line with our capital allocation and dividend policy, the Board of Directors will propose to the 2019 Annual General Meeting (AGM) that shareholders be paid a dividend of around EUR 5.57cents per share, which corresponds to approximately 30% of profits for 2018.

## A global stage for an international company

Although listing on Nasdaq Iceland has served Marel well, there have been clear indications for some time now that we are outgrowing the small Icelandic stock market. We are a global company with ambitious growth plans. Furthermore, even though capital controls in Iceland have been lifted, having Marel's shares listed in Icelandic krona has proven to be an obstacle for potential international strategic investors.



**LARGEST COMPANY ON NASDAQ ICELAND**  
WITH MARKET CAPITALIZATION OF EUR 1,9BN

As announced at the AGM in March 2018, Marel engaged independent international advisors to evaluate potential listing alternatives to further advance the company's global vision and provide continued strong shareholder returns. The objective is to facilitate trade and ensure fair pricing of Marel shares for the benefit of all shareholders.

## Primary focus now on Euronext Amsterdam and Nasdaq Copenhagen

After thorough analysis of the three options considered, i.e. to remain listed on Nasdaq Iceland only, to list both in Iceland and on an international exchange, and to delist from Iceland and relist on an international exchange, the conclusion was to aim for dual listing of Marel shares in 2019. The optimal listing venue has yet to be decided, but the primary focus is currently on Euronext Amsterdam and Nasdaq Copenhagen. A total of five exchanges were reviewed with an eye to various aspects such as market depth and sector awareness, access to international investors, analyst coverage, index inclusion, valuation and peer group positioning. Several Marel-specific considerations were also taken into account, such as our operational presence in these countries, reporting currency, and technicalities such as clearing and settlement mechanics. We are focused on ensuring a smooth journey for our current and future shareholders.

## Share capital decrease and formal share buyback program initiated

To better align the interests of current and future shareholders in connection with the dual listing, the Board of Directors convened an Extraordinary General Meeting on 22 November 2018. There it was proposed to reduce share capital by 53 million shares and initiate a formal share buyback program

to purchase of up to 34 million shares, corresponding to 5% of issued share capital. The plan is to announce the final dual listing location at the 2019 Annual General Meeting, following which the execution phase is expected to take up to nine months. The precise timing will depend on both developments in Marel's business and general financial market conditions.

## Unique position for sustainable value creation

Our growth targets are ambitious. We aim to increase revenues on average by 12% per year in 2017-2026, capitalizing on strong innovation and market reach, complemented by strategic acquisitions and partnerships.

Marel has both the premises and prerequisites for such growth. Our industry is experiencing robust global growth driven by population growth and changing consumer behavior, coupled with secular demands for traceability, food safety, nutrition and sustainability. The value of the consumer market for animal protein is estimated at EUR 1,200 billion annually. Marel, the global leader in food processing solutions, software and services for the poultry, meat and fish industries, had revenues of around EUR 1.2 billion in 2018. In spite of our leading position, therefore, our market is still fragmented and there is significant room for growth and consolidation.

Innovation is at the core of our strategy – and in our DNA. A key competitive strength is our long-standing commitment to research and development, where we invest around 6% of revenues annually, well above the industry standard. Our ongoing investment and strategic focus on exploiting opportunities offered by digitalization and automation have great potential. Not only are we improving yield and throughput in the food processing industry, resulting in higher quality products at better value, but also reducing waste and providing full traceability throughout the value chain.



**EUR 74 MILLION**  
INVESTED IN INNOVATION 2018

The world's population is expected to rise from today's 7.6 billion to 10 billion by 2050 – an increase of almost one-third. Active consumers at the same time are expected to rise by 60 million a year, the equivalent of the UK population, as levels of well-being and purchasing power rise. Together with urbanization and changes in consumer behavior, this is expected to increase demand for food by 70% by 2050, a figure which is practically incomprehensible in view of the planet's limited land, water and other resources.

Waste in the food value chain is estimated at around 33%, equivalent to 1.3 billion tons of food lost. This needs to change. Innovation and optimization of food production, together

with changes in consumer behavior, are the only solution to the enormous challenge of feeding the planet. Marel is at the forefront in adapting to prevailing trends and needs. In partnership with our customers, we have a unique opportunity to create economic and social value at the same time.

### Our role in feeding the future

We view the future in a positive light. Despite a number of factors of uncertainty on the horizon, such as geopolitical concerns, trade constraints and Brexit, we are convinced that our



**6,000+**  
EMPLOYEES

determined advance in transforming how food is processed will continue to provide a strong foundation for long-term sustainable value creation - for all Marel's stakeholders.

Marel's success is the result of efforts by a united and diverse team of more than 6,000 people around the world, with a wealth of process know-how and industry experience. The company's senior management team has a clear vision and an excellent execution track record. Earlier this year, the Board of Directors had the privilege of visiting our expanding operations in Brazil – both our dedicated team in Piricicaba and our new team members from Sulmaq in Guapore – as well as our operations in Kansas, USA. It is truly spectacular to experience at first hand the relentless passion and dedication of our team around the world.

On behalf of the Board of Directors, I congratulate the Marel team on the impressive results and achievements of 2018, achieved not least thanks to their dedication and hard work. May I also express our appreciation of the continuing commitment and support of our shareholders.

Ásthildur Otharsdóttir,  
Chairman of Marel's Board

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*WHEN WE BROUGHT ACCURATE DATA COLLECTION TO THE FISHING GROUNDS WITH THE FIRST MARINE SCALES FORTY YEARS AGO, WE TIPPED THE SCALES TOWARDS INCREASED EFFICIENCY THROUGHOUT THE VALUE CHAIN.*

## REVENUES

# EUR 1.2 bn

## CEO'S REVIEW

The year 2018 was yet another excellent one for Marel. We are delighted to report record revenues of EUR 1,200 million representing a 15% year-on-year revenue growth, of which 12.5% was organic. Operational performance was solid with 14.6% EBIT. We have been operating at close to 15% EBIT in the past three years with robust cash flow.

The strong cash flow enables us to invest in talent, innovation, infrastructure and global market presence. Operational cash flow was EUR 206 million in 2018, and free cash flow after our extensive investments and payments of taxes and interests amounted to EUR 121 million or over 10% of revenues.

### Global market leader with blue-chip customer base worldwide

We are a global leader in providing advanced solutions and services to poultry, meat and fish processors. Our customer base ranges from small family-owned companies to the largest players in the food industry. Our long lasting customer relationships are due to our strong partnerships in transforming the way poultry, meat and fish are processed. Attracting new customers and retaining existing ones is driven by our constant commitment to service and innovation and being at the customer -for the customer out in the field. Today, we have more than 6,000 dedicated team members operating in over 30 countries serving our customers across 180 countries.

We have a healthy mix of revenues deriving from greenfield projects, modernization and maintenance of our existing customers' installed base worldwide. Maintenance is transitioning from reactive services to more preventative maintenance that include long-term service level agreements, spare parts packages and remote monitoring. Taking a proactive approach with our customers prevents unexpected downtime at their production facilities and ensures consistent peak productivity. 35% of total revenues derives from recurring service and spares business, underpinning our high quality of



earnings. Our customer base is diverse with the single largest customer in any calendar year accounting for less than 5% of total revenues.

### Growth driven by secular trends

Population growth, urbanization and technological disruption are significant trends shaping the world today. We are witnessing the most rapid urbanization and growth of the middle class in history or at around 3-4% annually. These active consumers are seeking and consuming a balanced diet that is rich in vegetables, fruits and proteins. The need for increased automation, improved productivity and more innovative solutions to process quality food safely and sustainably, is clearer than ever. We must find ways to do more with less. The only reliable solution is for food processors to step up investments and vertically integrate the supply chain.

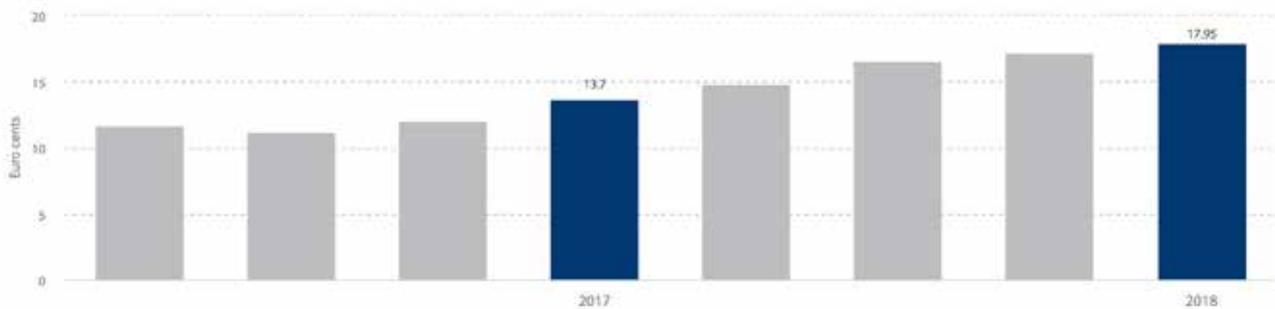
Marel is at the center point of prevailing trends. With continuous innovation and complementary acquisitions, we have managed to extend our playing field gradually.

ORDER BOOK  
**EUR 476m**



INNOVATION INVESTMENT IN 2018  
**EUR 74m**

EARNINGS PER SHARE  
TRAILING TWELVE MONTHS, BY QUARTER



Last year we successfully launched the ATLAS system, our live bird handling system that achieves new animal wellbeing standards while simultaneously increasing the quality of the inputs to the factory. Thereby moving our operating window from serving only the factory level to serving processors all the way from post-farm gate to dispatch of the final products.

### A sizeable market serving the basic needs

The annual retail value of poultry, meat and fish products is estimated to be EUR1,200 billion. With current urbanization rates, there is a rapid transition from small back-yard grown farming into a fully commercialized approach. Consequently, the underlying demand for new greenfield processing plants is high, especially in poultry, pork and fish processing deriving from aquaculture. However, the current annual value of solutions and services to serve the needs within our playing field is estimated to be only EUR 12 billion, of which Marel revenues are EUR 1.2 billion.

Based on our position as a product pioneer with an extensive sales and service network around the globe, our target is to continue to grow organically above the market rate. Moreover, Marel is at the forefront of consolidating the fragmented market of equipment and solution providers. We have a solid track record in M&A where our primary focus is on closing application gaps to compliment innovation and accelerate the process of becoming a full-line provider to our customers.

**31%** INCREASE IN  
EARNINGS PER SHARE  
BETWEEN 2017 AND 2018

### Innovation drives transformation

In 2018, we increased investments in innovation to a level of 6.2% of revenues compared with 5.6% of revenues for the previous year. The step up was mainly in investments in the overarching Innova software platform that collects and distributes data that improves operational efficiency and ensures full traceability of products throughout the value chain.

We are continuously becoming better and better in utilizing technologies and realizing synergies across the three industries we operate in. The best example of this is the SensorX, an X-ray detection system that was initially developed for the fish industry and has now become a huge success in the poultry industry by providing bone and contamination free meat for products like chicken nuggets. We are now further mirroring the SensorX technology into the red meat industry.

In addition to detecting bones and other contaminants, the SensorX-system is capable of monitoring and blending fat and lean muscles with high accuracy and speed to meet the growing demands for “home-style” premium burgers at affordable prices.



## Are there any structural differences between the three industries?

Our poultry segment accounts for 53% of total revenues and delivered around 18% EBIT in 2018. At the same time the meat segment accounted for 32% of total revenues with 11% EBIT followed by Fish with 13% of revenues with around 8% EBIT.

We frequently get questions from our current and potential shareholders whether there are any structural differences between the poultry, meat and fish segments that explain the difference in margins. Management's view is that there is no fundamental difference across the three industries and the growth and value drivers are similar. It is all about comparative business advantages within the segments.

In poultry, we have been very successful in closing application gaps and providing full lines with the speed of 15,000 chickens per hour in a highly automated process. We interlink the processing steps seamlessly from primary processing to secondary and further processing to enable our customers to meet various consumer demands. With improved standardization and modularization, we lower the execution risk in large projects and simplify the modernization and maintenance business. This takes focus and time to build up and is difficult to replicate.



**MAREL'S SHARE PRICE**  
ROSE 14.6% IN 2018

The task in the meat segment is to standardize and modularize the offering in primary processing and further drive our customer value creation by vertically integrating the value chain from primary to secondary and further processing. In the fish segment, we have successfully managed to improve standardization across our product line and we are already starting to reap the benefits mirrored in higher service and spare revenues and gradually improving operational margin. Within the fish segment, we are focusing on closing application gaps in primary processing and further automating all processes in line with what we already accomplished in the poultry segment. This is the journey ahead of us.

## A global scene for a global leader

We have had great support from the Icelandic stock exchange and our shareholders since listing in 1992. The dual listing of Marel shares on an international stock exchange in addition to its listing in Iceland is on track. It is important for a global leader to have a global stage to support its ambitious growth plan. An international listing and access to a broader investor base is expected to drive fair day-to-day trading and continued shareholder returns.

Liquid and tradable shares are an important acquisition currency, as many of our potential acquisition targets are well-run family-owned companies. In many cases, the owners of these companies want to stay in this attractive industry and join forces with Marel, a product pioneer with a global sales and service network and strong digital platform. By offering them Marel shares that are listed on an international stock exchange they can become a part of the Marel growth story going forward.

## We are in a partnership

Our team is dedicated and passionate. We are guided every single day by our shared vision and we share the values of Innovation, Unity and Excellence. We put great emphasis on being a dynamic workplace with diverse and well-educated team members.

For several years, we have run an internal Marel leadership program, where we select talent from across the company worldwide for a general management training in cooperation with universities and consultancies. Many of our senior managers come from the ranks of this leadership program, including two members of the executive team. Since mid-2017, we have also trained more than 500 employees to apply what they learned in "The 7 Habits" to their professional and personal lives.

This well-known leadership framework highlights important paradigms to become more effective through proactive behavior, prioritization, time management, empathic listening, and synergistic thinking.

I would like to sincerely thank our shareholders, customers, partners, and employees for their continued trust and support. We are all in this together! Together, we are transforming the way food is processed.

Árni Oddur Thórdarson,  
Chief Executive Officer

# MAREL IN BRIEF

WHO WE ARE

**WE ARE  
UNITED  
IN OUR SUCCESS**

# WHO WE ARE

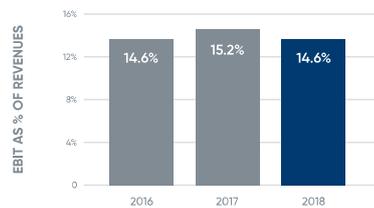
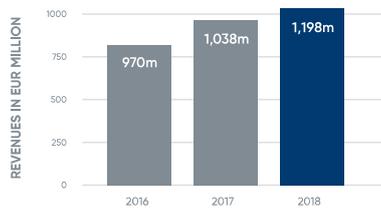
**FOUNDED IN 1983**  
LISTED ON NASDAQ  
ICELAND IN 1992



**6,000+**  
EMPLOYEES

**30+**  
COUNTRIES

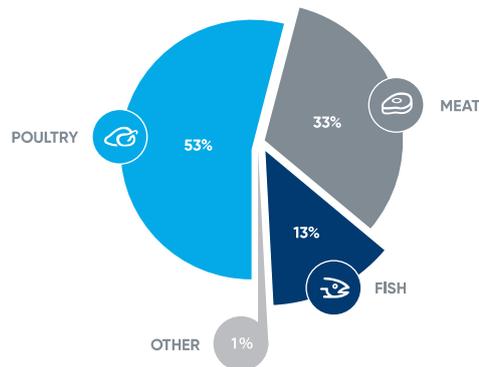
**100**  
PARTNERS



**REVENUES  
& EBIT**

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

**REVENUES  
BY INDUSTRY**



**ORDER BOOK**  
**EUR 476m**

**INNOVATION INVESTMENT IN 2018**  
**EUR 74m**

**SALES & SERVICE  
OPERATIONS**



## VISION AND VALUES

# UNITED UNDER ONE VISION AND ONE SET OF VALUES

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

## UNITY

We are united in our success

## EXCELLENCE

Excellence is what differentiates us

## INNOVATION

Innovation drives the value we create

## BUSINESS MODEL

Taking an innovative, high-tech approach has placed Marel in the forefront of the food processing equipment industry. As a leader in the field, we provide advanced equipment and systems for the fish, meat and poultry industries around the world. Our business model is based on maintaining a good balance between our industry segments, business mix and geographical operations.

### Leading pure-play supplier

We sell advanced and high-end equipment, solutions and software to the poultry, meat and fish industries. We serve producers looking to increase the automation of their production processes.

### Technology leader

We invest around 6% of revenues in innovation support of our strong focus on process and product innovation. Ensuring a seamless operating flow and integrating different applications boosts overall efficiency and production capacity.

### Global reach

We have a dedicated team of about 6,000 employees in over 30 countries around the world. Through the years, we have built a unique sales and service network of over 500 employees in global sales and more than 1,000 in global services supporting clients around the world. We also complement our local presence with a network of over 100 agents and distributors.

### Blue-chip customer base worldwide

Our customer base includes most of the world's blue-chip food processors in the poultry, meat and fish industries. Our long-standing partnerships are strong, built on co-operation and teamwork across industries and geographies.

### Innova software platform

We give our customers full control over their production with Innova, our advanced, overarching food production software. Designed to optimize production using our high-tech equipment lines, Innova software can integrate and increase the efficiency of third-party equipment as well.

### Clear and focused growth strategy

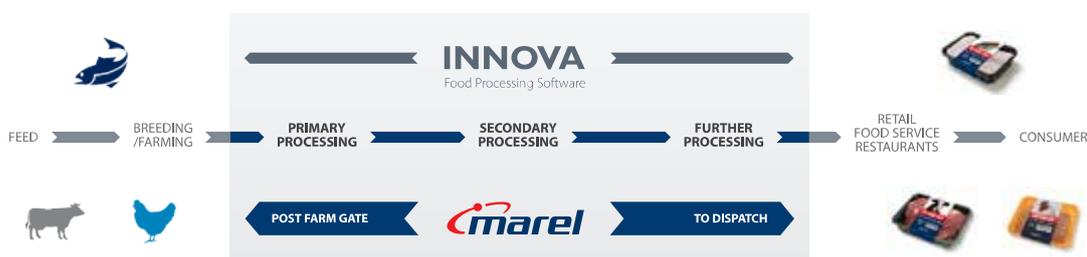
Marel's playing field is gradually expanding to cover the entire production process from farm to fork and from catch to consumer. This entails a full-line offering of integrated systems, solutions and software for every step of the production process, available in all relevant geographical areas of our industries.

### Strong culture of innovation

We are a company defined by our dedication to innovation, as reflected in our extensive investment in research and development. Marel began as an idea at the University of Iceland in 1977 and innovation is and has always been at its heart. We invest around 6% of revenues in research and development annually, which translated into EUR 74 million in 2018.

From the start, Marel has bundled software and equipment together. Our approach to innovation is not limited to mechanical engineering to optimize the performance of each application, but also encompasses integrated technologies and connectivity. Data analytics and software control are becoming increasingly important. Today, Marel is the focal point of information gathering for global food processing, one of the most significant value chains in the world.

Marel is also known for applying its technology across different industries. In 2018, we continued to leverage our strong innovation investments in one field to successfully develop solutions for other protein product groups, across processes and geographies.



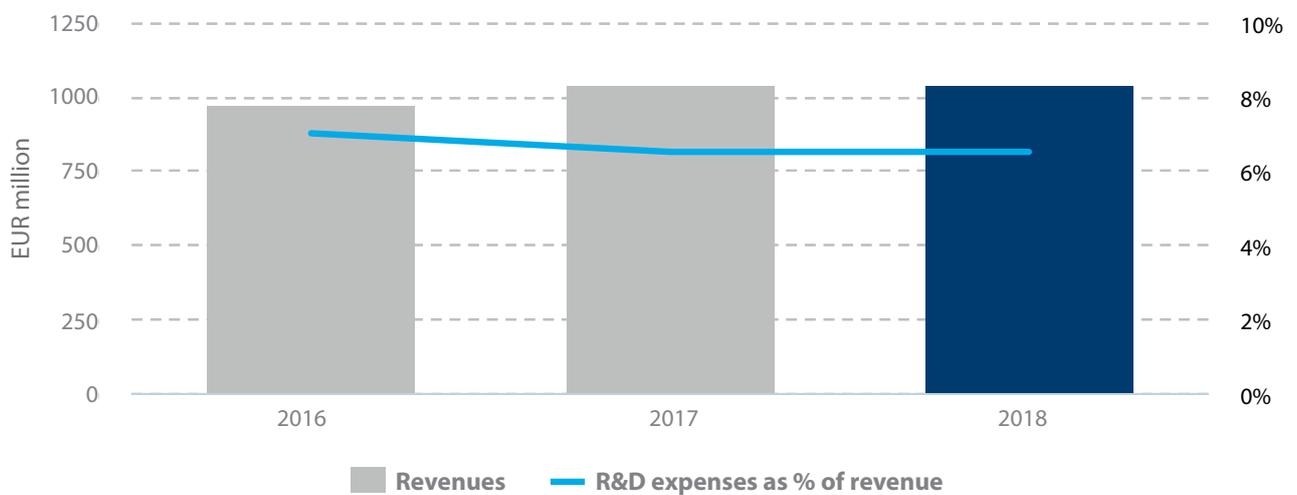


**EUR 74 MILLION**  
INVESTED IN INNOVATION 2018



**INNOVATION THROUGH  
PARTNERSHIP**  
WITH KEY PLAYERS

### RESEARCH AND DEVELOPMENT EXPENSES



### Three key industry segments

At Marel we focus our efforts on three main production industries: poultry, meat and fish. Our teams analyze trends and anticipate processing challenges, enabling us to stay on top of market developments and changes in the industries we serve.

Marel Poultry, Marel Meat and Marel Fish are constantly working on new ways to improve existing processes, increase automation and streamline product processing.

### Marel Poultry

Marel Poultry offers the most complete product range in the industry and has the largest installed base worldwide. We provide in-line poultry processing solutions for all process steps and all processing capacities for broilers, turkeys and ducks.

### Marel Meat

Marel Meat supplies advanced equipment and systems to the red meat industry. We focus on slaughtering, deboning and trimming, case-ready and food-service solutions. Following acquisitions of MPS, Sulmaq and MAJA, we are now a full-line supplier from farm gate to finished pack.

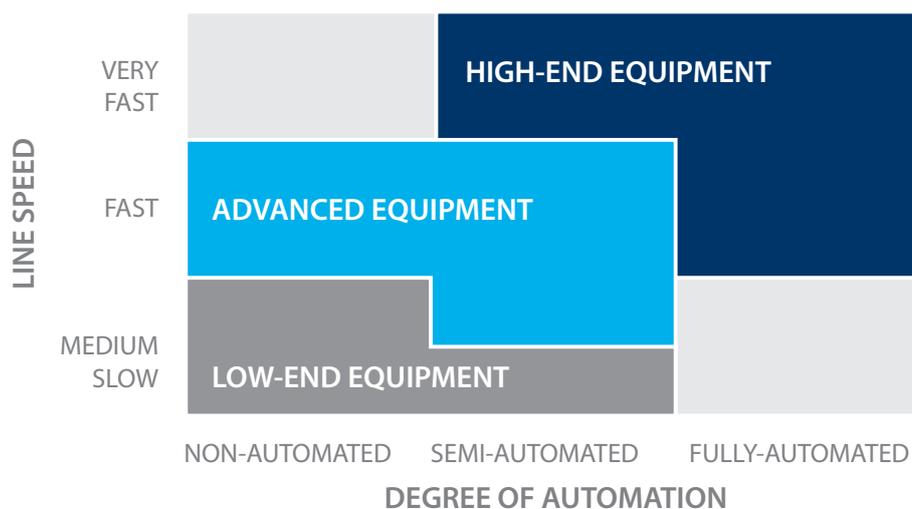
### Marel Fish

Marel Fish is the leading global supplier of advanced stand-alone equipment and integrated systems to the fish industry. We provide innovative equipment, systems and software for processing whitefish and salmon, both farmed and wild, onboard and ashore.

## Customer focus

Our strong and long-standing relationships with our customers form the bedrock of our business model. We're here to partner with our customers. Together we innovate and create products that set new benchmarks in the industry and achieve continuous improvements in line with our customers' needs.

We expect automation in food processing to increase steadily, especially in emerging markets. This means higher growth in advanced and high-end segments of the food processing equipment industry. Our expertise in this segment focuses on helping customers become more efficient, more sustainable and more profitable. This shared success creates higher margins and better value, both for our customers and for Marel.



## Sales and service network

Marel's extensive sales and service network, spread over more than 30 countries on all continents, is a key competitive edge. This network is the first line of contact for customers at local level. It means first-rate service, consistency and continuity in our partnership with our clients. We are currently reinforcing this network on a regional level to strengthen our connection with customers.

We serve a diverse customer base around the world. Our professional team of field service engineers ensures the uptime and reliability of our large installed base. Service level agreements, a dedicated service commitment and our track record have earned us strong customer loyalty and repeat business.

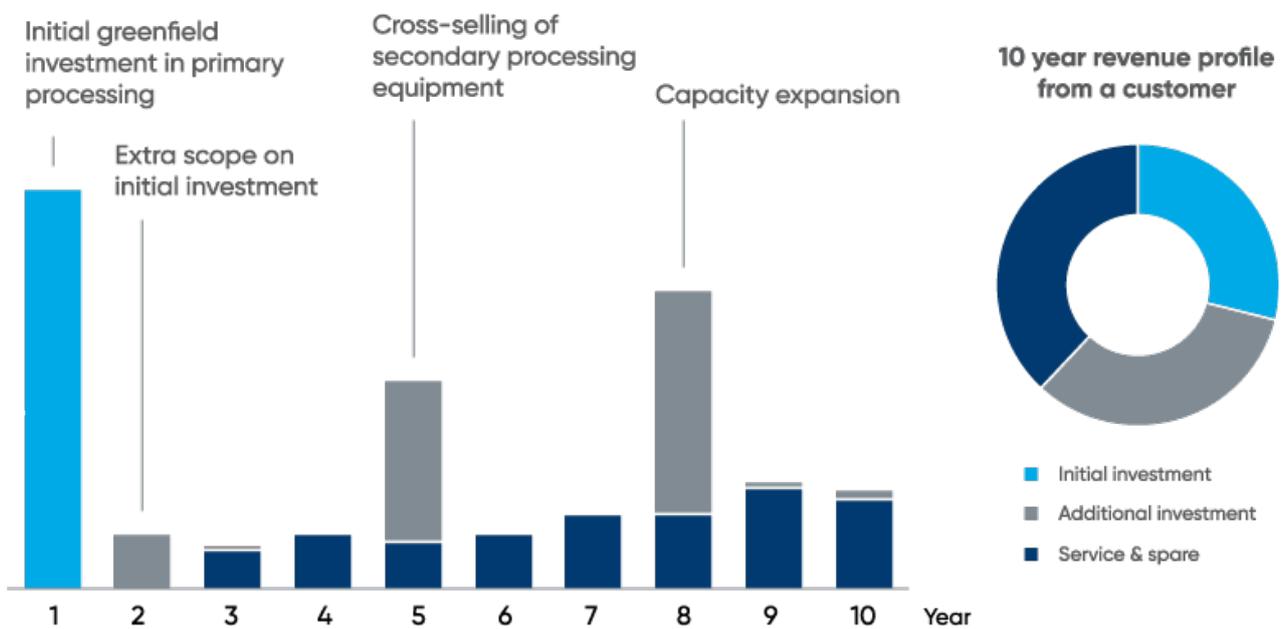
- Sales and service in over 30 countries
- Global sales organization of over 500 employees
- Global service organization of over 1,000 employees

## Customer collaboration

As a high-tech provider at the forefront of the industry, we have built strong customer relationships based on collaboration and partnership. Our cooperation with customers in innovation, new projects and process improvements further supports our ability to transform the industry and increase customer value in the advanced and high-end segments.

This example of a ten-year relationship with a customer in the meat industry is a prime example of how we do business. It is also a good reflection of our revenue mix, where greenfield projects, modernization and standard equipment, and service and spare parts account for around a third each.

- Customer begins operation in primary processing and then expands into secondary processing.
- After-sales revenue from spare parts and service starts around year three.

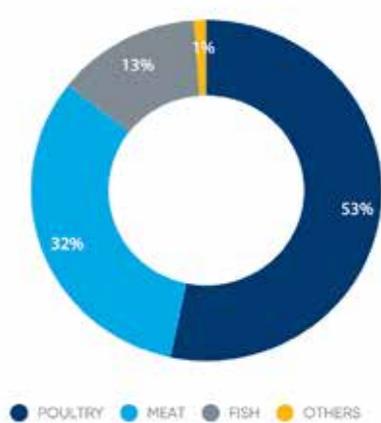


## Balanced revenue stream across business mix and geographies

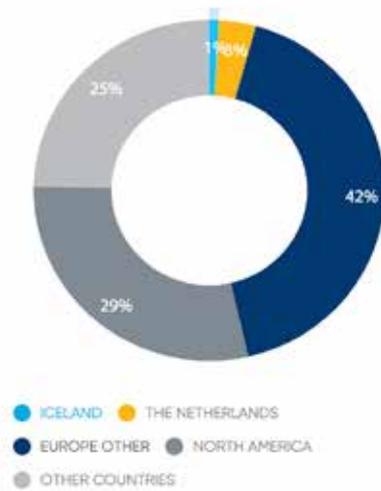
Marel's presence across geographies and multiple protein segments serves as a countercyclical buffer. It gives us flexibility and the opportunity to transfer technical know-how, solutions and expertise across borders, both industrial and geographical. We strive to capitalize on the technological advances made in one sector by implementing them in another.

Our main revenue stream drivers are turnkey projects, encompassing brownfields, greenfields, modernization and maintenance as well as the production of modular, standardized equipment and processing lines. The stand-alone, modular portfolio is the building block for larger projects and the entry point for new customers. Our installed base is also large and growing, effectively driving our resilient service and parts revenues.

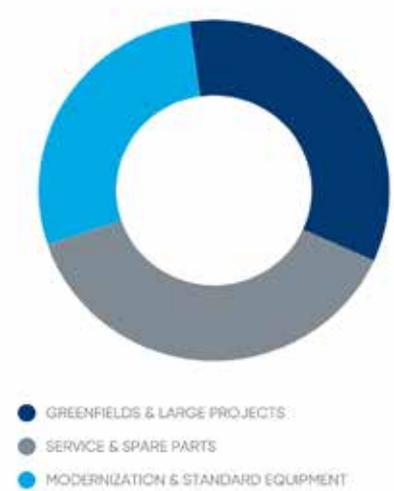
REVENUES BY BUSINESS SEGMENT



REVENUES BY REGION AND COUNTRY



REVENUES BY BUSINESS MIX



## STRATEGY

For the period 2017-2026 Marel has set a target of 12% average annual increase in revenue, through both organic growth and acquisitions. Our growth plan involves capitalizing on strong innovation investment to drive expansion and market penetration. We will also focus on strategic partnerships and acquisitions to fill gaps in the value chain, and to augment our full-line product offering.

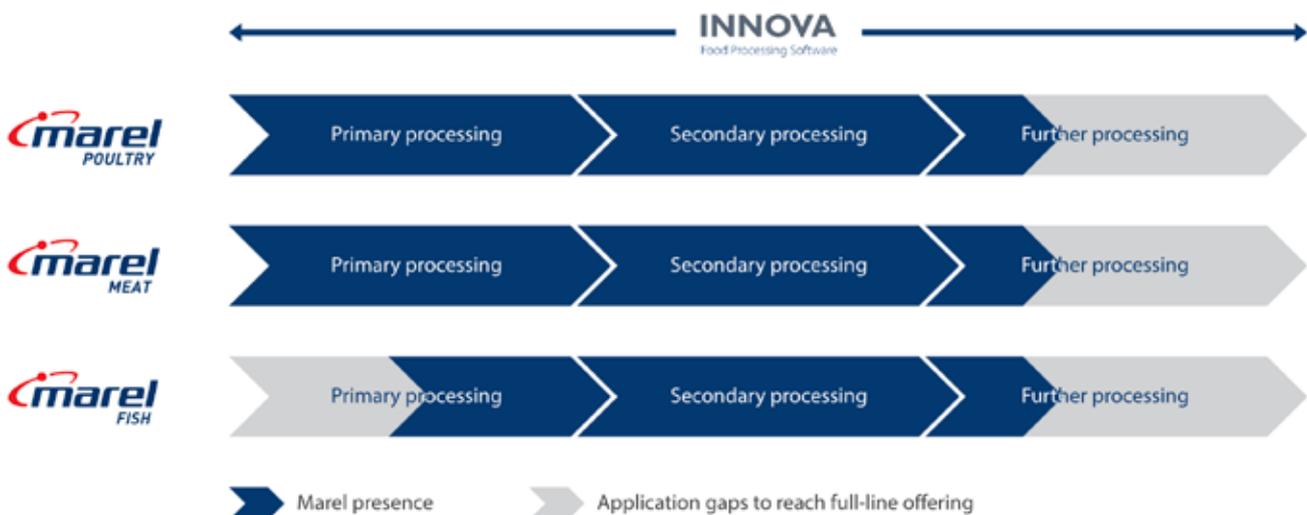
### Leading global provider of systems and services

Marel’s strategic objective is to be a full-line provider to the poultry, meat and fish industries. Our focus is to put our advanced, automated systems and solutions to work at every step of the production process and to cover the relevant geographical areas in our industries. Strong organic growth and strategic acquisitions have helped make Marel a leader in its field.

Our product line includes standalone equipment, individual systems and full production lines, all controlled and integrated with Innova, our overarching software solution.

This offers our customers process control, real-time traceability and monitoring of throughput and yield that is hard to replicate. Seamless flow and integration between different applications result in higher overall efficiency and improved yield. Marel has thus become a one-stop shop for customers’ needs for equipment, software and service.

In line with our strategy, we have actively reinforced our value chain in recent years. Strong cash flow has made it possible to support organic growth actively through innovation, advancing our manufacturing facilities and updating our IT platform across geographies. It has also allowed Marel to



undertake strategic acquisitions, such as Sulmaq in 2017 and MAJA in 2018, without issuing new shares or taking out new loans for that purpose. We will continue to fill the remaining application gaps in our value chain through innovation, organic growth, strategic partnerships and acquisitions.

## Investing in growth

Marel aims to achieve on average 12% annual revenue growth in the period 2017-2026. The growth is expected to be a balanced mix of organic and acquired growth.

### Organic growth

The market for food processing equipment is expected to grow 4-6% annually on average in the long term. Driven by our significant innovation investment, market penetration and extensive product portfolio, we aim at organic growth

outperforming that of the market. Ongoing and continued investment in the future scalability of our platform, IT infrastructure and global reach supports organic growth going forward.

### Acquired growth

We will also supplement our full-line offering and accelerate market penetration through acquisitions. We believe our solid operational performance and strong cash flow can support 5-7% revenue growth on average annually through acquisitions. This growth is not expected to be linear but reflect opportunities which become available and economic fluctuations. To capture the full value of acquired companies, we are further professionalizing our integration capabilities and expertise to become a solid integration partner.

## MERGERS AND ACQUISITIONS

# Acquisition of German food processing equipment manufacturer MAJA

Marel was pleased to welcome MAJA, a German food processing equipment manufacturer, and its team of 200 employees to the group in 2018. Since its founding in 1955, MAJA has been a highly innovative manufacturer of food processing machinery, specializing in skinning and portioning with its main focus on the meat market. It also produces ice machines for the preservation of fresh food. MAJA has an excellent manufacturing site in Kehl-Goldscheuer and had annual revenues of roughly EUR 30 million in 2017.

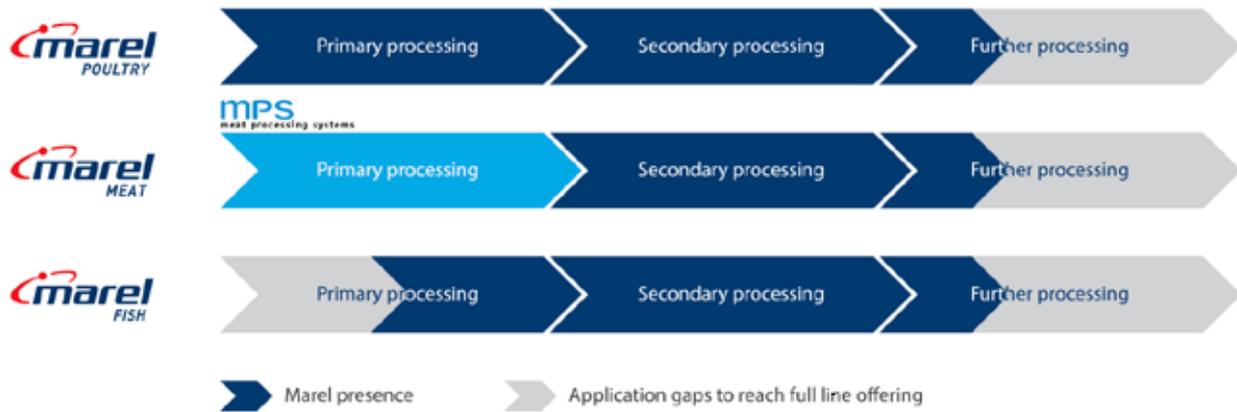
The MAJA acquisition strengthens Marel's global market presence and is in line with the company's strategic objective to be a full-line supplier of advanced processing equipment and solutions to the food processing industry.



## A prime example: how Marel fills value gaps

### Acquisition of MPS paved the way for entry into primary meat processing

- Marel became a full-line provider to the meat industry
- Complementary geographical presence and product portfolio
- Integration is proceeding well with all meat solutions united under the Marel Meat brand



## Another prime example: how Marel expands its geographical presence

The acquisition of Sulmaq strengthens Marel's market presence in Latin America.

- Improved foothold in the rapidly growing meat market in South and Central America
- Strong customer relationships enable further sales of complementary equipment
- Solid workforce with strong engineering know-how
- Future manufacturing hub that can be scaled to support the region



# DELIVERING GROWTH

## Celebrate less waste

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Yield from poultry production increased from 60% to 75% in recent decades. Our use of real-time data to monitor yield has been key in improving the production process.

**That's the power in numbers.**



POULTRY  
**53%**  
 OF REVENUES

## POULTRY

Poultry is one of Marel’s three key protein industries. With the most complete product range in the industry and the largest installed base worldwide, Marel Poultry is a leading global provider of advanced food processing systems and services for broilers, turkeys and ducks. Marel Poultry contributed EUR 638 million in revenue in 2018, or 53% of total revenues, translating to an EBIT of 18.4%.

The consumer value of the global poultry, meat and fish market is currently estimated to be around EUR 1,200 billion, with the poultry market accounting for EUR 400 billion. More specifically for Marel, the market for sale and maintenance

of food processing equipment for poultry, meat and fish is estimated to be around EUR 10 billion. Of this, poultry processing equipment sales are estimated at around EUR 3 billion, a figure which is expected to grow annually by 4-6%.



## Overview

Marel Poultry continued to increase its strong world-wide presence in 2018. Despite challenging market conditions in various parts of the world, we completed a large number of significant projects around the globe during the year.

Our high-tech systems and services time and time again proved to be the preferred choice for customers dealing with local market requirements. For example, our ATLAS live-bird handling system has been a great success, with the solution currently operating in countries including Germany, the UK, France, Portugal, Spain, Australia, Canada and the USA.

Scarcity of human labor was a prominent trend across many markets in 2018. Poultry processors across nearly all regions, from China to South America, Europe to the US, are struggling to find skilled workers, particularly in countries where workers have access to multiple job opportunities in a variety of industries.

This limited access to skilled employees has been a key reason why poultry processors are investing in greater levels of automation. Marel Poultry offers innovative solutions that can automate and streamline processes throughout the plant, reducing reliance on human labor, while increasing throughput and yield.

## Products

In 2018, we worked in partnership with our customers to design fit-for-purpose solutions, ranging from modest plants to complete greenfield facilities. In response to processors' demands, we optimized both efficiency and product quality by bringing automation to higher levels.

### Poultry processors embrace Innova

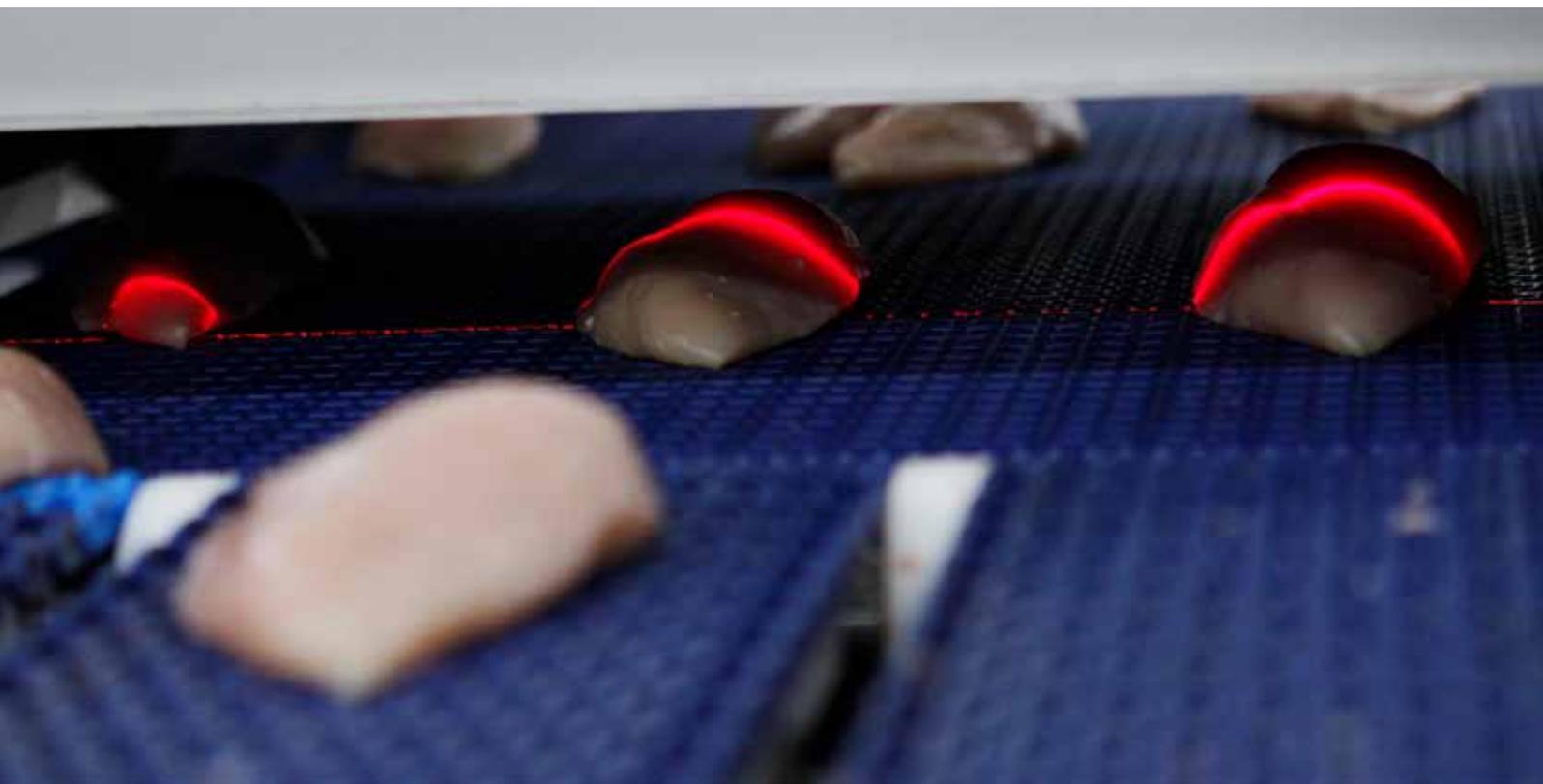
In 2018, Innova Food Processing Software became more integrated with Marel Poultry's products. In today's processing plants, sophisticated software is indispensable. Intelligent software is not only helpful in high-tech plants that process 15,000 birds per hour (bph), it can benefit any processing facility. Data-driven processors are able to reach higher performance levels and add value, resulting in less production loss and lower cost per product. Accurate data also facilitates quicker and more accurate decision-making.

By gathering data, Innova plays a major role in automation across all stages of the process. It enables processors to use this data to find the most efficient functioning of their machinery, allowing them to adapt to changing circumstances remotely and maintain a consistent product quality. With Innova, Marel is helping poultry processors around the globe to maintain a competitive edge in a challenging industry.

### Further processing solutions for a wide variety of convenience foods

In 2018, Marel Poultry successfully added several further processing solutions to its range of primary and secondary poultry processing systems. We can now enable our customers to produce a wide variety of convenience foods rapidly and with high precision.

The highly automated further processing systems and solutions that we offer for poultry processors can be used for preparation, portioning and forming, coating, frying and cooking, but also for linking and peeling sausages and co-extrusion. Marel Poultry understands how processors think in this important part of the industry.



The 700mm wide Convenience Line for further processed products underwent a transformation in 2018.

The new, patented Helix Drum for the RevoPortioner was one important innovation in that line. In the Helix Drum, products are positioned along a helix shaped line, leading to continuous filling. The low-pressure method replaces the previous start-stop method and ensures an optimal and more consistent end product.

The combination of Helix Drum Technology with the new Active Batter Applicator, as well as the new RevoCrumb, unlocks opportunities for poultry processors. The crumb management of RevoCrumb guarantees perfect coverage of the product, keeping even the most vulnerable crumbs such as coarse panko and cornflakes, intact during processing.

## Innovation

In 2018, we introduced several new, innovative solutions that have helped advance the poultry production process. In partnership with our customers, our innovative developments resulted in numerous successful implementations of new concepts for the industry.

### 15,000 BPH processing

In 2018, Marel Poultry rolled out 15,000 birds per hour (bph) processing, an increase from the previous maximum speed of 13,500 bph. Given that the global population is growing steadily, and each year more people move from rural to urban areas, the demand for poultry is expected to increase considerably. To keep up with consumer demand, processing plants need to intensify their operations and improve both efficiency and speed.

At the same time, strong market pressure to lower production costs per bird without compromising quality requires increased levels of effectiveness, which is a significant challenge.

Marel Poultry is the world's first supplier of integrated 15,000 bph lines. Reliability is paramount when dealing with such high speeds. The first plants to operate at 15,000 bph are located in Germany, with plants in the UK and elsewhere around the world soon to install the solution.

### Robotic research with leading universities

Marel invests around 6% of its revenues annually in research and development. As a leading innovator in the industry, we are committed to collaborating with companies and other stakeholders, which includes working closely with leading universities.

In 2018, Marel Poultry invested in the Dutch FlexCRAFT research program, co-operating with Wageningen University & Research (WUR), Technical University Eindhoven, Technical University Delft, University of Twente, and University of Amsterdam.

The objective of the FlexCRAFT research program is to develop robots that can deal with a large variety of agri-food products. The parties involved are aware that intelligent robots will play a significant role in the food industry in the near future, making it essential that we devise ways to utilize such robots for optimal efficacy.

Marel's RoboBatcher marks a milestone in food processing automation. Similar robotic technology could be used to improve other processes in the poultry value chain, particularly for tasks such as planning, control, gripping, and manipulation.

We are committed to making our contribution to developing this technology. Through our participation in FlexCRAFT, we can support this development, particularly as one of the program's three cognitive robot projects focused primarily on poultry processing.

### Tray styling with 3D-printed components

As part of the continuous development of the RoboBatcher, this year we launched an improved version featuring refined and specialized grippers for fillets, drumsticks, and whole legs.

The new gripper design can place products into trays according to patterns chosen by the user and with minimal giveaway. With supermarkets insisting on attractive presentations, tray styling is a hot topic among our customers. Improvements in styling performance minimize the need for restyling after the product has been placed in the tray, which helps processors save on labor.

Another important achievement in our tray styling innovation is the ability to print lightweight 3D plastic components for our equipment. As the design of the jaws in the RoboBatcher required advanced engineering, we utilized 3D printing, giving our engineers design flexibility and allowing them to keep the weight of the equipment as low as possible.

As the RoboBatcher needs to move quickly with powerful acceleration forces, a heavy gripper could potentially slow down performance and risk damage. Our new grippers feature many 3D-printed, lightweight plastic parts with fewer bolted joints needed, making them also easier to clean.

## Projects

Mergers and acquisitions are frequent in the food processing industry, and something we follow closely.

The takeover of Crown Chicken by Cranswick in the UK, formerly a pork-only processor and a long-term customer of Marel Meat, resulted in an expanded and closer partnership between Cranswick and Marel. Now that the firm has entered the poultry business, it has chosen Marel Poultry as the primary supplier for its new facility.

### A trend in the US

The year 2018 saw the breakthrough of modern live-bird supply and anesthetization in North America, with several conglomerates switching to the ATLAS system and CAS SmoothFlow for stunning.

For its Milford, Delaware, facility US poultry processor Perdue Farms invested in a higher-wellbeing CAS system, as well as a live bird handling process that will be the first of its kind in the US.

Perdue has officially committed itself to converting all its plants to CAS instead of electrical stunning. While both electric and CAS stunning systems are approved, proven, and accepted for bringing the highest levels of animal wellbeing to poultry processing in the US, a growing number of customers show interest in integrating CAS systems at poultry facilities.

We expect orders from poultry processors, including large conglomerates, for CAS stunning systems to grow following positive results from pilot projects.

### CUSTOMER STORY

## Cranswick aims to be best-in-class

In 2018, Cranswick PLC planned to build a £54 million chicken processing facility in Eye, Suffolk. Cranswick and Marel Poultry joined forces to realize this hypermodern greenfield project, by implementing Marel's latest innovations and state-of-the-art solutions, including our 15,000 bph integrated line system.

"We want to have the best chicken factory with the highest processing speed, to become the premium poultry processor in Britain," says Adam Couch, Chief Executive.

Throughout the plant, Marel Poultry's innovative solutions will support Cranswick's high-tech, high-value processing. As part of the project, we will install our ATLAS technology and CAS SmoothFlow stunning application, the AeroScalder, a complete evisceration department, a shock/maturation air-chilling tunnel, LineLink transfer units, two distribution lines with SmartWeigher and IRIS, breast deboning with AMF-i, thigh deboning with two Thigh Fillet Systems, and SensorX inspection technology.

The integrated Innova software solution allows plant management to control, monitor and report on the real-time status of production and yield.



## Sustainability

Sustainability concerns, such as limiting the carbon footprint and reducing food waste, as well as animal wellbeing and food safety, are driving demands for new automated technologies in the poultry industry. With this in mind, Marel Poultry continues to focus on developing sustainable processing solutions.

### Food safety

Any degree of bacterial contamination in the food chain can have significant consequences, making hygiene of paramount importance in the food processing industry. Marel Poultry offers solutions that help processors produce safe, high-quality food, with automation playing a key role by reducing the number of steps at which workers manually handle products.

Our maturation chilling system is an excellent example of such a solution, as it virtually eliminates the risk of product cross-contamination. The result is higher quality products with a longer shelf life.

### Carbon footprint

Reducing the company's carbon footprint has become one of the key goals of Marel Poultry's innovation team. This objective is in line with Marel's commitment to the UN Sustainable Development Goals, including the goal of ensuring sustainable consumption and production patterns. To reduce our carbon footprint, we take water and energy use into account when designing all of our new technologies.

One example of carbon footprint reduction is ATLAS' SmartStack transport module. Its construction features a bottom tray, which doubles as a pallet. The dual function design enables transportation of more birds per module, and gives them the most headroom in the industry. The design also reduces truck movements from farm to processing plant, thereby lowering the carbon footprint in transportation of the birds.

### Less waste with optimal carcass balancing

Maximum carcass balancing was an important trend in 2018. Perfect carcass balancing means being able to sell all parts of a chicken at the best possible price. Marel Poultry introduced two new products to optimize carcass balancing: total leg deboning and Q-Wing.

### Total leg deboning

Deboning both thighs and drumsticks with the Thigh Fillet System and the Drumstick Deboning System adds value for processors by harvesting more boneless leg meat at a higher quality. Total leg deboning allows processors to upgrade lower value products to high-quality products in demand by consumers.

The fully inline, high capacity, total leg deboning solution from Marel Poultry helps poultry processors achieve optimal carcass balance. In adding more value to chicken legs, they are making optimal use of every part of the broiler. These solution show how sustainability and profitability can go hand-in-hand.

### Higher quality and yield with Q-Wing

With previous methods, only a very labor-intensive process could detect a broken whole wing. As a result, processors would downgrade both broken and unbroken whole wings, even if some were high-grade pieces of meat. Wing products are becoming more popular and consumers demand consistent high quality wings. This provides incentive for poultry processors to invest in automated, accurate wing processing.

To address this challenge, Marel Poultry introduced Q-Wing, an automated quality assessment and distribution solution for wing parts. The system helps secure consistent quality and increase wing yields. Q-Wing makes it possible to harvest the highest value and yield from each part of the wing, thereby contributing to a better carcass balance.



## Growth drivers

Automation and smarter processing are important growth drivers in the poultry industry, but there are various other secular trends that come to play.

### From manual labor to automation

As the industry’s focus on automation increases, poultry processors are assessing, and subsequently investing in, more advanced systems. Marel Poultry works in partnership with processors to help them introduce automated and robotized systems into their facilities without requiring a complete plant redesign.

Our solutions are designed to meet and exceed the yield and effectiveness of manual work, with a high return on investment, and the lowest possible impact on daily operation. We ensure processors can continue to deliver end products of consistent quality as they modernize their plants.

### Traceability

In the poultry market, traceability is not just a buzzword. Food companies around the world are trying to minimize any loss of business and damage to their brand due to costly product recalls. Without an effective traceability system, food processors can be shut out of lucrative new markets, or could end up losing business to companies that demonstrate reliable traceability to ensure food safety.

Marel Poultry offers processors solutions that allow them to gather data and achieve end-to-end traceability. Sensors at crucial positions throughout the plant can deliver information to the control room, where Innova software can then identify and trace backwards every product in the plant.

## Animal wellbeing

Increased attention to animal wellbeing is both a challenge and an opportunity for growth in the poultry industry.

Animal wellbeing in poultry processing is particularly important during live-bird handling and anesthetization, two steps which are currently under close scrutiny. To address this, we developed the ATLAS and CAS SmoothFlow systems, both of which have set new standards as the industry’s most humane systems.

## Global production and trade trends

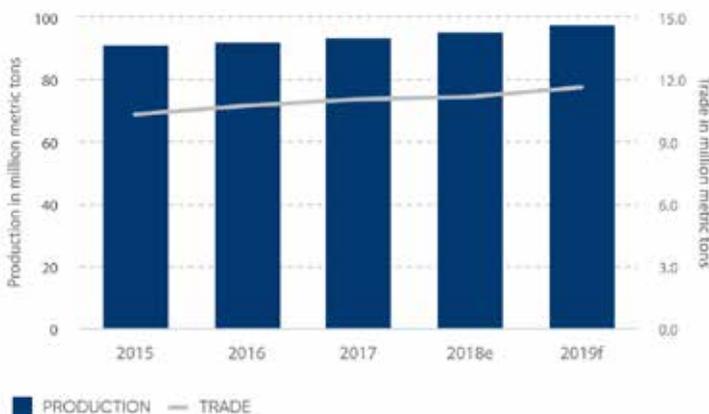
In 2019, global production of chicken meat is forecast to rise by 2.3% and reach 97.8 million tons. Global trade in chicken meat is expected to grow by 4.2% to 11.6 million tons.

The US is expected to continue to be the leading producer in 2019, accounting for 20% of total production, followed by Brazil with 14%.

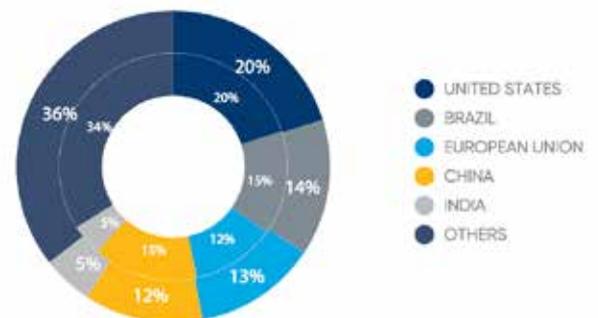
In 2017, the European Union overtook China to become the third-largest producer of chicken meat in the world. It is expected to hold that position in 2019.

Brazil continues to be the world’s leading exporter of chicken meat, although the figures are lower than forecasts.

GLOBAL CHICKEN PRODUCTION AND TRADE  
CAGR OF 1.7% IN PRODUCTION AND 3.0% IN TRADE IN THE LAST 5 YEARS



LARGEST CHICKEN PRODUCERS  
2019 FORECAST (OUTER) COMPARED TO 5 YEARS AGO (INNER)



Source: USDA Foreign Agricultural Service (2018, October 11). Chicken Meat Production and Trade. Retrieved from: <https://apps.fas.usda.gov/>

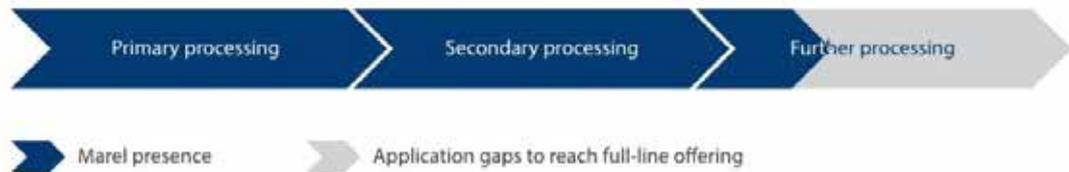
MEAT  
**33%**  
 OF REVENUES

## MEAT

Meat industry is one of Marel's three key protein industries. Marel Meat is a leading global supplier of integrated systems and advanced stand-alone processing equipment to the red meat industry. Our equipment handles all stages – from live animal receipt, to finished consumer packs – fresh, chilled, cooked or frozen. Marel Meat contributed EUR 387 million in revenues in 2018, or 33% of the total, translating to an EBIT of 11.3% (operating income adjusted for PPA related costs, including depreciation and amortization).

The consumer value of the global poultry, meat and fish market is estimated to be around EUR 1,200 billion. Meat is the largest market segment, with an estimated value of EUR 600 billion, followed by poultry and fish respectively. More specifically for Marel, the market for sale and maintenance

of food processing equipment for poultry, meat and fish is estimated to be around EUR 10 billion. Of this, meat processing equipment is estimated to be around EUR 5.5 billion, a figure which is expected to grow annually by 4-6%.



# This steak has a story and we want to tell it

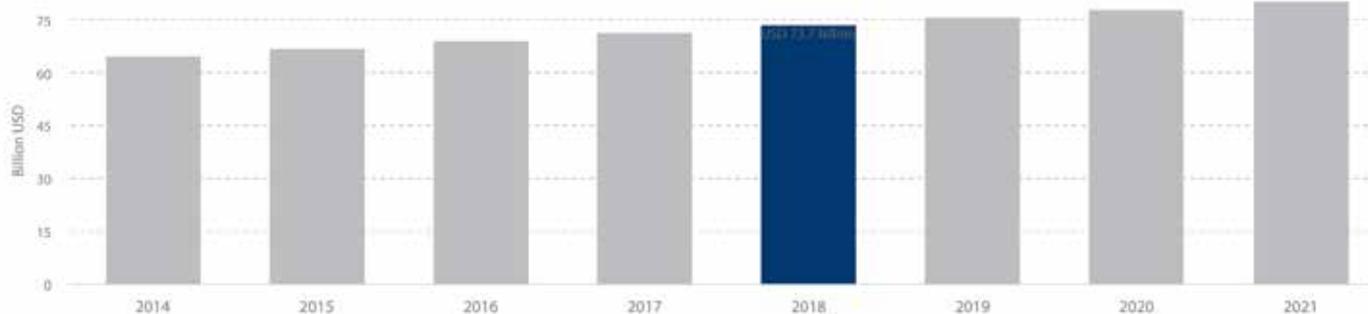
With data collection, we provide full traceability throughout the production process.

That's the power in numbers.



## GLOBAL MARKET FOR HOT DOGS AND SAUSAGES IN USD BILLIONS

MARKET TO REACH USD 80 BILLION IN 2021



Source: Transparency Market Research

### Overview

Integration continued to be the key theme for Marel Meat in 2018. Over the course of the year, we worked diligently on the integration of new team members into the front-line sales team, following the MPS (Meat Processing Systems) acquisition that made us a full-line supplier to the meat processing industry.

We unified our product offering and the team providing it, following an approach as simple as it was effective. Our whole team is trained to be able to represent the full product line, from farm gate to final pack. Intralogistics and wastewater treatment were also areas of focus, with successful projects undertaken in both fields.

### Market penetration through acquisitions

In 2016, we became a full-line supplier of primary, secondary and further processing solutions for meat with the acquisition of MPS (Meat Processing Systems). Another major milestone towards closing the remaining gaps in our product offering and geographical reach was the acquisition of Brazilian meat processing equipment manufacturer Sulmaq in 2017. In 2018, we further reinforced our full-line approach by acquiring the German firm MAJA. MAJA's product line and complementary geographical reach have strengthened our position in the meat industry globally and expanded market penetration.

### Collaboration for improved customer experience

We continued our efforts on unifying our teams throughout 2018. A new structure for Marel Meat was introduced, with new management leading sales, service, innovation and engineering functions. Through training and leadership, our management is ensuring effective collaboration between sales and service to serve our customers better and deliver solutions that help them improve their processing operations from post-farm gate to consumer-ready packs.

### Products

Our red meat product offerings link up to cover the entire value chain. Our position as a full-line supplier was reinforced in 2018, with both the launch of new products and improvements to existing solutions.

During 2018, Marel Meat added the Robot Bung Remover (MBR) to the M-Line robot series, which is already well established in pig slaughter plants. We also continued the development of the DeboFlex leg system and the trim handling systems, while at the same time introducing the portion cutters V-Cut 160 and V-Cut 200, which set new standards in volumetric portioning.

### Intelligent processing

Our highly effective Innova software is a key element of our full-line processing equipment. This software is at the heart of many of our cutting and deboning solutions where product traceability is essential. It enables customers to mitigate operational risk, providing full traceability from farm to fork.

### Food logistics

Sales of food logistics systems were particularly good in 2018. We offer intralogistics solutions that range from small conveying systems to large integrated turnkey projects. All our systems are modular, making them easy to fit into existing plants. Another key feature is seamless integration between the intralogistics systems and our Innova Food Processing Software. Coupled together, they can ensure full control of the products through processing, storage, and distribution.

### Automation in hog slaughtering

Our automatic, robotic slaughter solutions (M-Lines) were installed at many customers across the globe in 2018. The M-line generation of hog floor slaughtering uses articulating arm robots and the latest techniques in 3D scanning to ensure high cutting accuracy. Automation reduces the need for manual labor in the slaughtering process and, with less manual handling needed, the risk of contamination is lower and hygiene is improved. This can extend the shelf-life of fresh pork products, adding value for both food processors as well as end consumers.

## Innovation

In 2018, Marel Meat continued to work on innovative equipment and software solutions for the industry. As a company thriving on innovation and the development of high-tech applications, Marel sees opportunities where others see challenges. Our teams at Marel Meat are adept at turning ideas into reality, and challenges into solutions. Intelligent software applications have become a key facet of the meat production solutions we offer our clients.

### Improving margins and safety with SensorX Electus

The SensorX Electus is a part of our trim handling system and is based on X-ray technology. It measures the precise lean-to-fat ratio (CL ratio) as well as detecting bones and contaminants. Since it became available as a standard solution in 2018, the system has been installed at many customer sites. SensorX Electus provides accurate information for informed decision making that can help further processors and grinding facilities processing meat trim produce products that meet their specifications. They improve their margins while increasing the safety of their products.

### Precise thickness or weight every time with I-Saw

Since the I-Saw was released for sale in 2018, several processors have added this portioning solution to their operations. Using camera-vision scanning technology, the I-Saw cuts boneless as well as bone-in frozen meat products into portions of consistent thickness or weight. This portion cutter is designed with ultra-high-speed bandsaw blades that produce a clean-cut product with minimal smear or bone chips.

### Deboning made easier with Deboflex

We continued improving and adding to our groundbreaking solution for pork deboning, DeboFlex, in 2018. Three new modules: shoulder blade pulling, shank pre-cutting and shank-sawing, make deboning and cutting easier and more efficient. The shackle-based logistical solution takes care of transporting fore-ends and legs through overhead conveyers and in a controlled flow past work stations. The solution creates a safer and more ergonomic working environment for operators who can focus fully on the task at hand.

## Projects

Thanks to strategic acquisitions and organic growth, Marel Meat now covers the entire value chain from live animal intake to finished consumer product. Our projects in 2018 reflect this scope, as larger installations and greenfield projects became more prominent. Some of our largest greenfield projects took us to China, Japan, South Korea, Russia, Spain, and North America.

In China, we completed a greenfield project for the beef processor Zhejiang Aozhou Cattle Industry. The new plant is equipped with a slaughtering system, a StreamLine system for deboning and trimming, logistics and water treatment, all connected with overarching Innova Food Processing Software. Another customer, Pronaca upgraded their existing pork processing plant in Ecuador with a new slaughtering, cutting, deboning and logistics solutions from Marel Meat. In Vietnam, Masan Group Corporation inaugurated its new greenfield pork processing complex, fully supplied with Marel equipment and software for slaughtering, cutting, deboning and logistics. We also developed a complete greenfield plant for pig slaughtering for Litera Meat in Spain.





## CUSTOMER STORY

# Making the most of Argentinian beef

La Anónima is the fourth largest supermarket chain in Argentina, and operates 161 stores throughout the country. Each store has its own dedicated butcher, and the company is renowned for its quality beef cuts.

La Anónima is working toward a more centralized meat production and cutting operation to optimize their processing.

*“Our two meat processing plants supply various cuts of beef and primals to the supermarkets, where they are further cut and processed. We want to make that process more efficient, which is why we also bought the StreamLine deboning and trimming system,”* says Nicolas Braun, CEO of La Anónima and the great-grandson of the company’s founder.

With the StreamLine solution, La Anónima also added a system for traceability using barcodes that allow the firm to trace cuts and primals back to the carcasses.

Higher throughput and yield, in addition to better insights on traceability and food safety, are vital for La Anónima’s objective of expanding into foreign markets once Argentina opens fully for beef exports.

*“Implementing new technology demands a lot of commitment, but we felt that with Marel we had found a good long-term partner who would help us move forward. In fact, the co-operation with Marel – both here and in Iceland – is excellent,”* said Nicolas Braun, CEO of La Anónima.

## Sustainability

Animal wellbeing is, and will always be, an issue of utmost importance in the protein sector. Increasingly conscious consumers want products that are produced sustainably and ethically. Marel Meat worked closely with customers in 2018 on these issues, delivering systems and equipment that improve production sustainability, both in terms of raw material utilization, as well as energy and water consumption. We emphasize helping processors to be flexible in their product offerings, while simultaneously adhering to animal wellbeing standards in the primary part of their processing and ensuring sustainability throughout the value chain. This applies to their processing facilities and their equipment set-up.

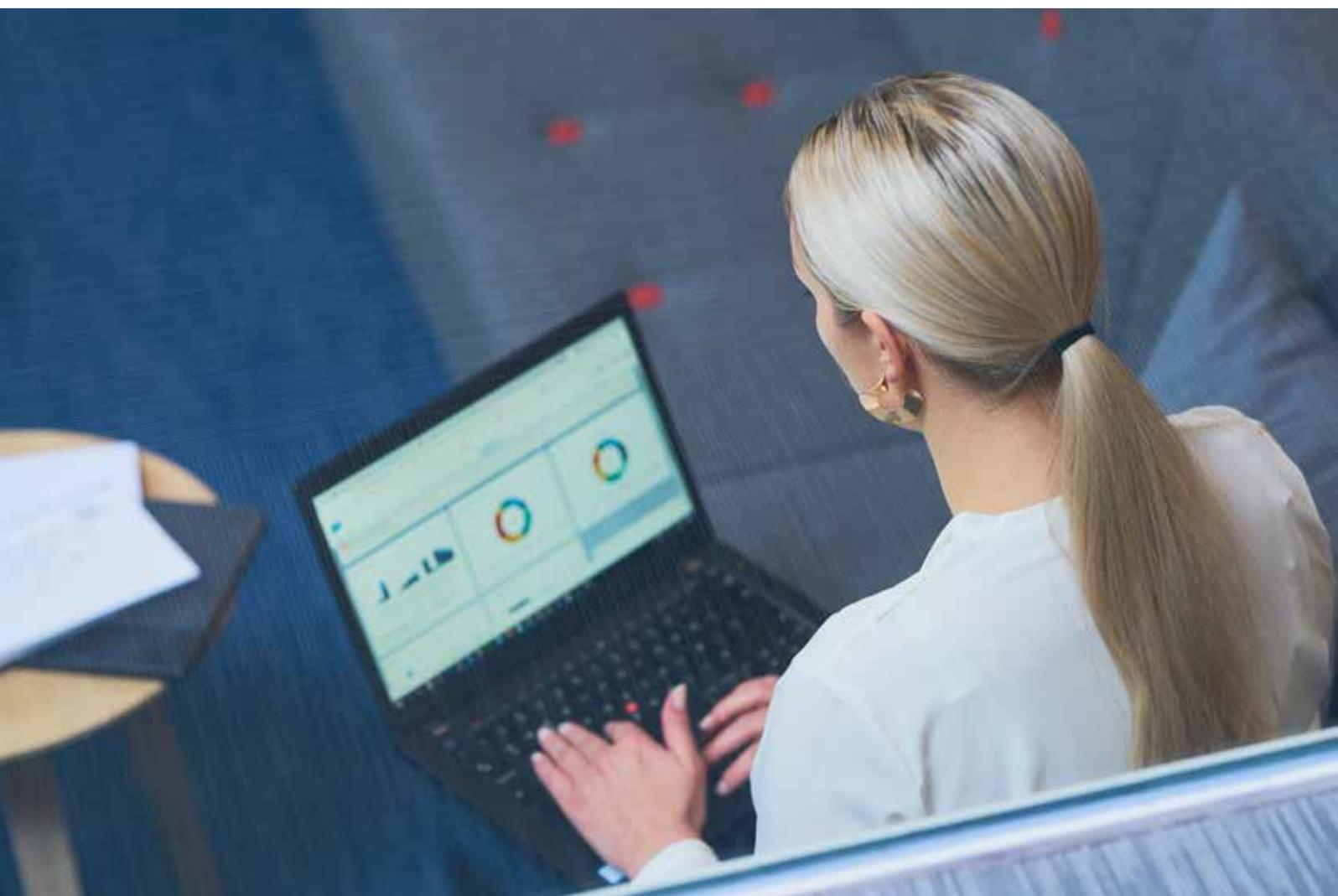
### Marel Water Treatment

Wastewater treatment is an area where Marel Meat directly contributes to clients' sustainability efforts. The Marel water treatment division is part of Marel Meat. The systems are designed to ensure the most efficient use of water and include units that treat wastewater so that it can be re-used in food processing operations. This long-standing, internationally recognized division was integrated in 2017 and offers primary, secondary, and tertiary treatments for all types of food processing wastewater. Marel water treatment systems are efficient, easy to use, and characterized by low maintenance.

## Growth drivers

Given the various trends governing our sector, Marel Meat sees opportunities for expansion in both traditional growth markets, as well as what some would call saturated markets. As a well-established provider with a full-line offering for primary, secondary and further processing, we see our basic growth being driven by traditional demands such as improvements in yield, quality and throughput.

In the more advanced sectors of the market, where automation and production optimization have already occurred, customers will need to continue their investments in order to sustain their margins. Our approach is to introduce new technologies to increase automation still further and boost yield. We have witnessed a clear trend in recent years towards greater requirements for automated systems and processing procedures. As processors face tougher competition, they realize that they need to implement new technologies to stay at the forefront and meet fluctuations in consumer demand.



## Global production and trade trends

### Beef and veal

In 2019, the global production of beef and veal is forecast to reach 63.6 million tons, an increase of 1.2% from previous year. Global trade in beef and veal is expected to grow by 0.2% and reach 10.6 million tons.

Brazil has replaced India as the world's largest exporter of beef and veal and is expected to remain the top exporter in 2019. Brazil's exports are expected to rise by 4.8% to reach 2.2 million tons in 2019.

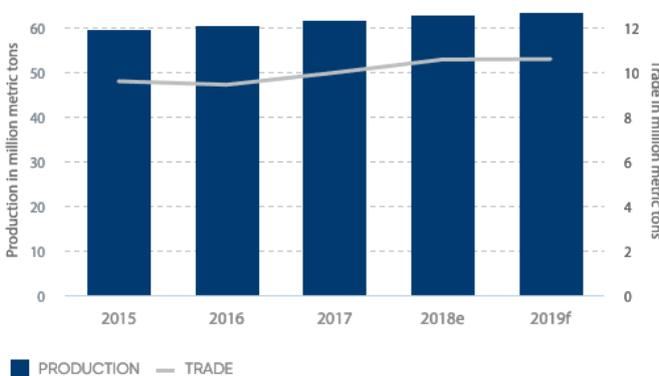
The US is expected to continue as the leading producer in 2019, accounting for 20% of total production, followed by Brazil with 16%.

On the import side, China (including Hong Kong) has been the world's largest importer since 2017 and is expected to remain the leader in 2019.



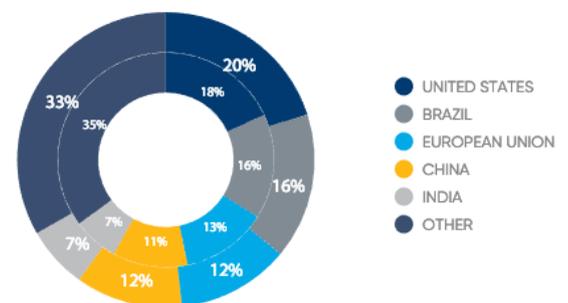
**BRAZIL IS THE WORLD'S LARGEST EXPORTER OF BEEF**  
EXPECTED TO INCREASE ITS SHARE IN 2019

GLOBAL BEEF AND VEAL PRODUCTION AND TRADE  
CAGR OF 1.6% IN PRODUCTION AND 2.5% IN TRADE IN THE LAST 5 YEARS



Source: USDA Foreign Agricultural Service (2018, October 11). *Beef and Veal Production and Trade*. Retrieved from: <https://apps.fas.usda.gov/>

LARGEST BEEF AND VEAL PRODUCERS  
2019 FORECAST (OUTER) COMPARED TO 5 YEARS AGO (INNER)



## Pork

In 2019, global production of pork is forecast to rise by 1.4% to 114.6 million tons. Global trade in pork is expected to grow by 3.0% and reach 8.8 million tons.

China continues to dominate the pork market, accounting for an estimated 48% of world production in 2019, followed by the EU with 21%.

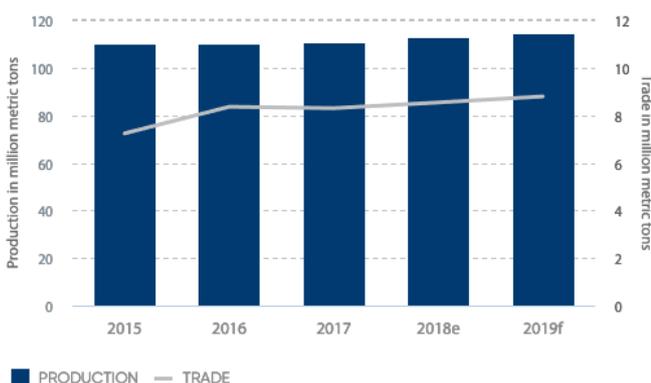
The EU is the world's largest exporter of pork. Its exports are expected to grow by 3.3% and reach 3.2 million tons in 2019.

China continues to be the largest importer followed by Japan, which it overtook in 2016.



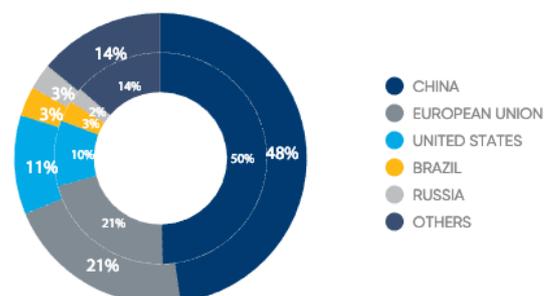
**THE EU IS THE WORLD'S LARGEST EXPORTER OF PORK**  
EXPECTED TO INCREASE ITS SHARE IN 2019

GLOBAL PORK PRODUCTION AND TRADE  
CAGR OF 0.9% IN PRODUCTION AND 5.0% IN TRADE IN THE LAST 5 YEARS



Source: USDA Foreign Agricultural Service (2018, October 11). *Pork Production and Trade*. Retrieved from: <https://apps.fas.usda.gov/>

LARGEST PORK PRODUCERS  
2019 FORECAST (OUTER) COMPARED TO 5 YEARS AGO (INNER)



FISH  
**13%**  
 OF REVENUES

## FISH

Fish is one of Marel's three key protein industries. Marel is a leading global supplier in the sector, providing both advanced standalone equipment and integrated systems for all stages of the fish processing value chain. Our systems range from single scales to integrated production lines and turnkey systems, both onboard and ashore. Marel Fish contributed EUR 159 million in revenues in 2018, or 13% of total revenues, translating to an EBIT of 7.9%. The business has been transformed in recent years, as investments in innovation and enhanced levels of standardization have increased orders and improved margins.

The consumer value of the global poultry, meat and fish market is estimated to be around EUR 1,200 billion, with the fish market accounting for an estimated 200 billion. More specifically for Marel, the market for sale and maintenance

of food processing equipment for poultry, meat and fish is estimated to be around EUR 10 billion. Of this, fish processing equipment sales are estimated at around EUR 1.5 billion, a figure which is expected to grow annually by 4-6%.



# With precision comes perfection

A cut that's 0.5% more accurate saves hundreds of tons of salmon, bringing us one slice closer to a world where quality food is produced sustainably and affordably.

That's the power in numbers.

## Overview

In 2018, Marel Fish continued to enable fish processors to generate higher value through better utilization of raw material, maximization of throughput, and better quality and process control.

In the past year, we have focused on helping processors achieve gains by making the most of digital technology. With the latest technological advances increasingly influencing the way Marel serves and supports the fish processing industry, digital is only going to become more vital in the future.

The wild whitefish segment continues to occupy an important place in the Marel Fish portfolio due to its long-standing use of technology, as well as modern fishing and processing methods. Wild fish is a relatively fixed resource with limited potential for growth in terms of volume, largely due to the state of fish stocks and quota limitations. However, thanks to their investment in high-tech onboard solutions, whitefish processors can now meet the rising demand for wild fish products by improving the utilization and value of their catch.

### Growth opportunities in the farmed fish sector

Aquaculture has been the fastest growing food production segment in the last decade, and Marel Fish has a strong foothold in the sector, especially in the salmon industry. We have also worked for many of the world's largest processors of tilapia, sea bream, and sea bass. Our efforts to extend our market penetration in this sector has strengthened our position as a leading provider of processing solutions for the farmed fish sector.

### Leadership expertise

Marel was an active participant at global seafood conferences throughout 2018 in order to share its expertise in processing advances, as well as to nurture its close partnership with companies throughout the seafood industry.

Marel participated in the North Atlantic Seafood Forum in Norway, the Global Fishery Forum and Seafood Expo in Russia, and the China Salmon Summit, to name just a few. Gatherings such as these offer the chance to share processing knowledge and expertise with researchers, academics, investors, and influential organizations, both national and international.

## Products

At Marel, we recognize the potential for significant improvement in yield, quality and safety by improving processing at every step in the plant. In 2018, we introduced a range of new solutions for fish processing, beginning the moment catch is hauled onboard and continuing to the finished consumer packs.

### High-precision cutting with the new salmon deheader

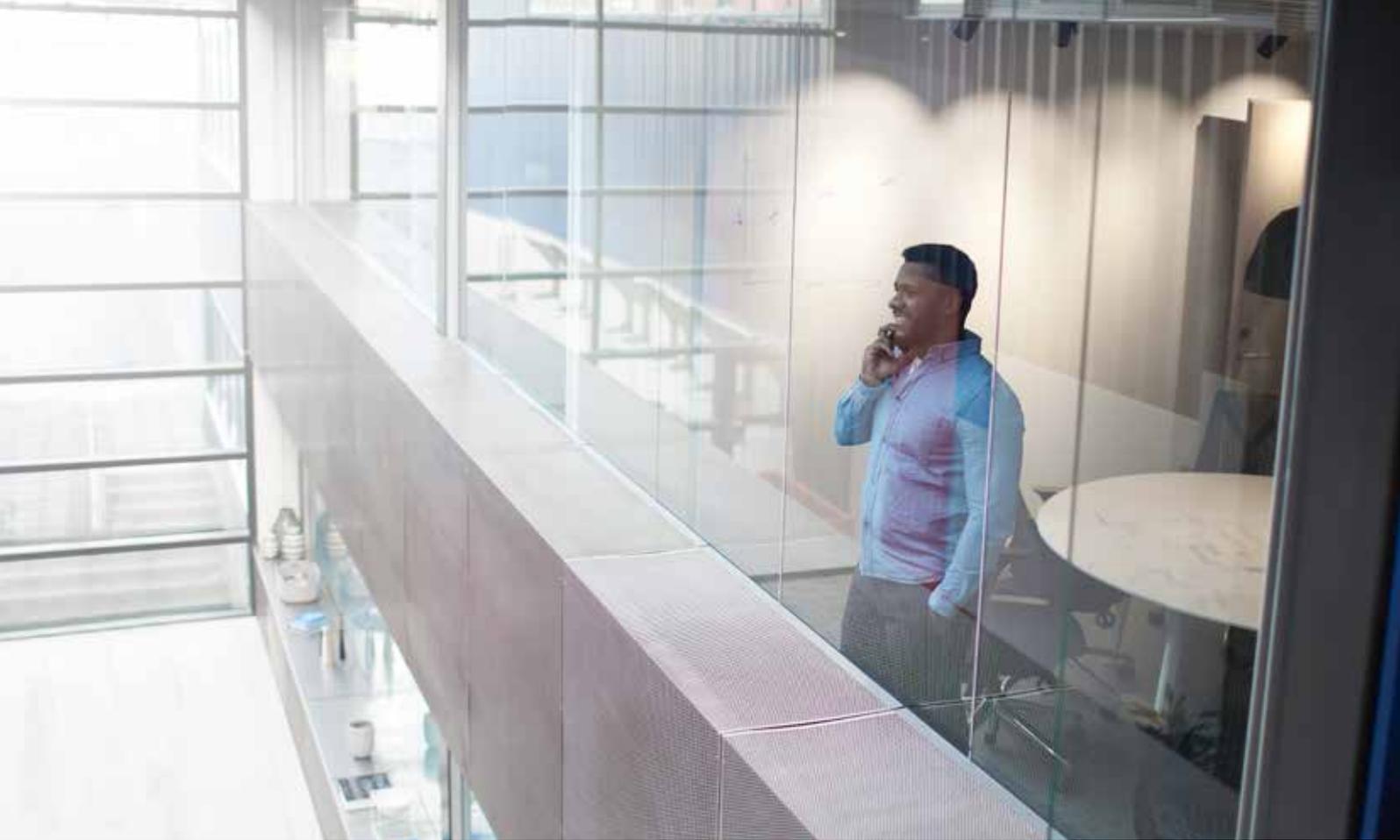
Marel's new automatic MS2720 Deheading Machine for salmon was released for sale in January 2018. The new machine offers some of the highest levels of throughput, yield and quality ever achieved for this process. It allows salmon processors to achieve optimum yield from every fish, as well as enabling a better flow by performing high-precision cutting and allowing for the automatic transfer of deheaded fish into our MS2730 Filleting Machine. Besides boosting productivity, the deheader is easy to operate, with all settings and operations made on a touchscreen panel next to the operator platform at the machine's infeed.

### Automated whitefish processing, both onboard and ashore

Marel has sold more than 35 FleXicut machines since the revolutionary pinboner and portioner was introduced in 2014, including several FleXicut Marine machines for onboard processing of boneless fillets. The automation of bone removal and portioning with FleXicut enables processors to raise productivity while greatly improving product handling and yield.

As the second generation of FleXicut emerges, greater levels of interconnectivity and new features are improving processing results further, while the reliability of existing systems is fueling the growing interest in FleXicut across the industry.

The pinboning and portioning system now also offers an integrated pre-trim solution and advanced product distribution system that automate this process even further.



## Innovation

The global seafood value chain is facing unprecedented consumer demand, creating a fundamental need for processors to scale up their productivity. At the same time as fish processors face challenges to increase throughput and obtain better yields, they also need to respond to tighter quality and safety requirements.

Through continuous innovation and the incorporation of robotics, analytics software, and other Industry 4.0 technologies, we provide the fish processing sector with a viable means of raising its game and meeting current and future requirements.

### Transferring technology between industries

The FleXicut pinboning and portioning system is a perfect example of how Marel transfers technology between processes and industries. Its technology is the result of innovation and development of X-ray technology that started with the SensorX in 2004 – a machine that is now the quality assurance standard in the poultry industry – and image processing and computer applications that Marel started using in its intelligent portioning machines in the 1990s.

This technological transfer continued with FleXicut in 2017. Initially developed for whitefish, the equipment underwent extensive testing in 2017 for salmon applications, and the successful results were demonstrated at the 2018 Salmon ShowHow in February.

### Better food safety with automated data collection

The fish industry as a whole is increasingly recognizing that traceability is essential to ensuring food safety. The ability to demonstrate reliable data collection and a valid traceability system from source to shelf is essential to gaining and maintaining a competitive edge, as well as accessing new markets.

As the leading provider of automated data collection solutions to the food processing industry, Marel continues to take a very active role in realizing the vision of data-driven food safety in the fish industry. Our Innova Food Processing Software can provide relevant data to both sides of the supply chain, and guarantee that products meet the highest food safety standards.

### New automated quality control

In 2018, we demonstrated the QC scanner (not yet released for sale) for the first time, a solution to automate the quality control process. The scanner color grades fillets, and automatically detects surface defects such as pearl stripes and melanin or blood spots after filleting and skinning. With this information, the scanner can determine if fillets need further manual trimming or can skip that step. With automated quality control, processors can both speed up production and raise value and quality.

## Projects

For Marel Fish, 2018 was a productive year with both greenfield projects as well as standard equipment and system installations. The whitefish segment had steady sales of standard systems to current and new customers in all our regions and the farmed fish team participated in large greenfield projects in Scandinavia. The following examples illustrate the variety of those projects we undertook in 2018.

### Primex greenfield plant

Primex's ultramodern whitefish plant at Myre, in northern Norway, became operational in 2018. The latest technology from Marel helps the company ensure high volume and economical processing with the best possible yield, quality, and productivity.

The new factory produces vacuum-packed cod loins and portions, as well as a variety of other products. The Marel equipment extends along the processing chain to include raw material grading, pre-trimming, automatic pinboning and portioning, all of which is followed by quality control and packing. FleXicut is a vital part of the Primex factory concept, and new robot technology from Marel is helping to increase the efficiency of product distribution and handling at the facility.

As well as achieving a very high level of automation, Primex also uses Innova Food Processing Software to manage and optimize the whole production process, controlling the distribution of raw material coming in and controlling production based on product orders.

### Hi-Chain automation, China's first fully-automatic salmon processing line

Shanghai Hi-Chain Foods' salmon processing facility completed its first full year of operation in 2018, utilizing a new Marel processing line that was installed in 2017 - China's first automatic processing line for salmon.

In recent years, Chinese salmon processors have increasingly looked to technologically advanced processing equipment to improve performance and food safety, raise yields, and reduce costs. The installation marked a shift in the nature of many of the jobs at the factory, and Marel's service engineer were in close contact with Hi-Chain from the start to ensure successful installation of the plant.

The plant produces up to 30 metric tons of salmon products every day, and the Marel installation is vital to ensuring filleting, trimming, pinbone removal, skinning, portioning and slicing is carried out effectively and in a timely manner.

### Leroy greenfield plant

Leroy Seafood Group's new plant in Norway became one of the most advanced salmon processing plants in the world when it began operating in 2018. The facility is equipped with high-tech salmon processing systems from Marel that are setting new industry benchmarks.

Marel supplied solutions for pre-rigor filleting lines, including new deheading machines that transfer fish to five parallel filleting lines, as well as whole fresh salmon packing and logistics solution for the plant.

The salmon is brought directly into the factory early each morning, and leaves the factory packed as fillets or whole fish later the same day. By filleting so close to source, Leroy saves on freight costs, raises the quality of the end product, and reduces the carbon footprint of the salmon that ends up on our plates.

### FleXicut systems at G.Run

In 2018, Icelandic fish processor G.Run installed two FleXicut pinboning and portioning machines, a FleXitrim flowline and two packing lines. The installation was part of a major expansion of the company's facilities in Grundarfjordur, Iceland, which includes a new 2000m<sup>2</sup> building.

The FleXicut systems enable G.Run to increase the primary product ration, which is extremely valuable to them. The upgrade also helps the processor meet its goals of significantly raising throughput without adding more staff. The project marks the first time the FleXicut has been used for processing redfish. With two FleXicut lines running, one can be used for redfish and the other for cod and similar species.

Marel's Innova Food Processing Software is a vital element of the installation. The software supports the complete integrated system and compliance with quality standards and food safety regulations, as well as improving utilization of the raw material.

## CUSTOMER STORY

# Filleting solutions for the future

Salmones Camanchaca is a salmon producer based in the Bío Bío region of Los Lagos Aysén, Chile. In 2018, the company installed a second Marel filleting line, two years after it installed its first Marel salmon filleting machine (MS2730), which achieved excellent results.

As Jorge Fernández, CEO at Camanchaca, explains: *"We invested in a Marel filleting line to improve our processing results. We have experienced an improvement of around 30% in productivity since the installation, with at least a 1% gain in yield."*

Fernández says that the company recognizes the value of investing in a complete filleting line, rather than buying individual standalone units.

*"In this way, we keep waste to a minimum and we gain the most in yield. We like it so much that our idea now is to equip two more of our plants with Marel equipment!"*

Camanchaca now uses Marel equipment for all its processes, from deheading to fillet distribution, and enjoys greater efficiency and easy cleaning in addition to better performance control.



## Sustainability

Marel Fish contributes both directly and indirectly to increased sustainability in the world of food processing. Improved raw material utilization preserves resources, both natural and economic. Our equipment is designed for optimal energy and water usage, as well as to facilitate cleaning, all of which is geared towards using resources more efficiently.

## Growth drivers

For Marel, the key factors for future market growth include the expansion of the farmed whitefish segment, and the overall rise in automation in fish processing around the world. Automated factories are expected to aim at increasing their level of automation, while highly automated players will be eyeing robotics and hands-free processing. An increase in entry-level automation is also anticipated.

Reduction of manpower is also a key emphasis, with companies increasingly prepared to invest in technology to reduce costs and/or compensate for a diminishing supply of labor.

Changes in dietary habits have brought a continuous rise in the demand not only for seafood in general, but also for differentiated and value-added seafood products. This will continue to be a major growth driver for the industry. Innovative solutions in both salmon and whitefish will set new industry standards in the coming years, with major Norwegian and Icelandic processors leading the way. Watershed installations are already underway, and will likely set the tone for others to follow.

## Global production and trade trends

### Salmon

In 2019, global salmon production is forecast to rise by 3.6% to 2.7 million tons. Atlantic salmon will account for an estimated 93% of the production. Norway continues to dominate production with around 49% of the forecast production in 2019, followed by Chile with 31%. After an impressive 18% increase in 2018, salmon production in Chile is forecast to increase further by 2% in 2019, compared to an expected 4% increase in Norway. The two countries continue to dominate the market.

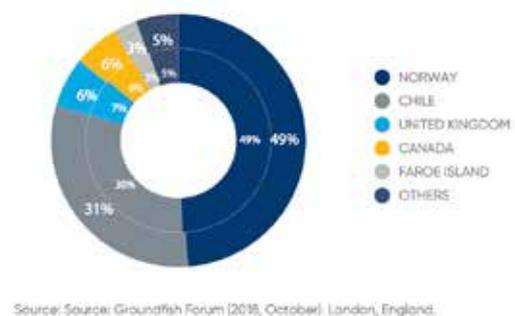


**NORWAY DOMINATES THE SALMON MARKET**  
EXPECTED TO INCREASE ITS SHARE IN 2019

GLOBAL PRODUCTION OF FARMED SALMON  
2.0% CAGR OF ATLANTIC, 2.4% OF COHO, IN THE LAST 5 YEARS



LARGEST SALMON PRODUCERS  
2019 FORECAST (OUTER) COMPARED TO 5 YEARS AGO (INNER)



Source: Source: Groundfish Forum (2018, October). London, England.

### Tilapia and catfish

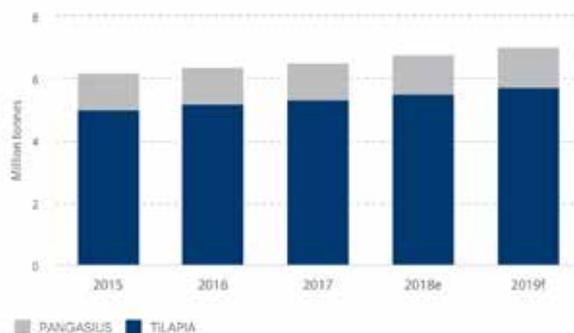
The global production of tilapia is now shown alongside pangasius, instead of catfish as last year. In 2019, global production of tilapia and pangasius is expected to rise by 3.2% to surpass 7.0 million tons, of which pangasius accounts for 1.3 million tons.



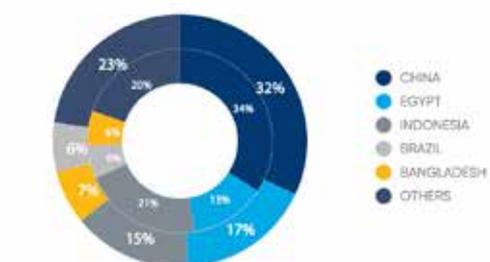
**EGYPT'S TILAPIA PRODUCTION CONTINUES TO THRIVE**  
EXPECTED TO GROW BY 8% IN 2019

China continues to lead the tilapia market with a 32% share, followed by Egypt with 17%.

GLOBAL PRODUCTION OF TILAPIA AND CATFISH  
3.3% CAGR OF TILAPIA, 2.8% OF PANGASIVS, IN THE LAST 5 YEARS



LARGEST TILAPIA PRODUCERS  
2019 FORECAST (OUTER) COMPARED TO 5 YEARS AGO (INNER)



Source: Tvisterås, R., Nystoy, R., and Dr. Jory, D. (2018, September). Finfish Production Review. Presented at GOAL 2018 in Guayaquil, Ecuador.

**Cod**

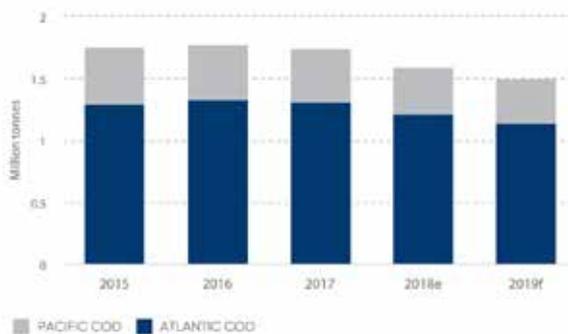
According to forecasts, global production of cod will continue to shrink, and amount to 1.5 million tons in 2019, a decrease of 5.6%. Atlantic cod is expected to account for 76% of production. Russia continues to lead with a 28% share of the market, followed by Norway with 22%.



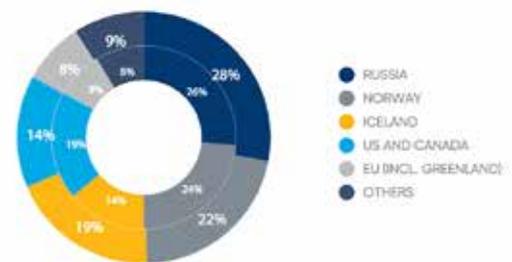
**ICELAND IS THE WORLD'S 3RD LARGEST PRODUCER OF COD**  
OVERTOOK THE US AND CANADA IN 2018

In 2019, the cod catch is expected to decrease in all leading countries except Iceland. Icelandic production has increased gradually from 2014. Iceland overtook the US and Canada in 2018 as the third-largest supplier of cod and is expected to remain in this position in 2019.

**GLOBAL PRODUCTION OF COD**  
-3.2% CAGR OF ATLANTIC, -5.5% OF PACIFIC, IN THE LAST 5 YEARS



**LARGEST COD PRODUCERS**  
2019 FORECAST (OUTER) COMPARED TO 5 YEARS AGO (INNER)



Source: Groundfish Forum (2018, October), London, England.



## INNOVA FOOD PROCESSING SOFTWARE

Innova is our revolutionary food processing software that provides full production control and traceability, giving a complete overview of a product's journey through processing, from reception to dispatch.

To date, we have more than 2,000 Innova installations worldwide, meaning that many of the largest food processing companies in the world already use this cutting-edge software. Innova can be implemented as an all-inclusive production system, adapted for specific production units, and can even be connected to third party equipment.



# Processing with an eye for detail

Our goal is to make the most of the valuable resources that run through our systems. Using real-time data, our Innova Food Processing Software helps our clients get the job done.

**That's the power in numbers.**



2,000  
INSTALLATIONS WORLDWIDE



105,000  
INNOVA LICENSES  
(EQUIPMENT, USERS, PRINTERS, LINES  
INTERFACES, YIELD POINTS)

## The future of intelligent production control

Utilizing the latest technology and cloud analytics, Innova has established itself as the future of intelligent production control. It enables plants to control, monitor and improve their entire production process, allowing producers to spot inefficiencies on the factory floor by highlighting the specific data needed to maximize throughput, quality and yield.

Food producers need to be able to keep pace with ever-increasing industry and regulatory demands for animal wellbeing, traceability and quality. Innova provides efficient, high-performing software solutions that enable them to do just that.

## Meaningful insights through data visualization

Innova provides processors with user-friendly tools to turn data into meaningful insights through visualization. In the day-to-day operations of a plant, key performance indicators such as yield, throughput, quality, capacity and labor efficiency are vital to processors. Most organizations across the food industry

gather huge amounts of data on these key performance indicators, but the challenge lies in understanding what particular data can help optimize performance and putting this to use.

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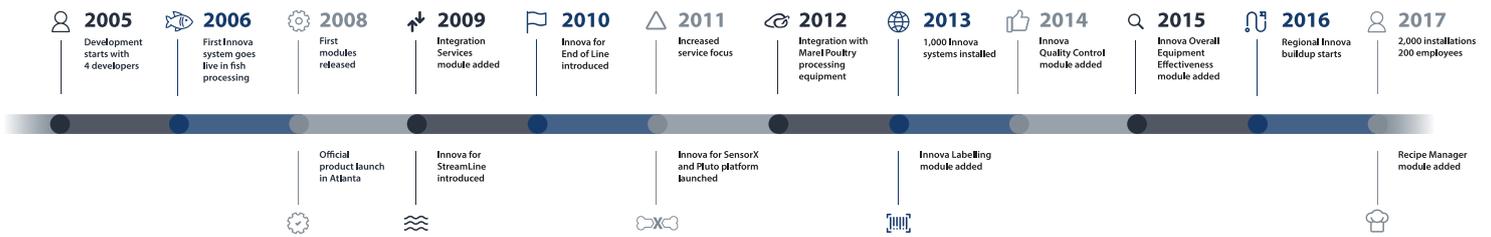
*THERE ARE MANY WAYS TO COLLECT DATA, BUT IF YOU DON'T PRESENT IT TO THE END USER IN THE RIGHT WAY, THEN IT'S NOT GOING TO HELP IMPROVE YOUR BUSINESS.* ”

Jarred brand, director of manufacturing, engineering and technology, trident seafoods

Innova's comprehensive, real-time reporting presents data by using dashboards, giving clear visual interpretation of the relevant information. Smarter decisions can be made in real time to optimize production results, tailor processes to achieve specific goals, and respond immediately to any deviations.

Such insights enable processors to identify opportunities for improvement, while ensuring that production conforms to





quality and food safety standards.

## Direct traceability

Innova controls and monitors animal reception and registration, the production flow, as well as the deboning, packing and dispatching processes. Having Innova manage the entire operation creates a direct traceability line between the slaughtered animal and the end customer.

## The highest quality using the highest tech

Innova Food Processing Software has helped US-based Kuna FoodService achieve full traceability in its production, from start to finish. The ease of use, real-time data and reporting functionalities with built-in traceability allow the company to monitor individual suppliers and ensure high-quality products. By paying attention to the details at every stage of production, overall performance is optimized.

## Streamlined order management and inventory control

Innova not only provides full production control and traceability, but also helps improve how the company fills its orders, making this more streamlined, and easier to manage. Innova can optimize workflows, enable cost-effective inventory control, and ensure efficient order management. The system includes purchase orders, production orders, inventory orders and sales orders.

## Innova connects to third-party equipment

The software is set up to work with the third-party equipment, systems and solutions that are independent of Marel equipment. This means our customers can install a single software system to oversee production and integrate with their existing equipment.

“*INNOVA ALLOWS US TO KEEP RECORDS THROUGHOUT EACH DAY AND TRACEABILITY FOR USDA REQUIREMENTS, NOT ONLY FROM THE START, BUT ALSO NOW RIGHT THROUGH TO THE FINISH.*”

Dan Fernandez  
Meat Unit Production Manager, Kuna FoodService

## It's all in the label

The Innova label designer is a very powerful tool, as it ensures all traceability information on the product is collected accurately and incorporated in the final product label. The flexible labeling design system means processors can easily create their own designs and edit the content on the label to contain all relevant and necessary information for the final product package.







## INNOVATION

**Innovation is, and has always been, at the very heart of Marel. We invest around 6% of our revenues in research and development annually, which translated into EUR 74 million in 2018. With over 15 new solutions brought to market in 2018, it is safe to say that innovation is in the DNA of our people.**

Our experts are relentless in their efforts to meet the next challenge with an effective solution. We have over 850 dedicated technology professionals located in nine countries, all of whom work in partnership with our key customers to improve the way food is processed. Our people, who are creative, passionate and brave, are our greatest asset in driving innovation.

With each passing year, data analytics and software control become increasingly important. With its full-line offering from

farm to fork, Marel is in a unique position to gather information in the global food processing industry, one of the most important value chains in the world. Our approach to innovation is not limited to mechanical engineering, but also encompasses integrated technologies and connectivity.

Quite simply, we are focused on continually delivering solutions that add value for our customers, and also for our community, our environment and not least our shareholders.

# Seeing the future is our business

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We envision a world where quality food is produced sustainably and affordably. By using virtual reality to simulate food production, we speed up development and minimize waste.

**That's the power in numbers.**





*GIVEN MAREL'S HISTORY OF COMBINING SOFTWARE AND MECHANICS TO TACKLE FOOD PROCESSING CHALLENGES, WE ARE READY TO EMBRACE DIGITAL-AGE TECHNOLOGIES.*

## Global trends demand innovation in food processing

At Marel, we conceive and deliver solutions that cater to a growing world population demanding high-quality food, produced sustainably and at affordable prices. On the market side, we see mega trends calling for industry-wide transformation in food processing. With automation as the driving force, we see changing dynamics emerging in the value chain, together with the need for increased flexibility and diversity in terms of end products.

There are number of enablers contributing to the transformation in food processing, including new scalable technologies and production channels, such as the Internet of Things (IoT), cloud services, advanced robotics and 3D printing, for example.

We work each day on new solutions by applying and expanding our broad-based industry know-how. We are dedicated to delivering unique products and services that will shape our customers' future business landscape. At the same time we help them create scaleable infrastructure that supports their growth and Marel's simultaneously. To that end, we are committed to collaborative innovation with customers and partners that both speeds up the innovation process while ensuring our products add value in a way that suits their specific needs.

## Product launches 2018

In 2018, we introduced over 15 new, innovative products to the market. Our significant investment in innovation of EUR 74 million, more than any of our competitors, demonstrates our commitment to transforming the way meat, poultry and fish is processed.

- Animal wellbeing, traceability, sustainability, efficiency, and product quality all came together following the launch of our innovative and highly integrated solutions enabling the processing of 15,000 birds per hour. Innova software runs in the background to monitor all processes plant-wide and nsures full traceability.
- Salmon processors are constantly looking for ways to improve yield and attain a better flow. The new Salmon Deheader helps achieve this by performing high-precision cutting for optimum yield on every fish, and automatically transferring deheaded fish into our Filleting Machine. In addition, the QC Scanner enables better sorting of fillets downstream based on the quality of the raw material.
- In the meat industry, secondary processing was boosted by a number of innovations that increased automation and improved food safety and traceability. One of the breakthrough 2017 innovations, the DeboFlex automatic deboning system, has been an incredible success, and new modules were added to the system in 2018.
- Twenty years ago, the Marel RevoPortioner - which reduced raw material waste to almost 0% - was revolutionary. Now, the Helix Drum Technology transforms rotational forming into continuous filling, further enhancing the RevoPortioner's capabilities and reputation.



**SALMON DEHEADER**

Uniform, high-precision cutting

[READ MORE](#)



**SENSORX MAGNA**

Meat trimming with specific CL ratio for improved margins and increased safety

[READ MORE](#)



**LEG POSITIONER**

Simplifying leg handling for batching and packing

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**FRANK-A-MATIC**

Sausage linker for filling, linking and handling cellulose and collagen casing

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**INNOVA RECIPE MANAGER**

Full control over recipe-based production

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**ROBOT WITH A KNIFE, INCL. TRIM SEPARATION**

Intelligent chicken fillet cutting and batching with optimal value stream

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**FLEXITRIM**

The next step in high-tech method of whitefish processing

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**DEBOFLEX IN-LINE DE-SKINNER**

Higher deboning capacity for increased yields

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**15,000 BIRDS PER HOUR**

Uncompromised quality and efficiency at all-time high speed

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**Q-WING**

Labor-saving, quality assessment and distribution of chicken wings

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**HELIX DRUM**

Patented forming technology for the Revoportoner

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**M-LINE ROBOT MSS**

A new generation of slaughter robotization

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**VC-20 RS**

Proven hygienic vent cutter for highest capacities and lower cost of ownership

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**ROBOT PALLETIZER**

A cost-effective, integrated solution for storage and distribution

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**AUTO-INFEED & QC SCANNER**

Improving the salmon filleting process

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**LINELINK (DE/EC)**

Worry-free transfer with 15,000 bph

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**DEBOFLEX MODULES**

Shoulder blade, shank pre-cutting, and shank sawing

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**ATLAS**

An efficient live bird handling system, from farm to plant

[READ MORE](#)



**I-SAW**

Portions of constant weight or thickness

[READ MORE](#)



## Smarter processing to make quality food available to everyone

The growing world population, fast-changing consumer behaviour, and a rising focus on sustainability and legislative compliance, means demands on our industry are constantly evolving. Our challenge is to make even better use of the raw material coming into the plant and ensure that the entire Marel team is focused on creating cutting-edge solutions that allow processors to deliver high-quality food at affordable prices. Insights from the digital revolution are opening up great opportunities for progress in this direction which Marel is ready to make the most of.

Given Marel's long history of combining software and mechanics to create innovative solutions to tackle food processing challenges, we are well equipped to fully embrace digital-age technologies. We want to ensure customers understand how to use data to support their processes and keep production at optimal levels for improved profitability.

In 2018, we worked on enablers for a successful, connected business. Central to this is our established standardized control platform, Marel Core. Once implemented, Marel Core offers simple solutions and improved service. It facilitates quick fault-finding and less need for spare parts, a higher level of flexibility for extensions and upgrades, and seamless integration of equipment and software. In this way, Marel Core enables us to implement leading industry 4.0 standards across the company. In addition, our Innova division has been scaled up to fully capitalize on the benefits of digital technology for smarter processing.

In the coming years, in collaboration with our customers, we will follow the course laid out in our digitalization roadmap, moving from pilot schemes to proven solutions. Combining

equipment, process knowledge, service and data analytics will result in smarter processing and proactive service, meaning fewer disturbances in the customer's production process, and better support for the technicians on the factory floor.

## Speeding up innovation with virtual reality

At Marel, innovation teams now use virtual reality to design and test new solutions, which increases the speed of innovation considerably. Rapid prototyping can be achieved by running a new idea in a simulated and virtual world to get immediate feedback.

Virtual reality makes simulations more valuable, giving product developers life-like input and enabling realistic interaction without having to wait weeks or months to try a new concept. Saving on time and materials by using virtual reality in innovation allows our teams to make greater strides towards novel solutions to food processing challenges.

## From one industry to another

Marel is known for applying its technology across industries. In 2018, we continued to leverage our strong innovation investments across numerous product groups, processes and geographies. A recent example of this is the DeboFlex solution, where technology for overhead transportation and positioning of raw materials originally developed for poultry processing is now applied in meat processing.

We will continue to exploit the synergies available to a company of our scale, scope and ambition, delivering innovative products for our customers, and creating additional growth opportunities. In particular, major opportunities lie in the secondary and further processing parts of the value chain, e.g. portioning, batching, weighing and marinating, where the processing steps are becoming more similar across industries.

## GLOBAL MARKETS AND SERVICE

**Marel is constantly looking for ways to strengthen its partnerships with customers around the world. Our vision of a world where food is produced sustainably and affordably can only be realized through close collaboration with customers. Through our extensive global network, which stretches over 30 countries and all continents, our sales and service specialists are in close contact with our customers every single day.**

To further strengthen its local reach and come closer to new and existing customers Marel has embarked on a journey aimed at reinforcing its local sales teams and strengthening its links as a service and maintenance partner to customers.

The first steps were taken in 2018. In June, Marel announced an organizational change, splitting the former Commercial function into two sections: Global Markets and Service. The move added two new Vice-Presidents to Marel's Executive Team. Ulrika Lindberg joined Marel and became Executive Vice-President of Service, while Einar Einarsson moved to the position of Executive Vice-President of Global Markets.

Ulrika Lindberg has over 20 years of experience in global services, having held senior positions at large international organizations such as Alfa Laval and Tetra Pak.

Einar Einarsson has over 15 years of experience in managing Marel's sales and service operations in North America. Einar became President of Marel US in 2003 and prior to that held several positions within Marel as a Sales Engineer, Area Sales Manager and Product Manager.

“

*THINK GLOBAL,  
ACT LOCAL.*

## GLOBAL MARKETS

Marel's global network of dedicated sales representatives is one of the company's strongest and most visible assets. Our sales operation consists of local representatives in over 30 countries, plus a global network of more than 100 agents and distributors.

With such a large global presence, Marel can serve large and small food processors and food retailers on location, wherever they are. Each of our industry-specific segments – fish, meat and poultry – has specialized sales people, working in partnership with customers around the world. We are dedicated to bringing top-of-the-line services, consistency and excellence to each project we undertake and to providing our customers around the world with local proximity and intimacy, yet with the support and knowledge of a global leader. Our committed sales force has been and will always be the cornerstone of our operations around the globe.

### Exhibitions around the world

Each year Marel participates in some 45 trade exhibitions around the globe where the latest innovative systems and technologies for the fish, meat, poultry and further processing industries are presented. Trade exhibitions are an excellent venue for customers to get to know at first hand Marel's state-of-the-art food processing systems and solutions. Marel exploits these opportunities to premier its latest technology, strengthen relationships with existing customers, and create new ventures with new customers.

In addition, Marel also hosts its own trade shows in Progress Point in Copenhagen, holding ShowHows annually for the meat and fish industries and biannually for the poultry industry.



**42 EXHIBITIONS**  
HELD IN 30 COUNTRIES

In addition to Progress Point, Marel operates three demonstration facilities: one in Boxmeer, the Netherlands, and two in the USA, in Lenexa, Kansas, and Des Moines, Iowa. The facilities offer a hands-on environment where customers can see how Marel innovations can improve their food production, develop employee expertise and bring positive operational outcomes.

### Enhanced online support

All of Marel's equipment is on display at Marel.com. Customers can browse through online product catalogues, watch videos and read customer testimonies. Our dedicated staff is available for live chat on request to answer questions and enquiries. Marel is constantly improving the online customer experience and in January 2019 a new website was launched with many new features to better serve our customers online. The new Marel.com improves the online user experience, benefits existing and potential customers, as well as future employees and other stakeholders.

## GLOBAL MARKETS AND SERVICE

# Marel opens in Namibia

In July 2018 Marel opened a new office in Namibia as part of our long-term strategy to step closer to our customers and to further strengthen customer support in southern Africa. There are multiple benefits to having a local office in the region, including more direct contact with customers, better customer service and an improved position to respond quickly to local market needs and changes.

The new office in Walvis Bay, Namibia, is part of the journey that includes the reorganization of Marel's sales and service structure. It is driven by our aim to continue growing and further enhance our customers' experience with strategic services and maintenance near at hand.

Namibia is the largest hake producer in the world. Having a local office deepens our relationship with the Namibian fish processing industry and opens the door to meat and poultry processors in the region.



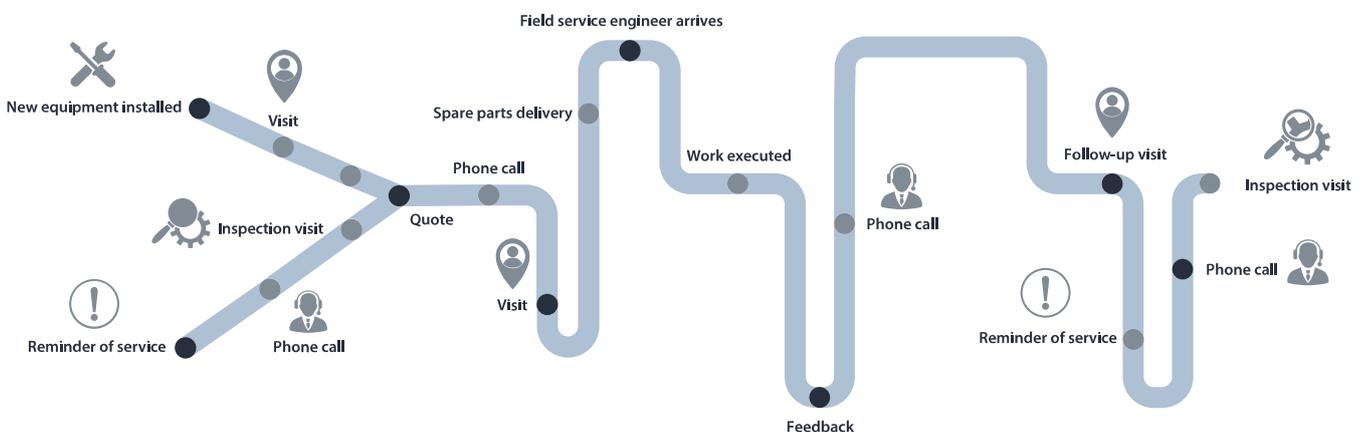
## GLOBAL SERVICES

As a service-oriented operation, we emphasize assisting our customers in maintaining optimal production flow, uptime and output. We run a global, well-organized service and maintenance operation that is and will continue to be one of the main sources of our revenue and growth. Delivering around 35% of the company's revenues, the service and spare parts business is a clear growth opportunity, creating value for both customers and shareholders.

Our ambition is to serve our customers locally, backed up by the global wealth of competence we possess in both process technology and products. We continuously strive to introduce new technology for the benefit of both our customers as well as our staff, and with the ultimate objective of increasing uptime and utilization.

Our focus is on proactive service that includes preventative maintenance, spare parts packages and long-term service contracts. Our experience shows that an increasing number of customers prefer this model, working in close partnership with Marel. Taking a proactive approach with our customers prevents downtime in their production facilities and ensures consistent peak productivity.

We want to offer our customers the best possible experience through the entire customer journey: from the receipt of a service request until the service job has been performed. Every touchpoint is important – In Service, we will work hard to make sure that it is easy for our customers to work with us.



## NPS rolled out globally to measure and improve service delivery

A vital factor in maintaining outstanding service is acquiring feedback on how Marel is performing. Net Promoter Score (NPS) is a simple survey method of obtaining data on customers' experience and loyalty that has gained popularity with companies in major global industries. Marel launched NPS in April 2018 as a tool to measure recent transactions or services rendered and take active steps to improve service delivery based on customer feedback.

The survey is now a standard part of Marel's after-service processes. Customer complete the simple survey after a service job has been performed. Our initial score revealed a positive view of the service organization, above the industry average. Marel will continue to use the findings of the survey to continue to improve all aspects of service provision, including on-site service, remote service, preventative service, and spare parts delivery.

## Improved efficiency following implementation of ServiceMax

To improve its service even further, Marel has since 2016 been using ServiceMax, a global field service management platform, on a company-wide basis. Equipping all our field service engineers with iPads and dedicated software enables them to co-ordinate schedules and projects and deliver regular service reports. We plan on expanding the ServiceMax platform by introducing new features for our service engineers around the

world. Because they are in constant contact with customers, our service personnel are crucial to customer satisfaction. Providing them with the best tools available bolsters our position as a preferred employer and means we can continue to deliver superior customer service.

Implementing ServiceMax has increased efficiency, as field data is shared with the office more quickly. The positive effects are evident in improved service delivery and sustained growth. Response times have shortened, on-time performance has improved, and productivity in the field has shown steady improvement.



832 ENGINEERS DELIVERED  
1.2 MILLION HOURS  
SERVICING OUR CUSTOMERS

## A key source of recurring revenues

Service will continue to be a key source of revenue and growth for Marel in the coming years. Major investments have been made in business improvements in the last few years, including IT and employee development. This has created a solid foundation for future growth and profitability from the company's service operations.



## GLOBAL MARKETS AND SERVICE

# Marel in Oceania

In the Oceania region, Marel has been strengthening and expanding its service team to deliver top quality installations and service to customers in the poultry, meat and fish industries across Australia and New Zealand. In 2018, the team completed a number of projects, ranging from complete greenfield installations to regular repair and maintenance jobs. A major installation for a poultry processing customer located in New South Wales in Australia started in September and is expected to conclude in mid-2019. SensorX Accuro has been gaining popularity amongst meat processors in the region with multiple systems installed during the year for large and smaller processors and more to come in 2019. The Oceania team also includes several Innova service specialists who support customers on the data-driven software side of their operations.

### April Warman takes the lead

In February 2018, April Warman was appointed Territory General Manager for Oceania and took over the leadership in the region. April started her career as a field service engineer and brings valuable experience in business leadership including project management and customer service.

*"At Marel, we are listening to our customers and responding to their feedback. To improve our service even further and ensure our customers can operate smoothly at all times, we are working on implementing a new customer contact system," says April. "The system will cover New Zealand and Australia and improve our readiness in responding to our customers 24/7, taking into account the various time zones our customers operate in. The system is part of our drive to increase our service capability and deliver dedicated local support."*

### Training for service personnel in Oceania

Marel is also strengthening its service team in the region with training and development to further enhance the customer experience for food processors in Oceania. In 2018, service technicians and engineers attended local and international training seminars, with a focus on specialization and on the quality of customer service. The team is made up of 28 service engineers who work across Australia and New Zealand in partnership with our customers to optimize their production.



## GLOBAL SUPPLY CHAIN

**The global supply chain at Marel is responsible for procurement and manufacturing within the company and operates worldwide. We deliver standalone equipment, full-line solutions and service parts for the company's fish, meat, and poultry food production industries.**

A team of over 2,300 people in Marel's global supply chain supports innovation and manufacturing with equipment and spare parts. Our experts make sure that all our production, whether for modernization and large greenfield projects, of stand-alone equipment, or spare parts, runs on schedule and that orders are delivered and serviced according to our customer's requirements. To achieve this, we work closely with our distribution network and key suppliers of raw material and spare parts from around the world.

We now run 13 manufacturing sites for equipment and spare parts, together with four main distribution centers to support our extensive service platform.

Streamlined manufacturing, coupled with our co-location strategy introduced in 2017, allows us to share the production load across locations. This allows for greater flexibility to manage costs, mitigate global trade risks and ensure optimal lead-times.

Quality, responsiveness and efficiency are the cornerstones of this activity. Our approach is based on the simple objective of ensuring that all our solutions and spare parts are produced at the right cost and quality and delivered to the right place at the right time.



# Working at the speed of the future

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Real-time data and equipment monitoring allow for preventive maintenance that reduces downtime and saves precious resources.

**That's the power in numbers.**

## Enablers for growth

Marel's unique scalability and skills matrix across its global supply chain is a major competitive advantage.

Today, our 13 manufacturing sites are strategically positioned around the world. We continue to benefit from our scalability worldwide and anticipate that future growth will occur primarily in our key manufacturing hubs in Brazil, Slovakia and China.

Optimizing the manufacturing footprint is always on our agenda. This year has been the first full year of running our Slovakia operation in a single facility. The integration of the two previous locations has been very successful. We already note a rise in output and expect production volume in Nitra to rise even further.

Standardization was also key theme in 2018. We aligned processes and capabilities across manufacturing, innovation and procurement. By the same token, we worked in partnership with key stakeholders to standardize components and the format of our supplier relationships.

### Scalable manufacturing to support growth

At Marel, we operate a mother-site plus co-location strategy in manufacturing. The mother site is responsible for product life cycle management and how the product is manufactured. The co-location sites are focused on scale manufacturing, producing large volumes with the two-fold advantage of cost effectiveness and close proximity to the customer. This results in improved lead-time and lower costs.

In 2018, we continued implementing our co-location strategy, which enabled us to achieve close to 20% year-on-year growth in manufacturing output.

By improving the manufacturing process and strengthening the local organization by focusing on key positions, we boosted the output of our plant in Nitra, Slovakia, by 40% in 2018. In addition, we expanded our US co-location activities and are now able to manufacture key solutions for the US market close to our customers. In Brazil, we initiated co-location programs with two products. These co-location activities have contributed to higher volumes without expanding our manufacturing footprint.

### Deeper partnerships with our suppliers

Marel's suppliers and their sub-suppliers are critical links in our supply chain. Without them, we would not be able to deliver high quality products reliably to our customers. Working effectively with our suppliers is no less essential than internal efficiency.

In 2018, we further strengthened our relations with key partners, which will support our US and European operations. This is part of our strategy of outsourcing non-core activities to optimize our internal resources. Leaner manufacturing operations allow for agility and better flexibility to meet changes in orders from customers. To give better focus to this part of our operation we adjusted our key performance indicators' reporting accordingly. We also took steps to reduce the number of suppliers and shift our emphasis to partnerships with key suppliers of parts, assemblies and equipment.

We continued to strengthen our internal operations, improving processes and working procedures to optimize the way the supply chain is structured. Streamlined internal operations enable us to keep up with increasing demands from our customers and for new product development.



## Co-location enables higher volumes of new products

As investments in IT systems progress, products can more easily be manufactured at co-location sites. In coming years, we will increase the effectiveness of our global supply chain network by leveraging acquisitions as either mother or co-location sites.

With successful co-operation and a flexible production platform, the supply chain was able to contribute significantly to the success of new product launches.

SensorX has been in high demand from customers around the globe. As a result of the recently launched co-location strategy, the SensorX is now manufactured in two locations and is a prime illustration of how Marel has been able to deliver on orders received for this popular product. Co-location manufacturing of SensorX allows us to continuously optimize and innovate the product at the mother site in Iceland while having the volume flexibility at our Nitra location.

In addition to enabling growth, our co-locating of manufacturing towards best-cost countries has reduced not only the direct manufacturing cost, and the cost of material and components, but also the indirect management cost.

The manufacturing focus in Nitra will remain on standard equipment and the more mature product lines.

## The smart factory - automation and industry 4.0

Our own factories are getting smarter as we contribute to the development and implementation of automation in the food processing industry.

We strengthened our global industrial engineering approach with greater standardization in processes and investments at all sites.

We have always been a high-tech company, leading the automation of our industry as we continue exploring the potential of Industry 4.0. Automation drove supply chain performance to high levels that were sustained throughout manufacturing and set a new benchmark for future projects.

Most of our sites benefit from 3D printing of plastic parts in the development process. Additive manufacturing has improved product design and reduced the lead-time for bringing new products to the market. We have started exploring the impact of additive manufacturing of steel parts and expect this technology to give us even greater freedom in the design and development process.

Modernization of our manufacturing sites continues. In the past few years, we have improved our manufacturing output and product quality by increasingly using robotics. Going forward, we will focus on digitalization of our assembly environment to take advantage of its potential to support growth and improve our productivity, for example by introducing digital assembly instructions.

We are committed to investing in our global supply chain to enable sustainable growth in the future.

### GLOBAL SUPPLY CHAIN

## Steel cutters automate first steps in manufacturing

One of the key initial steps in manufacturing of Marel solutions is cutting sheet metal. Maintaining uptime during the first steps in manufacturing is important for a smooth flow through the production process further downstream. In 2018, Marel established a partnership with Trumpf GmbH, one of the world's leading providers of manufacturing solutions, to supply our facilities with four laser steel cutters. The steel cutters are a big advance towards increased automation in our manufacturing process and have been installed at major sites in Gainesville, Gardabaer, Lichtenvoorde and Boxmeer.

The automated solution has changed how raw material and cut parts are handled and has freed the hands of operators who are able to focus on activities that add more value in manufacturing, such as managing the overall flow of materials through production. The speed at which the steel cutters operate, combined with the resulting extra manpower available for value-adding tasks, reduces the lead-time in manufacturing, with positive effects further downstream in production.

Our investments in automation in manufacturing will prepare our supply chain for future growth, and allow us to operate flexibly to deliver the right quality on the right time to our customers.



# INVESTORS

## Last year's numbers are this year's discoveries

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By analyzing vast amounts of data gathered by our Innova Food Processing Software, we discover opportunities for improvement. Every year our systems run, we learn more about the possibilities for growth.

**That's the power in numbers.**



APPROXIMATELY  
**2,500**  
SHAREHOLDERS

## SHAREHOLDER INFORMATION

The largest company on Nasdaq Iceland, Marel had a market capitalization of ISK 252.6 billion (EUR 1.9 billion) at year-end 2018. Its share price rose by 15% and Marel shares were the most actively traded on Nasdaq Iceland in 2018 with a turnover rate of 36%.

Since its original listing in 1992, Marel has created excellent value for its almost 2,500 shareholders. As the only large cap listed company in Iceland, Marel's investor base consists predominately of Icelandic investors.



**LARGEST COMPANY ON  
NASDAQ ICELAND**  
WITH MARKET CAPITALIZATION  
OF EUR 1.9 BN

### Market capitalization

Marel is the largest company listed on Nasdaq Iceland by market capitalization. The market value of the company at year-end 2018 was ISK 252.6 billion (EUR 1.9 billion) compared

to ISK 237.6 billion (EUR 1.9 billion) at year-end 2017, an increase of ISK 15.0 billion (decrease in EUR of 4.3 million due to exchange rate movements).

## TRADING DATA FOR 2018 AND 2017

	2018	2017	Unit
Market capitalization	252,557	237,588	ISKm
Share price at year end	370.00	323.00	ISK
High / Low price per share	402.00 / 320.00	374.50 / 250.50	ISK
Dividend per share	4.19	2.14	EUR cents
Earnings per share	17.95	13.70	EUR cents
P/E ratio	15.47	18.85	-
Issued shares	682.59	735.59	Million
Outstanding shares*	671.82	693.84	Million

\* Issued shares multiplied by share price at last trading day of 2018

## Share performance and liquidity

Marel's share price rose 14.6% over the year, in striking comparison to the modest 1.3% drop in the OMXI8 index for the top-listed companies in Iceland. At year-end 2018 Marel's share price was ISK 370.00, compared to ISK 323.00 at the end of 2017 (equivalent to EUR 2.78 per share at year-end 2018, compared to EUR 2.58 at the end of 2017). Marel's average end-of-day spread was 0.88%. Since the company's shares are traded in ISK, fluctuations of the Icelandic krona during 2018 affect its market value expressed in euros.

equities. Shares in Marel were traded 3,680 times in 2018 (2017: 3,197 times) for a total market value of ISK 96.8 billion (2017: ISK 114.5 billion), which corresponds to a turnover rate of 36%. However, it should be borne in mind that the daily turnover of the Icelandic exchange (all-share index) is limited compared to turnover on leading European indices.

### Market making

Marel has agreements with Landsbankinn hf., Kvika banki hf. and Íslandsbanki hf. for market making in its shares. The



**MAREL'S SHARE PRICE ROSE 15% IN 2018**



**MAREL SHARES WERE THE MOST ACTIVELY TRADED SHARES ON NASDAQ ICELAND IN 2017**

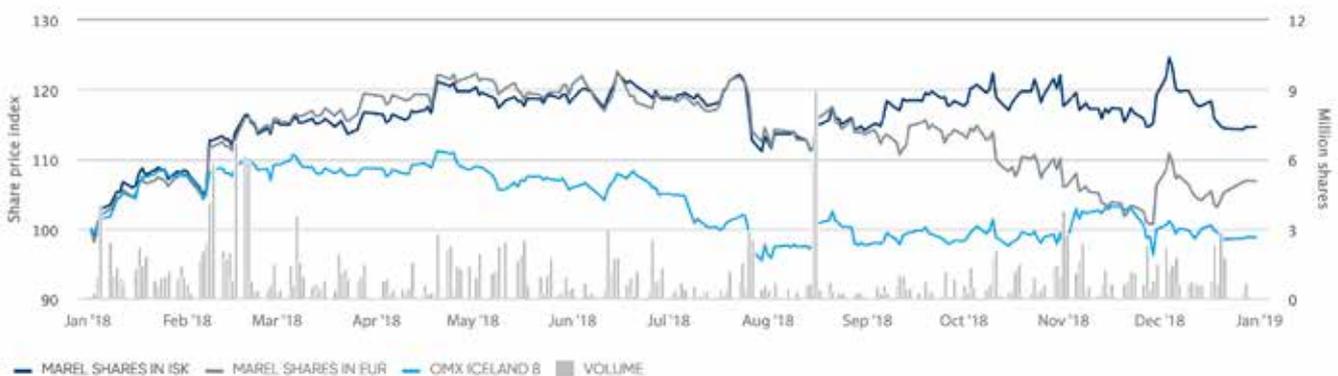
### Most actively traded

Indeed, Marel's shares were the most actively traded on Nasdaq Iceland in 2018, comprising 19% of all trading in listed

purpose of these agreements is to improve liquidity and to enhance transparent price formation in the company's shares on Nasdaq Iceland. The agreements have an unspecified duration but can be terminated with one month's notice.

### SHARE PRICE IN 2018 COMPARED TO OMX ICELAND 8

NOTE: INDEXED NUMBERS, SET AT 100 AT BEGINNING OF YEAR 2018. VOLUME OF SHARES TRADED IN MILLIONS.



## SHARES

# Share buyback Program initiated

The EGM held on 22 November 2018 approved an authorization for the company to initiate a formal share buyback program. The main purpose of the program is to reduce the company's share capital and meet its obligations under share incentive programs with employees.

Up to 34.1 million shares, equivalent to 5% of the issued share capital of the company, may be acquired under the buyback program.

The purchase price for shares may not exceed the price of the last independent trade or the last independent bid in Nasdaq Iceland, whichever is higher. Purchases under the program shall be divided into numerous transactions. However, the total transactions on a single day may not exceed 25% of the average daily volume of the shares traded in the previous month.

Buybacks will be made in two periods. During the first period, from 4 December 2018 up until and including 5 March 2019, total buybacks will amount to a maximum of 17,305,940 shares, or the equivalent of 2.5% of issued shares.



## Shareholder structure

According to its shareholders' register, Marel had 2,491 shareholders at year-end 2018, compared to 2,206 at year-end 2017. As of 31 December 2018, Marel held 10,762,406 (1.6%) treasury shares.

Eyrir Invest hf. is Marel's largest shareholder, with 27.9% of issued shares, followed by the Pension Fund of Commerce (LIVE) (10.0%) and the pension fund Gildi (6.8%).

The ten largest shareholders held 67.2% of Marel's issued shares, with Icelandic pension funds holding a total of 41.4%. International shareholders owned 6.7% at year-end 2018. The free float of Marel shares was 72% and free-float adjusted market value of the company was EUR 1.4 billion.

HOLDINGS BY TYPE OF INVESTOR  
AS OF 31 DECEMBER 2018



**TOP 10 SHAREHOLDERS AS OF 31 DECEMBER 2018**

	Shareholder	Type	Year-end 2018		Year-end 2017	
			Million of shares	%	Million of shares	%
1	Eyri Invest hf.	Investment company	190.4	27.9	190.4	25.9
2	The Pension Fund of Commerce	Pension fund	68.0	10.0	69.4	9.4
3	Gildi	Pension fund	46.2	6.8	47.0	6.4
4	LSR A, B & S divisions and Nurses	Pension fund	46.0	6.7	47.4	6.4
5	Birta	Pension fund	27.6	4.0	30.3	4.1
6	MSD Partners Luxembourg	Investment company	24.6	3.6	24.6	3.3
7	Stapi	Pension fund	15.0	2.2	14.5	2.0
8	Stefnir - IS 15	Asset management	14.4	2.1	23.4	3.2
9	Festa	Pension fund	13.4	2.0	13.0	1.8
10	Frjálsi	Pension fund	13.1	1.9	10.4	1.4
	<b>Top 10 total</b>		<b>458.7</b>	<b>67.2</b>	<b>470.4</b>	<b>63.9</b>
	Others		213.1	31.2	223.5	30.4
	Marel hf.	Treasury shares	10.8	1.6	41.7	5.7
	<b>Total issued shares</b>		<b>682.6</b>	<b>100.0</b>	<b>735.6</b>	<b>100.0</b>



## Share capital

At year-end 2018, there were 682.6 million Marel shares issued, all in one class. Of the total share capital base, Marel holds 1.6% or 10.8 million shares (2017: 41.7 million treasury shares).

Marel's Extraordinary General Meeting (EGM), held on 22 November 2018, approved the two proposals that were on the agenda. Firstly, to reduce the company's share capital by ISK 53.0 million nominal value, by cancelling 53.0 million of the company's own shares. The company's share capital was thus reduced from ISK 735.6 million to ISK 682.6 million nominal value.

Secondly, to initiate a formal share buyback program, under which the company may purchase up to 34,129,296 shares in total, corresponding to 5% of share capital. The main purpose of the program is to reduce the company's share capital and to meet its obligations under share incentive programs with employees.

At year-end 2018, Marel hf. had purchased a total of 4.1 million shares under the buyback program, which corresponds to

0.6% of issued shares in the company, for a total purchase price of EUR 11.3 million.

During the year, Marel purchased 24.1 million shares for a total amount of EUR 71.7 million, thereof 4.1 million shares for EUR 11.3 million according to the buyback program. Marel sold 2.1 million treasury shares for EUR 2.2 million to fulfill employees' stock option schedules and subsequently cancelled 53.0 million own shares.

Stock options are granted to management and selected key employees. Granted and unexercised stock options totaled 11.9 million shares, of which 1.7 million were exercisable at the end of 2018. The remainder will become vested in the years 2019 to 2021.

At the company's 2014 Annual General Meeting (AGM), shareholders authorized the Board of Directors to increase the company's share capital by 35 million shares to fulfill stock option agreements. This authorization is valid for five years following its adoption. No new shares were issued in 2018 under this resolution.

### DISTRIBUTION OF SHARES, AS OF 31 DECEMBER 2018

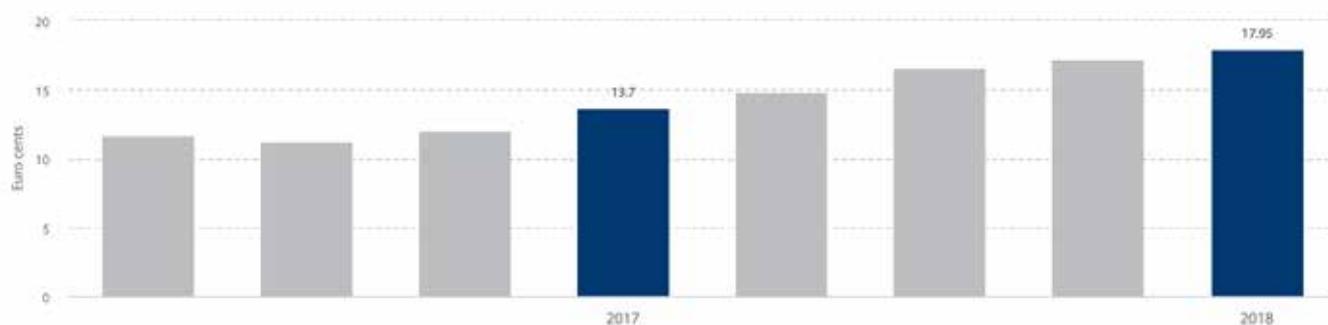
Number of shares	Shareholders	%	Shares	%
1 - 9,999	1,607	64.51	5,360,170	0.79
10,000 - 99,999	714	28.67	21,134,295	3.10
100,000 - 9,999,999	155	6.22	139,559,123	20.45
10,000,000 - 99,999,999	14	0.56	315,403,089	46.21
100,000,000 and more	1	0.04	190,366,838	27.89
<b>Total without treasury shares</b>	<b>2,491</b>	<b>100.00</b>	<b>671,823,515</b>	<b>98.42</b>
Treasury shares			10,762,406	1.58
<b>Total with treasury shares</b>			<b>682,585,921</b>	<b>100.00</b>

## Earnings per share

Earnings per share (EPS), measuring the amount of net income earned per share of stock outstanding, was 17.95 euro cents in 2018, increasing by 31% over the previous year. Earnings per share are expected to grow faster than revenues.

### EARNINGS PER SHARE

TRAILING TWELVE MONTHS, BY QUARTER



## Dividends

The Board of Directors has proposed that a dividend of 5.57 euro cents per share be paid for the operational year 2018, corresponding to approximately 30% of profits for the year.

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

**DIVIDENDS  
FOR 2018**  
**30%**  
OF NET PROFIT

### DIVIDEND HISTORY

Year of payment (for previous year of operations)	2018	2017	2016	2015	2014*
Dividend per share EUR cents	4.19	2.14	1.58	0.48	0.00
Dividend yield, %**	1.6%	1.0%	0.9%	0.5%	-
Payout ratio, %***	30.0%	20.0%	20.0%	30.0%	-
Ex. Dividend date	Mar 7	Mar 3	Mar 3	Mar 5	-
Record date	Mar 8	Mar 6	Mar 4	Mar 6	-
Payment date	Mar 27	Mar 23	Mar 23	Mar 27	-

\*No dividend was paid in 2014 for the operational year 2013.

\*\*Dividend yield, %: Dividend per share / Price per share at previous year-end

\*\*\*Payout Ratio: Total dividend paid / Net income of previous year

# Perfect slices of data

Innovation requires accuracy. Using decades of precise data, we've tirelessly developed products that ensure quality food at the lowest cost—to businesses and to the environment.

That's the power in numbers.



## FINANCIAL RESULTS

For the full year, revenues were EUR 1.2 billion with 14.6% adjusted EBIT margin.

- Revenues reached an all-time high
- Strong organic growth
- Strong earnings growth and healthy profit margin
- Solid cash flow enables substantial investments in innovation and future platform

REVENUES

€1,198

MILLION

ADJUSTED EBIT

€175

MILLION

ORDERS RECEIVED

€1,184

MILLION

ORDER BOOK

€476

MILLION

### Árni Oddur Thórdarson, CEO:

*"Revenues for the full year 2018 were up 15%, of which 12.5% was organic growth. With one of the largest installed base worldwide and our proactive service mindset, 35% of our total revenues are recurring maintenance revenues. Adjusted EBIT was solid at 14.6% for the full year."*

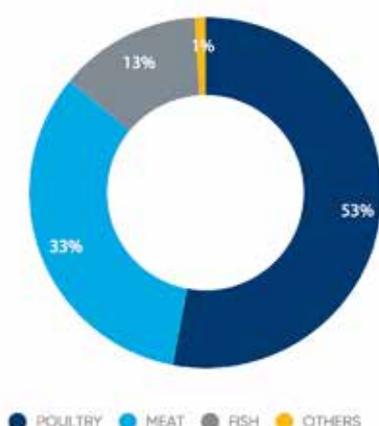
*The orders received for the full year 2018 were solid at EUR 1,184 million, and rose marginally when compared with the robust growth in 2017. Trade constraints and geopolitical issues make timing of orders harder to predict. In such circumstances however, Marel as a product pioneer with extensive global reach, is well positioned to capitalize on the markets' requirement to match the supply and demand of food. We still expect the underlying annual growth of the total market to be 4-6% on average and our aim is to continue to grow faster."*

*Our cash flow generation continues to be best in class and we continuously reinvest in innovation, global reach and infrastructure. We also complement our product portfolio and global reach with acquisitions to accelerate our journey to transform the way food is processed. Last year we acquired MAJA for the enterprise value of 35 million, acquired treasury shares and paid out dividends for close to a 100 million. Our strong operational cash flow and improvements in operating performance lead us to a leverage of x2 Net debt/EBITDA, which is at a similar level to last year despite these high investments."*

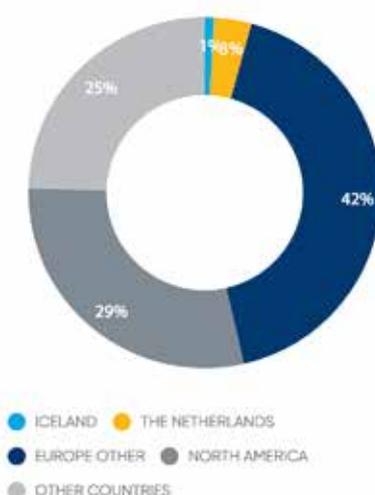
*The dual listing of Marel shares on an international stock exchange in addition to its listing in Iceland is proceeding well and the primary focus is now on Nasdaq Copenhagen and Euronext Amsterdam. It is important for a global leader to have a global stage to support its ambitious growth plan, and drive fair day-to-day trading and continued shareholder returns."*

## Good quality of earnings

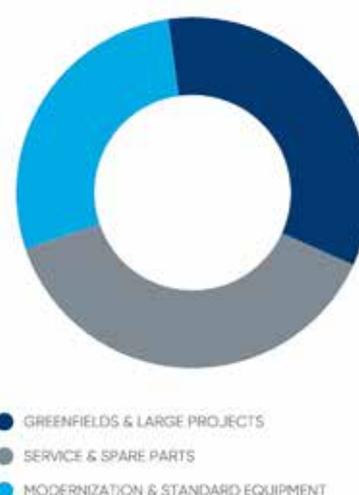
REVENUES BY BUSINESS SEGMENT



REVENUES BY REGION AND COUNTRY



REVENUES BY BUSINESS MIX



## Eventful year

The review of alternative listing options for Marel remains firmly on track. Marel believes that a dual listing of shares on an international stock exchange, in addition to its current listing in Nasdaq Iceland, is the optimal way to align the interests of current and future shareholders. Initially, three locations were considered as listing locations. The selection has now been narrowed to two; Euronext Amsterdam and Nasdaq Copenhagen. Next step in the process is to finalize the listing location by the 2019 AGM.

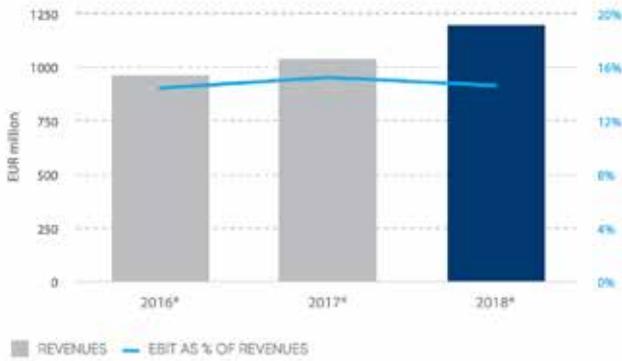
In June 2018, Marel announced an organizational change where the Commercial function was split into two new functions, Service and Global Markets and new appointments were made to Marel's Executive Team. This new structure will allow for closer proximity to customers and better scalability to support Marel's ambitious growth strategy going forward.

The acquisition of MAJA, the German food processing equipment manufacturer, was announced on 25 July 2018. The MAJA transaction was closed on 14 August 2018 and the results of MAJA have been included in the Consolidated Financial Statements from that date. In accordance with IFRS requirements, Marel performs a Purchase Price Allocation (PPA). Based on information currently available, a provisional goodwill amount of EUR 0.7m is reported in the 2018 financial statements. This amount will be adjusted based on the final outcome of the PPA-process.

In October, Marel announced the completion of its first issue in the Schuldschein market. This new financing adds further diversification to our long term funding structure, providing additional operational flexibility to support our growth strategy and continued value creation. The issue was oversubscribed and was subsequently raised to EUR 140 million. The vast majority was placed in the 5-year tranche priced at 110 basis points over EURIBOR, and the 7-year tranche was priced at 130 basis points over EURIBOR.

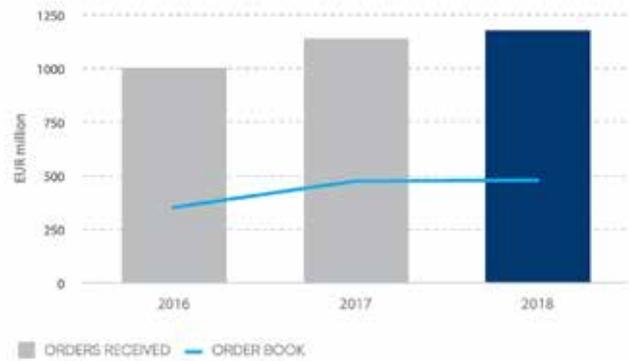
## Robust earnings and profitability

REVENUES AND EBIT  
AS PERCENTAGE OF REVENUES

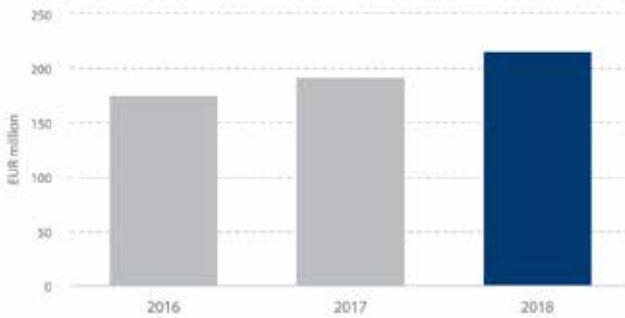


\* Operating income adjusted for PPA related costs, including depreciation and amortization.

ORDER BOOK

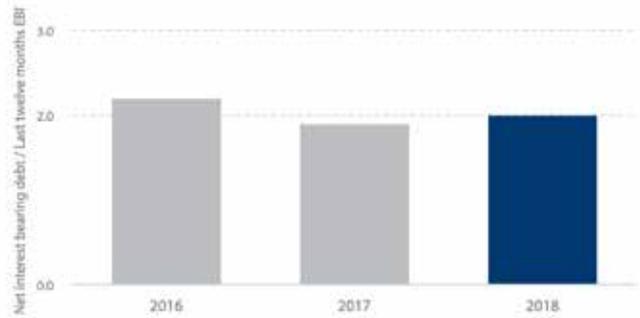


EBITDA

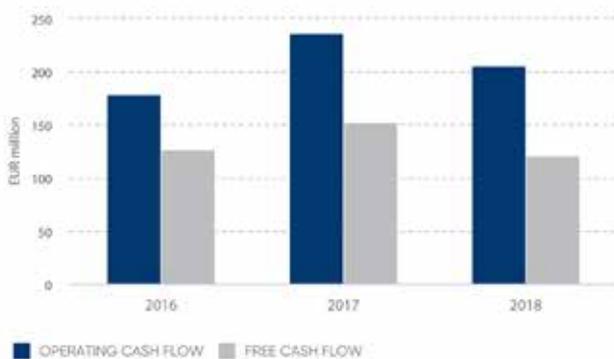


LEVERAGE

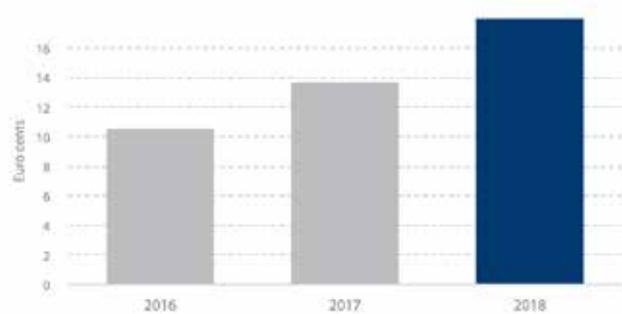
NET INTEREST BEARING DEBT / LTM EBITDA



CASH FLOW



EARNINGS PER SHARE





## Order book at good level

### Balanced exposure to global economies and local markets

Orders received were EUR 1,184 million in 2018, up 3.5% from EUR 1,144 million in 2017. Orders received from newly acquired MAJA was EUR 10 million since the acquisition date. The order book stood at EUR 476 million at year-end, or close to 40% of trailing twelve month revenues. Greenfields and projects with long lead times constitute the vast majority of these orders.

Overall, Marel's commercial position continues to benefit from its full-line offering and steady launch of innovative high-tech products for smarter processing. Global reach and focus on full-line offering across the poultry, meat and fish industries counterbalances fluctuations in operations. Market conditions have been exceptionally favorable in recent quarters and are now adjusting towards more normalized levels. With one of the largest installed base worldwide, a significant proportion of Marel's revenues derive from recurring maintenance revenues or around 35% for the full year of 2018.

The order book was EUR 476 million at year-end, compared to 472 million at year-end 2017. The book-to-bill ratio was 0.99 in 2018 compared to 1.10 in 2017, reflecting strong demand and underpins Marel's ability to deliver the right quality at the right time. The strong order book continues to provide a good foundation for the full operational year 2019.

### High quality earnings

Marel continues to deliver double digit revenue growth year-on-year. Revenues for the full year were EUR 1,198 million, up 15.4% compared to 2017. EBIT was EUR 175 million, up 11.3% YoY from EUR 157 million. Adjusted EBIT margin in 2018 was 14.6%, compared to 15.2% in 2017.

Gross profit margin continues to be stable at around 39% and gross profit increased 14.9% in 2018 to EUR 468 million compared to EUR 407 million in 2017. Basic earnings per share (EPS) were EUR 17.95 cents in 2018, compared to 13.70 cents in 2017.

### Marel Poultry

Marel Poultry's competitive position remains strong on the back of its established full-line product range. Marel Poultry continued to deliver solid operational performance in 2018, with good orders received. Projects were well distributed geographically, Europe and Poland in particular as well as smaller orders coming in from the US.

In 2018, revenues for Marel Poultry were EUR 638 million, up 13.9% from 2017, EBIT was up 7.0% to EUR 117 million and the EBIT margin was 18.4%. Primary processing in the US is experiencing a temporary slowdown but there are opportunities to move US customers up the value chain.

### Marel Meat

Orders received for Marel Meat have risen throughout the year and 2019 will start with a record high order book. Large projects include slaughter and logistics greenfield projects in Russia, Spain and Vietnam. The upselling of secondary and further processing equipment is also firming up, which is a key focus area in order to reach long-term targets.

In 2018, revenues for Marel Meat were EUR 387 million, up 15.7% over the year. Adjusted EBIT margin for the same period was 11.3%. Management is targeting medium and long-term adjusted EBIT margin expansion for Marel Meat, through increased efficiency with further standardization and improved upselling.

### Marel Fish

The order book for Marel Fish has slowed down after a good first half of the year in 2018. There was good geographical and product diversity in orders received in 2018, including greenfield projects and salmon sector orders in Chile, France and Norway.

The full year of 2018 delivered strong revenues for Marel Fish. EBIT for the full year was EUR 12.6 million, compared to 5.6 million in 2017 and the EBIT margin was 7.9%. Marel has shown operational improvements in the past few quarters but as previously stated, the short-term operational margin for Marel Fish was likely to adjust downwards, however management is targeting medium and long-term EBIT margin expansion for the industry segment.

### Free cash flow generation and superior working capital cycle

Free cash flow was EUR 121 million in 2018, compared to 153 million in 2017. The difference year-on-year is due to fluctuations and timing of orders received and down payments for large projects. Marel continues to invest in the business to prepare for future growth and its full potential. Investment activities are expected to be above normalized levels for the coming quarters.

Net debt/EBITDA including lease liabilities was x2.0 at year-end 2018, compared to x1.9 at the end of 2017. Currently leverage is at the lower end of the targeted capital structure of x2-3 net debt/EBITDA, which underpins the financial capacity to support further growth and value creation.

## KEY FIGURES

### FIGURES IN MILLIONS OF EUR

	2018	2017	Change
Revenues	1,197.9	1,038.2	15.4%
Gross profit	467.5	406.7	14.9%
Gross profit as a % of revenues	39.0%	39.2%	
Adjusted result from operations (EBIT)*	175.2	157.4	11.3%
Adjusted EBIT as a % of revenues*	14.6%	15.2%	
EBITDA	215.5	192.0	12.2%
EBITDA as a % of revenues	18.0%	18.5%	
PPA related costs	(14.3)	(17.1)	
Result from operations (EBIT)	160.9	140.3	14.7%
EBIT as a % of revenues	13.4%	13.5%	
Orders received	1,184.1	1,143.7	3.5%
Order book	476.0	472.1	0.8%

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

## 2018 CONSOLIDATED FINANCIAL ACCOUNTS

### RESULTS IN MILLIONS OF EUR

	2018	2017	2016
Revenues	1,197.9	1,038.2	969.7
Gross profit	467.5	406.7	397.0
Result before depreciation and amortization (EBITDA)	215.5	192.0	175.4
Result from operations (EBIT)*	160.9	140.3	114.8
Net result for the period	122.5	96.9	75.8

### ORDER BOOK IN MILLIONS OF EUR

	2018	2017	2016
Orders received	1,184.1	1,143.7	1,006.1
Order book	476.0	472.1	349.5

### CASH FLOW STATEMENT IN MILLIONS OF EUR

	2018	2017	2016
Cash generated from operating activities, before interest & tax	205.8	236.2	179.0
Net cash from (to) operating activities	166.8	195.6	137.1
Net cash from (used in) investing activities	(84.5)	(77.7)	(408.1)
Net cash from (used in) financing activities	(60.2)	(122.2)	220.4

### FINANCIAL POSITION IN MILLIONS OF EUR

	2018	2017	2016
Total assets	1,565.9	1,440.6	1,392.4
Working capital	(43.7)	(71.9)	(13.3)
Group equity	560.9	541.9	525.6
Net debt	431.6	365.1	403.6

**VARIOUS FIGURES IN PROPORTION TO SALES**

	2018	2017	2016
Gross profit	39.0%	39.2%	40.9%
Selling and marketing expenses	11.2%	11.6%	13.3%
Research and development expenses	6.2%	5.6%	6.5%
Administrative expenses	7.0%	6.8%	6.8%
Wages and benefits	34.3%	35.0%	35.0%
Result before depreciation (EBITDA)	18.0%	18.5%	18.1%
Depreciation/amortisation	4.6%	5.0%	5.7%
Result from operations (EBIT)*	13.4%	13.5%	11.8%
Net result for the period	10.2%	9.3%	7.8%

**OTHER KEY RATIOS**

	2018	2017	2016
Current ratio	0.9	0.8	1.0
Quick ratio	0.6	0.6	0.6
Equity ratio	35.8%	37.6%	37.7%
Return on total equity	22.2%	18.2%	15.6%
Return on total assets	8.1%	6.8%	5.4%

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

**Glossary of terms****Book-to-bill ratio**

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

**CAPEX**

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

**Current ratio**

Current assets/Current liabilities

**EBIT**

Earnings before interest and tax

**EBITDA**

Earnings before interest, tax, depreciation and amortization

**EPS**

Earnings per share

**Equity ratio**

Total equity/[Total equity + Total Liabilities]

**Leverage**

Net interest bearing debt/ Last twelve months EBITDA

**Net debt**

Interest bearing borrowings (current & non-current) - Cash & cash equivalents

**Net cash**

Cash and cash equivalents

**Order book**

Accumulated net order intake, where revenue is booked off orders

**Orders received**

When full responsibility to maintain an order is assumed, the order is formally registered in the system

**PPA**

Purchase price allocation

**Quick ratio**

[Current assets - Inventories]/Current liabilities

**Return on total equity**

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

**Return on total assets**

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

## INVESTOR RELATIONS

Marel is committed to providing stakeholders with comprehensive information on the company and its operations. Equal access to timely and accurate information, within the limits set by commercial sensitivity, is key to building a relationship of mutual trust with current shareholders and potential investors.

### Sources of investor information

Marel aims to meet the highest standards in its investor relations by continuously improving the quality, transparency and consistency of its information disclosure. Investors can follow annual and quarterly results presentations broadcast live over the Internet and have access to archived financial reporting, webcasts and other relevant investor material at [marel.com/investors](http://marel.com/investors).

#### Financial reports

Detailed quarterly and annual financial reporting and analysis, including comments on the progress of Marel's operations, are available on the IR website. Upon the close of each financial quarter, senior management presents Marel's results in English for analysts and investors. Following the live Internet webcast a recording is archived and available online in accordance with the requirements of Nasdaq Iceland.

#### Annual report

The annual report gives a comprehensive overview of Marel's operations, plus a detailed description of the company's performance each year. The report is available in English and easily accessible online on a computer, tablet or mobile phone at [marel.com/annualreport](http://marel.com/annualreport).

#### IR website

The investor relations site at [www.marel.com/investors](http://www.marel.com/investors) provides extensive news and background information on Marel for both analysts and investors.

Archived financial information available in Icelandic and English includes regulatory announcements, analyst coverage, share price data, major shareholders, dividend policy and the financial calendar and corporate events.

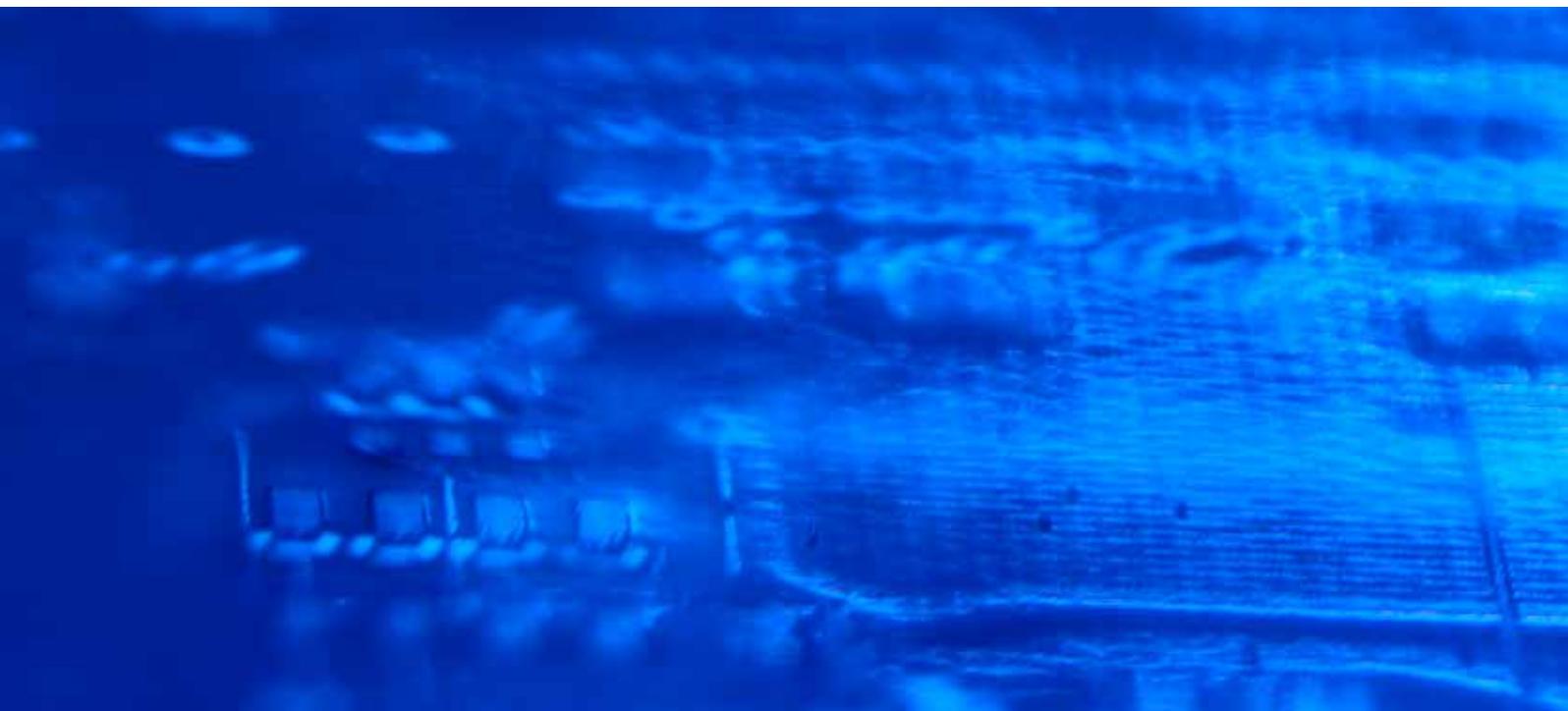
### Analyst coverage

Marel is covered by five analysts in total, four Icelandic and one international, who actively track and publish opinions on Marel and its stock.



#### ANALYST COVERAGE

OF 5 INSTITUTIONS, 4 DOMESTIC AND 1 INTERNATIONAL



## INVESTOR RELATIONS

# International listing of shares

In line with the company's intention to pursue a dual listing of its shares, at its 2019 AGM shareholders will be asked to authorize the issuance of new share capital of up to 15% to support a successful international listing, fair valuation and liquidity.

In order to align the interests of current and future shareholders regarding the anticipated share capital increase the Board of Directors decided to call an Extraordinary General Meeting on 22 November 2018.

The two proposals on the agenda were both approved by the meeting. Firstly, to reduce the company's share capital in connection with preparations for possible dual listing of the company, for the benefit of shareholders. Article 2.1 of the Articles of Association for Marel hf. was amended accordingly and now states as follows: "The share capital of the company amounts to ISK 682,585,921." This amounted to EUR 6.2 million at year-end 2018.

Secondly, authorization was granted to the Board of Directors to initiate a formal share buyback program, under which the company may purchase up to 34,129,296 shares in total, corresponding to 5% of share capital. All relevant information and documents in relation to the Extraordinary General Meeting are available and archived on [marel.com/egm](http://marel.com/egm).



## FINANCIAL CALENDAR FOR 2019

Event	Date
Annual General Meeting	6 March, 2019
Q1 2019	29 April, 2019
Q2 2019	24 July, 2019
Q3 2019	23 October, 2019
Q4 2019	5 February, 2019
Annual General Meeting 2020	4 March, 2020

## Nasdaq Iceland

Marel has been listed on the Icelandic stock exchange Nasdaq Iceland since 1992 and all of its regulatory announcements can be found at [www.Nasdaqomxnordic.com](http://www.Nasdaqomxnordic.com).

## Tickers

Information on Marel is available on Bloomberg and Reuters under the tickers MARL1:PZ and MARL.IC respectively.

## Contact us

**Tinna Molphy**, Investor Relations Manager | **Marinó Thór Jakobsson**, Investor Relations Analyst  
t +354 563 8001 | [IR@marel.com](mailto:IR@marel.com)



35 YEARS SINCE ESTABLISHMENT  
LISTED COMPANY SINCE 1992

MARL1:PZ

MARL.IC

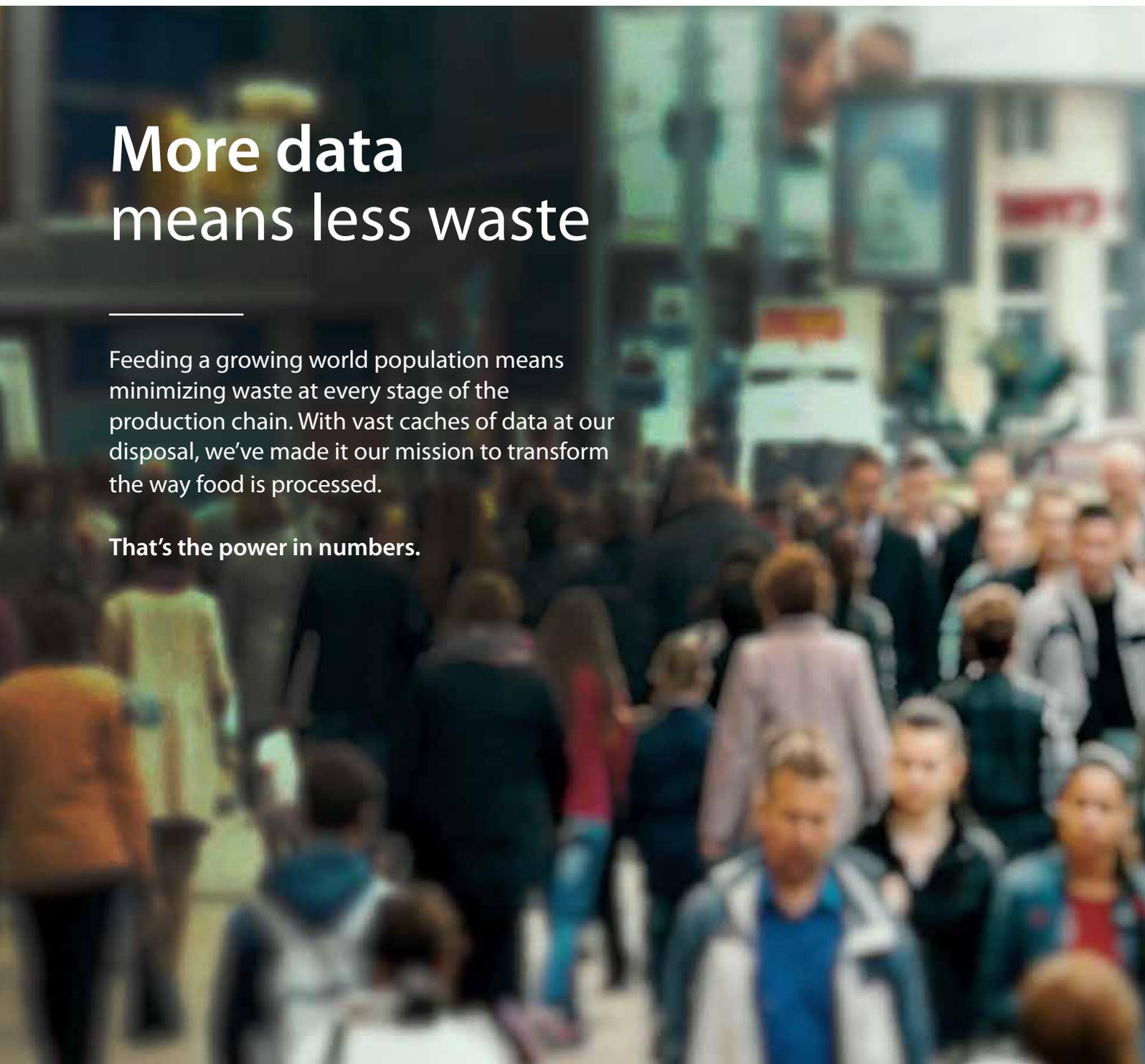
# RESPONSIBLE GROWTH

## More data means less waste

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Feeding a growing world population means minimizing waste at every stage of the production chain. With vast caches of data at our disposal, we've made it our mission to transform the way food is processed.

**That's the power in numbers.**



## CORPORATE SOCIAL RESPONSIBILITY

**Marel's Board of Directors and Executive Team approved a corporate social responsibility guidance policy for the company in 2016. We are reporting on the company's activities as measured against its corporate social responsibility guidelines for the third time.**

Marel does not operate as a business in isolation but is part of the larger society - in which we have responsibilities, duties, and rights. Our approach is to go beyond merely complying with laws and regulations. We look at our contribution to society as a whole and how we can add value where we operate. To turning these words into action, we are a signatory of the United Nations Global Compact. In 2018, we were also part of the Nasdaq Sustainable Markets Initiative for the second time and complied with the Nasdaq ESG reporting guidelines.

In line with our corporate social responsibility guidelines, we continuously monitor how our operations and the systems and solutions we provide affect society, economies, and the environment. Our relationship with the communities where we operate is symbiotic: their benefit is our benefit. We take responsibility for our actions and encourage our suppliers, agents, employees, and customers to do the same.

“

February 12, 2019

I am pleased to confirm that Marel reaffirms its support of the Ten Principles of the United Nations Global Compact and Sustainable Development Goals.

In this annual communication on progress, we describe the continuous actions taken to improve the integration of the principles of the Global Compact and the Sustainable Development Goals into our business strategy, culture and daily operations. We commit to sharing this information with our stakeholders using our primary channels of communication.



Sincerely yours,  
 Árni Oddur Þórðarsson  
 CEO



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

## Our contribution to the un sustainable development goals

Marel focuses its efforts to benefit people, the planet and its operations on three of the United Nations Sustainable Development Goals:



**2**  
ZERO  
HUNGER

**Goal 2:** End hunger, achieve food security, improve nutrition, and promote sustainable agriculture



**9**  
INDUSTRY, INNOVATION  
AND INFRASTRUCTURE

**Goal 9:** Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation



**12**  
RESPONSIBLE CONSUMPTION  
AND PRODUCTION

**Goal 12:** Ensure sustainable consumption and production patterns

We view innovation to boost productivity as the way to make meaningful contributions towards these goals. Innovation has always been a core driver of Marel's endeavors. Annually we invest approximately 6% of our revenues into research and development. We also foster innovation by working in partnership with our customers, universities, and other partners to develop breakthrough solutions for sustainable food production (Goal 9).

To ensure sustainable consumption and production patterns (Goal 12), we work hard to create solutions that reduce food waste, increase efficiency in resource use, boost yields, add recycling options, and optimize portion sizes. Marel takes part in building and supporting infrastructure that promotes sustainable industrialization and fosters innovation through modern technology.

Traceability and food safety is a key element to how Marel develops and produces solutions and software for food processing. Our Innova Food processing Software provides processors with full traceability of raw ingredients as they flow through production. Such solutions contribute directly to food security and improved nutrition for consumers around the globe (Goal 2).

### Partnerships for a sustainable world

In 2018, Marel's CEO Árni Oddur Thórdarson joined Nordic CEOs, an initiative formed by the CEOs of some of the Nordic region's largest companies who share a commitment to integrate the UN Sustainable Development Goals in their respective business strategies. Through this forum, CEOs exchange experiences and explore initiatives that can accelerate the collective efforts of achieving the UN Sustainable Development Goals and the Paris Agreement.

## Marel CSR guidance policy

### Social responsibility

Social responsibility is a priority in our corporate culture. We are committed to providing a safe and healthy working environment with equal opportunities for all of our employees. When we engage with local communities, the focus is on innovation and education. Our employees have the right to freedom of association and we maintain a zero-tolerance policy towards human rights violations and illegal labor conditions.

### Environmental responsibility

Through an ongoing dialogue with our customers and suppliers, we strive to increase yields and minimize waste in food production while promoting food safety, traceability, quality, and animal welfare. Sustainability is the central goal in

our innovation process. We focus on creating new methods and finding approaches that minimize environmental impacts, such as CO2 emissions, and maximize the efficient use of resources including raw materials, water, and energy.

### Economic responsibility

Our purpose is to generate value for our partners and shareholders through fair trade practices. We seek to promote long-term profitability and good business practices along our entire value chain. Continuous improvements are made to make sure we comply with international laws, anti-corruption rules, and local regulations. We believe that all parties must contribute fairly towards the societies in which they operate.

## Nasdaq ESG reporting guidelines

In 2017, Marel participated in the Nasdaq Sustainable Markets Initiative for the first time and follows the Nasdaq ESG reporting guidelines. Marel is now part of the initiative for the second time.

### ENVIRONMENTAL REPORTING GUIDELINES

	Metric	2018	2017
E1	Direct & indirect GhG emissions	31,475 tCO <sub>2</sub> e	28,193* tCO <sub>2</sub> e
E2	Emission intensity	26.27 kgCO <sub>2</sub> e Per 1000 €	27.10 kgCO <sub>2</sub> e Per 1000 €
E3	Energy usage	62.9 GWh	61.6* GWh
E4	Energy intensity	253 KWh per m <sup>2</sup> 10.86 MWh per FTE	244* KWh per m <sup>2</sup> 12.54* MWh per FTE
E5	Energy mix	Renewables	Natural gas
E6	Water Usage	35,292 m <sup>3</sup> 4,982 m <sup>3</sup> reclaimed	- -
E7	Environmental operations	Yes	Yes
E8	Climate related risk oversight	No	No
E9	Sustainability issue oversight	Yes	Yes
E10	Climate risk mitigation	-	-

\* Restated due to improved data accuracy.

### SOCIAL REPORTING GUIDELINES

	Metric	2018	2017
S1	CEO pay ratio	12.5:1	15.2:1
S2	Gender pay ratio	1:1	-
S3	Employee turnover ratio	11.9%	12.2%
S4	Gender diversity	15.4/84.6	15.4/84.6
S5	Contractors/Part-time worker ratio	16%	16%
S6	Non-discrimination policy	Yes	Yes
S7	Injury rate	3.2	-
S8	Global health & safety policy	Yes	Yes
S9	Child & forced labor policy	Yes	Yes
S10	Human rights policy	Yes	Yes

**CORPORATE GOVERNANCE REPORTING GUIDELINES**

	Metric	2018	2017
G1	Board diversity	42.1/57.9 <i>All independent of Marel</i>	42.1/57.9 <i>All independent of Marel</i>
G2	Board independence	Yes	Yes
G3	Incentivized pay	No	No
G4	Collective bargaining	Yes	Yes
G5	Supplier code of conduct	Yes	Yes
G6	Ethics & anti-corruption	Yes	Yes
G7	Data privacy	Yes	Yes
G8	Sustainability report	Yes	Yes
G9	Disclosure practices	UN's SDGs	-
G10	External validation assurance	Partial	Partial



## SOCIAL RESPONSIBILITY

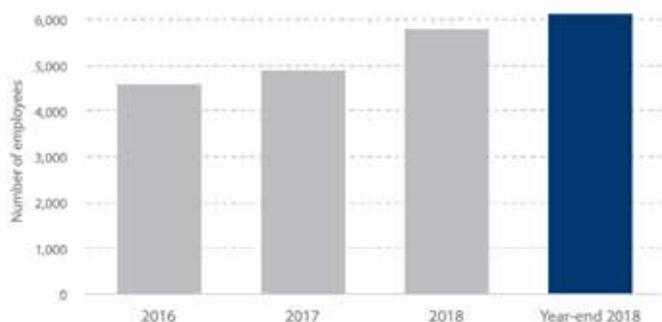
At Marel, our objective is to develop food processing solutions that help feed the needs of a growing world more safely and efficiently, while minimizing any adverse environmental and social impacts. To meet these objectives, we need to act responsibly towards society, including our employees, our customers, and other stakeholders. Making social responsibility a priority of our corporate culture means we are dedicated to providing a safe and healthy working environment with equal opportunities for all of our employees. We feel it is imperative to foster individual and team development and to ensure the right of freedom of association for all of our employees.

One aspect of our social responsibility is to engage with local communities and stakeholders where we operate to seek local participation and insights. We are investing in these locations for the long term. Engagement at this level is not only good for

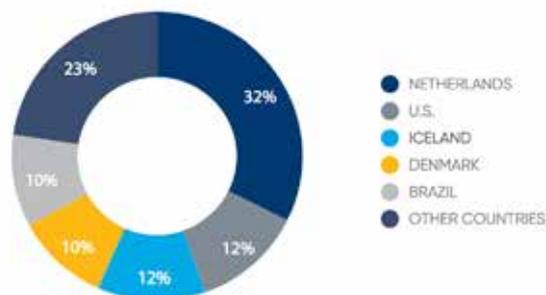
our business; it helps spur innovation and education among our local labor force. Naturally, human rights violations, including any forced labor, underage labor or illegal labor conditions, are not tolerated under any circumstances.



**MAREL EMPLOYEES**  
AVERAGE NUMBER PER YEAR



**NUMBER OF EMPLOYEES BY COUNTRY**  
AVERAGE FULL-TIME EQUIVALENTS IN 2018



## Human resources

Our human resources mission is to engage competent employees and to provide them with a supportive and ambitious work environment that motivates and encourages them to make Marel’s vision their own. To do this, we offer excellent work training with opportunities for further education and job development. We work hard to promote a spirit of teamwork and co-operation throughout the whole organization.

We recognize the value of cultural diversity, while at the same time encouraging and strengthening our values of unity, innovation, and excellence. A policy of open communication,

as well as promoting a culture that seeks a healthy balance between work and personal life, is essential, and our employees value this, too.

We are convinced that this will not only help our employees maintain a creative and stimulating work environment but also foster innovation and employee satisfaction that will benefit our company in the long run.

To deal with seasonal fluctuations in order processing and other variations in project loads, Marel employs a number of temporary workers. In 2018, the ratio for full-time temporary workers was 16.2% of the total workforce.



### Corporate responsibility

## Fostering unity through the 7 habits leadership philosophy

At Marel, unity is one of our core values. In 2018, we initiated our global career development program, a shared framework to foster unity and enhance professional and personal development. “The 7 Habits of Highly Effective People” was chosen as Marel’s leadership training program. This well-known leadership framework highlights important principles to become more effective through proactive behavior, prioritization, time management, empathic listening, and synergistic thinking.

*“The 7 Habits leadership philosophy is our shared language that unites us and enables us to synergize to achieve outcomes that exceed the sum of the contribution of each team member,”* says Elín María Björnsdóttir, Marel’s Global Learning and Development Manager who has been leading the initiative.

Since mid-2017, we have trained more than 500 employees to apply what they learned in “The 7 Habits” to become more effective in their professional and personal lives. Seven of our managers have been trained as 7 Habits facilitators to expand the program’s reach, with another 15 expected to graduate as certified trainers in January 2019.

*“The 7 Habits training demonstrates Marel’s commitment to help each of us be our best in all areas of our lives.”* - Maria Bozaan, Human Resource Director for Global Markets and Global Service



## Health, safety and environment

Providing a healthy and safe working environment for all of our employees, contractors, and visitors working in Marel facilities is the right thing to do and we take pride in doing it well. Health, safety, and the environment concern all of us and we do our utmost to make sure our employees have the necessary competence, tools, and instructions to perform their work professionally and safely.

Marel employees are accountable for their own safety. Local management of all Marel entities is responsible for ensuring that processes and procedures are established within their entity that comply with Marel's Health, Safety and Environment Policy and all applicable local laws.

A global Marel Health, Safety, and Environment (HSE) team monitors compliance with the Marel HSE Policy and facilitates the process for improvement.

### HEALTH, SAFETY AND ENVIRONMENT STATISTICS

	2018		2017	
	Total	Per 100 employees	Total	Per 100 employees
Number of accidents with fatalities or severe injuries	0	0	0	0
Number of serious accidents resulting in absence from work	30	0.5	50	1.2
Number of accidents	158	2.8	179	4.2
Number of near accidents / Safety concerns	765	13.7	44	1.0
Number of environmental accidents	2	0.04	2	0.05

## Diversity

A global diversity and inclusion policy was adopted by the Board of Directors in 2017 and has been in force since 2018. Its objective is to ensure diversity and inclusion within Marel as well as increasing job satisfaction and general wellbeing in the workplace. We aim to make sure that employees are not discriminated against on the grounds of their gender, beliefs, nationality, race, sexual orientation, religion, color, personal finances, family, age or on any other grounds.

We believe this policy helps make Marel a more desirable and responsible workplace that will, in turn, attract and keep the most qualified employees. Our global diversity and inclusion policy applies to all Marel employees and governance bodies, including the Board of Directors, its sub-committees and the Executive Team.

The diversity policy rests on the four following pillars, each equally important:

1. Ensuring equal opportunity
2. Promoting a company culture of tolerance, diversity and inclusion
3. Acting strong and decisively against any bullying, violence or harassment
4. Increasing the visibility of Marel as an employer of choice

The data and statistics on diversity that we collect are systematically evaluated to ensure successful implementation of the policy. The results will be presented in a clear and organized method and used to help management understand where we need to improve, and where we are performing well regarding diversity.

### NEW HIRES BY GENDER

	2018	2017
Female	19.3%	19.9%
Male	80.7%	80.1%

### TURNOVER RATE

	2018	2017
Marel total	11.8%	12.2%

### COMPOSITION OF GOVERNANCE BODIES AND BREAKDOWN BY GENDER

	2018			2017		
	Female	Male	Total	Female	Male	Total
Board of Directors	43%	57%	7	43%	57%	7
Executive Team	17%	83%	12	9%	91%	11
Employees	15.4%	84.6%	5,794	15.4%	84.6%	4,912



## Forced labor and under-age workers

We have a zero-tolerance policy at Marel where human rights violations are concerned, including child labor, or any illegal labor conditions. All of our employees must have reached the legal working age in the country where they work. None of our facilities allow illegal labor practices or forced labor conditions. In 2018, we required all new suppliers to comply with the same standards as Marel does on issues related to human rights and labor, as described in our Code of Conduct.

**There were no reports of human rights violations in 2018.**

## Freedom of association

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

## Engagement with local communities

Our primary involvement in local communities occurs through our operations in the countries where we work. We focus mainly on educational outreach in collaboration with local educational institutions and through continuing education of our employees. Many of our production facilities have

internships and trainee programs to assist talented young individuals to enter the workforce and to develop their skills in a professional and safe working environment.

Another aspect of engaging with local communities is our commitment to fast-track economic development in developing countries. By introducing new food processing technologies to these locales, we have immediate and radical effects on production capabilities, worker safety, and food traceability. One of the main growth sectors for us is the creation of shared value through partnerships in new and emerging markets. We intend to deliver market-altering solutions that increase both general wellbeing and economic progress in all the markets where we operate.

## In 2018 we implemented a global philanthropy and social participation policy

Well-designed charitable activities and social participation programs can contribute to a better standard of living and increase social stability. Marel's charitable activities and social participation guidelines align with our pledge of corporate social responsibility. Our guidelines are designed to direct the company's efforts in being the partner, neighbor, employer, customer, and primary supplier of choice around the world. Through partnerships, we aim to empower external organizations, customers, and employees to support the communities where we operate.

## ENVIRONMENTAL RESPONSIBILITY

Throughout our value chain, we encourage and promote the most efficient use of resources to minimize environmental impact and prioritize environmental protection. Innovation is at the core of this strategy. We continuously strive to create new methods for improving yields and decreasing waste in food production by reducing the use of scarce resources such as energy and water while promoting food safety, traceability, and animal welfare.

One of our sustainability goals is to help our customers use less water and energy while minimizing their CO2 footprint during production. Many projects have been implemented to support precautionary approaches to environmental challenges. We have undertaken initiatives to promote greater environmental responsibility along our entire value chain.

In 2017 we added a sustainability scorecard to the product development process, which encourages the inclusion of sustainable features right from the beginning of the product development process. By the end of 2018, we completed a full-year evaluation of our new product development projects according to the environmental and social criteria that make up the sustainability scorecard.



## Energy

The projects that we have instituted to minimize energy consumption at Marel include installing car-charging points for employees and visitors who own electric vehicles, replacing regular light bulbs with LED lighting where feasible, and undertaking many local projects that prioritize energy efficiency, including the installation of energy management systems in our major manufacturing locations. We are also continually upgrading our manufacturing equipment to increase energy efficiency along with other capabilities.

Our primary energy sources are natural gas and renewables with almost 46% of all energy consumed by Marel produced by burning natural gas and 40% obtained from renewable sources.

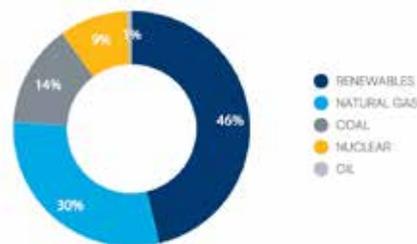


**46% FROM RENEWABLES**  
OF ALL ELECTRICITY CONSUMED BY MAREL

### ENERGY CONSUMPTION & INTENSITY

	2018	2017
Total GWh	62.9	61.6
KWh per m <sup>2</sup>	253	244
MWh per employee	10.86	12.54

MAREL'S ELECTRICITY CONSUMPTION IN 2018 BY ORIGIN



### CORPORATE RESPONSIBILITY

## Understanding the carbon footprint of Marel's solutions

Environmental impact and sustainability have always been a part of our thinking when we design systems and solutions.

In 2018, we took our first steps towards understanding the full carbon footprint of our machinery during its lifetime by performing a meticulous study of the carbon footprint on a few of our products. The study was conducted according to an internationally recognized methodology, using acknowledged databases on components and parts.

We now have a better understanding of how much greenhouse gases are emitted during the entire lifecycle of some of our key machinery. We took into consideration raw material extraction, manufacturing, transportation, use, maintenance, and end-of-life disposal, accounting for variations such as the country of production, primary type of energy during use, and obsolescence scenarios. The study pointed to three key areas where the carbon footprint of our products could potentially be reduced: to minimize energy consumption during the use-phase, ensure the durability and longevity of our products, and reducing food processing waste.

Our early exploration of measuring the carbon footprint of our equipment is a proactive step to stay in the forefront in understanding the environmental impact of the total value chain of food production. Ultimately, our goal is to work in partnership with our customers to design and manufacture solutions that contribute to the sustainable production of food for a growing world population.



## Waste management

Waste management is a factor in our processes that we take seriously at Marel. In 2018, a full-scale analysis of all our waste-streams was carried out to provide us with a comprehensive overview of our waste footprint, how much of our waste ends in landfills, and how much is either reused or recycled. Over the year, we recycled or reused 75% of our total waste volume.

## Carbon emissions

Despite our efforts to continually minimize our environmental footprint, overall carbon emissions have risen merely because our company continues to expand. The two largest indirect contributors to our carbon footprint are energy consumption in Marel facilities and employee air travel.

To better understand the indirect carbon footprint of the energy we consume in our facilities, all locations now report on the generation source(s) of energy used to produce the electricity used in our facilities.

We provide our energy consumption details to our collaborators at Circular Solutions who then process our data and verify our carbon footprint.

- Scope 1 emissions are very limited because no Stationary Combustion occurs in facilities controlled by Marel. Mobile Combustion from the ca. 1,000 vehicles operated by the company is included. Scope 1 emissions are calculated for the first time in 2018

- Scope 2 emissions data are solely from the electricity and heating used in our offices and manufacturing facilities.
- Scope 3 emissions are primarily the result of employee air travel. Logistics are not included.

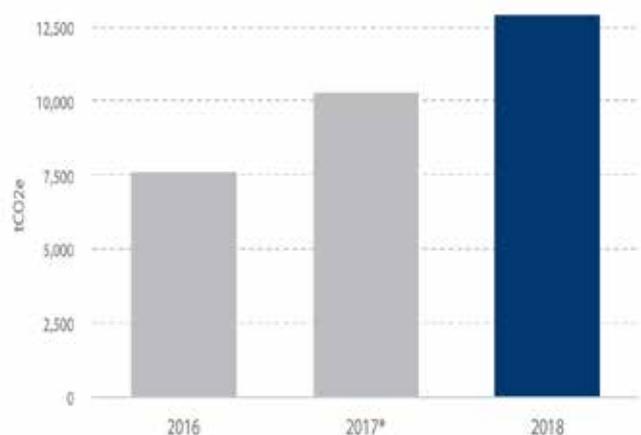
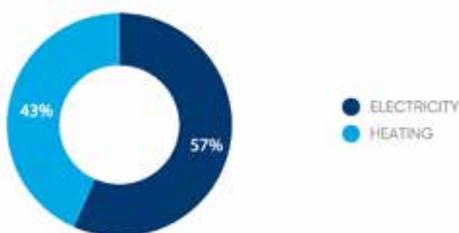
To understand and minimize our indirect carbon footprint, all of our more extensive facilities are installing energy monitoring systems from eTactica. Locations undergoing renovation are also installing solar cells on their roofs to generate some of the energy consumed on site locally.

Because Marel's company network spans the globe, air travel by Marel employees has a negative impact on the environment. As carbon emissions from the aviation industry are considered a leading contributor to global warming, we feel it is essential to understand our role and what we can do to make improvements.

In 2016, we established a new travel platform to monitor the environmental impact caused by employee travel. By collecting and visualizing this data, we have already made improvements and identified possibilities for reducing our carbon footprint when it comes to employee travel.

Through our travel policy, we will strive to continuously lower our carbon footprint by actively encouraging employees to use alternative means of meeting and communicating with each other and our customers.

HEATING AND ELECTRICITY IN 2018



\* Restated due to improved data accuracy.

## Total carbon emissions

We will continue to diligently work on measuring our environmental footprint and identify areas where we can improve, and better understand our company's impacts and efforts to respond appropriately.

Marel is currently not participating in carbon-offsetting programs or green energy certification. We will continue to increase the share of renewable energy used by procuring cleaner energy whenever and wherever possible and continue to improve efficiency in our production processes, employee travel, and other operations.

### CARBON EMISSION AND INTENSITY

	2018	2017
Total tCO <sub>2</sub> e	31,475	28,193
kgCO <sub>2</sub> e per FTE	5,432	5,040
kgCO <sub>2</sub> e per €1,000 of revenues	26.27	27.10

## Animal wellbeing

Our commitment to social responsibility extends beyond our employees and customers. Because we are in the food processing business, animal wellbeing is high on our agenda particularly in the area of research and development. In 2017, the introduction of a sustainability scorecard became a part of Marel's innovation process, where many sustainability indicators play a role in deciding the feasibility of proceeding with projects into further development. By highlighting animal wellbeing in the sustainability scorecard, we are ensuring environmental and economic responsibility in the most crucial stages of the lifecycle of the product. By instituting appropriate animal wellbeing practices in general, we can increase the quality of products and production.

Over the years, we have introduced a number of innovative solutions that take animal wellbeing into more significant consideration. These include:

- CAS SmoothFlow stunner
- ATLAS system
- CO2 Stunning
- Live Pig Handling

Throughout the food processing industry, it has become mandatory for companies to follow guidelines of social responsibility and sustainability in their operations and to consider the effects their operations have on people, the planet and profits. We are determined to lead the way and continue to focus on developing solutions that promote the highest standards of animal wellbeing.



## ECONOMIC RESPONSIBILITY

Throughout our company, we promote ethical business practices along our value chain through transparency, innovation, and collaboration with all our partners. We strive to conduct our business to ensure long-term profitability and fair trade. Continuous improvements make sure that our partners, our customers, our suppliers and we ourselves are compliant with international laws, anti-corruption rules, and local regulations. We believe that all parties must have a positive economic impact in the societies in which they operate.

### Economic value generated

We operate a global network of sales and service units and produce a range of products with manufacturing facilities in the Netherlands, the United States of America, Iceland, Denmark, England, Brazil, Germany, and Slovakia.

The economic value generated by our operations in 2018 amounted to EUR 1,197.9 million, including sales and gains on sales of assets. Furthermore, we directly employed 5,794 full-time employees on average in 2018.

Our contribution to the societies in which we operate consist of many different elements, including salaries paid to employees and goods and services purchased from local suppliers.

Salaries paid during the year, excluding related expenses, amounted to EUR 343.6 million, or 28.7% of the economic value generated.



CORPORATE RESPONSIBILITY

# Sustainability becomes the benchmark for innovation

Through continuous innovation, implemented in close co-operation with its customers, Marel enables food processors to make the most of their raw materials. We visit plants and talk to the people working there to create technology that increases yield, reduces waste, and creates valuable by-products, while at the same time using less water, energy, and other resources. Stricter regulations and consumer demand for sustainability constantly challenge processors to produce more with less. Marel has taken steps to ensure that its solutions meet these challenges by making sustainability a permanent criterion for evaluating all of our new product developments.

The sustainability scorecard raises awareness and stimulates discussion amongst our innovation experts during the product development process, as they develop new solutions for food processors. Since we implemented the scorecard in January 2018, we have systematically considered a range of social and environmental factors during the innovation process.

By taking these steps today, we are ensuring our customers keep ahead of consumers' growing demand for sustainably produced food.



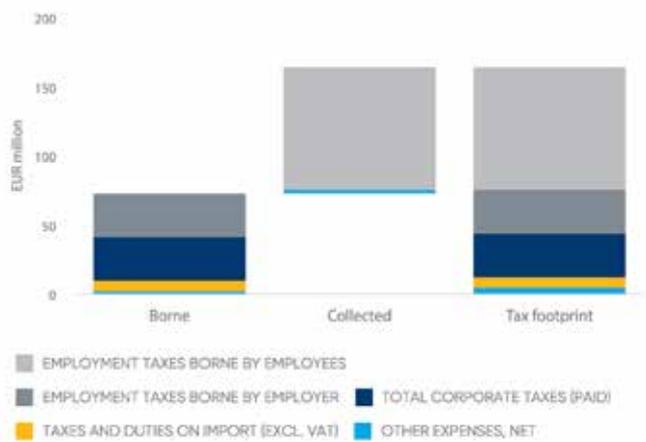
## Tax footprint

Taxes paid by Marel in 2018 amounted to EUR 72.9 million (2017: 63.2 million) or 6.1% of the economic value generated.

Employment taxes represented 43.5% of the levies during the period, while 42.8% are corporate income taxes. In addition to the direct taxes, Marel collects and pays various state and local taxes and duties on behalf of the governments in which we operate.

Total taxes and duties collected in 2018 amounted to EUR 91.7 million (2017: 77.2 million).

In 2018, the total tax footprint amounted to EUR 164.6 million (2017: 140.4 million).





## Innovation

Innovation is the creation and delivery of new customer value in the marketplace. In our experience, innovation most often originates from partnerships between customers and our employees with the common aim of solving problems and improving processing in a new way.

We invested around EUR 74 million, or 6.2% of revenues, in creating and delivering new value for our customers through innovation in 2018. These innovative efforts represent a full range of endeavors: from breakthrough improvements in our products, to design upgrades and incremental additions to existing machines and systems. By working closely with our customers and employees, we are building durable equipment that remains competitive and meets the diverse needs of our customers.

## Anti-bribery Anti-corruption

We know that our company's reputation is crucial to our success. Therefore, we take compliance with global anti-bribery and anti-corruption laws and regulations very seriously. The anti-bribery and anti-corruption policy adopted by Marel in January 2017 reinforces our commitment.

The policy applies to all employees, officers, and directors as well as any contractors, consultants, agents, and other business partners engaged in business on behalf of Marel. As an international company, we adhere to the anti-bribery and anti-corruption laws of all the countries in which we operate.

RESEARCH AND DEVELOPMENT EXPENSES



## CORPORATE GOVERNANCE STATEMENT

**Icelandic law and the company's corporate governance framework determine the duties of the various bodies within the company. They define and dictate how the company is directed and controlled – including the interaction between the CEO, who is responsible for day-to-day management, the Board of Directors, shareholders, regulators and other stakeholders.**

Marel hf. is committed to recognized general principles aimed at ensuring good corporate governance. In 2015, Marel launched an external audit of its corporate governance structure and procedures, followed by a certification of the same. In January 2016, the company received recognition as "Exemplary in Corporate Governance" from the Center for Corporate Governance at the University of Iceland.

### 1. Corporate governance framework and compliance

Marel's corporate governance consists of a framework of principles and rules, including its Articles of Association and the Guidelines on Corporate Governance issued in June 2015 by the Iceland Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Employers, which are accessible on the website of the Iceland Chamber of Commerce.

In general, the company fully complies with the Guidelines on Corporate Governance, apart from the following exception:

The company does not have a Nomination Committee. Marel's Board of Directors regularly evaluates its work, composition and directors' independence to ensure the members of the Board jointly possess the relevant knowledge, experience and skills to perform the Board's tasks and responsibilities in the company's best interest. The Board has taken the initiative in discussing with the company's largest shareholders the composition of the Board of Directors and long-term succession planning.

### 2. Main aspects of internal controls and the company's risk management in connection with preparation of financial statements

The CEO is responsible for ensuring adequate internal controls and risk management in connection with financial reporting. The Board of Directors maintains an ongoing dialogue with the CEO to identify, describe and manage the business risks to which the company may be exposed. Material risks are discussed in the 2018 Consolidated Financial Statements.

#### Internal audit and control

The company's risk management and internal controls for financial processes are designed to minimize effectively the risk of material misstatements in financial reporting. The internal auditor reports to the Board's Audit Committee and plays a key role in internal control.

#### External audit

An independent auditing firm is elected at the Annual General Meeting (AGM) for a term of one year. The external auditors examine the company's annual accounts in accordance with generally recognized auditing standards and for this purpose inspect its accounting records and other material relating to the operation and financial position of the company. The external auditors report any significant findings regarding accounting matters and internal control deficiencies via the Audit Committee to the Board of Directors.

KPMG ehf. was elected as the company's auditor at the company's AGM held on 6 March 2018. Auditors on KPMG's behalf are Saemundur Valdimarsson and Hrafnhildur Helgadóttir, both Certified Public Accountants (CPAs). They have audited and endorsed without reservation Marel's consolidated financial statements for the year 2018.

### 3. The company's values, code of conduct and social responsibility policy

#### Values

Marel's company values are its shared ideals and standards, providing direction in its everyday operations. The company's employees took part in defining these values, which are Unity, Excellence and Innovation. The values are continuously promoted in the company's daily operations.

### Corporate social responsibility (CSR) and diversity

Marel's CSR guidelines were approved by the Board of Directors and Marel's Executive Team in 2016.

Further information on CSR and diversity policies are provided in the section on CSR in Marel's Annual Report.

### Code of conduct

Marel's Board of Directors approved a Code of Conduct with global application in October 2012, which was revised in July 2016. It is closely linked to Marel's company values and rests on four pillars, i.e. the commitment of employees (including officers' and directors') to: (i) each other; (ii) customers and the marketplace; (iii) shareholders; and (iv) partners, communities and the environment.

Marel's Code of Conduct can be found on the company's website:

## 4. Composition and activities of the board of directors, its sub-committees, the CEO and Executive Team

The company has a two-tier management structure consisting of the Board of Directors and Executive Team, led by the Chief Executive Officer. The two bodies are separate and no person serves as a member of both.

### Board of directors

The Board of Directors has supreme authority in company affairs between shareholders' meetings. It is elected by shareholders at the AGM for a one-year term and operates in accordance with applicable Icelandic laws and regulations, the company's Articles of Association and the Board's Rules of Procedure. The Board currently comprises seven directors who were elected at the company's AGM on 6 March 2018.

The Board of Directors is responsible for the company's organization, for setting the objectives for long-term performance and business development and ensuring proper conduct of its operations at all times. The Board decides all matters regarded as extraordinary or of major consequence in accordance with the statutory division of responsibilities between the Board, CEO and Executive Team. The Board defines strategic objectives for the company and sets targets aimed at achieving these goals.

Regular board meetings are held with management over the course of the year, including quarterly meetings coinciding with publication of financial results, two off-site strategy sessions and an operational planning meeting for the coming year. A number of on-site visits to company locations as well as to customers are conducted each year. In addition, the Board of Directors meets at least once a year without management to structure its own agenda and conduct a self-assessment. Additional meetings are convened as needed. All matters dealt with at Board meetings are decided by majority vote, provided that the meeting has been lawfully convened. In the event of a tie vote, the Chairman casts the deciding vote. However, important decisions are not taken unless all directors have been given an opportunity to discuss the matter.

The Board of Directors convened 14 times in 2018, with an average attendance of 95.9%.

The Board of Directors has assessed which directors are independent according to the Guidelines on Corporate Governance. All seven directors, Ann Elizabeth Savage, Arnar Thór Másson, Ásthildur Margrét Otharsdóttir, Helgi Magnússon, Margret Jonsdottir, Ástvaldur Jóhannsson and Ólafur S. Guðmundsson, are considered independent of the company. Furthermore, five of the Board members, Ann Elizabeth Savage, Arnar Thór Másson, Ásthildur Margrét Otharsdóttir, Helgi Magnússon and Ástvaldur Jóhannsson, are considered independent of the company's major shareholders.

Once a year, the Board of Directors evaluates the work, results, size and composition of the Board and the Board's sub-committees. Furthermore, the Board evaluates the work and results of the CEO according to previously established criteria, including whether the CEO has prepared and carried out a business strategy consistent with the company's established goals. The Board discusses the results of the evaluation and decides on any actions to be taken.

### Sub-committees

A major share of the Board's work is carried out in its sub-committees, the Remuneration Committee and Audit Committee. Sub-committee members are appointed by the Board of Directors for a term of one year, in accordance with the rules set for each sub-committee by the Board.

### Remuneration committee

The Remuneration Committee is composed of three Board members unless the Board decides otherwise. The majority of the Remuneration Committee shall be independent of the company and possess the knowledge and expertise needed to perform the Committee's tasks. The Remuneration Committee is intended to assist the Board in ensuring that compensation arrangements support the strategic aims of the company and enable the recruitment, motivation and retention of senior executives while also complying with legal and regulatory requirements. The Committee is responsible for ensuring that the performance of the Board and CEO is evaluated annually and that succession planning is conducted.

The current Board decided to appoint four members to the Remuneration Committee as of March 2018: Ásthildur Margrét Otharsdóttir (Chair), Ann Elizabeth Savage, Arnar Thór Másson and Ólafur S. Gudmundsson.

The Remuneration Committee met 3 times in 2018. All meetings were fully attended.

### Audit committee

The Audit Committee is composed of three or four Board directors unless the Board decides otherwise. The majority of the Audit Committee shall be independent of the company and its external auditors and at least one member shall be independent of shareholders holding 10% or more of the company's total share capital. Members of the Audit Committee must possess the knowledge and expertise needed to perform its tasks. At least one member needs to have solid knowledge and experience of financial statements or auditing. Its work includes monitoring Marel's financial status and evaluating the company's internal monitoring and risk management systems, management reporting on finances, whether laws and regulations are followed and the work of the company's internal and statutory auditors.

Members of the Audit Committee since March 2018 are Arnar Thór Másson (Chairman), Ástvaldur Jóhannsson, Margrét Jónsdóttir and Helgi Magnússon. All members are independent of the company and its auditors, while Arnar, Ástvaldur and Helgi are independent of large shareholders.

The Audit Committee convened 7 times in 2018. All meetings were fully attended.



THE REMUNERATION COMMITTEE  
WAS COMPOSED OF FOUR BOARD DIRECTORS

3

THE REMUNERATION COMMITTEE  
CONVENED 3 TIMES IN 2018



THE AUDIT COMMITTEE  
WAS COMPOSED OF FOUR BOARD DIRECTORS

7

THE AUDIT COMMITTEE  
CONVENED 7 TIMES IN 2018

Structure of Board's subcommittees	Board of directors	Remuneration committee	Audit committee	
<b>Ásthildur Margrét Otharsdóttir</b>	Chairman			 Member
<b>Arnar Thór Másson</b>	Vice-Chairman			 Chair
<b>Ann Elizabeth Savage</b>	Director			
<b>Ástvaldur Jóhannsson</b>	Director			
<b>Helgi Magnússon</b>	Director			
<b>Margrét Jónsdóttir</b>	Director			
<b>Ólafur S. Guðmundsson</b>	Director			
<b>Convened in 2018</b>	<b>14 Times</b>	<b>3 Times</b>	<b>7 Times</b>	

## Chief Executive Officer

Arni Oddur Thórdarson assumed the position of CEO of Marel in November 2013. An Icelandic citizen, born in 1969, Thórdarson has extensive international business experience within the industrial sector. He has an MBA degree from IMD Business School in Switzerland and a Cand. oecon. degree in Business Administration from the University of Iceland. Thórdarson served on the Board of Directors of Marel from 2005-2013, for most of that time as Chairman.

Together with related parties his direct holding is 131,869 shares in Marel. He is a major shareholder of Eyrir Invest, which on 6 February 2019 held 190,366,838 shares in Marel hf. (27.89% of total issued shares).

- I. The CEO is responsible for daily operations and is obliged to follow the Board's policy and instructions in that regard. Daily operations do not include measures which are unusual or extraordinary. The CEO may only take such measures if specifically authorized by the Board or unless it impossible to wait for the Board's decision without substantial disadvantage to the company's operations. In such an event, the CEO must inform the Board of his/her actions without delay.
- II. The CEO is responsible for the work and results of the Executive Team.

- III. The CEO shall act as Chairman of the Board in the company's significant subsidiaries connected with its sales and manufacturing activities or other core activities of the company, unless the Board decides otherwise.
- IV. The CEO shall ensure that the accounts of the company comply with law and accepted financial reporting practice and that the treatment of company assets is secure. The CEO shall provide any information requested by the company's auditors.

At least once a year the CEO shall evaluate the work and results of the Executive Team which he heads according to previously established criteria. The CEO shall discuss the results of his evaluation with each member of the Executive Team and decide on any actions to be taken.

At least once a year, the Chairman and the CEO meet to discuss the results of the Board's evaluation of the CEO's work and performance and any proposed actions in response. The CEO reviews with the Chairman the results of his/her evaluation of the Executive Team and what actions may be needed, if any. The Chairman reports to the Board of Directors on discussions with the CEO as he/she deems necessary and appropriate.



Upper left: Davíð Freyr Oddsson, Einar Einarsson, Vidar Erlingsson, Árni Oddur Thórdarson, Jesper Hjortshøj, David Wilson.  
Lower left: Sigurdur Ólason, Folkert Bölger, Ulrika Lindberg, Árni Sigurdsson, Linda Jónsdóttir, Anton de Weerd.

## Executive Team

The company's Executive Team is composed of eleven members:

### Executive

Árni Oddur Thórdarson, Chief Executive Officer  
Linda Jónsdóttir, Chief Financial Officer  
Árni Sigurdsson, EVP Strategy and Corporate Development

### Business units

Anton de Weerd, Managing Director (EVP) of Poultry  
David Wilson, Managing Director (EVP) of Meat  
Sigurdur Ólason, Managing Director (EVP) of Fish  
Jesper Hjortshøj, Managing Director (EVP) of Further Processing

### Operations

Einar Einarsson, EVP Global Markets  
Ulrika Lindberg, EVP Service  
Folkert Bölger, EVP Supply Chain  
Vidar Erlingsson, EVP Innovation  
Davíð Freyr Oddsson, EVP Human Resources

## 5. Communication 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 means of communication between shareholders and the Board of Directors. The AGM is held each year before the end of August and other shareholders' meetings are convened when necessary. The AGM is advertised publicly with at least three weeks' notice in accordance with Icelandic law.

The Chairman is the Board's authorized spokesperson. The Board of Directors does not engage in communication regarding details of the company's operational matters and financial results, which is the responsibility of authorized members of management.

The Chairman communicates with the company's largest shareholders on an annual basis to exchange views on matters related to corporate governance, and to maintain trust and understanding. All communication with shareholders is governed by rules and regulations on price-sensitive and non-public information (insider information) and on other sensitive business information which could compromise the company's competitive position.



From left: Ásthildur Otharsdóttir, Ástvaldur Jóhannsson, Ann Savage, Arnar Másson, Ólafur S. Guðmundsson, Margrét Jónsdóttir and Helgi Magnússon.

## Chairman of the Board

### Ásthildur Margrét Otharsdóttir

Ásthildur Margrét Otharsdóttir is an independent consultant and a director of several companies with extensive experience of business management. Otharsdóttir served as the Director of Treasury and Corporate Development at Össur hf. and as a Senior Account Manager at Kaupthing Bank (now Arion Bank), as well as a consultant at Accenture in Copenhagen. She is the Chairman of the Board of the investment fund Frumtak Ventures and a director of Icelandair Group and Promote Iceland. Otharsdóttir is on the Board of Governors of the University of Iceland and Board of the Nordic Arbitration Centre at the Icelandic Chamber of Commerce.

### Education

MBA, Rotterdam School of Management, the Netherlands

Cand. Oecon., University of Iceland

### Elected

2013 Chairman of the Board

2010 Director

### Sub-Committees

Remuneration committee (chair)

### Holdings in Marel

32,000 shares

## Vice-chairman of the Board

### Arnar Thór Másson

Arnar Thór Másson is currently the Alternate Director at the European Bank for Reconstruction and Development in London and serves as Chairman of Marel's Audit Committee. He has extensive experience in re-organization, strategy and project management. Másson served as Director General of the Department of Administrative Development in the Prime Minister's Office in Iceland and Deputy Director General of the Financial Management Department at the Ministry of Finance. From 2000-2008 Másson held an adjunct lecturer position at the Department of Political Science of the University of Iceland.

#### Education

MSc, Comparative Politics, London School of Economics and Political Science  
BA, Political Science, University of Iceland

#### Elected

2013 Vice-chairman  
2001 Board Director

#### Sub-Committees

Remuneration Committee  
Audit Committee (chair)

#### Holdings in Marel

0

## Board director

### Dr Ólafur S. Gudmundsson

Dr Ólafur S. Gudmundsson is the Head of Discovery Pharmaceuticals and Analytical Science at Bristol-Myers Squibb, a global biopharma company. He has previously held various senior-level management positions within R&D in the pharmaceutical industry, both for Bristol-Myers Squibb and Genentech Inc. Gudmundsson is also associated with the Pharmaceutical Chemistry department at Purdue University.

#### Education

PhD, Pharmaceutical Chemistry, University of Kansas  
Cand. pharm., Pharmacy, University of Iceland

#### Elected

2014

#### Sub-Committees

Remuneration Committee

#### Holdings in Marel

1,705,427 shares

## Board director

### Ástvaldur Jóhannsson

Ástvaldur Jóhannsson is Business Development Director at Controlant. His previous international business experience includes senior management positions at Össur hf. and that of Executive Director leading the International Division of Valitor hf. Jóhannsson served as a member of the Executive Team of the IT company Nyherji hf., as Sales and Marketing Director at Penninn, and as a System Analyst Expert in the IT sector focusing on process design and development.

#### Education

MBA, University of Iceland  
BS, Management Information Systems, Heriot-Watt University

#### Elected

2014

#### Sub-Committees

Remuneration Committee

#### Holdings in Marel

0

## Board director

### Margrét Jónsdóttir

Margrét Jónsdóttir is Managing Director of Operations for Eyrir Invest hf. Previously, she was Director of Finance at Edda Publishing, Director of Finance at Kreditkort/ MasterCard and Manager of Accounts at FBA Investment Bank. Prior to that, Jónsdóttir spent a decade as the Director of Finance at the Industrial Loan Fund (the FBA Investment Bank's predecessor).

#### Education

MS, Accounting and Auditing, University of Iceland  
Cand. Oecon., Business Administration, University of Iceland

#### Elected

2006

#### Sub-Committees

Audit Committee

#### Holdings in Marel

195,113

## Board director

### Helgi Magnússon

Helgi Magnússon is Chairman of the Board of the Blue Lagoon, Harpa Holding and Husasmidjan. He also serves as a director of several Icelandic companies. Magnússon was Chairman of the Federation of Icelandic Industries from 2006 to 2012 and a director and member of the Executive Board of the Confederation of Icelandic Employers from 2006 to 2013. Magnússon has also been a director of Islandsbanki hf., the Framsyn Pension Fund, the Pension Fund of Commerce, Siminn and the Iceland Chamber of Commerce. He was Managing Director of Harpa and HarpaSjöfn paint manufacturers for several years and Chairman of the Board of Harpa, HarpaSjöfn and Flügger Iceland.

#### Education

Certified Public Accountant (CPA), University of Iceland  
Cand. Oecon., Business Administration, University of Iceland

#### Elected

2005

#### Sub-Committees

Audit Committee

#### Holdings in Marel

3,039,044 shares

## Board director

### Ann Elizabeth Savage

Ann Savage previously served as Technical Director of Bakkavor Group. Her main responsibilities included food safety, health and safety management, manufacturing excellence and environmental management. She was also a member of the management board. Savage has held a variety of roles in technical and R&D departments within the retail and food industry over her 35-year career. She worked for the Cooperative Wholesale Society (CWS), Northern Foods from 1990 till 1999 and at Geest/Bakkavor for over 16 years. Savage is also a member of the Board of Governors for Boston College and a food safety consultant.

#### Education

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

#### Elected

2013

#### Holdings in Marel

0

ALL HOLDINGS AT DECEMBER 31, 2018

## Chief Executive Officer

### Árni Oddur Thórdarson

Árni Oddur Thórdarson took up his current position as Marel's CEO in November 2013 after having been serving as Chairman of Marel's Board of Directors from 2005. He co-founded Eyrir Invest in the year of 2000 and was the company's CEO until 2013. Thórdarson has extensive international global business experience and has served as non-executive director of various companies, including Fokker Technologies and Stork Technical Services.

#### Education

MBA, IMD, Switzerland

Cand. Oecon., Business Administration, University of Iceland

#### Holdings in Marel

131,869 shares

#### Other holdings:

17.9% of total outstanding shares in Eyrir Invest, Marel's largest shareholder  
(Eyrir Invest holds 27.9% of total shares in Marel)

## Chief Financial Officer

### Linda Jónsdóttir

Linda Jónsdóttir has been Marel's CFO since 2014 and before that was Marel's Corporate Director of Treasury and Investor Relations. Prior to joining Marel, Jónsdóttir worked in Treasury and financing for Eimskip, Burdaras and Straumur Investment Bank. She was a director of the Icelandic Enterprise Investment Fund from 2010 to 2015.

#### Education

MS, Finance, Reykjavik University

Cand. Oecon., Business Administration, University of Iceland

#### Holdings in Marel

182,500 shares

## Executive Vice President of Strategy and Development

### Árni Sigurdsson

Sigurdsson has extensive experience in the finance and investment management industry. Before joining Marel in 2014, he was an associate at AGC Partners investment bank. Prior to that, he worked at the commercial bank Landsbanki Íslands, where he was instrumental in advising Marel on the acquisition of Stork Food Systems.

#### Education

MBA, Harvard Business School

BS, Industrial Engineering, University of Iceland

#### Holdings in Marel

100,000 shares

## Managing director (EVP) of Marel Further Processing

### Jesper Hjortshøj

Jesper Hjortshøj joined the Executive Team in February 2017, but has been with Marel since 2006, serving in a number of different positions within the company. His broad experience in the food industry prior to that include that of manager of Marketing, Product Center and Strategy and Portfolio for Global Innovation.

#### Education

MBA, Aarhus University

MA, Communication and Media Studies, Aarhus University

#### Holdings in Marel

0

## Managing director (EVP) of Marel Fish

### Sigurður Ólason

Sigurður Ólason took up his current position in 2014. Ólason has extensive international experience in the seafood industry and worked in product development at Marel from 2001 to 2006. Before rejoining Marel in 2014, Ólason was Director of Business Development at Samherji, one of Iceland's leading seafood companies.

#### Education

MBA, Brisbane Graduate School of Business  
BS, Computer Science, University of Iceland  
BS, Mechanical Industrial Engineering, University of Iceland

#### Holdings in Marel

0

## Managing director (EVP) of Marel Poultry

### Anton De Weerd

Anton De Weerd began in his current position in 2007. He has decades of experience in the poultry industry, having been with Marel and its predecessors since 1982. During his time at Marel, De Weerd has served in various sales and marketing positions, including as Commercial Director, Managing Director and as President.

#### Education

BS, Mechanical Engineering, Avans University

#### Holdings in Marel

120,000 shares

## Managing director (EVP) of Marel Meat

### David Wilson

Following decades of experience in the food industry, David Wilson began in his current position in 2012. He has been with Marel and its predecessors since 1998. Wilson was Senior Vice-President for the Marel Poultry Industry Center in Gainesville until 2012. Prior to that he served as Vice-President of Sales and Marketing and as a Regional Sales Manager.

#### Education

MS, Animal Science, Aberdeen University  
BS (Hons), Agricultural and Business Management, Aberdeen University

#### Holdings in Marel

87,367 shares

## Executive Vice President Global Supply Chain

### Folkert Bölger

Folkert Bölger has extensive global managerial experience in supply, procurement and operational positions. Before joining Marel, he was Vice-President of Operations and Procurement at Bang & Olufsen in Denmark. Bölger held various management positions at Philips and Siemens-VDO in Asia, Central Europe and Western Europe.

#### Education

MSc, Mechanical Engineering, Delft University of Technology  
CPIM, American Production and Inventory Control Society (APICS)

#### Holdings in Marel

17,862 shares

## Executive Vice-President of Global Markets

### Einar Einarsson

Einar Einarsson has over 15 years of experience in managing Marel's sales and service operations in North America. Prior to his appointment as President of Marel Inc. in the US in 2003, he held several positions in Marel as a Sales Engineer, Area Sales Manager, and Product Manager. Einarsson was Managing Director of Alpan Ltd., Iceland, a manufacturer of high quality cast aluminum cookware, from 1998-2002.

#### Education

BSc, Mechanical Engineering, University of Iceland  
Diplom-Ingenieur, Mechanical Engineering, University of Karlsruhe

#### Holdings in Marel

524,272 shares

## Executive Vice President of Innovation

### Vidar Erlingsson

Vidar Erlingsson took up his current post in 2014. He has been with the Marel innovation team since 2000 and has held various positions within the company. In 2010, he became leader of Product Center Inspection. Erlingsson has been instrumental in developing new technologies within Marel and transforming them into commercial successes.

#### Education

MSc, Engineering, DTU in Denmark  
BSc, Electrical and Computer Engineering, University of Iceland

#### Holdings in Marel

89,000 shares

## Executive Vice-President of Service

### Ulrika Lindberg

Ulrika Lindberg joined Marel in 2018. She has extensive managerial experience in senior sales and service positions at large international organizations. Before joining Marel she was Vice President of Global Service at Alfa Laval and has held various management positions worldwide for Alfa Laval and Tetra Pak.

#### Education

BSc, Business and Administration, University of Lund

#### Holdings in Marel

0

## Executive vice president of human resources

### David Freyr Oddsson

David Freyr Oddsson began in his current role in 2013. He joined Marel in 2011 as HR Director of the company's International Sales and Service Network. Before joining Marel, Oddsson was Global Head of Human Resources and Corporate Services at Straumur Investment Bank from 2006 till 2011. Prior to that, he spent seven years as an HR consultant at Capacent.

#### Education

MBA, Reykjavik University  
Cand. Theologus, University of Iceland

#### Holdings in Marel

135,000 shares

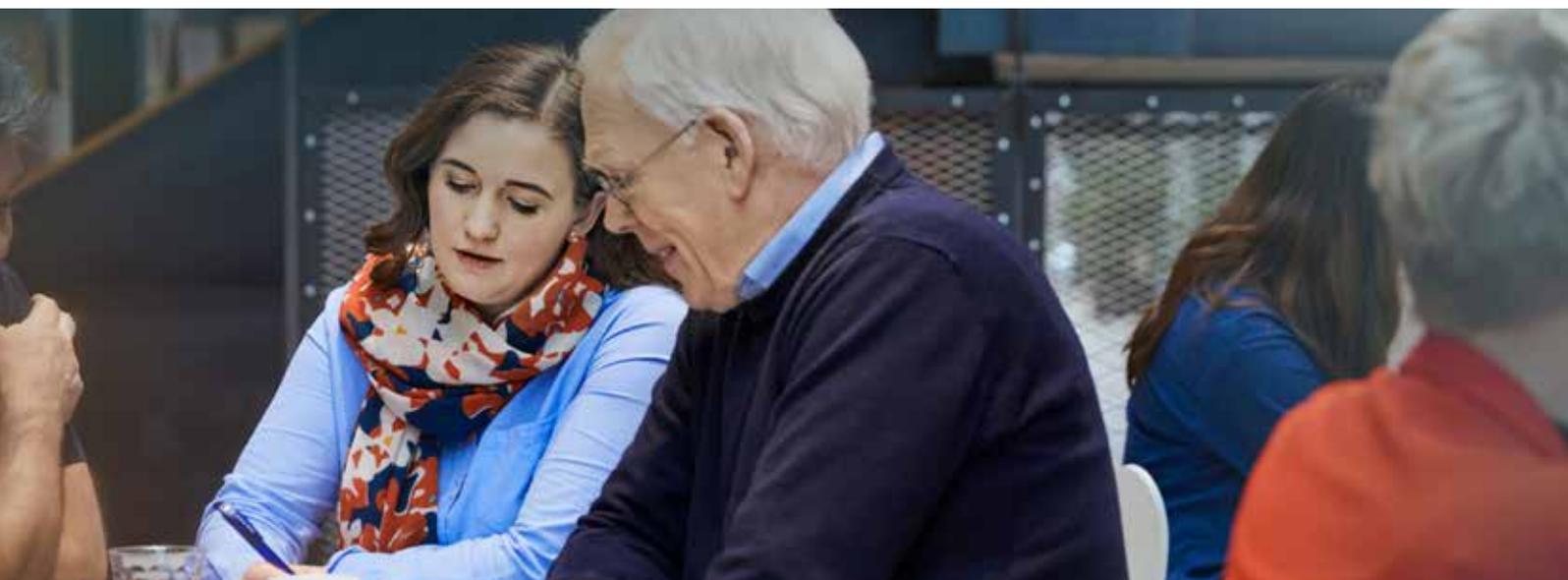
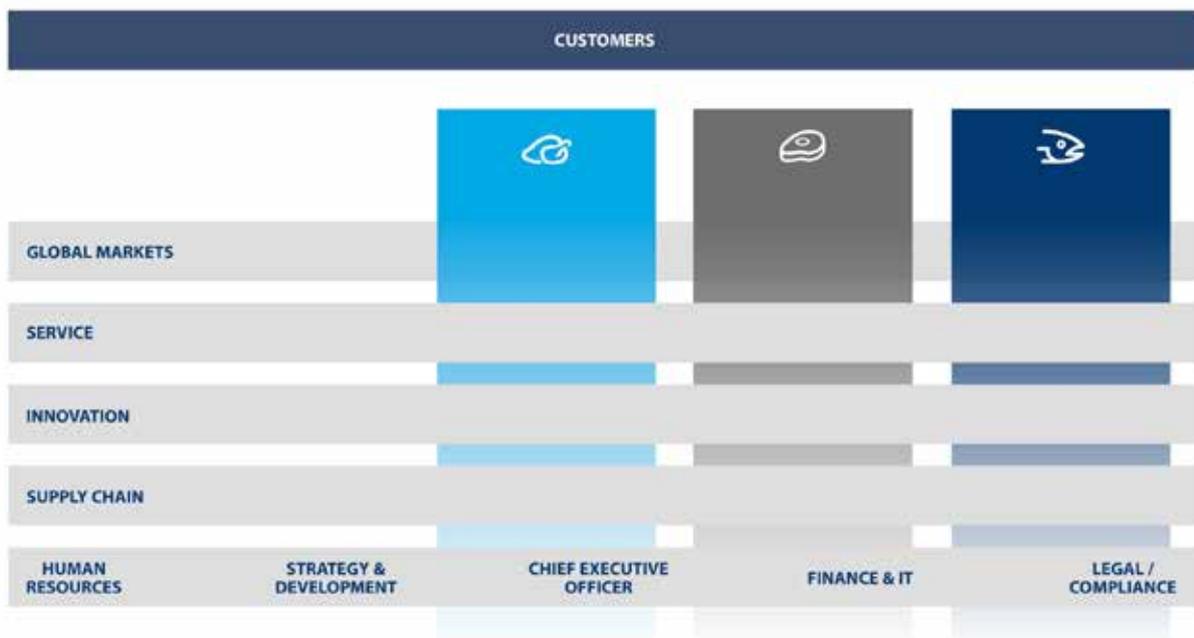
ALL HOLDINGS AS OF DECEMBER 31, 2017

## ORGANIZATIONAL CHART

To further align execution with strategy, Marel’s organizational structure was simplified in 2014. The new organizational structure supports our goal of becoming a simpler, smarter and faster company.

In the new structure, the poultry, fish, and meat industries will remain the three pillars of the company. These three industries are then supported by the company’s global divisions:

Innovation, Commercial and Supply Chain. The aim is to serve the customer better, reduce time to market and penetrate markets faster and more efficiently.

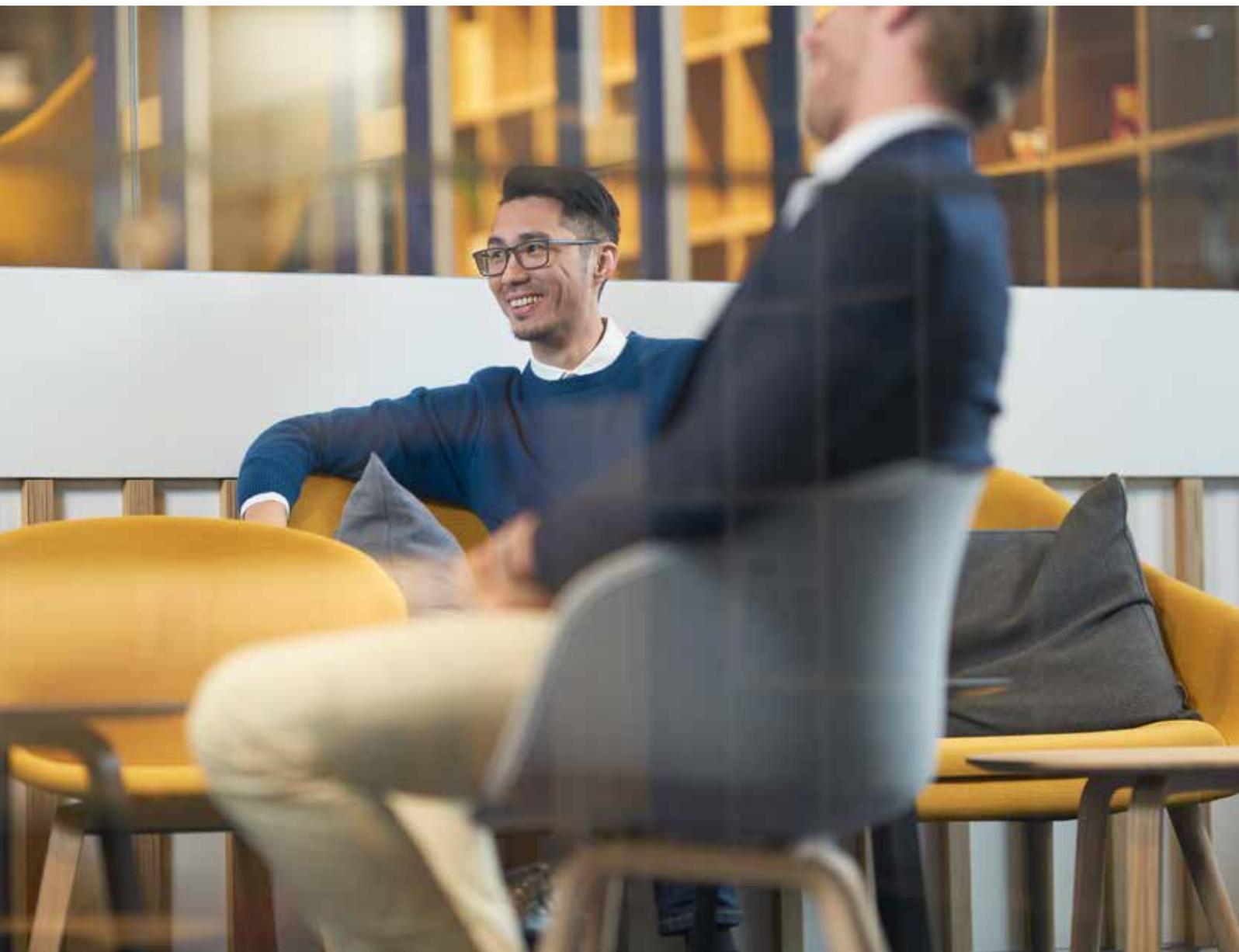


## RISK MANAGEMENT

**Effective risk management is the key to Marel's sustainability and underpins the company's long-term relationship with its customers and other stakeholders. The risk management process is supported and monitored by the Board of Directors.**

As part of the steady expansion of its enterprise risk management process, Marel has launched a number of initiatives throughout the company. Each initiative will contribute to achieving the company's objectives with

regard to efficacy and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.



## Risk appetite

All business operations involve some form of risk. Marel has identified ten Risk Appetite Categories and defined how they relate to its strategic operations.

Risk Appetite Category	Business Objective
<b>Profit and earnings volatility</b>	Marel maintains a strong EBIT margin throughout economic cycles. High quality earnings, that are well diversified by geography, industry and business mix, together with investments in operational excellence improve profitability.
<b>Capital ratios and credit ratings</b>	Marel endeavors to be considered a good corporate borrower and build a relationship of trust with its creditors.
<b>Innovation</b>	Marel continues to be an innovative company, support new product development and ensure continued competitiveness of existing products, solutions and software.
<b>Human Resources</b>	Marel continues to be an interesting and desirable place at work, attracting and retaining highly talented employees.
<b>Business Diversification</b>	Marel strives to have well diversified revenue streams across industries, business segments and geographies.
<b>Consolidation</b>	Marel pursues consolidation in the marketplace without negatively affecting the existing operations.
<b>Customer choice</b>	Marel aims to be the customer's first choice and follow up on orders received with expert installation and service.
<b>Corporate Social Responsibility</b>	Marel aims to develop food-processing solutions to help feed a growing planet while minimizing environmental impact. This is in line with Marel's vision of a world where quality food is produced sustainably and affordably. Marel also takes great pride setting excellent health and safety standards across its operations.
<b>Reputation</b>	Marel strives to preserve and enhance brand value, build resilience, and create emotionally connected customers, employees and stakeholders.
<b>Compliance</b>	Marel strives to comply with all industry, regulatory and other general standards of significance.

The Board of Directors reviews and approves the company's risk appetite on an annual basis, or more frequently in the event of unexpected changes to the risk environment, to ensure it remains consistent with Marel's strategy, business and regulatory environment and stakeholder requirements. Reports on the company's risk profile and risk appetite are presented regularly to the Board of Directors.

Taking risks is an integral part of daily business activities. By carefully balancing our objectives against the risks we are prepared to take, we strive to conduct business operations in a socially responsible and sustainable manner. This approach helps Marel attain its strategic objectives.

## Risk management process

Marel has a vigorous risk management process which consists of 5 steps:

**Risk appetite** sets out the amount of risk the company is willing to accept in pursuit of value.

**Risk assessment** involves mechanisms for identification of risks, e.g. a brainstorming session to assess risk and controls. Risks are ranked by the likelihood of their occurrence and magnitude of their impact in a risk register.

**Risk treatment** is the process of selecting and implementing measures to minimize the probability of identified risks materializing and alleviate their potential effects.

**Monitoring** is done through dashboard reporting and updating of the self-assessment document.

**Communication** of priority risks to the Board is made via a designated dashboard. Predetermined parameters are measured against the risk appetite to give a clear visual overview.



## Risk categories

Marel’s activities expose the company to a variety of risks, which are categorized in four categories: Strategic, Operational, Financial Reporting and Compliance.



Each category has sub-categories that can be defined broadly as follows:

<b>STRATEGIC RISK</b>	Risks that affect Marel’s strategic ambitions, including economic and political developments	<b>FINANCIAL REPORTING RISK</b>	Risk related to treasury and accounting, including finance, market and credit risk
<b>BUSINESS RISK</b>	Risk related to customers, competition, government policy etc.	<b>MARKET RISK</b>	Risk related to financial markets, including FX and interest rate risks
<b>REPUTATIONAL RISK</b>	Risk of damage to Marel’s brand and reputation, resulting from actions that could be perceived as inappropriate, unethical or inconsistent with Marel’s values	<b>CREDIT RISK</b>	Risks that relates to credit quality of our customers and other business partners
<b>OPERATIONAL RISK</b>	Risk related to inadequate internal processes, people and systems	<b>COMPLIANCE RISK</b>	Risk arising from failure to comply with laws and regulations, including internal standards and policies

Marel’s risk management has focused especially on financial risks (including market and credit risk), which are managed by the Treasury department.

## Market risk

### Foreign exchange risk

As an international company, Marel is exposed to foreign exchange risk arising from various currency movements, primarily with respect to the EUR/USD exchange rate for revenues and EUR/ISK rate on the cost side. The general policy is to take advantage of natural currency hedges by matching revenues and operational costs as economically as possible.

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

## 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 financial leases, where the company is lessor or lessee, are fixed at their inception. These leases expose the company to fair-value interest rate risk. The company reports separately an embedded 0% floor in its long-term EUR borrowing. The valuation of this embedded derivative depends on market interest rates and is reported in the income statement. The company's cash-flow interest rate risk arises from long-term borrowings.

Borrowings at variable rates expose the company to cash-flow interest rate risk, while borrowings at fixed rates expose it to fair-value interest rate risk. Marel 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 floating-rate financing to fixed rates. The company obtains long-term financing at floating rates and swaps a portion of this to fixed rates. The risk involved, 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.

## Credit risk

Marel minimizes credit risk by closely monitoring credit granted to customers and by obtaining security to cover potential losses. The company has policies in place to ensure that sales of products and services are made to customers with an acceptable credit history and that products are not delivered until payments are secured.

Marel does its banking with a diversified set of financial institutions around the world. Policies are in place to limit the amount of credit exposure to any one financial institution.

## Liquidity risk

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

## Insurance policies

The company maintains both global and local insurance policies. Coverage includes property damage, business interruption, general and product liability, marine cargo/mounting, directors' and officers' liability, employers' practice liability, business travel, and accidents. The company believes its current insurance coverage to be adequate.



CONSOLIDATED  
FINANCIAL  
STATEMENTS  
2018