Consolidated Financial Statements 2020

Contents Consolidated Financial Statements

The Board of Directors' and CEO's Report

Marel is a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries. Marel has a global reach with local presence in over 30 countries, with sales and service engineers servicing customers in over 140 countries.

The Consolidated Financial Statements for the year 2020 comprise the financial statements of Marel hf. (“the Company”) and its subsidiaries (together “the Group” or "Marel”). The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and additional Icelandic disclosure requirements.

COVID-19

Marel is a critical infrastructure company for the poultry, meat and fish processing industry. Marel's focus during COVID-19 is on keeping its employees and customers safe, while maintaining productivity of all manufacturing sites. Marel reorganized its manufacturing sites ensuring all sites remained open, although operating at below historical and targeted utilization rates. By systematically building up safety stock of spare parts across locations and having local presence in more than 30 countries, Marel managed to maintain good levels of delivery performance despite a challenging environment.

Gross profits in 2020 are impacted by lower volume; this is partly compensated by unusually low operating expenses due to less travel and trade-show activities which were replaced with remote connection and virtual show rooms. Marel did not make use of government support or rent discounts related to COVID-19 in 2020. If government support was provided due to local laws, an equivalent or greater amount was donated to charity by Marel. In 2020, Marel as well donated EUR 1.0 million to the Red Cross who will use the funds to improve the food security of the most vulnerable communities in South Sudan.

In Q1 2020 the Company drew EUR 600.0 million on the new syndicated revolving credit facility as a precautionary measure to increase its flexibility and ability to react to unforeseen future business needs in relation to COVID-19. During Q2 2020 the Group repaid EUR 500.0 million and the remaining EUR 100.0 million was repaid in Q3 2020.

COVID-19 is expected to continue to have an impact in 2021, although it is not known what the full economic impact of COVID-19 will be on Marel. Marel enjoys a balanced exposure to global economies and local markets through its global reach, innovative product portfolio and diversified business mix. Marel's balance sheet and cash flow remain strong, though the Company is impacted by the pandemic.

The need for automation and digital solutions in the food value chain is driven by secular trends like population growth, urbanization and demographics. COVID-19 will only accelerate the trends ongoing in the growing market for animal protein. Additionally, the pandemic is placing more focus on minimizing human intervention as a means to improve hygiene and disease, as well as traceability and trust in the food value chain. With its firm commitment to innovation, Marel is uniquely positioned to support the food industry with the use of robotics, increased tracking and tracing and process control. Marel's global reach has proven to be a key differentiating factor in maintaining aftermarket revenues and overall operational resilience. To best serve customer needs, Marel is focusing on increasing digitalization and agility, leading to an increased level of investments in the coming years. Marel is committed to achieve its mid- and long term growth targets.

Acquisition of TREIF

On 8 October 2020, Marel concluded the acquisition of the entire share capital of TREIF Maschinenbau GmbH (“TREIF”), including all relevant business activities of the group. This transaction is in line with Marel’s strategic objectives, strengthening the full-line product offering, increasing standard equipment sales and leveraging aftermarket potential with Marel’s extensive global reach and local services in all regions. Like Marel, TREIF is highly focused on innovation and cutting-edge technology, backed by an experienced and committed team and long-standing partnerships with customers.

Founded in 1948, TREIF is at the forefront in solutions and services focused on portioning, dicing, slicing and cutting of food. The company is mainly focusing on cutting solutions for the meat industry, which continues to be its largest segment. Headquartered in Oberlahr, Germany it has around 500 employees in facilities in Europe, US and China and annual revenues of over EUR 80.0 million.

TREIF contributed EUR 21.3 million to revenues since the acquisition date and affected adjusted result from operations positively. Further information is provided in note 4 of the Consolidated Financial Statements.

Operations in 2020

The consolidated revenues for Marel for the full year 2020 are EUR 1,237.8 million (2019: EUR 1,283.7 million). The adjusted result from operations for the same period is EUR 166.8 million or 13.5% of revenues (2019: EUR 173.4 million or 13.5% of revenues).

The bridge between adjusted result from operations and result from operations as shown in the Consolidated Statement of Income is as follows:

	2020	2019
Adjusted result from operations[1]	166.8	173.4
Non-IFRS adjustments	(17.1)	(10.8)
Result from operations	**149.7**	**162.6**

[1] Result from operations is adjusted for PPA related costs, including depreciation and amortization, and beginning in 2020, acquisition related expenses.

At 31 December 2020 the Company's order book amounted to EUR 415.7 million and includes EUR 5.0 million acquired order book from TREIF (at 31 December 2019: EUR 414.4 million). Orders received in 2020 amounted to EUR 1,234.1 million (2019: EUR 1,221.3 million). The average number of full time employees was 6,464 in 2020 (2019: 6,303). Total salaries and wages were EUR 387.7 million (2019: EUR 372.3 million). The ratio female / male employees is 16 / 84 for 2020 (2019: 16 / 84). The ratio female / male executive team members is 44 / 56 for 2020 (2019: 17 / 83).

According to the Consolidated Statement of Financial Position, the Group's assets amounted to EUR 1,814.9 million at the end of 2020 (2019: EUR 1,861.2 million). The decrease in assets is related to lower use of Marel's credit facilities. Total equity amounted to EUR 958.7 million at the end of 2020 (at year end 2019: EUR 955.8 million) or 52.8% of total assets (at year end 2019: 51.4%).

The goodwill of the Group was tested for impairment at year end by calculating its recoverable amount. The results of these impairment tests were that there was no impairment as the recoverable amount of the goodwill was well above book value.

Net cash from operating activities during the year is EUR 182.6 million (2019: EUR 142.5 million). The increase in net cash from operating activities is mainly due to favorable movements in working capital, partly offset by an increase in inventories in fast moving and critical spare parts.

At 31 December 2020, net cash and cash equivalents were EUR 78.6 million (31 December 2019: EUR 303.7 million). In Q4 2020 the Group drew EUR 130.0 million from its credit facility as funding for the acquisition of TREIF; at year end EUR 100.0 million remained drawn on the credit facility. Net interest bearing debt increased from EUR 97.6 million at the end of 2019 to EUR 205.2 million at the end of 2020.

New syndicated revolving credit facility

On 5 February 2020 Marel signed a new syndicated revolving credit facility of EUR 700.0 million. This new credit facility replaced the previous syndicated loan facility and gives Marel strategic and operational flexibility to support its 2026 strategic vision for further growth and value creation. The new credit facility includes an incentive structure based on a set of sustainability key performance indicators ("KPIs"). This supports Marel's strong commitment to fulfilling its vision of a world where quality food is produced in a sustainable and affordable way.

Share buyback program

On 10 March 2020 the Board of Directors of Marel decided to initiate a new share buyback program for up to 25,000,000 shares in the Company, or about 3.2% of the total issued share capital in the Company. The purpose of the share buyback program was to reduce the Company's share capital and to meet the Company's obligations under share incentive programs with employees.

The share buyback program complies with the provisions of the Icelandic Act on Securities Transactions No. 108/2007, the appendix to the Icelandic Regulation on Insider Information and Market Manipulation No. 630/2005, Regulation No. 596/2014 of the European Parliament and of the Council on market abuse, and the Commission's delegated regulation 2016/1052.

As part of the share buyback program, Marel purchased 14.3 million shares (EUR 55.9 million) in the period 11 March 2020 to 10 June 2020 after which the share buyback program was discontinued.

Treasury shares and stock options

At year end 2020 Marel's issued shares totaled 771.0 million (31 December 2019: 771.0 million). At the same time Marel holds 18.8 million treasury shares (31 December 2019: 10.8 million).

Marel used 2.9 million treasury shares (EUR 12.6 million) as part of the purchase consideration for the acquisition of TREIF.

Stock options are granted to management and selected employees. Total granted and unexercised stock options at the end of the year 2020 were 18.3 million shares (2019: 19.2 million shares), of which 1.6 million are exercisable at the end of 2020 (2019: 2.9 million) and the remainder will vest in the years 2021 to 2023. Further information is disclosed in note 22 to the Consolidated Financial Statements.

Dividend proposal

Based on the Company's 2020 Annual General Meeting ("AGM") resolution, a dividend was declared and paid to shareholders for the operational year 2019 amounting to EUR 43.9 million, EUR 5.79 cents per share. This corresponds to approximately 40% of net result for the operational year 2019 (in 2019: a dividend of EUR 36.7 million, EUR 5.57 cents per share, corresponding to approximately 30% of net result for the year 2018, was declared and paid out to shareholders for the operational year 2018).

The Board of Directors will propose to the 2021 Annual General Meeting that EUR 5.45 cents dividend per outstanding share will be paid for the operational year 2020, corresponding to approximately 40% of net results attributable to Shareholders of the Company of EUR 102.5 million for the year 2020, and refers to the Consolidated Financial Statements regarding appropriation of the profit for the year and changes in shareholders' equity. This is a 6% decrease in dividend per share compared with previous year. At the same time the total number of outstanding shares decreased from 760.2 million shares as per 31 December 2019 to 752.2 million shares as per 31 December 2020.

This is proposed in accordance with Marel's dividend policy, disclosed at Marel's Annual General Meeting in March 2011. The target is that the net debt/EBITDA ratio is 2 - 3 times EBITDA, excess capital is to be used to stimulate growth and value creation as well as pay dividends; that dividend or share buy-back is targeted at 20-40% of the net result.

If approved by Marel's shareholders, the Company's shares traded on and after 19 March 2021 (Ex-date) will be ex-dividend and the right to a dividend will be restricted to shareholders identified in the Company´s shareholders registry at the end of 22 March 2021, which is the proposed record date. The Board will propose that payment date of the dividend is 7 April 2021.

Dutch corporate income tax percentage

In December 2020, a new corporate tax law was enacted in the Netherlands. Consequently, the reduction in corporate tax rate from 25.0% to 21.7% as approved by the Dutch Government in 2019 will be reversed and the Dutch income tax rate will remain at 25.0%. This change resulted in a loss of EUR 5.7 million related to the re-measurement of deferred tax assets and liabilities of the Group's Dutch subsidiaries recognized during the year ended 31 December 2020 which had already been valued at the lower future rate of 21.7%.

Ten largest shareholders in ISK shares at year end

Marel keeps a share registry for the ISK shares listed on Nasdaq Iceland. Shares listed in EUR on Euronext Amsterdam are registered in the ISK share registry in a custody account in the name of ABN AMRO on behalf of Euroclear Nederland and are beneficially owned by all EUR shareholders proportionally in accordance with Dutch law. Marel is therefore unable to keep a share registry for the EUR shares listed on Euronext Amsterdam. Shareholders holding ISK shares can therefore have additional shareholding in EUR and shareholders only holding EUR shares can have up to 5% shareholding without Marel's knowledge.

Ten largest shareholders at year end		2020 Number of shares (million)	Shareholding (%) In ISK	In EUR[1]	Total[1]
ABN Amro on behalf of Euroclear[2]	Custody account	286.0	37.1%	-	-
Eyrir Invest hf.[3]	Investment company	113.3	14.7%	10.0%	24.7%
The Pension Fund of Commerce	Pension fund	56.2	7.3%	-	-
LSR A, B & S divisions	Pension fund	36.1	4.7%	-	-
Capital Group[4]	Asset management	35.0	4.5%	-	5.0%
Gildi	Pension fund	34.7	4.5%	-	-
Birta lifeyrissjodur	Pension fund	19.7	2.6%	-	-
Frjalsi lifeyrissjodurinn	Pension fund	11.9	1.5%	-	-
Stapi lifeyrissjodur	Pension fund	11.0	1.4%	-	-
Festa - lifeyrissjodur	Pension fund	10.4	1.4%	-	-
	Top 10 total	**614.3**	**79.7%**		
	Others	142.9	18.5%		
Marel hf.[5]	Treasury shares	13.8	1.8%	0.6%	2.4%
	Total issued shares	**771.0**	**100.0%**		

1 Additional information according to public market announcements and announcement of the principal shareholder, Eyrir Invest hf. to Marel.
2 Custody account in ISK representing all EUR shareholders.
3 Eyrir Invest hf. has 24.7% shareholding in Marel, thereof 10.0% in EUR that are included in the custody account of ABN Amro on behalf of Euroclear.
4 Capital Group sent a major shareholder notification on 29 March 2019, where the threshold crossed was above 5.0%. Marel does not have further information on the exact number of shares held by Capital Group included in the custody account of ABN Amro.
5 Of Marel's treasury shares, 13.8 million shares are in ISK and 5.0 million shares are in EUR and therefore included in the custody account of ABN Amro on behalf of Euroclear.

Corporate Responsibility Statement

Corporate Governance

The framework for the Company's Corporate Governance practices consists of the provisions of the law and regulations, the Company's Articles of Association and the Icelandic Guidelines on Corporate Governance issued in June 2015 by the Iceland Chamber of Commerce, Nasdaq Iceland and SA - Confederation of Icelandic Employers. The Board of Directors has prepared a Corporate Governance Statement in line with the guidelines, which is published as an appendix to the Consolidated Financial Statements as well as in Marel's Annual Report, where the Company's corporate governance is discussed in detail.

The Company's management structure consists of the Board of Directors and the Executive Team, led by the Chief Executive Officer. The two bodies are separate, and no person serves as a member of both. The Board of Directors has supreme authority in Company affairs between shareholders' meetings. The Board of Directors are elected by shareholders at the Annual General Meeting for a one-year term and operate in accordance with applicable Icelandic laws and regulations, the Company's Articles of Association and the Board's Rules of Procedure. A major share of the Board's work is carried out in its sub-committees: the Remuneration Committee, the Audit Committee and the Nomination Committee. Sub-committee members are appointed by the Board of Directors for a term of one year, in accordance with the rules set for each sub-committee by the Board.

Sustainability at Marel

Social Responsibility

Marel provides a safe and healthy working environment and equal opportunities. It fosters individual and team development and ensures the right to freedom of association for all its employees. Human rights violations, illegal labor conditions and illegal and unethical business behavior are never tolerated. Marel engages with local communities, where innovation and education serve as the main areas of social participation.

Environmental Responsibility

Marel encourages efficient use of resources in its value chain and promotes positive environmental impact and environmental protection. Innovation focuses on continuously creating new methods for improving yields and minimizing waste in food production, reducing the use of scarce resources such as energy and water, and promoting food safety and animal well-being. As environmental risk can translate into financial risk for Marel as well as its stakeholders, Marel is gradually implementing the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) into Marel's 2021 reporting. Marel has committed to the

Science Based Targets initiative to meet the goals of the Paris Agreement.

Economic Responsibility

Marel promotes long-term value creation, fair trade and good business practices in its value chain through transparency, innovation and collaboration with all its partners.

Our guidance policy on corporate responsibility implements the ISO 26000 standards, and we are a United Nations Global Compact participant. Marel has been a participant in the Nasdaq sustainable markets initiative since 2017 and reports in accordance with the Nasdaq ESG reporting guidelines and the SASB Industrial Manufacturing Goods Standard. Marel has a dual listing on Euronext and reports in accordance with the Euronext ESG guidelines.

The Board of Directors has prepared a ESG Report in line with the guidelines, which is explained and discussed in more detail in a separate document distributed with the Consolidated Financial Statements as well as in Marel's Annual Report.

Statement by the Board of Directors and the CEO

According to the Board of Directors' and CEO's best knowledge these Consolidated Financial Statements comply with International Financial Reporting Standards as adopted by the European Union and additional Icelandic disclosure requirements for consolidated financial statements of listed companies.

Furthermore according to the Board of Directors' and CEO's best knowledge, the statements give a true and fair view of the Group's financial position as at 31 December 2020, operating performance and the cash flows for the year ended 31 December 2020 as well as describe the principal risk and uncertainty factors faced by the Group.

The report of the Board of Directors and CEO provides a clear overview of developments and achievements in the Group's operations and its situation.

The management and the Board of Directors of the Group believe that they are taking all the necessary measures to support the sustainability and growth of the Group's business in the current environment. Accordingly they continue to adopt the going concern basis in preparing the Annual Report and Consolidated Financial Statements.

Management of the Group believes it is well placed to manage its business risks successfully based on the present economic outlook. Further information is disclosed in note 26 of the Consolidated Financial Statements.

The Board of Directors and CEO of Marel hf. hereby ratify the Consolidated Financial Statements of Marel hf. for the year 2020 with their signatures.

Gardabaer, 3 February 2021

Board of Directors

Asthildur Margret Otharsdottir
Chairman of the Board

Arnar Thor Masson

Ann Elizabeth Savage

Astvaldur Johannsson

Lillie Li Valeur

Olafur S. Gudmundsson

Ton van der Laan

Chief Executive Officer

Arni Oddur Thordarson

Independent Auditor's report

To the Board of Directors and Shareholders of Marel hf.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the Consolidated Financial Statements of Marel hf. (the 'Group'), which comprise the Consolidated Statement of Financial Position as at 31 December 2020, the Consolidated Statements of Income, Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and additional disclosure requirements for listed companies in Iceland.

Our opinion is consistent with the additional report submitted to the Audit Committee and the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of consolidated financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Articles (1) of the Regulation (EU) 537/2019 and that we remained independent in conducting the audit.

We were first appointed as auditors by the Annual General Meeting on 10 March 2009. We have been re-appointed by resolutions passed by the Annual General Meeting uninterrupted since then.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matter was addressed in our audit
Recoverability of Goodwill	
Refer to note 2.9 and note 16.	We have performed the following procedures to address this risk:
Goodwill amounted to EUR 679 million and represents 37% of total assets as at 31 December 2020. The goodwill, excluding goodwill added connected to the TREIF acquisition, is allocated to three cash generating units (CGUs). Management prepared a value-in-use model to estimate the present value of forecasted future cash flows for each CGU, which was compared with the carrying value of the net assets of each CGU. Determining if an impairment charge is required for goodwill involves significant judgments about forecasted future performance and cash flows of the CGUs, including growth in revenues and operating profit margins. It also involves determining an appropriate discount rate and long-term growth rate. Based on the significance of the goodwill amount and judgments in the goodwill calculations, recoverability of goodwill is a key audit matter.	• We evaluated the cash flow projections included in the goodwill impairment test by management. We considered the level of historical budgeting inaccuracies and how the assumptions compared with the actual performance achieved in prior years, also taking into account the best estimate of the COVID-19 impact on the business of Marel. • We assessed and tested the assumptions, methodologies, the weighted average cost of capital and other data used, for example by comparing them to external and historical data and by analyzing sensitivities in Marel's valuation model. • We included our valuation specialists in the team to assist us with these procedures. • We specifically focused on the sensitivity in the available headroom for the cash generating units, evaluating whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount and assessed the historical accuracy of management's estimates. • We also assessed the adequacy of the disclosures in note 16 to the Consolidated Financial Statements.
Revenue recognition	
Refer to note 2.4 and note 7.	We have performed the following procedures to address the risk:
The Group's revenue is comprised of several types of customer contracts utilized, including sale of standard and customized equipment, service contracts and sale of spare parts. Revenue recognition for production contracts is based on over time accounting or point in time accounting following the requirements of IFRS15. For over time accounting, the assessment of the stage of the contract is made by reference to the proportion of contract cost incurred for the work performed to the reporting date relative to the estimated total contract costs to completion. The recognition of revenue therefore relies on estimates in relation to the final outcome of expected costs on each contract, which can be judgmental and could be susceptible to a material misstatement. Revenue recognition is therefore a key audit matter.	• We assessed the accuracy of the revenue streams by testing on a sample basis the revenue amounts recorded in the general ledger against the underlying contracts and orders, invoices, payments and if relevant proof of delivery. • We tested a sample of credit notes issued after year end to agree that revenue was not reversed after year end. • We performed procedures to test the correctness of the transactions in the appropriate period. • We performed test of details on a sample of year end open equipment projects. We selected projects based on size and risk assessment. We agreed the selected items to contracts, precalculations and invoices. • We considered the progress of per year end open equipment projects, agreed the accrued cost on the selected projects and agreed that the over time revenues are valid. • We scrutinized specific revenue journal entries in the context of journal entries testing, e.g. regarding manual entries on revenues. • We assessed whether the accounting policies for revenue recognition and other financial statements disclosures related to revenue were in accordance with International Financial Reporting Standards as adopted by the EU.

Other information

The Board of Directors and CEO are responsible for the other information. The other information comprises the information included in the Annual Report of the Group, but does not include the Consolidated Financial Statements and our auditor's report thereon. Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The annual report is not available at our reporting date but is expected to be made available to us after that date.

Responsibilities of the Board of Directors and CEO for the Consolidated Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRSs as adopted by the EU and additional disclosure requirements for listed companies in Iceland, and for such internal control as they determine is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Board of Directors and CEO are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Board of Directors and CEO are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the Consolidated Financial Statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Consolidated Financial Statements.

The engagement partner on the audit resulting in this independent auditor's report is Hrafnhildur Helgadottir.

Reykjavik, 3 February 2021

KPMG ehf.

Saemundur Valdimarsson
Hrafnhildur Helgadottir

Consolidated Statement of Income

In EUR million unless stated otherwise	Notes	2020	2019
Revenues	5 & 6 & 7	1,237.8	1,283.7
Cost of sales	5 & 8	(778.4)	(792.6)
Gross profit	5	**459.4**	**491.1**
Selling and marketing expenses	5 & 8	(148.6)	(159.2)
General and administrative expenses	5 & 8	(87.8)	(83.4)
Research and development expenses	5 & 8	(73.3)	(85.9)
Result from operations	5	**149.7**	**162.6**
Finance costs	9	(18.9)	(25.2)
Finance income	9	0.5	4.5
Net finance costs	9	**(18.4)**	**(20.7)**
Share of result of associates	18	0.3	(0.1)
Result before income tax		**131.6**	**141.8**
Income tax	12	(29.0)	(31.7)
Net result		**102.6**	**110.1**
Of which:			
- Net result attributable to Shareholders of the Company	13	102.5	110.0
- Net result attributable to non-controlling interests	22	0.1	0.1
Earnings per share for result attributable to Shareholders of the Company during the period (expressed in EUR cent per share):			
- Basic	13	13.62	15.33
- Diluted	13	13.51	15.20

The notes on pages 18-72 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

In EUR million	Notes	2020	2019
Net result		**102.6**	**110.1**
Items that are or may be reclassified to profit or loss:			
Currency translation differences	22	(18.2)	1.9
Cash flow hedges	22	1.9	(3.1)
Deferred income taxes	20 & 22	(0.3)	0.6
Other comprehensive income / (loss) for the period, net of tax		**(16.6)**	**(0.6)**
Total comprehensive income for the period		**86.0**	**109.5**
Of which:			
- Total comprehensive income attributable to Shareholders of the Company		85.9	109.4
- Total comprehensive income attributable to non-controlling interests	22	0.1	0.1

The notes on pages 18-72 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position

In EUR million	Notes	2020	2019
Assets			
Property, plant and equipment	14	196.7	181.4
Right of use assets	15	42.7	36.4
Goodwill	16	678.8	645.8
Intangible assets	17	331.0	252.4
Investments in associates	18	17.6	15.6
Other receivables	19	2.1	2.1
Deferred income tax assets	20	13.3	11.9
Non-current assets		**1,282.2**	**1,145.6**
Inventories	21	199.9	166.8
Contract assets	7	46.1	38.3
Trade receivables	7 & 19	151.3	160.0
Assets held for sale		1.8	-
Derivative financial instruments	26	1.9	-
Other receivables and prepayments	19	53.1	46.8
Cash and cash equivalents		78.6	303.7
Current assets		**532.7**	**715.6**
Total assets		**1,814.9**	**1,861.2**
Equity and liabilities			
Share capital	22	6.7	6.8
Share premium reserve	22	442.8	483.1
Other reserves	22	(27.5)	(10.9)
Retained earnings	22	536.4	476.5
Shareholders' equity		**958.4**	**955.5**
Non-controlling interests	22	0.3	0.3
Total equity		**958.7**	**955.8**
Liabilities			
Borrowings	23	240.2	333.5
Lease liabilities	23	33.6	28.4
Deferred income tax liabilities	20	84.9	55.5
Provisions	24	4.1	10.6
Other payables	27	1.1	5.1
Derivative financial instruments	26	3.7	3.0
Non-current liabilities		**367.6**	**436.1**
Contract liabilities	7	236.6	217.5
Trade and other payables	27	222.7	200.5
Current income tax liabilities		8.8	3.7
Borrowings	23	0.0	30.6
Lease liabilities	23	10.0	8.8
Provisions	24	10.5	8.2
Current liabilities		**488.6**	**469.3**
Total liabilities		**856.2**	**905.4**
Total equity and liabilities		**1,814.9**	**1,861.2**

The notes on pages 18-72 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

In EUR million	Share capital	Share premium reserve[1]	Other reserves[2]	Retained earnings[3]	Share-holders' equity	Non-controlling interests	Total equity
Balance at 1 January 2020	**6.8**	**483.1**	**(10.9)**	**476.5**	**955.5**	**0.3**	**955.8**
Net result for the period				102.5	102.5	0.1	102.6
Total other comprehensive income			(16.6)		(16.6)		(16.6)
Transactions with owners of the Company							
Treasury shares purchased	(0.1)	(55.8)			(55.9)		(55.9)
Treasury shares sold	0.0	15.0			15.0		15.0
Options granted / exercised / canceled		0.5		1.3	1.8		1.8
Dividend				(43.9)	(43.9)	(0.1)	(44.0)
	(0.1)	**(40.3)**	**(16.6)**	**59.9**	**2.9**	**0.0**	**2.9**
Balance at 31 December 2020	**6.7**	**442.8**	**(27.5)**	**536.4**	**958.4**	**0.3**	**958.7**

In EUR million	Share capital	Share premium reserve[1]	Other reserves[2]	Retained earnings[3]	Share-holders' equity	Non-controlling interests	Total equity
Balance at 1 January 2019	**6.1**	**161.7**	**(10.3)**	**403.2**	**560.7**	**0.2**	**560.9**
Net result for the period				110.0	110.0	0.1	110.1
Total other comprehensive income			(0.6)		(0.6)		(0.6)
Transactions with owners of the Company							
New shares issued	0.8	369.2			370.0		370.0
Transaction costs		(14.2)			(14.2)		(14.2)
Treasury shares purchased	(0.1)	(37.5)			(37.6)		(37.6)
Treasury shares sold	0.0	0.9			0.9		0.9
Options granted / exercised / canceled		2.5			2.5		2.5
Other movements		0.5			0.5		0.5
Dividend				(36.7)	(36.7)	(0.0)	(36.7)
	0.7	**321.4**	**(0.6)**	**73.3**	**394.8**	**0.1**	**394.9**
Balance at 31 December 2019	**6.8**	**483.1**	**(10.9)**	**476.5**	**955.5**	**0.3**	**955.8**

1 Includes reserve for share-based payments as per 31 December 2020 of EUR 5.5 million (31 December 2019: EUR 5.0 million).
2 For details on other reserves refer to note 22.
3 Includes a legal reserve for capitalized intangible assets related to product development projects as per 31 December 2020 of EUR 76.5 million (31 December 2019: EUR 71.6 million).

The notes on pages 18-72 are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

In EUR million	Notes	2020	2019
Cash Flow from operating activities			
Result from operations		**149.7**	**162.6**
Adjustments to reconcile result from operations to net cash provided by / (used in) operating activities:			
Depreciation and impairment of property, plant and equipment and right of use assets	14 & 15	27.5	23.9
Amortization and impairment of intangible assets	17	35.3	33.8
Adjustments for other non-cash income and expenses		2.5	2.1
Changes in non-current receivables and payables		0.0	1.0
Working capital provided by / (used in) operating activities		**215.0**	**223.4**
Changes in working capital:			
Inventories and contract assets and liabilities		(2.0)	(4.5)
Trade and other receivables		6.3	(21.4)
Trade and other payables		2.4	(8.9)
Provisions		(4.1)	1.2
Changes in operating assets and liabilities		**2.6**	**(33.6)**
Cash generated from operating activities		**217.6**	**189.8**
Taxes paid		(25.4)	(37.0)
Interest and finance income		0.5	3.0
Interest and finance costs		(10.1)	(13.3)
Net cash from operating activities		**182.6**	**142.5**

The notes on pages 18-72 are an integral part of the Consolidated Financial Statements.

In EUR million	Notes	2020	2019
Cash Flow from investing activities			
Purchase of property, plant and equipment	14	(27.5)	(19.3)
Investments in intangibles	17	(27.1)	(18.6)
Proceeds from sale of non-current assets	14 & 17	2.9	0.4
Loans in associates	19	(1.0)	-
Investments in associates	18	(1.7)	(12.7)
Acquisition of subsidiary, net of cash acquired	4	(107.2)	(4.0)
Net cash provided by / (used in) investing activities		**(161.6)**	**(54.2)**
Cash Flow from financing activities			
New shares issued	22	-	370.0
Transaction costs	22	-	(17.8)
Purchase of treasury shares	22	(55.9)	(37.6)
Sale of treasury shares	22	2.4	0.9
Proceeds from borrowings	23	730.0	40.0
Repayments of borrowings	23	(857.6)	(145.3)
Payments of lease liabilities	23	(10.5)	(16.7)
Dividends paid	22	(44.0)	(36.7)
Net cash provided by / (used in) financing activities		**(235.6)**	**156.8**
Net increase / (decrease) in net cash		**(214.6)**	**245.1**
Exchange gain / (loss) on net cash		(10.5)	2.3
Net cash at beginning of the period		303.7	56.3
Net cash at end of the period		**78.6**	**303.7**

The notes on pages 18-72 are an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1 General information

1.1 Reporting entity

Marel hf. ("the Company") is a limited liability company incorporated and domiciled in Iceland. The address of its registered office is Austurhraun 9, Gardabaer.

The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as "the Group" or "Marel").

The Group is a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries and is involved in the manufacturing, development, distribution and sales of solutions for these industries.

These Consolidated Financial Statements have been approved for issue by the Board of Directors and CEO on 3 February 2021. These Consolidated Financial Statements as presented in this report are subject to the adoption by the Annual General Meeting of Shareholders, to be held on 17 March 2021.

The Company is listed on the Nasdaq Iceland ("Nasdaq") and on Euronext Amsterdam ("Euronext") exchanges.

1.2 Basis of Accounting

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and additional Icelandic disclosure requirements for consolidated financial information of listed companies in accordance with Icelandic Financial Statements Act No. 3/2006 and rules for issuers of financial instruments at the Nasdaq Iceland. The accounting policies applied by Marel comply with IFRS as adopted by the EU and the pronouncements of the International Financial Reporting Interpretation Committee ("IFRIC") effective at 31 December 2020.

These Consolidated Financial Statements have been prepared on a going concern basis. Marel's balance sheet and cash flow remain strong despite the pandemic.

These Consolidated Financial Statements have been prepared under the historical cost convention, except for the valuation of financial assets and liabilities (including derivative instruments) which are valued at fair value through the Consolidated Statement of Comprehensive Income.

Details of the Group's significant accounting policies are included in note 2.

1.3 Functional and presentation currency and exchange rates

Items included in the Consolidated Financial Statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The Consolidated Financial Statements are presented in Euro ("EUR"), which is the Group's reporting currency and the functional currency of Marel hf.

All amounts are in millions of EUR unless otherwise indicated.

Exchange rates

The currency exchange rates that were used in preparing the Consolidated Financial Statements are listed below for the most relevant currencies.

	2020		2019	
	Year end rate	Average rate	Year end rate	Average rate
1 euro =				
USD	1.22	1.14	1.12	1.12
GBP	0.90	0.89	0.85	0.88
ISK	156.19	154.35	135.83	137.26
BRL	6.34	5.90	4.51	4.41

1.4 Use of estimates and judgments

The preparation of the Consolidated Financial Statements in accordance with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 3. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values.

Further information about the assumptions made in measuring fair values is included in note 2.12 and note 26.

2 Summary of significant accounting policies

2.1 General

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. The accounting policies set out in these Consolidated Financial Statements have been applied consistently for all periods presented.

Changes in accounting policies

The Group has initially adopted Definition of a Business (Amendments to IFRS 3) and Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) from 1 January 2020.

The Group applied Definition of a Business (Amendments to IFRS 3) to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The details of the accounting policies are set out in note 2.2. See also note 4 for details of the Group's acquisitions of subsidiaries during the year.

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 January 2020 or were designated thereafter and that are directly affected by interest rate benchmark reform. The Group has assessed it's hedge contracts and hedge relationships and concluded that the benchmark reforms or amendments to the reporting standards do not have a significant effect on the group's financials.

A number of other new standards are also effective from 1 January 2020 but do not have a significant effect on the Group's financial statements.

Prior-year information

In 2020, Marel modified it's Executive Team remuneration and stock options disclosure to align closer to the EU Shareholders Rights Directive II ('SRD II'), which is not yet adopted in Icelandic law. Refer to note 29 for further information.

In 2020, Marel modified its employee benefits disclosure. Previously employee benefit expenses were shown to match the function the FTE was included within, which did not match completely with where the expenses are presented in the Consolidated Statement of Income as employees within Research and development and Selling and marketing can work on sales projects directly. The disclosure was updated in 2020 (as well for 2019) to better reflect where the costs sit within the Consolidated Statement of Income. Refer to note 10 for further information.

The presentation of the other prior-year disclosures is in line with the current year disclosures.

COVID-19

Marel does not foresee any specific accounting risks due to COVID-19.

Specific choices with IFRS

Sometimes IFRS allows alternative accounting treatment for measurement and / or disclosure. The most important of these alternative treatments are mentioned below:

Tangible and intangible fixed assets

Under IFRS an entity shall disclose either the cost model or the revaluation model as its accounting for tangible and intangible fixed assets. In this respect, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if applicable. The useful lives and residual values are evaluated annually. The Company chose to apply the cost model meaning that costs relating to product development, the development and purchase of software for internal use and other intangible assets are capitalized and subsequently amortized over their estimated useful life.

Presentation of the Consolidated Statement of Income

Marel presents expenses in the Consolidated Statement of Income in accordance with their function. This allows the presentation of gross profit on the face of the Consolidated Statement of Income, which is a widely used performance measure in the industry. The composition of the costs allocated to the individual functions is explained as follows:

- cost of sales encompasses all manufacturing costs (including raw materials, employee benefits, and depreciation and amortization) related to goods and services captured in revenues. They are measured at their actual cost based on "first in, first out" or weighted average cost;
- selling and marketing expenses relate to the selling and marketing of goods and services;
- research and development expenses consist of:
  - research, which is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding; and,
  - development, which is defined as the application of research findings or other knowledge to a plan or (re-)design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use; and
- general and administrative expenses relate to the strategic and governance role of the general management of the Company as well as the representation of Marel as a whole in the financial, political or business community. General and administrative expenses also relate to business support activities of staff departments that are not directly related to the other functional areas.

Presentation of the Consolidated Statement of Cash Flows

Under IFRS, an entity shall report cash flows from operating activities using either the direct method (whereby major classes of gross cash receipts and gross cash payments are disclosed) or the indirect method (whereby result from operations is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows). In this respect, the Company chose to prepare the Consolidated Statement of Cash Flows using the indirect method.

Relevance and importance of notes to the reader

In order to enhance the informational value of the Consolidated Financial Statements, the notes are prepared based on relevance and importance for the reader. This can result in information that has been evaluated as neither important nor relevant for the reader, not being presented in the notes.

2.2 Consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has the option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Acquisitions by Marel as part of business combinations will result in recognition of goodwill and other intangible assets. The amounts assigned to the acquired assets and liabilities are based on assumptions and estimates about their fair values. In making these estimates, management consults with independent, qualified appraisers, if appropriate. A change in assumptions and estimates could change the values allocated to certain assets and their estimated useful lives, which could affect the amount or timing of charges to the Consolidated Statement of Income, such as amortization of intangible assets.

The purchase consideration in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a purchase is recognized in the Consolidated Statement of Income immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The purchase consideration does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the Consolidated Statement of Income.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in the Consolidated Statement of Comprehensive Income.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's award), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the purchase consideration in the business combinations. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Details of the acquisition of TREIF and of Cedar Creek are disclosed in note 4.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

Non-controlling interests ("NCI") are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it de-recognizes the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognized in the Consolidated Statement of Income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investments in associates

Associates are all entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of investments in associates, until the date on which significant influence ceases.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the Consolidated Statement of Income as part of other results relating to investments in associates.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealized gains on transactions between Group entities are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests

Transactions that result in changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders.

As a result, no gain or loss on such changes is recognized in the Consolidated Statement of Income but rather in equity. Furthermore, no change in the carrying amounts of assets (including goodwill) or liabilities is recognized as a result of such transactions. This approach is consistent with NCI being a component of equity.

2.3 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of Group entities, and from there into the Group's reporting currency using the exchange rates prevailing at the dates of the transactions or valuation where items are revalued.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Income, except when deferred in equity as a permanent loan, as qualifying cash flow hedges and as qualifying net investment hedges as explained in note 2.13. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents as well as all other foreign exchange gains and losses are recognized immediately in the Consolidated Statement of Income within finance income or finance costs.

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities presented are translated at the closing rate at the date of that Consolidated Statement of Financial Position;
- income and expenses for each transaction in the Consolidated Statement of Income are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to financing of subsidiaries are recognized as a separate component of equity (translation reserve).

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognized in OCI and accumulated in translation reserve. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in OCI are recognized in the Consolidated Statement of Income for the period as part of the gain or loss on sale.

Goodwill and fair value adjustments arising due to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

In case of a non-wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the Consolidated Statement of Income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to OCI.

2.4 Revenue recognition

Marel recognizes revenue based on the considerations specified in contracts with customers using the five-step process as described in IFRS 15.

Revenue is recognized, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness. Revenue is the transaction price Marel expects to be entitled to.

If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The following is a description of the nature and the timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Equipment revenue

In Marel's business model, equipment revenue relates to sales of standard equipment and sales of complete solutions or systems.

Standard equipment requires no or minor modifications as requested by customers. Sales of complete solutions or systems require significant modifications either requested by the customer or required to fulfill the customer's needs.

Revenues for standard equipment are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods. Invoices are issued at that point in time.

Revenues for complete solutions or systems will be recognized over time as all these complete solutions or systems are deemed to not have an alternative use and Marel has an enforceable right to payment. Revenue is recognized under the cost-to-cost (percentage-of-completion) method, based on the percentage of costs incurred to date compared to total estimated costs as based on Marel's assessment it best depicts the transfer of control to the customer. An expected loss on the contract is recognized as an expense immediately.

Complete solutions or systems have a similar margin for all components of the solution or system.

Aftermarket revenue

Aftermarket revenue relates to the sale of spare parts as well as performing related maintenance services to the equipment.

Revenues for spare part sales are recognized at a point in time when control of the goods passes to the customer, usually upon delivery of the goods. Invoices are issued at that point in time.

The total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions. Revenue relating to maintenance services is recognized over time under the percentage-of-completion method as described above, although the customer pays up-front in full for these services. A contract liability is recognized for the payments received up-front and is recognized as revenue over the service period.

Payment terms

For the sale of complete solutions or systems and for most of the standard equipment down payments are obtained. Payment terms on invoices are usually 30 days from the date of invoice issued according to the contractual terms.

Commissions

The Group applies the practical expedient in relation to the incremental costs of obtaining a contract. The Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

Interest income

Interest income is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity.

Impairment of receivables

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.5 Contract assets and contract liabilities

The contract assets (cost exceed billing) primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities (billing exceed cost) primarily relate to the advance consideration received from customers for standard equipment for which revenue is recognized at a point in time and for the sale of complete solutions or systems for which revenue is recognized over time.

2.6 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (stock options) of the Group. The fair value of the employee services received in exchange for the grant of the stock options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the stock options granted, excluding the impact of any non-market service and performance vesting conditions (for example: profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of stock options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At reporting date, the entity revises its estimates of the number of stock options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the Consolidated Statement of Income, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the stock options are exercised. The fair value of the employee stock options granted is measured using the Black-Scholes formula.

Measurement inputs include share price on measurement date, exercise price of the stock options, expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life of the instruments based on historical experience and general stock option holder behavior, expected dividends, and the risk-free interest rate based on government bonds. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Profit sharing and bonus plans

Under some circumstances, a liability for key employee benefits in the form of profit sharing and bonus plans is recognized in other payables when it is managements intention to settle the liability and at least the condition is met that there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Pension plans

Marel has several pension plans in accordance with local rules and conditions. Only one arrangement with regards to early retirement rights classified as a defined benefit pension plan until the moment of a settlement. This defined benefit pension plan (VPL in the Netherlands) was settled in 2020 and as such is no longer reported as a defined benefit pension plan. Two other defined benefit obligations refer to jubilee rights in the Netherlands and the post retirement medical benefit plan in the United States of America. Because of their non-material character, these arrangements are not disclosed separately.

For the majority of its employees, the Group has pension plans classified as defined contribution plans. Obligations relating to defined contribution pension plans are charged to the Consolidated Statement of Income as employee benefit expenses when the contributions are payable. Contributions paid in advance are presented as assets to the extent that cash repayment or a reduction in future contributions is available.

2.7 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Consolidated Statement of Income except to the extent that it relates to business combinations, or items recognized directly in shareholders' equity or in OCI. In case of recording directly in shareholders’ equity, the tax on this item is included in deferred taxes; the net amount is recognized in shareholders’ equity.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Future taxable profits are determined based on managements internal forecasts for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2.8 Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Consolidated Statement of Income in the period in which they are incurred.

Land is not depreciated. Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

- Buildings: 30-50 years
- Plant and machinery: 4-15 years
- Vehicles and equipment: 3-7 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. Equipment included in rented buildings is depreciated over the remaining useful life of the related equipment or over the remaining rental period, whichever is shorter.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount (note 2.11).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in the Consolidated Statement of Income when the disposal is completed.

Borrowing cost is expensed as incurred except when directly attributable to acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use. Such borrowing cost is capitalized as part of the cost of the asset when it is probable that it will result in future economic benefits to the entity and the cost can be measured reliably.

2.9 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to Cash Generating Units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose.

Technology, research and development

Technology costs have a finite useful life and are capitalized and amortized using the straight line method over the period of 20 years.

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will generate future economic benefits, considering its commercial and technological feasibility, costs can be measured reliably and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized as an expense as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

Customer relationships, patents & trademarks

Customer relationships have been acquired as part of recent acquisitions and are capitalized and amortized using the straight line method over their useful life of maximum 20 years.

Expenditure to acquire patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives, but not exceeding 8 years, or 11 years in case of trademarks.

Other intangible assets

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be measured reliably.

Directly attributable costs capitalized as part of the software product include the software development employee costs, consultancy costs and an appropriate portion of relevant overhead.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as intangible assets are amortized over their estimated useful lives, which can vary from 3 to 5 years.

General

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the Consolidated Statement of Income as incurred.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets with an indefinite useful life or that are not amortized are tested annually for impairment.

2.10 Leases

Marel leases property, plant and equipment including manufacturing and demo facilities, office buildings, small equipment and cars. The leases for manufacturing and demo facilities can run up to 10 years. The leases for office buildings are typically annual, with an automatic renewal. The lease payments, if relevant, are adjusted every year based on the change in the consumer price index in the preceding year. The small equipment and car leases typically run for a period of 3-5 years.

Marel recognizes a right of use asset and a lease liability at the lease commencement date. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Right of use assets

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the assets are determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Short-term leases and leases of low-value assets

Marel has elected not to recognize right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date. Assets held for sale which are valued at fair value, are reviewed at each reporting date.

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from business combinations is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in the Consolidated Statement of Income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.12 Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when Marel becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value. In the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset are added to the fair value measurement. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, the Group classifies its financial assets as measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- the Company's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Financial assets at amortized cost

Financial assets are measured at amortized cost if both:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, less any impairment losses.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments measured at fair value through other comprehensive income are recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to profit or loss when a debt instrument is derecognized.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets are not met, a financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at fair value through profit or loss is recognized initially at fair value and its transaction costs are recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in the Consolidated Statement of Income for the reporting period in which it arises.

The Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Fair value measurement

The fair values of quoted assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

The fair value of investments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Further information is included in note 26.

Impairment – Financial assets and contract assets

Loss allowances are measured based on the Expected Credit Losses ("ECL") that result from all possible default events over the expected life of a financial instrument. Marel's financial assets are currently limited to trade receivables and contract assets without significant financing components and are as such always impaired based on lifetime ECLs.

Based on materiality considerations, Marel reports impairment losses on trade receivables and contract assets as other expenses within selling and marketing expenses, instead of presented separately in the Consolidated Statement of Comprehensive Income. Impairment losses on other financial assets are presented under finance costs.

Cash and cash equivalents

Cash and cash equivalents can include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the Consolidated Statement of Financial Position.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss. A financial liability is classified at fair value through profit or loss if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

An entity has to account for modifications and revisions on its financial liabilities and report any (expected) gain or loss as a result in the Consolidated Statement of Income on the day of modification or revision.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Derecognition of financial assets

The Group derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.13 Derivative financial instruments and hedging activities

After the implementation of IFRS 9, the Group has chosen to continue to apply the hedge accounting requirements of IAS 39.

The group uses financial derivatives such as foreign currency forward contracts and interest rate swaps to hedge risks associated with foreign currency and interest rate fluctuations. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently revalued at their fair value and changes therein are recognized in profit or loss unless cash flow hedge accounting or net investment hedge accounting is applied. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risk of the host contract and the embedded derivative are not directly closely related.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge); or
- derivatives at fair value through profit or loss.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedge reserve in equity are shown in the Consolidated Statement of Changes in Equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current asset or liabilities.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI and presented in the hedge reserve in equity. The profit or loss relating to the ineffective portion (mainly as a result of changes in timing of the hedged transactions) is recognized immediately in the Consolidated Statement of Income within finance income or finance costs.

Amounts accumulated in equity are recycled in the Consolidated Statement of Income in the periods when the hedged item affects profit or loss. When the forecasted transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or non-current assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in the cost of goods sold for inventory or in depreciation for non-current assets.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and presented in the hedge reserve in equity. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Income within finance income or finance costs.

Gains and losses accumulated in equity are included in the Consolidated Statement of Income when the foreign operation is partially disposed of or sold.

2.14 Inventories

Inventories are measured at the lower of historical cost or net realizable value. Cost is determined using the weighted average method and an adjustment to net realizable value is considered for items which have not moved during the last 12 months. The cost of finished goods and work in progress comprise raw materials, direct labor, other direct costs and related production overhead based on normal operating capacity but exclude borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and any applicable variable selling expenses.

2.15 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefits and investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for sale and subsequent gains or losses on re-measurement are recognized in the Consolidated Statement of Income.

Once classified as assets held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or stock options are shown in shareholders' equity as a deduction, net of tax, from the proceeds.

Transaction costs, net of tax, for transactions in shares are deducted from the share premium reserve.

When any Group entity purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's shareholders until the shares are canceled or reissued. Repurchased shares are classified as treasury shares and are presented in the share premium reserve. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included within share premium.

Private placements need to be approved by the shareholders at the Company's Annual General Meeting. Based on such resolution, where the shareholders waive their pre-emptive rights, the Board of Directors can approve a private placement.

2.17 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions for restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

The Group provides a guarantee on certain products and undertakes to repair or replace items that fail to perform satisfactorily. If the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

A provision for guarantee commitments is recognized when the underlying product and services are sold based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on incremental costs necessary to fulfill the obligation under the contract.

2.18 New standards and standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Consolidated Financial Statements.

The following amended standards and interpretations are not expected to have a material effect on the Group's Consolidated Financial Statements:

- Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- COVID-19 Related Rent Concessions (Amendment to IFRS 16);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to Conceptual Framework (Amendments to IFRS 3);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1); and
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts

3 Critical accounting estimates and assumptions

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these Consolidated Financial Statements, the Group has made judgments and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. The Group further makes estimates and assumptions concerning the future. The actual results will, by definition, seldom be exactly equal to the related accounting estimates used.

COVID-19 could have a significant impact on the estimates and assumptions made in the preparation of these Consolidated Financial Statements. COVID-19 is expected to continue to have an impact in 2021, although it is not known what the full economic impact of COVID-19 on Marel will be. Marel enjoys a balanced exposure to global economies and local markets through its global reach, innovative product portfolio and diversified business mix. Marel is committed to achieve its mid- and long term growth targets.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The estimates and assumptions that are most likely affected by COVID-19 are:

- Estimated impairment;
- Capitalized development cost;
- Expected Credit Losses; and
- Deferred income taxes.

For each of these estimates and assumptions, additional analyses and/or tests have been done in 2020 to confirm if they were materially impacted by COVID-19. The results of these tests are that no material impact was found, details are described further in notes 16, 17, 19 and 20. We do not expect that the other estimates and assumptions listed below are or will be significantly impacted by COVID-19.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Estimated impairment

The Group annually tests whether the financial and non-financial assets, including goodwill, were impaired in accordance with the accounting policies stated in note 2.9 and 2.11. The recoverable amounts of CGUs have been determined based on a value in use calculation. These calculations require the use of estimates which are more uncertain due to COVID-19. For further information refer to note 16.

Capitalized development cost

The recoverability of the capitalized development cost is tested regularly and is subject to the annual impairment tests, to verify if expected future economic benefits justify the values captured in the intangible fixed assets. The Group uses a discounted cash flow analysis for this purpose. This analysis requires the use of estimates which are more uncertain due to COVID-19. For further information refer to note 17.

Expected Credit Losses

Loss allowances are measured based on the Expected Credit Losses that result from all possible default events over the expected life of a financial instrument. The estimated ECL were calculated based on actual credit loss experience over the past five years. As a result of COVID-19, Marel reassessed the ECL used in calculating its loss allowances. Based on the industry which Marel operates in and current market insights, it is expected that impairment losses will remain at similar limited levels as they are currently going forward. The Group takes a holistic view of its financial assets and applies the same expected credit loss rate over all trade receivables. For further information refer to note 19.

Income taxes and deferred income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

As of each period-end, the Group evaluates the recoverability of deferred tax assets, based on projected future taxable profits. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, Marel believes it is probable the Group will realize the benefits of these deductible differences. As future developments are uncertain and partly beyond Marel's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. For further information refer to note 20.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact income tax in the period in which such determination is made.

Purchase Price Allocations

Acquisitions by Marel as part of business combinations, which will be accounted for by the acquisition method, will result in the recognition of goodwill and other intangible assets. The amounts assigned to the acquired assets and liabilities are based on assumptions and estimates about their fair values. In making these estimates, management consults with independent, qualified appraisers, if appropriate. A change in assumptions and estimates could change the values allocated to certain assets and their estimated useful lives, which could affect the amount or timing of charges to the Consolidated Statement of Income, such as amortization of intangible assets.

Leases

The Group has applied its judgment in presenting related information on leases in a manner that it considers to be the most relevant to an understanding of its financial performance and financial position. Estimates have been made on the estimated (remaining) useful lives of right of use assets and the remaining lease terms.

Revenue recognition

The Group uses the percentage-of-completion method in accounting for its revenues for complete solutions or systems. The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These estimates include total estimated costs, total estimated revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue.

In addition, Marel needs to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis.

In the following table the book values of the assets and liabilities which include an element of estimation are disclosed.

		2020		2019	
	Notes	Assets	Liabilities	Assets	Liabilities
Goodwill	16	678.8	-	645.8	-
Intangible assets	17	331.0	-	252.4	-
Right of use assets / lease liabilities	15 & 23	42.7	43.6	36.4	37.2
Current and deferred income taxes	20	13.3	93.7	11.9	59.2
Contract assets / liabilities	7	46.1	236.6	38.3	217.5

4 Business combinations

Under IFRS 3, up to one year from the acquisition date, the initial accounting for business combinations is to be adjusted to reflect new information that has been received about facts and circumstances that existed at the acquisition date and would have affected the measurement of amounts recognized as of that date. As a result of such adjustments the values of assets and liabilities recognized may change in the one-year period from the acquisition date.

Acquisition of TREIF

On 8 October 2020, Marel concluded the acquisition of the entire share capital of TREIF Maschinenbau GmbH (“TREIF”), including all relevant business activities of the group. This transaction is in line with Marel’s strategic objectives, strengthening the full-line product offering, increasing standard equipment sales and leveraging aftermarket potential with Marel’s extensive global reach and local services in all regions. Like Marel, TREIF is highly focused on innovation and cutting-edge technology, backed by an experienced and committed team and long-standing partnerships with customers.

Founded in 1948, TREIF is at the forefront in solutions and services focused on portioning, dicing, slicing and cutting of food. The company is mainly focusing on cutting solutions for the meat industry, which continues to be its largest segment. Headquartered in Oberlahr, Germany it has around 500 employees in facilities in Europe, US and China.

Closing was subject to anti-trust approval and standard closing conditions. The purchase consideration contains a cash consideration of EUR 137.3 million and 2.9 million Marel shares (EUR 12.6 million). The purchase consideration is preliminary and may be adjusted when the net working capital calculations are finalized. The fair value of the Marel shares transferred was based on the listed share price of the Company at 8 October 2020 of EUR 4.34 per share. The acquisition was financed through Marel’s strong cash position, existing credit facilities and available treasury shares. The treasury shares will be held by Mr. Uwe Reifenhäuser, former owner and CEO, with a lock-up period of 18 months.

In accordance with IFRS 3, Business Combinations, the purchase price of TREIF will be allocated to identifiable assets and liabilities acquired.

Immediately after the acquisition date the purchase price allocation ("PPA") activities started. The following table summarizes the consideration paid for TREIF and the recognized amounts of assets acquired and liabilities assumed at the acquisition date being 8 October 2020. The amounts recorded for the acquisition as disclosed below are provisional. We may further revise our preliminary purchase price allocation during the one year period from the acquisition date when we obtain additional information, which might impact the purchase consideration and the fair value of assets and liabilities.

8 October 2020	
Property, plant and equipment	12.9
Right of use assets	4.9
Intangible assets	89.4
Inventories	23.2
Trade receivables, current and non-current	10.3
Other receivables and prepayments	2.2
Cash and cash equivalents	18.5
Assets acquired	**161.4**
Borrowings, current and non-current	7.3
Provisions, current and non-current	0.5
Deferred and other tax liabilities	28.5
Trade and other payables	11.9
Liabilities assumed	**48.2**
Total net identified assets	**113.2**
Purchase consideration	149.9
Goodwill on acquisition	**36.7**

Provisional goodwill amounted to EUR 36.7 million and is allocated to the meat and the other segment. The resulting goodwill from this acquisition is primarily related to the strategic (and cultural) fit of TREIF and Marel with an experienced and capable workforce, highly complementary product portfolios and cutting-edge technology. The goodwill is tax deductible in Germany if certain conditions are met.

PPA related costs, including depreciation and amortization of acquisition related (in)tangible assets for TREIF relate to the following lines in the Consolidated Statement of Income:

PPA related costs	**2020**
Cost of sales	3.1
Selling and marketing expenses	0.8
General and administrative expenses	0.1
Research and development expenses	0.7
Total	**4.7**

TREIF contributed EUR 21.3 million to revenues since the acquisition date and affected adjusted result from operations positively. If the acquisition of TREIF had occurred on 1 January 2020, revenues contributed to Marel would have been approximately EUR 80.0 million with EBITDA of approximately EUR 15.0 million.

Acquisition of Cedar Creek

On 15 November 2019, Marel concluded the acquisition of a number of business assets and liabilities from Cedar Creek Company (Australia) Pty Ltd. and Cedar Creek Company (NZ) Ltd. ("Cedar Creek"). This acquisition is in line with Marel's strategic objective to be a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries.

Cedar Creek offers specialized software solutions that integrate on-floor processing data capture, production control, head office reporting and traceability throughout production. Cedar Creek has built long-standing relationships with some of the largest meat and poultry processors in Australia and New Zealand. The acquisition strengthens Marel's presence in Australia and New Zealand.

Closing of the transaction was subject to customary closing conditions. The acquisition was funded from cash on hand and available facilities.

In accordance with IFRS 3 Business Combinations the purchase price of Cedar Creek is allocated to identifiable assets and liabilities acquired. Goodwill amounted to EUR 1.6 million and is allocated to the meat segment. The resulting goodwill from this acquisition is primarily related to the strategic (and cultural) fit of Cedar Creek and Marel with an experienced and capable workforce, highly complementary software and hardware solutions, and geographic presence. The goodwill is under certain conditions, deductible for income tax purposes.

The PPA of Cedar Creek is finalized. The impact of the valuation of property, plant and equipment, intangible assets and goodwill, is described in note 14, note 16 and note 17, and is included in the numbers as presented below.

The following table summarizes the consideration paid for Cedar Creek and the recognized provisional amounts of assets acquired and liabilities assumed at the acquisition date being 15 November 2019.

15 November 2019	
Property, plant and equipment	0.0
Intangible assets	1.8
Inventories	0.4
Trade receivables, current and non-current	0.4
Assets acquired	**2.6**
Trade and other payables	0.0
Liabilities assumed	**0.0**
Total net identified assets	**2.6**
Purchase consideration	4.2
Provisional goodwill on acquisition	**1.6**

PPA related costs, including depreciation and amortization of acquisition related (in)tangible assets for Cedar Creek relate to the following lines in the Consolidated Statement of Income:

PPA related costs	**2020**	**2019**
Selling and marketing expenses	0.2	-
General and administrative expenses	0.1	-
Total	**0.3**	**-**

Cedar Creek contributed EUR 2.3 million to revenues for the year 2020 (2019: EUR 0.3 million) and affected adjusted result from operations positively.

5 Non-IFRS measurement

In this note to the Consolidated Financial Statements Marel presents certain financial measures when discussing Marel's performance that are not measures of financial performance or liquidity under IFRS ("non-IFRS"). Non-IFRS measures do not have standardized meanings under IFRS and not all companies calculate non-IFRS measures in the same manner or on a consistent basis. As a result, these measures may not be comparable to measures used by other companies that have the same or similar names. The non-IFRS measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures and should be read only in conjunction with our Consolidated Financial Statements prepared in accordance with IFRS.

Management has presented adjusted result from operations as a performance measure because it monitors this performance measure at a consolidated level and believes that this measure is relevant to an understanding of the Group's financial performance. Adjusted result from operations is calculated by adjusting result from operations to exclude the impact of PPA related costs (consisting of depreciation and amortization of acquisition related (in)tangible assets) and expenses related to acquisitions. No other adjustments are included in adjusted result from operations.

In 2020, Marel updated it's calculation method for the non-IFRS measurement. Previously, Marel adjusted result from operations to exclude the impact of PPA related costs. Beginning in 2020, Marel adjusted result from operations to exclude the impact of PPA related costs and acquisition related expenses. Acquisition related expenses include fees paid as part of an acquisition process. This change is meant to increase transparency of one-off cost items related to acquisitions which do not impact the underlying performance of Marel's segments.

The reconciliation of adjusted result from operations to the most directly comparable IFRS measure, result from operations, is included in the following table.

In EUR million	As reported 2020	Non-IFRS adjustments 2020	Non-IFRS measures 2020	As reported 2019	Non-IFRS adjustments 2019	Non-IFRS measures 2019
Revenues	1,237.8	-	1,237.8	1,283.7	-	1,283.7
Cost of sales	(778.4)	3.1	(775.3)	(792.6)	-	(792.6)
Gross profit	**459.4**	**3.1**	**462.5**	**491.1**	**-**	**491.1**
Selling and marketing expenses	(148.6)	7.5	(141.1)	(159.2)	6.6	(152.6)
General and administrative expenses	(87.8)	2.3	(85.5)	(83.4)	0.4	(83.0)
Research and development expenses	(73.3)	4.2	(69.1)	(85.9)	3.8	(82.1)
Adjusted result from operations		**17.1**	**166.8**		**10.8**	**173.4**
Non-IFRS adjustments		(17.1)	(17.1)		(10.8)	(10.8)
Result from operations	**149.7**	**-**	**149.7**	**162.6**	**-**	**162.6**

The non-IFRS adjustments to the result from operations includes the following:

	2020	2019
PPA related charges	15.2	10.8
Acquisition related expenses[1]	1.9	-
Total non-IFRS adjustments	**17.1**	**10.8**

[1] Acquisition related expenses are adjusted for as of the beginning of 2020; in 2019 acquisition related expenses were EUR 0.4 million and were not adjusted for.

The reconciliation of earnings before interest (net finance costs), tax (income tax), depreciation and amortization ("EBITDA") to the most directly comparable IFRS measurement, result from operations, for the period indicated is included in the table below.

	2020	2019
Result from operations (EBIT)	149.7	162.6
Depreciation, amortization and impairment	62.8	57.7
Result before depreciation & amortization (EBITDA)	**212.5**	**220.3**

6 Segment information

Operating segments

The identified operating segments comprise the three industries, which are the reporting segments. These operating segments form the basis for managerial decision taking. The following summary describes the operations in each of the Group's reportable segments:

- Poultry processing: Our poultry full-line product range offers integrated systems, software and services for processing broilers, turkeys and ducks;
- Meat processing: Our meat industry is a full-line supplier for primary, secondary and further processing equipment, systems, software and services of pork, beef, veal and sheep;
- Fish processing: Marel provides advanced equipment, systems, software and services for processing salmon and whitefish, both farmed and wild, on-board and ashore; and
- The 'Other' segment includes any revenues, result from operations and assets which do not belong to the three core industries.

The reporting entities are reporting their revenues per operating segment based on the industry for which the customer is using Marel's product range. Therefore inter-segment revenues do not exist, only intercompany revenues within the same segment.

Results are monitored and managed at the operating segment level, up to the adjusted result from operations. Adjusted result from operations is used to measure performance as management believes that this information is the most relevant in evaluating the results of the respective Marel segments relative to other entities that operate in the same industries.

The Group's CEO reviews the internal management reports of each segment on a monthly basis.

Fluctuations between quarters are mainly due to general economic developments, timing of receiving and delivery of orders, margin on projects and business mix. Decisions on tax and financing structures including cash and cash equivalents are taken at a corporate level, therefore no financial income and expenses nor tax are allocated to the operating segments. The profit or loss per operating segment is the adjusted result from operations; finance costs and taxes are reported in the column total.

Intercompany transactions are entered at arm's length terms and conditions comparable to those available to unrelated parties. Information on assets per operating segment is reported; however, decisions on liabilities are taken at a corporate level and as such are not included in this disclosure.

31 December 2020	**Poultry**	**Meat**	**Fish**	**Other**	**Total**
Revenues	**635.4**	**419.1**	**150.7**	**32.6**	**1,237.8**
Adjusted result from operations	**116.0**	**36.3**	**8.1**	**6.4**	**166.8**
PPA related costs	-	(14.4)	-	(0.8)	(15.2)
Acquisition related expenses[1]	-	-	-	(1.9)	(1.9)
Result from operations	**116.0**	**21.9**	**8.1**	**3.7**	**149.7**
Net finance costs					(18.4)
Share of result of associates					0.3
Result before income tax					**131.6**
Income tax					(29.0)
Net result for the period					**102.6**
Assets	**757.1**	**812.3**	**141.2**	**104.3**	**1,814.9**
Investments (including right of use assets)	36.4	24.1	8.7	1.9	71.1
Depreciation and amortization	(24.8)	(27.8)	(6.6)	(0.8)	(60.0)
Impairment	(0.2)	(0.2)	(0.6)	(1.8)	(2.8)

[1] Acquisition related expenses are adjusted for as of the beginning of 2020; in 2019 acquisition related expenses were EUR 0.4 million and were not adjusted for.

31 December 2019	Poultry	Meat	Fish	Other	Total
Revenues	**690.4**	**423.2**	**148.5**	**21.6**	**1,283.7**
Adjusted result from operations	**120.5**	**44.6**	**6.4**	**1.9**	**173.4**
PPA related costs	-	(10.8)	-	-	(10.8)
Result from operations	**120.5**	**33.8**	**6.4**	**1.9**	**162.6**
Net finance costs					(20.7)
Share of result of associates					(0.1)
Result before income tax					**141.8**
Income tax					(31.7)
Net result for the period					**110.1**
Assets	**712.9**	**701.7**	**130.5**	**316.1**	**1,861.2**
Investments (including right of use assets)	27.2	16.6	5.9	0.7	50.4
Depreciation and amortization	(24.6)	(25.0)	(7.0)	(0.4)	(57.0)
Impairment	-	-	(0.7)	-	(0.7)

Geographical information

The Group's operating segments operate in three main geographical areas, although they are managed on a global basis. The Group is domiciled in Iceland.

Assets excluding cash and cash equivalents	2020	2019
Europe, Middle East and Africa[1]	1,501.4	1,300.3
Americas	213.3	234.2
Asia and Oceania	21.6	23.0
Total	**1,736.3**	**1,557.5**

[1] Iceland accounts for EUR 149.0 million (2019: EUR 130.4 million).

Total assets exclude the Group's cash pool which the Group manages at a corporate level. Capital expenditures include investments in property, plant and equipment, right of use assets and intangible assets (including capitalized technology and development costs, refer to note 17).

Capital expenditure	2020	2019
Europe, Middle East and Africa[1]	64.3	43.4
Americas	6.0	6.5
Asia and Oceania	0.8	0.5
Total	**71.1**	**50.4**

[1] Iceland accounts for EUR 14.3 million (2019: EUR 9.3 million).

7 Revenues

Revenues

The Group's revenue is derived from contracts with customers. Within the segments and within the operating companies, Marel is not relying on any individual major customers.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical markets (revenue is allocated based on the country were the customer is located):

Revenue by geographical markets	2020	2019
Europe, Middle East and Africa[1]	701.8	643.4
Americas	408.3	473.0
Asia and Oceania	127.7	167.3
Total	**1,237.8**	**1,283.7**

[1] Iceland accounts for EUR 17.5 million (2019: EUR 8.6 million).

In the following table revenue is disaggregated by equipment revenue (comprised of revenue from greenfield and large projects, standard equipment and modernization equipment) and aftermarket revenue (comprised of maintenance, service and spare parts).

Revenue by business mix	2020	2019
Equipment revenue	745.2	812.8
Aftermarket revenue	492.6	470.9
Total	**1,237.8**	**1,283.7**

Trade receivables and contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2020	2019
Trade receivables	151.3	160.0
Contract assets	46.1	38.3
Contract liabilities	(236.6)	(217.5)

No information is provided about remaining performance obligations at 31 December 2020 that have an original expected duration of one year or less, as allowed by IFRS 15.

Marel continuously reassesses the impaired trade receivables and contract assets. A part of the impairment is related to product risk, which is reported as write-down to net-realizable value of contract assets for an amount of EUR 0.4 million (2019: EUR 0.3 million).

8 Expenses by nature

The table below shows the expenses by nature:

Expenses by nature	2020	2019
Cost of goods sold	435.9	455.2
Employee benefits	463.3	449.2
Depreciation, amortization and impairment	62.8	57.7
Maintenance and rent of buildings and equipment	15.0	15.3
Other	111.1	143.7
Total	**1,088.1**	**1,121.1**

9 Net finance costs

Net finance costs	2020	2019
Finance costs:		
Interest on borrowings	(5.6)	(9.9)
Interest on leases	(0.9)	(0.8)
Other finance expenses	(4.2)	(14.5)
Net foreign exchange transaction losses	(8.2)	-
Subtotal finance costs	**(18.9)**	**(25.2)**
Finance income:		
Interest income	0.5	3.0
Net foreign exchange transaction gains	-	1.5
Subtotal finance income	**0.5**	**4.5**
Total	**(18.4)**	**(20.7)**

New syndicated revolving credit facility

On 5 February 2020 Marel signed a new syndicated revolving credit facility of EUR 700.0 million replacing the old syndicated loan facility. In the fourth quarter of 2019 Marel revalued the fair value of the old syndicated loan commitments, releasing the capitalized finance charges, IFRS 9 revaluation, embedded derivatives and interest rate swaps linked to the facility resulting in additional other finance expenses of EUR 8.9 million in 2019.

10 Employee benefits

Employee benefit expenses	2020	2019
Salaries and wages	387.7	372.3
Social security contributions	47.6	47.2
Expenses related to equity-settled share-based payments	2.5	2.1
Post retirement costs	25.5	27.6
Total	**463.3**	**449.2**

The employee benefit expenses relate to employees who are working on the payroll of Marel, both with permanent and temporary contracts.

Employee benefit expenses are presented in the Consolidated Statement of Income as follows:

Employee benefit expenses	2020	2019
Cost of sales	249.7	226.0
Selling and marketing expenses	94.0	107.9
General and administrative expenses	66.5	60.4
Research and development expenses[1]	53.1	54.9
Total	**463.3**	**449.2**

[1] EUR 12.4 million were capitalized in 2020 (2019: EUR 9.5 million) as intangible assets.

For further information on post-employment benefit costs, refer to note 25.

For details on the remuneration of the members of the Board of Directors and the Executive Team, refer to note 29.

The average number of employees in FTEs per cost category is summarized as follows:

Employees in FTEs	2020	2019
Cost of sales	3,494	3,107
Selling and marketing	1,078	1,275
General and administrative	604	550
Research and development	901	895
Employees	**6,077**	**5,827**
3rd party workers	387	476
Total	**6,464**	**6,303**

The average number of employees in FTEs per geography is summarized as follows:

Employees in FTEs	2020	2019
Europe, Middle East and Africa[1]	4,263	4,093
Americas	1,471	1,423
Asia and Oceania	343	311
Employees	**6,077**	**5,827**
3rd party workers	387	476
Total	**6,464**	**6,303**

[1] Iceland accounts for 680 FTE (2019: 695 FTE).

Employees consist of those persons working on the payroll of Marel and whose costs are reflected in the employee benefit expenses table above. 3rd party workers consist of personnel hired on a per period basis, via external companies.

11 Fees to Auditors

The following table shows the fees to KPMG attributable to the fiscal years 2020 and 2019.

Audit fees	2020	2019
Financial Statement audit fees	1.0	1.0
Other fees, including tax services	0.1	0.2
Total	**1.1**	**1.2**

12 Income tax

Income tax recognized in the Consolidated Statement of Income	2020	2019
Current tax	(29.3)	(30.7)
Deferred tax	0.3	(1.0)
Total	**(29.0)**	**(31.7)**

In December 2020, a new corporate tax law was enacted in the Netherlands. Consequently, the reduction in the corporate tax rate from 25.0% to 21.7% as approved by the Dutch Government in 2019 is reversed and the Dutch income tax rate remains at 25.0%. This change resulted in a loss of EUR 5.7 million related to the re-measurement of deferred tax assets and liabilities of the Group's Dutch subsidiaries. Before this reversal of the tax rate, the deferred tax assets and liabilities were based on the lower rate of 21.7%.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as shown in the table below.

Reconciliation of effective income tax	2020	%	2019	%
Result before income tax	131.6		141.8	
Income tax using Icelandic rate	(26.3)	20.0	(28.4)	20.0
Effect of tax rates in other jurisdictions	(3.8)	2.9	(6.0)	4.3
Weighted average applicable tax	(30.1)	22.9	**(34.4)**	**24.3**
Foreign exchange effect Iceland	(1.4)	1.0	(0.0)	0.0
Research and development tax incentives	7.2	(5.5)	5.3	(3.7)
Permanent differences	1.2	(0.9)	(0.6)	0.4
(Impairment)/reversal of tax losses	0.1	(0.1)	0.1	(0.1)
Effect of changes in tax rates	(5.2)	4.0	(2.0)	1.4
Others	(0.8)	0.6	(0.1)	0.1
Tax charge included in the Consolidated Statement of Income	**(29.0)**	**22.0**	**(31.7)**	**22.4**

13 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to Shareholders by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

Basic earnings per share (EUR cent per share)	**2020**	**2019**
Net result attributable to Shareholders (EUR millions)	102.5	110.0
Weighted average number of outstanding shares issued (millions)	752.7	717.5
Basic earnings per share (EUR cent per share)	**13.62**	**15.33**

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has one category of dilutive potential ordinary shares: stock options. For the stock options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding stock options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the stock options.

Diluted earnings per share (EUR cent per share)	**2020**	**2019**
Net result attributable to Shareholders (EUR millions)	102.5	110.0
Weighted average number of outstanding shares issued (millions)	752.7	717.5
Adjustments for stock options (millions)	5.8	6.3
Weighted average number of outstanding shares for diluted earnings per share (millions)	758.5	**723.8**
Diluted earnings per share (EUR cent per share)	**13.51**	**15.20**

14 Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Under con-struction	Total
1 January 2020					
Cost	190.9	83.3	62.3	4.2	340.7
Accumulated depreciation	(54.8)	(56.1)	(48.4)	-	(159.3)
Net book value	**136.1**	**27.2**	**13.9**	**4.2**	**181.4**
Year ended 31 December 2020					
Opening net book value	136.1	27.2	13.9	4.2	181.4
Divestments	(0.6)	(0.5)	(0.6)	-	(1.7)
Effect of movements in exchange rates	(3.1)	(0.9)	(0.7)	0.0	(4.7)
Additions	10.8	4.8	4.5	7.4	27.5
Held for sale	(1.8)	-	-	-	(1.8)
Business combinations, note 4	8.5	2.7	1.7	-	12.9
Reclassifications between categories	0.1	(0.1)	-	-	-
Transfer between categories	2.7	7.0	(2.6)	(7.1)	-
Impairment charge	(0.6)	(0.2)	-	-	(0.8)
Depreciation charge	(5.8)	(6.7)	(3.6)	-	(16.1)
Closing net book value	**146.3**	**33.3**	**12.6**	**4.5**	**196.7**
At 31 December 2020					
Cost	204.4	91.6	56.9	4.5	357.4
Accumulated depreciation	(58.1)	(58.3)	(44.3)	-	(160.7)
Net book value	**146.3**	**33.3**	**12.6**	**4.5**	**196.7**

	Land & buildings	Plant & machinery	Vehicles & equipment	Under con-struction	Total
At 1 January 2019					
Cost	182.6	95.1	44.7	12.0	334.4
Accumulated depreciation	(52.9)	(68.1)	(37.8)	-	(158.8)
Net book value	**129.7**	**27.0**	**6.9**	**12.0**	**175.6**
Year ended 31 December 2019					
Opening net book value	129.7	27.0	6.9	12.0	175.6
Divestments	-	-	(0.3)	-	(0.3)
Effect of movements in exchange rates	-	0.1	-	0.1	0.2
Additions	4.9	2.5	5.9	6.0	19.3
Business combinations, note 4	(0.9)	1.4	0.2	-	0.7
Reclassifications between categories	(1.8)	(2.1)	3.9	-	-
Transfer between categories	9.1	4.0	0.8	(13.9)	-
Depreciation charge	(4.9)	(5.7)	(3.5)	-	(14.1)
Closing net book value	**136.1**	**27.2**	**13.9**	**4.2**	**181.4**
At 31 December 2019					
Cost	190.9	83.3	62.3	4.2	340.7
Accumulated depreciation	(54.8)	(56.1)	(48.4)	-	(159.3)
Net book value	**136.1**	**27.2**	**13.9**	**4.2**	**181.4**

Depreciation of property, plant and equipment and of acquisition related tangible assets analyzes as follows in the Consolidated Statement of Income:

Depreciation of property, plant and equipment	**2020**	**2019**
Cost of sales	7.1	6.5
Selling and marketing expenses	0.5	0.5
General and administrative expenses	8.3	6.9
Research and development expenses	0.2	0.2
Total	**16.1**	**14.1**
Of which: depreciation of acquisition related property, plant and equipment	0.3	0.4

15 Right of use assets

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2020				
Cost	32.0	1.2	19.3	52.5
Accumulated depreciation	(7.4)	(0.5)	(8.2)	(16.1)
Net book value	**24.6**	**0.7**	**11.1**	**36.4**
Year ended 31 December 2020				
Opening net book value	24.6	0.7	11.1	36.4
Divestments	(3.9)	-	-	(3.9)
Effect of movements in exchange rates	(0.6)	-	0.0	(0.6)
Business combinations, note 4	2.9	-	2.0	4.9
Reclassifications between categories	-	0.1	(0.1)	-
Additions	10.9	-	5.6	16.5
Depreciation charge	(4.4)	(0.3)	(5.9)	(10.6)
Closing net book value	**29.5**	**0.5**	**12.7**	**42.7**
At 31 December 2020				
Cost	38.8	1.2	24.4	64.4
Accumulated depreciation	(9.3)	(0.7)	(11.7)	(21.7)
Net book value	**29.5**	**0.5**	**12.7**	**42.7**

	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2019				
Cost	27.8	1.0	13.3	42.1
Accumulated depreciation	(4.1)	(0.2)	(4.5)	(8.8)
Net book value	**23.7**	**0.8**	**8.8**	**33.3**
Year ended 31 December 2019				
Opening net book value	23.7	0.8	8.8	33.3
Divestments	-	-	(0.6)	(0.6)
Effect of movements in exchange rates	0.4	-	0.0	0.4
Business combinations, note 4	0.2	-	0.4	0.6
Additions	5.0	0.2	7.3	12.5
Depreciation charge	(4.7)	(0.3)	(4.8)	(9.8)
Closing net book value	**24.6**	**0.7**	**11.1**	**36.4**
At 31 December 2019				
Cost	32.0	1.2	19.3	52.5
Accumulated depreciation	(7.4)	(0.5)	(8.2)	(16.1)
Net book value	**24.6**	**0.7**	**11.1**	**36.4**

For the annual maturity of the lease liabilities, refer to note 23.

Depreciation of right of use assets analyzes as follows in the Consolidated Statement of Income:

Depreciation of right of use assets	**2020**	**2019**
Cost of sales	3.0	2.5
Selling and marketing expenses	2.0	1.9
General and administrative expenses	5.3	5.1
Research and development expenses	0.3	0.3
Total	**10.6**	**9.8**

16 Goodwill

	2020	**2019**
At 1 January		
Cost	645.8	641.3
Net book value	**645.8**	**641.3**
Year ended 31 December		
Opening net book value	645.8	641.3
Business combinations, note 4	36.9	4.0
Exchange differences	(3.9)	0.5
Closing net book value	**678.8**	**645.8**
At 31 December		
Cost	678.8	645.8
Net book value	**678.8**	**645.8**

Business combinations for 2020 relate to the acquisition of TREIF (increase in provisional goodwill of EUR 36.7 million) and Cedar Creek (increase in goodwill of EUR 0.2 million due to the finalization of the PPA). For 2019 business combinations relate to the acquisition of Cedar Creek (increase in provisional goodwill of EUR 1.4 million) and MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG ("MAJA") (increase in goodwill of EUR 2.6 million due to the finalization of the PPA). Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

Impairment testing

Annually goodwill is tested for impairment at the level of the CGUs. For Marel, the CGUs are based on the market oriented business model: poultry, meat and fish, in accordance with IFRS 8 Operating Segments. Poultry, meat and fish serve the customer needs in primary, secondary and further processing. Only at the level of the operating segments, the connection can be made between the businesses for which the goodwill was originally paid for and the results of the synergies after those acquisitions.

At the end of Q1 2020, the Group assessed whether there was any indication that an asset may have been impaired due to COVID-19. COVID-19 classified as such an impairment indicator and therefore the financial and non-financial assets, including goodwill, were tested for impairment at the end of Q1 2020. The goodwill impairment test performed at the end of Q1 2020 showed that there was sufficient headroom and that there were no triggers indicating that impairment was necessary. Based on the developments of the quarterly results during the remainder of 2020, it was determined no additional impairment testing was necessary prior to the annual impairment test performed in the fourth quarter.

The annual impairment test includes property, plant and equipment, right of use assets, goodwill, other intangible assets and net working capital allocated to the CGUs to determine the final recoverable amount.

The purpose of impairment testing is to determine whether the recoverable amount exceeds the carrying amount of the above mentioned assets. The recoverable amount of an operating segment is determined as the present value of the future cash flows expected to be derived from a CGU, based on amongst others:

- the estimated future cash flows that the Group expects the CGU to earn;
- possible variations in the amount or timing of those future cash flows;
- the time value of money, which is reflected by using a discount rate based on the current market risk-free rate of interest; and
- the price for the uncertainty inherent in the CGU.

Key assumptions used in the impairment tests for the CGUs were sales growth rates, EBITDA and the rates used for discounting the projected cash flows.

These cash flow projections were determined using managements internal forecasts that cover an initial period until 2023. Projections were extrapolated with stable growth rates for 2024 and 2025, after which a terminal value was calculated. The weighted growth rate for 2024 and 2025 of forecast cash flows is between 5% and 7% for all CGUs, which is management's best estimate. These growth rates are in line with external market predictions of the worldwide industry for providing equipment and solutions for the protein industry. Revenues, operating results and cash flows beyond the 5 year forecast period are extrapolated using estimated growth rates of 1.7% (31 December 2019: 1.9%). The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

The sales growth rates and EBITDA used to estimate cash flows are based on past performance, external market growth assumptions and industry long-term growth averages. EBITDA in all segments mentioned in this note is expected to increase over the projected period as a result of volume growth and cost efficiencies.

The time value of money and price of uncertainty, calculated as the Weighted Average Cost of Capital ("WACC"), are based on external market information about market risk, interest rates and some CGU specific elements like country risk. The post-tax discount rate is calculated at CGU level and is in the range of 6.7% - 7.3% (2019: 6.6% - 7.0%) for all CGUs. The pre-tax discount rate for the three CGUs is calculated in the range of 8.2% - 8.9% (2019: 7.9% - 8.5%).

The key assumptions used for the impairment tests are listed below.

2020	**Poultry**	**Meat**	**Fish**	**Other**[1]	**Total**
Goodwill	325.5	314.1	32.7	6.5	678.8
Infinite Intangible assets	-	-	-	-	-
Terminal growth rate[2]	1.7%	1.7%	1.7%	n/a	1.7%
Discount rate (post-tax)[3]	7.3%	7.3%	6.7%	n/a	7.2%

2019	**Poultry**	**Meat**	**Fish**	**Other**[1]	**Total**
Goodwill	330.0	286.5	29.3	-	645.8
Infinite Intangible assets	-	-	-	-	-
Terminal growth rate[2]	1.9%	1.9%	1.9%	n/a	1.9%
Discount rate (post-tax)[3]	6.7%	7.0%	6.6%	n/a	6.8%

1 The goodwill in other relates to the provisional goodwill from the acquisition of TREIF. Since the PPA process has not yet been completed, no impairment test has been performed in 2020.
2 Weighted average growth rate used to extrapolate cash flows beyond management's internal forecast period.
3 Discount rate applied to the cash flow projections.

The goodwill impairment test performed in the fourth quarter, which is based on the numbers of 30 September 2020, is rolled forward to 31 December 2020 and shows that there is sufficient headroom and that there are no triggers indicating that impairment is necessary. For all three operating segments the recoverable amount exceeds the carrying amount by a substantial amount.

Taking into account increased uncertainty due to COVID-19, sensitivity tests were performed on growth assumptions (a 50% reduction of the sales growth rate), adjusted EBITDA margin assumptions (a 1% decrease in EBITDA) and for WACC (a 1% increase in WACC). All sensitivity tests showed that the conclusions would not have differed if significant adverse changes in key parameters had been assumed.

The market capitalization of Marel at 31 December 2020 amounted to EUR 3.9 billion (31 December 2019: EUR 3.5 billion) which is clearly above the carrying amount of net assets, thus providing an additional indication that goodwill was not impaired.

17 Intangible assets

	Technology & development costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2020				
Cost	267.5	177.8	81.9	527.2
Accumulated amortization	(152.2)	(64.5)	(58.1)	(274.8)
Net book value	**115.3**	**113.3**	**23.8**	**252.4**
Year ended 31 December 2020				
Opening net book value	115.3	113.3	23.8	252.4
Divestments	(0.8)	-	(0.1)	(0.9)
Business combinations, note 4	30.4	58.6	0.4	89.4
Exchange differences	(0.5)	(1.1)	(0.1)	(1.7)
Additions	19.2	0.5	7.4	27.1
Impairment charge	(1.1)	-	(0.9)	(2.0)
Amortization charge	(15.7)	(9.9)	(7.7)	(33.3)
Closing net book value	**146.8**	**161.4**	**22.8**	**331.0**
At 31 December 2020				
Cost	313.3	233.5	89.7	636.5
Accumulated amortization	(166.5)	(72.1)	(66.9)	(305.5)
Net book value	**146.8**	**161.4**	**22.8**	**331.0**

	Technology & development costs	Customer relations, patents & trademarks	Other intangibles	Total
At 1 January 2019				
Cost	255.3	178.6	79.2	513.1
Accumulated amortization	(134.0)	(57.7)	(54.4)	(246.1)
Net book value	**121.3**	**120.9**	**24.8**	**267.0**
Year ended 31 December 2019				
Opening net book value	121.3	120.9	24.8	267.0
Divestments	-	-	(0.2)	(0.2)
Business combinations, note 4	(1.5)	1.8	-	0.3
Exchange differences	0.3	0.2	0.0	0.5
Additions	13.4	-	5.2	18.6
Impairment charge	(0.7)	-	-	(0.7)
Amortization charge	(17.5)	(9.6)	(6.0)	(33.1)
Closing net book value	**115.3**	**113.3**	**23.8**	**252.4**
At 31 December 2019				
Cost	267.5	177.8	81.9	527.2
Accumulated amortization	(152.2)	(64.5)	(58.1)	(274.8)
Net book value	**115.3**	**113.3**	**23.8**	**252.4**

Business combinations for 2020 relate to the acquisition of TREIF. For 2019, business combinations relate to the acquisition of Cedar Creek (increase in intangible assets of EUR 1.8 million) and MAJA (decrease in intangible assets of EUR 1.5 million due to the finalization of the PPA). Further information on the acquisitions is disclosed in note 4 of the Consolidated Financial Statements.

The additions for 2020 predominantly comprise internally generated assets of EUR 27.1 million (31 December 2019: EUR 18.6 million) for product development and for development of software products.

The recoverability of the capitalized development cost is subject to an annual impairment test, to verify if expected future economic benefits justify the values captured in the intangible fixed assets. The Group uses a discounted cash flow analysis for this purpose. During the annual impairment test, it was evaluated if estimates were impacted due to COVID-19; there was no material impact found. The impairment charge recognized in 2020 is not related to COVID-19.

The impairment charge in intangible assets analyzes as follows in the Consolidated Statement of Income:

Impairment of intangible assets	2020	2019
Cost of sales	0.6	-
Selling and marketing expenses	0.1	-
General and administrative expenses	0.1	-
Research and development expenses	1.2	0.7
Total	**2.0**	**0.7**

Amortization of intangible assets and amortization of acquisition related intangible assets analyzes as follows in the Consolidated Statement of Income:

Amortization of intangible assets	2020	2019
Selling and marketing expenses	8.5	7.7
General and administrative expenses	9.1	7.5
Research and development expenses	15.7	17.9
Total	**33.3**	**33.1**
Of which: amortization of acquisition related intangible assets	11.8	10.4

18 Investments in associates

The investments in associates relate to a 25.0% interest in the Canadian software company Worximity Technology ("Worximity") and a 50.0% stake in the Iceland based company Curio ehf. ("Curio").

On 19 June 2020, Marel invested an additional CAD 2.5 million (EUR 1.7 million) in Worximity, bringing Marel's total ownership from 14.3% to 25.0%.

On 22 October 2019, Marel entered into an agreement to acquire a 50.0% stake in Curio. On 8 November 2019, the first phase of the transaction was finalized as closing conditions were satisfied. Marel acquired 39.3% of the total share capital of Curio. On 4 January 2021, Marel invested ISK 408.0 million (EUR 2.6 million) for an additional 10.7% of the share capital bringing Marel's total share in Curio as of 4 January 2021 to 50.0%. As of 4 January 2021, Marel has assessed that it has control of Curio as it is entitled to appoint a majority of Curio's Board of Directors, including the Chairman. Curio's results will be consolidated into the Group's results in 2021; the PPA activities have started and the purchase price of Curio will be allocated to identifiable assets and liabilities acquired. Marel has an option to acquire the remaining 50.0% of shares in three years.

19 Trade receivables, other receivables and prepayments

Trade receivables, other receivables and prepayments	2020	2019
Trade receivables	153.1	161.3
Less: write-down to net-realizable value	(1.8)	(1.3)
Trade receivables - net	**151.3**	**160.0**
Prepayments	11.0	12.3
Other receivables	44.2	36.6
Other receivables and prepayments	**55.2**	**48.9**
Less non-current portion	(2.1)	(2.1)
Current portion of other receivables and prepayments	**53.1**	**46.8**

Non-current receivables

Non-current receivables are associated with an escrow account regarding the acquisition of Sulmaq Industrial e Comercial S.A. for EUR 1.1 million (31 December 2019: EUR 2.1 million) and with a loan to Curio for EUR 1.0 million granted in 2020. All non-current receivables are due within one and five years.

Current receivables

The carrying amounts of trade receivables and other receivables and prepayments approximate their fair value.

Trade receivables in 2020 increased by EUR 10.3 million due to the acquisition of TREIF. Further information on the acquisition is disclosed in note 4 of the Consolidated Financial Statements.

The aging of trade receivables is as follows:

Aging of trade receivables	2020	2019
Not overdue	110.2	93.6
Up to 90 days overdue	36.1	52.3
Over 90 days overdue	6.8	15.4
Total	**153.1**	**161.3**
Write-down to net-realizable value	(1.8)	(1.3)
Total	**151.3**	**160.0**

Movements on the Group trade receivables impaired to net-realizable value are as follows:

Movement of write-down to net-realizable value	2020	2019
Balance at 1 January	**1.3**	**1.4**
Provision for receivables impairment	0.7	0.5
Receivables written off during the year as uncollectible	(0.1)	(0.6)
Business combinations, note 4	0.5	-
Reclassification to production contracts and unused amounts reversed	(0.6)	-
At 31 December	**1.8**	**1.3**

The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. COVID-19 has not caused a material impact on collections of trade receivables.

There were no material reversal of write-downs of trade receivables.

The impairment to net-realizable value and reversals have been included in selling and marketing expenses in the Consolidated Statement of Income. Due to the insignificant amount of write-downs, these are not shown separately in the Consolidated Statement of Income.

The other receivables and prepayments do not contain impaired assets. Information about the Group's exposure to credit and market risks is included in note 26.

The carrying amounts of the Group's trade receivables (current portion) are denominated in the following currencies:

Trade receivables in currencies	2020	2019
EUR	94.4	93.6
USD	35.9	46.1
GBP	3.7	6.5
Other currencies	19.1	15.1
	153.1	**161.3**
Write-down to net-realizable value	(1.8)	(1.3)
Total	**151.3**	**160.0**

20 Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method.

The gross movement on the deferred income tax account is as follows:

Deferred income taxes	2020	2019
At 1 January	**(43.6)**	**(47.1)**
Exchange differences and changes within the Group	0.4	(0.1)
Consolidated Statement of Income charge (excluding tax rate change)	5.6	1.0
Effect of changes in tax rates	(5.2)	(2.0)
Business combinations, note 4	(28.5)	0.4
Recognized in other comprehensive income	(0.3)	0.6
Listing Euronext Amsterdam	-	3.6
At 31 December	**(71.6)**	**(43.6)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The deferred tax charged / (credited) in the Consolidated Statement of Comprehensive Income during the period is as follows:

Deferred income taxes recognized in other comprehensive income	2020	2019
Employer's contribution social charges on stock option exercises	0.1	-
Hedge reserve	(0.4)	0.6
Total	**(0.3)**	**0.6**

Deferred income taxes recognized in the Consolidated Statement of Financial Position are as follows:

Deferred income taxes	2020	2019
Deferred income tax assets	13.3	11.9
Deferred income tax liabilities	(84.9)	(55.5)
Total	**(71.6)**	**(43.6)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Based on future profits expected in managements internal forecasts, the recoverability has been tested; a reversal of EUR 0.1 million tax losses (2019: a reversal of EUR 0.1 million) has been applied. Taking into account increased uncertainty due to COVID-19, sensitivity analysis on impairment of tax losses were performed using the assumption of decreasing the forecasted profit before tax by 5%. The sensitivity test showed that the conclusions would not have been different if significant adverse changes had been assumed.

The Group has no unrecognized deferred tax liabilities.

Taxable effects of losses will expire according to below schedule:

	2020		2019	
Taxable effects of losses	Total tax losses	Of which not capitalized	Total tax losses	Of which not capitalized
Less than 6 years	33.2	-	18.8	0.9
Between 6 and 10 years	11.4	1.0	31.1	-
More than 10 years	1.3	1.3	1.5	1.5
Indefinite	25.3	17.3	25.0	19.1
Total	**71.2**	**19.6**	**76.4**	**21.5**

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Movement in deferred tax balances	At 1 January 2020	Recognized in income statement	Other[1]	At 31 December 2020	Deferred Tax Assets	Deferred Tax Liabilities
Property, plant and equipment	(9.9)	(0.5)	0.4	(10.0)	0.8	(10.8)
Right of use assets	0.1	0.0	0.0	0.1	5.9	(5.8)
Intangible assets	(53.4)	1.2	(33.1)	(85.3)	0.7	(86.0)
Other receivables	(0.4)	0.3	(0.0)	(0.1)	3.4	(3.5)
Other financial assets	0.3	0.1	(0.4)	0.0	0.4	(0.4)
Inventories	2.5	1.8	(0.2)	4.1	4.7	(0.6)
Non-current liabilities	(0.4)	2.1	0.1	1.8	1.9	(0.1)
Provisions	0.9	0.2	(0.3)	0.8	1.4	(0.6)
Current liabilities	5.3	0.9	(0.2)	6.0	7.6	(1.6)
Subtotal	**(55.0)**	**6.1**	**(33.7)**	**(82.6)**	**26.8**	**(109.4)**
Subtotal tax losses	11.4	(0.5)	0.1	11.0	14.5	(3.5)
Total	**(43.6)**	**5.6**	**(33.6)**	**(71.6)**	**41.3**	**(112.9)**

Movement in deferred tax balances	At 1 January 2019	Recognized in income statement	Other[1]	At 31 December 2019	Deferred Tax Assets	Deferred Tax Liabilities
Property, plant and equipment	(9.0)	(0.9)	(0.0)	(9.9)	0.8	(10.7)
Right of use assets	0.1	0.0	0.0	0.1	0.1	-
Intangible assets	(52.6)	0.4	(1.2)	(53.4)	1.3	(54.7)
Other receivables	1.5	(1.7)	(0.2)	(0.4)	4.3	(4.7)
Other financial assets	(0.6)	0.1	0.8	0.3	0.3	(0.0)
Inventories	1.7	0.8	0.0	2.5	2.9	(0.4)
Non-current liabilities	(0.9)	0.5	(0.0)	(0.4)	0.3	(0.7)
Provisions	0.6	0.4	(0.1)	0.9	1.4	(0.5)
Current liabilities	3.4	2.2	(0.3)	5.3	5.8	(0.5)
Subtotal	**(55.8)**	**1.8**	**(1.0)**	**(55.0)**	**17.2**	**(72.2)**
Subtotal tax losses	8.7	(0.8)	3.5	11.4	15.1	(3.7)
Total	**(47.1)**	**1.0**	**2.5**	**(43.6)**	**32.3**	**(75.9)**

[1] Other includes the movements of assets and liabilities recognized in OCI, which includes foreign currency translation differences, acquisitions and divestments.

21 Inventories

Inventories	2020	2019
Raw materials	31.4	31.2
Semi-finished goods	136.4	112.0
Finished goods	58.7	47.8
Gross inventories	**226.5**	**191.0**
Allowance for obsolescence and/or lower market value	(26.6)	(24.2)
Net inventories	**199.9**	**166.8**

Inventories in 2020 increased by EUR 23.2 million due to the acquisition of TREIF. Further information on the acquisition is disclosed in note 4 of the Consolidated Financial Statements.

The cost of inventories recognized as an expense and included in cost of sales amounted to EUR 613.4 million (2019: EUR 626.6 million).

In 2020 the write-down of inventories to net-realizable value amounted to EUR 5.3 million (2019: EUR 5.2 million).

There were no material reversals of write-downs to net realizable value. The write-downs recognized following a recoverability analysis are included in cost of sales.

22 Equity

Share capital	Ordinary shares (thousands)	Treasury shares (thousands)	Outstanding number of shares (thousands)
At 1 January 2020	**771,008**	**(10,774)**	**760,234**
Treasury shares - purchased	-	(14,332)	(14,332)
Treasury shares - sold	-	6,338	6,338
At 31 December 2020	**771,008**	**(18,768)**	**752,240**
	100.00%	2.43%	97.57%
At 1 January 2019	**682,586**	**(10,762)**	**671,824**
Treasury shares - purchased	-	(12,096)	(12,096)
Treasury shares - sold	-	506	506
Capital reduction	(11,578)	11,578	-
New shares issued	100,000	-	100,000
At 31 December 2019	**771,008**	**(10,774)**	**760,234**
	100.00%	1.40%	98.60%

Class of share capital	2020	2019
Nominal value	6.7	6.8
Share premium reserve	437.3	478.1
Reserve for share based payments	5.5	5.0
Total share premium reserve	**442.8**	**483.1**

Share capital

On 7 June 2019, Marel began trading on the Euronext, marking the dual listing of Marel on both Nasdaq and Euronext. A total of 100.0 million ordinary shares of ISK 1 each were issued and sold, increasing the Company's share capital from 671.0 million shares to 771.0 million shares.

During the Annual General Meeting of Shareholders on 6 March 2019 the proposal to reduce the Company's share capital by 11.6 million shares, from 682.6 million shares to 671.0 million shares, was approved. The reduction was executed by way of cancelling 11.6 million of the Company's own shares of ISK 1 each, in accordance with the provisions of the Icelandic Act No. 2/1995 on Public Limited Companies. The Company's share capital was reduced in connection with the preparation of the dual listing of the Company, for the benefit of shareholders. Marel's Articles of Association were changed accordingly.

The total authorized number of ordinary shares on the Nasdaq and Euronext exchanges is 771.0 million (31 December 2019: 771.0 million) with a par value of ISK 1 per share. All issued shares are fully paid.

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at shareholders meetings of the Company. Shareholders who hold shares in Marel on Nasdaq and Euronext have identical voting rights and the same rights to dividends. All rights attached to the Company's treasury shares are suspended until those shares are sold again.

Dividends

In 2020 a dividend of EUR 43.9 million (EUR 5.79 cents per share) was declared and paid for the operational year 2019 (in 2019, a dividend of EUR 36.7 million (EUR 5.57 cents per share) was declared and paid for the operational year 2018).

After the reporting date the Board of Directors will propose to the 2021 Annual General Meeting that EUR 5.45 cents dividend per outstanding share will be paid for the operational year 2020, corresponding to approximately 40% of net results.

Treasury shares

From time to time the Company purchases its own shares in the market. Treasury shares purchased by the Company are intended to be used for issuing stock options and as payment for potential future acquisitions. Buy and sell decisions are taken by the Board of Directors. Based on a motion approved in the Annual General Meeting of shareholders on 18 March 2020, the Board of Directors can purchase up to 10% of the Company's own shares at a price which is not higher than 10% over and not lower than 10% under the average share price of the Company for the two weeks immediately preceding the transaction. This authorization is effective for 18 months following the motions approval.

In 2020, Marel purchased 14.3 million treasury shares for a total amount of EUR 55.9 million. Marel sold 3.4 million treasury shares for EUR 2.4 million in order to fulfill obligations of stock option agreements. Marel used 2.9 million treasury shares (EUR 12.6 million) as part of the purchase consideration for the acquisition of TREIF. At the end of 2020 Marel held 18.8 million treasury shares.

In 2019, Marel purchased 12.1 million treasury shares for a total amount of EUR 37.6 million. Marel sold 0.5 million treasury shares for EUR 0.9 million in order to fulfill obligations of stock option agreements. There was a capital reduction of 11.6 million shares according to the resolution of the Annual General Meeting 6 March 2019. At the end of 2019 Marel held 10.8 million treasury shares.

Stock options

Stock options are granted to the Executive Team and selected employees. The exercise prices of options granted are originally the same as the market price at the date of each granting except for options granted in June 2019, when the exercise price was the same as the final offer price in the listing on Euronext. The exercise prices are adjusted afterwards according to dividend per share when paid, i.e. the exercise prices are lowered by the same amount as the paid dividend per share (cent against cent). The exercise prices of options granted 2014 – 2016 are subject to a hurdle rate. For options from 2014 - 2015 it is 3% annually and 2% for options from 2016. Exercise prices in other outstanding options are not affected by a hurdle rate.

The option holders in the Executive Team are required to hold shares, corresponding to the net profit gained from the options (after tax) until the following holding requirements are reached, measured in total share value owned as a multiple of annual base salary: CEO three times; other members of the Executive Team two times.

Options are conditional on the employee completing particular periods' / years' service (the vesting period).

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

Assuming that all outstanding stock options are vested and / or are exercised, employees would hold 2.37% (2019: 2.49%) of the shares.

Movements of stock options	Average exercise price per share	Stock options (thousands)
At 1 January 2020	**EUR 2.736**	**19,218**
Granted	EUR 3.800	6,115
Exercised	EUR 1.879	(5,098)
Forfeited	EUR 2.727	(1,934)
At 31 December 2020	**EUR 3.273**	**18,301**
Exercisable stock options at 31 December 2020		**1,564**
At 1 January 2019	**EUR 2.256**	**11,910**
Granted	EUR 3.457	7,814
Exercised	EUR 1.461	(506)
At 31 December 2019	**EUR 2.736**	**19,218**
Exercisable stock options at 31 December 2019		**2,904**

Stock options granted in the year	2014	2015	2016	2017	2018	2019	2019	2020
Stock options expire in year	2021	2021	2022	2021	2022	2023	2023	2024
The exercise prices per share after:[1]								
28 April 2021	EUR 0.830	-	-	-	-	-	-	-
28 April 2021	-	EUR 1.385	-	-	-	-	-	-
28 October 2021	-	EUR 1.405	-	-	-	-	-	-
28 April 2021	-	-	EUR 1.797	-	-	-	-	-
28 April 2022	-	-	EUR 1.833	-	-	-	-	-
6 March 2021	-	-	-	EUR 2.623	-	-	-	-
13 February 2021	-	-	-	-	EUR 2.768	-	-	-
13 February 2022	-	-	-	-	-	EUR 3.136	-	-
7 June 2022	-	-	-	-	-	-	EUR 3.642	-
24 April 2023	-	-	-	-	-		-	EUR 3.800

[1] Exercise prices after dividend payment in 2015: EUR 0.0048 per share, after dividend payment in 2016: EUR 0.0158, after dividend payment in 2017: EUR 0.0214, after dividend payment in 2018: EUR 0.0419, after dividend payment in 2019: EUR 0.0557 and after dividend payment in 2020: EUR 0.0579.

In 2020 the following shares were exercised: 585 thousand shares at exercise price EUR 0.804 per share, 585 thousand shares at exercise price EUR 0.817 per share, 480 thousand shares at exercise price EUR 1.345, 400 thousand shares at exercise price EUR 1.365, 360 thousand shares at exercise price EUR 1.761, 288 thousand shares at exercise price EUR 1.779 and 2,400 thousand shares at exercise price EUR 2.623. No options were cash settled.

In 2019 the following shares were exercised: 90 thousand shares at exercise price EUR 0.848 per share, 200 thousand shares at exercise price EUR 1.382 per share, 108 thousand shares at exercise price EUR 1.783 and 108 thousand shares at exercise price EUR 1.801. No options were cash settled.

The fair value of the employee stock options granted is measured using the Black-Scholes model. Variables used in the Black-Scholes calculation:

	Exercise price per share (EUR)	Expected term (years)	Annual dividend yield	Expected risk-free interest rate	Estimated volatility	Weighted average remaining contr. life in months[1]
Option plan December 2014						
60% exercisable > 28 April 2018	0.949	3.0	0.00%	3%	22.04%	4
20% exercisable > 28 April 2019	0.975	4.0	0.00%	3%	22.04%	4
20% exercisable > 24 April 2020	1.001	5.0	0.00%	3%	22.04%	4
Option plan August 2015						
60% exercisable > 25 October 2018	1.477	3.0	0.00%	3%	22.04%	10
20% exercisable > 25 October 2019	1.517	4.0	0.00%	3%	22.04%	10
20% exercisable > 25 October 2020	1.558	5.0	0.00%	3%	22.04%	10
Option plan May 2016						
60% exercisable > 28 April 2019	1.902	3.0	0.00%	2%	21.52%	16
20% exercisable > 24 April 2020	1.938	4.0	0.00%	2%	21.52%	16
20% exercisable > 28 April 2021	1.974	5.0	0.00%	2%	21.52%	16
Option plan March 2017						
100% exercisable > 6 March 2020	2.779	3.0	0.00%	2%	23.72%	4
Option plan February 2018						
100% exercisable > 13 February 2021	2.923	3.0	0.00%	2%	21.16%	13
Option plan February 2019						
100% exercisable > 13 February 2022	3.250	3.0	0.00%	2%	20.00%	26
Option plan June 2019						
100% exercisable > 7 June 2022	3.700	3.0	0.00%	2%	20.00%	34
Option plan April 2020						
100% exercisable > 24 April 2023	3.800	3.0	0.00%	-0.7%	23.32%	40

1 Based on last possible exercise dates in each stock option grant.

Share premium reserve

The share premium reserve is comprised of payments in excess of par value of ISK 1 per share that shareholders have paid for shares sold by the Company, less payments in excess of par value that the Company has paid for treasury shares. According to the Icelandic Companies Act, 25% of the nominal value share capital must be held in reserve which cannot be paid out as dividend to shareholders. Marel is compliant with this requirement.

As a result of the dual listing on 7 June 2019, shareholders' equity increased by EUR 370.0 million of which share premium increased by EUR 369.2 million. Total gross transaction costs amounted to EUR 17.8 million. Transaction costs net of tax of EUR 14.2 million are deducted from the share premium reserve.

Other reserves

Other reserves in shareholder's equity include the following reserves:

- hedge reserve: comprises revaluations on derivatives, on which hedge accounting is applied. The value relates to derivatives for the Group, the interest rate swap contracts and the foreign exchange contracts; and
- translation reserve: comprises the translation results of the consolidation of subsidiaries reporting in foreign currencies, as well as a currency revaluation related to financing of subsidiaries.

Other reserves	Hedge reserve	Translation reserve	Total other reserves
Balance at 1 January 2020	**(0.7)**	**(10.2)**	**(10.9)**
Total other comprehensive income	1.6	(18.2)	(16.6)
Balance at 31 December 2020	**0.9**	**(28.4)**	**(27.5)**

Other reserves	Hedge reserve	Translation reserve	Total other reserves
Balance at 1 January 2019	**1.8**	**(12.1)**	**(10.3)**
Total other comprehensive income	(2.5)	1.9	(0.6)
Balance at 31 December 2019	**(0.7)**	**(10.2)**	**(10.9)**

Limitation in the distribution of Shareholders' equity

As at 31 December 2020, pursuant to Icelandic law, certain limitations exist relating to the distribution of shareholders' equity. Such limitations relate to legal reserves required by Icelandic law included under retained earnings for capitalized intangible assets related to product development projects and for legal reserves relating to any legal or economic restrictions to the ability of affiliated companies to transfer funds to the parent company in the form of dividends.

The legal reserve included under retained earnings for capitalized intangible assets related to product development projects amounted to EUR 76.5 million as at 31 December 2020 (31 December 2019: EUR 71.6 million).

Since the profits retained in Marel hf.'s subsidiaries can be distributed and received in Iceland, no legal reserve for any legal or economic restrictions to the ability of affiliated companies to transfer funds to the parent company in the form of dividends is required.

The amount of the legal reserve for the share of profit of affiliates is reduced by dividends received from those companies and those dividends from them which can be claimed. Therefore Marel could, based on its control as the parent company, decide to let its subsidiaries pay dividends. The dividends would lower the amount of legal reserves within equity and therefore leave more room for Marel to make dividend payments to its shareholders. The provision of the Icelandic Financial Statement Act No. 3/2006 does not prevent Marel from making dividend payments to its shareholders in 2020 as the Company has sufficient retained earnings from previous years.

The legal reserves as required by Icelandic law are required as of effective date 1 January 2016.

Non-controlling Interests

Non-controlling interests relate to minority shares held by third parties in consolidated Group companies. The net income attributable to NCI amounted to EUR 0.1 million for the year 2020 (31 December 2019: EUR 0.1 million).

A dividend of EUR 0.1 million was paid to the NCI in 2020 for the operational year 2019.

The NCI relates to MPS France S.A.R.L., France, in which the managing director of MPS France holds an ownership percentage of 24%.

23 Borrowings and lease liabilities

Marel has two main funding facilities:

Syndicated revolving credit facility

On 5 February 2020 Marel signed a syndicated revolving credit facility of EUR 700.0 million with seven leading international banks: ABN AMRO, BNP Paribas, Danske Bank, HSBC, ING Bank, Rabobank and UniCredit. The facility is based on investment grade Loan Market Association documentation. This new credit facility replaced the previous syndicated loan facility. The key elements of the syndicated revolving credit facility are:

- the term of the EUR 700.0 million syndicated revolving credit facility is for five years with two one-year extension options with final maturity in February 2027 if utilized;
- interest terms are EURIBOR/LIBOR +80bp and will vary in line with Marel's leverage ratio (Net debt/EBITDA) and the facility utilization level; and
- the credit facility includes an incentive structure based on a set of sustainability KPIs. Based on the extent to which the KPIs are met, Marel will either receive a margin reduction or increase.

The facility includes a 0% interest floor for EURIBOR/LIBOR. At inception of the loan, the 0% floor did not have an intrinsic value and is not separated from the original contract in the Consolidated Statement of Financial Position.

Schuldschein promissory notes

On 7 December 2018 Marel finalized an issue of Schuldschein promissory notes for EUR 140 million. The investors were a mixture of Central European and Asian commercial banks. The notes were split in 5 and 7 year terms and a mixture of fixed and floating rates:

- EUR 8.5 million at 1.83% fixed interest for 7 years;
- EUR 15.5 million at 1.366% fixed interest for 5 years;
- EUR 106.0 million with floating EURIBOR rate and 1.1% margin for 5 years; and
- EUR 10.0 million with floating EURIBOR rate and 1.3% margin for 7 years.

The floating rate tranches include a 0% floor on the 6 month EURIBOR. At inception of the loan, the 0% floor did not have an intrinsic value and is not separated from the original contract in the Consolidated Statement of Financial Position.

The Group has a financing structure which can accommodate the Group's financing requirements until 2027 and will give Marel strategic and operational flexibility to support its 2026 strategic vision for further growth and value creation.

Borrowings and lease liabilities

Borrowings and lease liabilities	2020	2019
Borrowings	240.2	333.5
Lease liabilities	33.6	28.4
Non-current	**273.8**	**361.9**
Borrowings	0.0	30.6
Lease liabilities	10.0	8.8
Current	**10.0**	**39.4**
Total	**283.8**	**401.3**
Borrowings	240.2	364.1
Lease liabilities	43.6	37.2
Total	**283.8**	**401.3**

As of 31 December 2020, interest bearing debt amounted to EUR 286.0 million including lease liabilities (31 December 2019: EUR 401.9 million), of which for 31 December 2020 and 2019 nothing is secured against shares that Marel hf. holds in certain subsidiaries. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The Group loan agreements contain restrictive covenants, relating to interest cover and leverage. At 31 December 2020 and 2019 the Group complies with all restrictive covenants. COVID-19 has not had a material impact on Marel's ability to comply with restrictive covenants in place.

The Group has the following headroom in committed facilities:

Available headroom	2020	2019
Expiring within one year	-	-
Expiring beyond one year	567.8	277.4
Total	**567.8**	**277.4**

Liabilities in currency recorded in EUR in 2020	Borrowings	Capitalized finance charges	Lease liabilities	Total
Liabilities in EUR	241.8	(1.8)	22.7	262.7
Liabilities in USD	-	(0.4)	8.4	8.0
Liabilities in other currencies	0.6	-	12.5	13.1
Total	**242.4**	**(2.2)**	**43.6**	**283.8**
Current maturities	(0.7)	0.7	(10.0)	(10.0)
Non-current maturities	**241.7**	**(1.5)**	**33.6**	**273.8**

Liabilities in currency recorded in EUR in 2019	Borrowings	Capitalized finance charges	Lease liabilities	Total
Liabilities in EUR	297.0	(0.6)	16.0	312.4
Liabilities in USD	67.0	-	10.7	77.7
Liabilities in other currencies	0.7	-	10.5	11.2
Total	**364.7**	**(0.6)**	**37.2**	**401.3**
Current maturities	(30.7)	0.1	(8.8)	(39.4)
Non-current maturities	**334.0**	**(0.5)**	**28.4**	**361.9**

Annual maturity of non-current borrowings in 2020	Borrowings	Capitalized finance charges	Lease liabilities	Total
Between 1 and 2 years	-	(0.7)	11.7	11.0
Between 2 and 3 years	120.7	(0.7)	7.4	127.4
Between 3 and 4 years	-	(0.1)	5.0	4.9
Between 4 and 5 years	118.7	-	5.0	123.7
After 5 years	2.3	-	4.5	6.8
Total	**241.7**	**(1.5)**	**33.6**	**273.8**

Annual maturity of non-current borrowings in 2019	Borrowings	Capitalized finance charges	Lease liabilities	Total
Between 1 and 2 years	30.7	(0.1)	9.9	40.5
Between 2 and 3 years	160.8	(0.2)	3.8	164.4
Between 3 and 4 years	122.3	(0.2)	3.9	126.0
Between 4 and 5 years	0.7	-	6.0	6.7
After 5 years	19.5	-	4.8	24.3
Total	**334.0**	**(0.5)**	**28.4**	**361.9**

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Borrowings and lease liabilities	Interest rate swap and forward exchange contracts used for hedging – assets	Interest rate swap and forward exchange contracts used for hedging – liabilities	Share capital and share premium reserve	Other reserves	Retained earnings	NCI	Total
At 1 January 2020	**401.3**	**-**	**3.0**	**489.9**	**(10.9)**	**476.5**	**0.3**	**1,360.1**
Changes from financing cash flows								
Proceeds from loans and borrowings	730.0							730.0
Purchase of treasury shares				(55.9)				(55.9)
Sale of treasury shares				15.0				15.0
Repayment of borrowings	(857.6)							(857.6)
Payment of lease liabilities	(10.5)							(10.5)
Dividend paid						(43.9)	(0.1)	(44.0)
Total changes from financing cash flows	**(138.1)**	**-**	**-**	**(40.9)**	**-**	**(43.9)**	**(0.1)**	**(223.0)**
Changes arising from obtaining or losing control of subsidiaries or other businesses	**7.3**							**7.3**
The effect of changes in foreign exchange rates	**1.9**							**1.9**
Other changes								
Liability related	(3.5)	(1.9)	0.7					(4.7)
New leases	16.5							16.5
Borrowing costs expensed	(1.6)							(1.6)
Total liability related other changes	**11.4**	**(1.9)**	**0.7**	**-**	**-**	**-**	**-**	**10.2**
Total equity related other changes				0.5	(16.6)	103.8	0.1	**87.8**
At 31 December 2020	**283.8**	**(1.9)**	**3.7**	**449.5**	**(27.5)**	**536.4**	**0.3**	**1,244.3**

	Borrowings and lease liabilities	Interest rate swap and forward exchange contracts used for hedging – assets	Interest rate swap and forward exchange contracts used for hedging – liabilities	Share capital and share premium reserve	Other reserves	Retained earnings	NCI	Total
At 1 January 2019	**487.9**	**1.3**	**1.4**	**167.8**	**(10.3)**	**403.2**	**0.2**	**1,051.5**
Changes from financing cash flows								
Proceed from issue of share capital				352.2				352.2
Proceeds from loans and borrowings	40.0							40.0
Purchase of treasury shares				(37.6)				(37.6)
Sale of treasury shares				0.9				0.9
Repayment of borrowings	(145.3)							(145.3)
Payment of lease liabilities	(14.3)							(14.3)
Dividend paid						(36.7)	(0.0)	(36.7)
Total changes from financing cash flows	**(119.6)**	**-**	**-**	**315.5**	**-**	**(36.7)**	**(0.0)**	**159.2**
Changes arising from obtaining or losing control of subsidiaries or other businesses	**-**							**-**
The effect of changes in foreign exchange rates	**2.7**							**2.7**
Other changes								
Liability related	5.9	(1.3)	1.6					6.2
New leases	12.5							12.5
Borrowing costs expensed	11.9							11.9
Total liability related other changes	**30.3**	**(1.3)**	**1.6**	**-**	**-**	**-**	**-**	**30.6**
Total equity related other changes				6.6	(0.6)	110.0	0.1	116.1
At 31 December 2019	**401.3**	**-**	**3.0**	**489.9**	**(10.9)**	**476.5**	**0.3**	**1,360.1**

24 Provisions

	Guarantee commitments	Pension commitments	Other provisions	Total
Balance at 1 January 2020	**7.2**	**11.0**	**0.6**	**18.8**
Additions	1.0	2.0	5.9	8.9
Business combinations, note 4	0.3	0.2	-	0.5
Exchange differences	(0.2)	(0.3)	(0.2)	(0.7)
Used	(1.4)	(6.0)	(1.4)	(8.8)
Release	(0.8)	(3.0)	(0.3)	(4.1)
Balance at 31 December 2020	**6.1**	**3.9**	**4.6**	**14.6**

	Guarantee commitments	Pension commitments	Other provisions	Total
Balance at 1 January 2019	**7.0**	**9.4**	**0.6**	**17.0**
Additions	1.8	1.8	0.8	4.4
Exchange differences	0.0	0.0	0.0	0.0
Used	(0.8)	(0.2)	(0.4)	(1.4)
Release	(0.8)	-	(0.4)	(1.2)
Balance at 31 December 2019	**7.2**	**11.0**	**0.6**	**18.8**

Analysis of provisions	**2020**	**2019**
Non-current	4.1	10.6
Current	10.5	8.2
Total	**14.6**	**18.8**

Nature of obligation for 2020	**Country**	**Maturity**	**Likelihood**	**Amount**
Guarantee	Netherlands	Dynamic	Dynamic	1.8
Guarantee	US	Dynamic	Dynamic	0.7
Guarantee	Denmark	Dynamic	Dynamic	0.9
Other provisions	US	Dynamic	Dynamic	2.7

Nature of obligation for 2019	**Country**	**Maturity**	**Likelihood**	**Amount**
Guarantee	Netherlands	Dynamic	Dynamic	3.0
Guarantee	US	Dynamic	Dynamic	1.2
Guarantee	Denmark	Dynamic	Dynamic	1.0

Guarantee commitments

The provisions for guarantee commitments reflect the estimated costs of replacement and free-of-charge services that will likely be incurred by the Company with respect to products sold.

Pension commitments

The pension commitments included the provision for early retirement rights (VPL), which were settled in 2020 (31 December 2019: EUR 7.5 million). For further information on the pension commitments, refer to note 25.

25 Post-employment benefits

The Group maintains various pension plans covering the majority of its employees.

The Company's pension costs for all employees for 2020 were EUR 25.5 million (2019: EUR 27.6 million). This includes defined contribution plans for EUR 15.2 million (2019: EUR 16.7 million), as well as a pension plan based on multi-employer union plan for EUR 10.3 million (2019: EUR 10.9 million).

The Company's employees in the Netherlands, 1,695 FTEs (2019: 1,651), participate in a multi-employer union plan ("Bedrijfstakpensioenfonds Metalektro", PME). This plan is determined in accordance with the collective bargaining agreements effective for the industry in which Marel operates. This pension plan is treated as a defined contribution scheme based on the following grounds:

- it is an industry-wide pension fund, used by the Company in common with other legal entities;
- under the regulations of the PME, the only obligation for the affiliated businesses towards the PME is to pay the annual premium liability; and
- the affiliated businesses are under no obligation whatsoever to pay off any deficits the PME may incur, nor do they have any claim to any potential surpluses.

The multi-employer plan covers approximately 1,390 companies and 165,000 contributing members. The plan monitors its risks on a global basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By law ("the Dutch Pension Act"), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan's assets to its obligations. This coverage ratio must exceed 104.3% for the total plan. Every company participating in a Dutch multi-employer union plan contributes a premium calculated as a percentage of its total pensionable wages and salaries, with each company subject to the same percentage contribution rate.

The Company's net periodic pension cost for this multi-employer plan for any period is the amount of the required contribution for that period.

The coverage ratio ("Beleidsdekkingsgraad") of the multi-employer plan decreased to 92.3% as per 31 December 2020 (31 December 2019: 96.9%). The decrease is caused by developments in the financial markets and the average interest rate. The coverage ratio is below the legally required level of 104.3%. The Recovery Plan PME 2020 ("Herstelplan PME 2020") indicates that the coverage ratio will increase within 10 years to the minimum required coverage ratio of 119.0%.

In 2021 the pension premium will be 27.6% of the total pensionable salaries (2020: 22.7%), in accordance with the articles of association of the Pension Fund. The coverage ratio is calculated by dividing the fund's capital by the total sum of pension liabilities and is based on actual market interest.

26 Financial instruments and risks

Financial risk factors

This note presents information about the Group's exposure to each of the below mentioned risks, the Group's objectives, policies and processes for measuring and managing the risk. Further quantitative disclosures are included throughout the Consolidated Financial Statements.

Risk management framework

The main financial risks faced by Marel relate to market risk and liquidity risk. Risk management is carried out by a central treasury department (Group Treasury) under policies and with instruments approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures and does not enter into financial contracts for speculative purposes.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. Market risk comprises (a) foreign exchange risk, (b) interest rate risk and (c) credit risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Foreign exchange risk

The Group operates internationally and is exposed to currency risk arising from mainly the USD, GBP, ISK and BRL, primarily with respect to the EUR, as the EUR is the Group's reporting currency. Financial exposure is hedged in accordance with the Group's general policy and within set limits. The Group monitors foreign exchange risk arising from commercial transactions, recognized assets and liabilities (transaction risk) that are determined in a currency other than the entity's functional currency. Derivative hedging is applied if the exposure is outside of the risk tolerance band on a consolidated basis. Generally Marel maintains a good natural hedge in its operations with a good match between revenues and costs in most currencies although less than 1% of revenues are denominated in ISK, while around 7% of costs are in ISK. In line with Marel's risk management policy, the Group started to hedge up to 80% of its estimated foreign currency exposure in ISK relating to forecasted transactions over the following 12 months. No other currency exposure is hedged.

The Group uses forward exchange contracts to hedge its exposure to fluctuations in foreign exchange rates. At year end, these instruments had remaining maturities of less than one year. Currency derivatives are not used for speculative purposes. When necessary, forward exchange contracts are rolled over at maturity.

Currency exposure arising from net assets of the Group's major foreign operations (translation risk) is managed primarily through borrowings denominated in the relevant foreign currencies as the policy is to apply natural exchange rate hedging where possible. Economic risk is defined as the extent to which currency fluctuations can alter a company's future operating cash flows, that is future revenues and costs.

The year end and average rates used for the main currencies mentioned above are:

	2020		2019	
	Year end rate	Average rate	Year end rate	Average rate
1 euro =				
USD	1.22	1.14	1.12	1.12
GBP	0.90	0.89	0.85	0.88
ISK	156.19	154.35	135.83	137.26
BRL	6.34	5.90	4.51	4.41

The following table details the Group's sensitivity of transaction and translation risk to a 10% increase and decrease in the EUR against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to management and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a 10% change in foreign currency rates.

The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or loss or equity if the EUR strengthens 10% against the relevant currency. For a 10% weakening of the EUR against the relevant currency, there would be a comparable impact on the profit or loss or equity, and the balances below would be opposite.

	2020		2019	
	Profit or (loss) impact	Equity impact	Profit or (loss) impact	Equity impact
USD	(2.9)	(6.9)	(2.2)	(5.4)
ISK	0.3	(4.3)	1.1	-
GBP	0.5	(2.6)	0.7	(2.4)
BRL	(0.7)	(2.4)	(0.9)	(3.1)

(b) Interest rate risk

The Group is exposed to interest rate risk on borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risk is managed by maintaining a mix between fixed and floating interest rates on borrowings.

Generally the Group raises long term borrowings and pays a floating interest rate. To hedge the resulting cash flow interest rate risk the Group uses interest rate swaps, where it pays a fixed interest rate and receives a floating interest rate. The floating rates are fixed on a quarterly or semi-annual basis. The Group adopts a policy of ensuring that between 50 – 70% of its exposure to changes in interest rates on core debt is hedged with an interest rate swap with a maximum maturity of 5 years.

Currently around 33% (2019: 15%) of the core debt has floating interest rates and the rest is fixed. As at year end 2020 a total of EUR 70.0 million (2019: EUR 282.5 million) of liabilities were swapped into fixed interest rates or in fixed rate debt instruments. The weighted average fixed rate of the interest swaps currently is 0.4% (2019: 0.0%).

Marel applies cash flow hedge accounting to hedge the variability in the interest cash outflows of the 3 months EURIBOR/LIBOR Senior Secured Floating Rate Notes.

Throughout the year 2020, as well as per year end, the cash flow hedge accounting relationships were effective.

The amounts deferred in equity at year end are expected to affect interest costs within the coming 2 years.

Marel holds interest rate swaps for an amount of EUR 160.9 million linked to the former syndicated loan facility which was repaid in February 2020. Marel does not apply cash flow hedge accounting for these swaps and all changes in value are processed through the Consolidated Statement of Income.

At year end 2020, if EURIBOR interest rates had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 0.4 million (2019: EUR 0.1 million) lower/higher.

Among the actions taken to monitor the interest rate risk are stress tests to establish sensitivity to possible movements in rates and how they might affect the Group's results.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. Each customer has a set credit limit and the utilization of the credit limit is regularly monitored.

The carrying amount of financial assets represents the maximum credit risk exposure:

	2020	2019
Trade receivables	151.3	160.0
Derivative financial instruments	1.9	-
Other receivables and prepayments	55.2	48.9
Cash and cash equivalents	78.6	303.7
Total	**287.0**	**512.6**

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and products are not delivered until payments are secured. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. No significant credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by its customers (refer to note 19). COVID-19 has not caused a material impact on collections of trade receivables.

The Group has banking relations with a diversified set of financial institutions around the world. The Group has policies that limit the amount of credit exposure to any one financial institution and has International Swaps and Derivatives Association agreements in place with counterparties in all derivative transactions. The majority of cash and cash equivalents are held with bank and financial institution counterparties, which have an investment grade rating, based on Standard & Poor's ratings as at 31 December 2020. Marel holds the majority of its cash and cash equivalents with financial institutions that are lending partners to the Group to minimize further credit risk.

The Group does not expect any impairment on cash and cash equivalents as the Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and committed credit facilities to give reasonable operating headroom. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by maintaining availability under committed credit lines.

During Q1 2020 the Group drew EUR 600.0 million on the new syndicated revolving credit facility as a precautionary measure to increase its flexibility and ability to react to unforeseen future business needs in relation to COVID-19. During Q2 2020 the Group repaid EUR 500.0 million and the remaining EUR 100.0 million was repaid in Q3 2020.

The Group has EUR 700.0 million of committed facilities, which can be used both as a revolver and to issue guarantees for down payments. As per 31 December 2020, the Group had drawn EUR 100.0 million on the syndicated revolving credit facility (31 December 2019: EUR 0.0 million), and issued guarantees for EUR 32.2 million (31 December 2019: EUR 45.6 million), therefore the total usage is EUR 132.2 million (31 December 2019: EUR 45.6 million), leaving a headroom of EUR 567.8 million (31 December 2019: EUR 277.4 million). All facilities are subject to operational and Consolidated Statement of Financial Position covenants (interest cover and leverage). At 31 December 2020 there is sufficient headroom.

At 31 December 2020, net cash and cash equivalents were EUR 78.6 million (31 December 2019: EUR 303.7 million).

Marel has a strong cash position and sufficient headroom in its committed facilities and therefore, does not foresee additional liquidity risks despite the challenging environment due to COVID-19.

Cash flow forecasts are done at the local levels and monitored by Group Treasury. Group liquidity reports are reviewed by management on a weekly basis. The Group has a cross border notional cash pool with the aim of making better use of the Group cash position and to further decrease the amount of idle cash.

The table below analyzes cash outflows per maturity group based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	0.7	239.4	2.3
Interest on borrowings	4.3	14.9	0.2
Lease liabilities	10.0	29.1	4.5
Trade and other payables	222.7	1.1	-
Interest rate swaps	2.3	1.4	-
Forward exchange contracts			
Inflow	(1.9)	-	-
Total	**238.1**	**285.9**	**7.0**

At 31 December 2019	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	30.7	314.5	19.5
Interest on borrowings	6.3	10.0	0.2
Lease liabilities	8.8	23.6	4.8
Trade and other payables	200.5	5.1	-
Interest rate swaps	1.2	3.0	-
Total	**247.5**	**356.2**	**24.5**

Capital management

The Board of Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board monitors the Group's leverage, defined as net debt divided by EBITDA. The Board also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns on equity that might be possible with higher levels of borrowings and the advantages and security of a sound capital position. The Group uses the leverage ratio in its approach to capital management.

Insurance

The Group maintains global and local insurance programs. The coverage comprises property damage, business interruption, general and product liability, marine cargo/mounting, directors and officers liability, employers practice liability, business travel and accident. The Group believes that its current insurance coverage is adequate.

The Group has covered Business Interruption Risks with an insurance policy for a maximum period of 24 months for Marel Poultry B.V. and 18 months for all other Marel entities. The insurance benefits for Business Interruption amount to EUR 720.0 million for 2020 (2019: EUR 662.0 million) for the whole Group.

The Group insurance value of buildings amounts to EUR 185.0 million (2019: EUR 174.0 million), production machinery and equipment including software and office equipment amount to EUR 201.0 million (2019: EUR 184.0 million) and inventories to EUR 181.0 million (2019: EUR 206.0 million). Currently there are no major differences between appraisal value and insured value.

Fair value versus carrying amount

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

Level 1

The fair value of financial instruments traded in an active market is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These valuation techniques are based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Derivatives are valued by an independent third party based on market conditions, which takes into account credit value adjustment and debit value adjustment corrections.

Level 3

Valuation techniques using significant unobservable inputs.

The fair value of borrowings equals their carrying amount, as the impact of discounting, based on the borrowings rate of 2.04% (2019: 1.59%), is not significant.

The weighted average interest rate on borrowings in 2020, including the effect of floating to fixed interest rates swaps is 2.04% (2019: 1.59%).

The fair value of the lease liabilities equals their carrying amount, as the impact of discounting, based on the average interest rate of the relevant currency and applicable average credit spreads of the company's external funding sources, is not significant.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Statement of Financial Position, are as follows:

Fair value of financial assets and liabilities	Cash flow-hedging instruments	Cash & receivables	Other financial liabilities	Total carrying amount	Fair Value
2020					
Cash and cash equivalents	-	78.6	-	78.6	78.6
Trade receivables, other receivables and prepayments	-	206.5	-	206.5	206.5
Forward exchange contracts	1.9	-	-	1.9	1.9
Subtotal financial assets	**1.9**	**285.1**	**-**	**287.0**	**287.0**
Interest rate swaps used for hedging	(3.7)	-	-	(3.7)	(3.7)
Borrowings	-	-	(240.2)	(240.2)	(240.2)
Lease liabilities	-	-	(43.6)	(43.6)	(43.6)
Trade and other payables	-	-	(223.8)	(223.8)	(223.8)
Subtotal financial liabilities	**(3.7)**	**-**	**(507.6)**	**(511.3)**	**(511.3)**
Total	**(1.8)**	**285.1**	**(507.6)**	**(224.3)**	**(224.3)**

Fair value of financial assets and liabilities	Cash flow-hedging instruments	Cash & receivables	Other financial liabilities	Total carrying amount	Fair Value
2019					
Cash and cash equivalents	-	303.7	-	303.7	303.7
Trade receivables, other receivables and prepayments	-	208.9	-	208.9	208.9
Subtotal financial assets	**-**	**512.6**	**-**	**512.6**	**512.6**
Interest rate swaps used for hedging	(3.0)	-	-	(3.0)	(3.0)
Borrowings	-	-	(364.1)	(364.1)	(364.1)
Lease liabilities	-	-	(37.2)	(37.2)	(37.2)
Trade and other payables		-	(205.6)	(205.6)	(205.6)
Subtotal financial liabilities	**(3.0)**	**-**	**(606.9)**	**(609.9)**	**(609.9)**
Total	**(3.0)**	**512.6**	**(606.9)**	**(97.3)**	**(97.3)**

The table below analyzes financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

Derivatives held for risk management	Level 1	Level 2	Level 3	Total
At 31 December 2020	-	(1.8)	-	(1.8)
At 31 December 2019	-	(3.0)	-	(3.0)

No financial instruments were transferred from Level 1 to Level 2 or from Level 2 to Level 3 of the fair value hierarchy.

Foreign exchange contracts

The purpose of foreign exchange contracts is to minimize the risk of volatility of future cash flows. These may result from a recognized asset or liability or a forecasted transaction that is considered highly probable (firm commitment). The Group designates the spot element of forward exchange contracts to hedge its currency exposure and applies a hedge ratio of 1:1. Changes in fair value are recognized in other comprehensive income (Hedging reserve), and material ineffectiveness (mainly as a result of changes in timing of the hedged transactions) will be recognized in the Consolidated Statement of Income. As soon as the forecasted transaction is realized (the underlying hedged item materializes), the amount recognized in other comprehensive income will be reclassified to the Consolidated Statement of Income. In case the hedged future transaction is a non-financial asset or liability, the gain or loss recognized in other comprehensive income will be included in the cost of acquisition of the asset or liability.

During 2020 in order to protect Marel from foreign currency exposure on its operations in ISK, Marel entered into foreign exchange contracts to receive ISK and to sell EUR. This is in line with Marel's risk management policy to hedge up to 80% of its estimated foreign currency exposure in ISK relating to forecasted transactions over the following 12 months. In 2020, Marel hedged ISK 586.0 million of its projected net cash flow in ISK against the EUR by means of average rate currency forward contracts at an average exchange rate of ISK 162.9 per EUR. In 2020, Marel also hedged ISK 7.1 billion of its 2021 projected net cash flow in ISK against the EUR by means of average rate currency forward contracts at an average exchange rate of ISK 164.3 per EUR for the 12 months of 2021. Each month, the relevant hedges for that month will be settled and recognized in the Consolidated Statement of Income. There was no material ineffectiveness in relation to these hedges.

Forward currency contracts	**2020**	**2019**
Nominal amount hedged item	43.0	-
Carrying amount assets	1.9	-
Line item Consolidated Statement of Financial Position	Derivative financial instruments	n/a
Change in the value of the hedging instrument	1.9	-
Reclassified from hedging reserve to income statement	(0.0)	-
Line item Consolidated Statement of Income	Expenses[1]	n/a

[1] Cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses.

For movements in hedge or translation reserve, refer to note 22.

Interest rate swaps

To protect Marel from fluctuations in EURIBOR-EUR-Reuters/LIBOR-BBA ("British Bankers Association") and in accordance with the interest hedge policy, Marel has entered into interest rate swaps to receive floating interest and to pay fixed interest. This is in line with Marel's risk management policy to have 50 - 70% of core debt fixed for 3 – 5 years. The Group accounts for fixed rate financial assets and liabilities at fair value through profit or loss, and the Group designates interest rate swaps as hedging instruments and applies cash flow hedge accounting if a hedge relationship exists.

As of the fourth quarter of 2019 Marel stopped applying hedge accounting for interest rate swaps linked to the syndicated loan facility as it was repaid early 2020. These hedges previously were accounted for using cash flow hedge accounting with recorded changes in fair value in other comprehensive income. During 2020, all changes in values of those contracts have been processed as finance cost through the Consolidated Statement of Income. At the end of 2020, the value of interest rate derivatives not accounted for using the hedge accounting model was EUR 2.9 million and EUR 0.8 million of contracts where hedge accounting is used.

The notional principal amount of the outstanding active interest rate swap contracts at 31 December 2020 was EUR 231.0 million (31 December 2019: EUR 282.5 million).

At 31 December 2020	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	80.0	2022	0.4
Interest rate SWAP	EUR	40.0	2022	0.4
Interest rate SWAP	USD	50.0	2022	2.3
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	0.8	2027	5.2

At 31 December 2019	Currency	Principal	Maturity	Interest %
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	35.0	2023	0.4
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	EUR	50.0	2020	(0.1)
Interest rate SWAP	USD	10.0	2020	1.3
Interest rate SWAP	USD	60.0	2020	1.6
Interest rate SWAP	EUR	80.0	2022	0.4
Interest rate SWAP	EUR	40.0	2022	0.4
Interest rate SWAP	USD	50.0	2022	2.3
Embedded floor (0,00% cap on interest rates in financing agreements)	EUR	168.0	2022	0.0
FX EUR DKK interest rate SWAP (EUR fixed, DKK floating)	EUR	0.8	2027	5.2

27 Trade and other payables

Trade and other payables	2020	2019
Trade payables	81.8	83.6
Accruals	5.4	11.0
Personnel payables	66.3	51.9
Other payables	70.3	59.1
Total	**223.8**	**205.6**
Less non- current portion	(1.1)	(5.1)
Current portion of trade and other payables	**222.7**	**200.5**

Trade and other payables in 2020 increased by EUR 11.9 million due to the acquisition of TREIF. Further information on the acquisition is disclosed in note 4 of the Consolidated Financial Statements.

Information about the Group's exposure to currency and liquidity risks is included in note 26.

28 Contingencies

Contingent liabilities

At 31 December 2020 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the Group has given guarantees amounting to EUR 48.3 million (31 December 2019: EUR 82.4 million) to third parties.

Legal proceedings

As part of doing business and acquisitions the Group is involved in claims and litigations, under such indemnities and guarantees. These claims are pending and all are contested. Provisions are recognized when an outflow of economic benefits for settlement is probable and the amount can be estimated reliably. It should be understood that, in light of possible future developments, such as (a) potential additional lawsuits, (b) possible future settlements, and (c) rulings or judgments in pending lawsuits, certain cases may result in additional liabilities and related costs.

At this point in time, we cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts with sufficient certainty to allow such amount or range of amounts to be meaningful. Moreover, if and to the extent that the contingent liabilities materialize, they are often resolved over a number of years and the timing of such payments cannot be predicted with confidence. While the outcome of said cases, claims and disputes cannot be predicted with certainty, we believe, based upon legal advice and information received, that the final outcome will not materially affect our consolidated financial position but could be material to our results of operations or cash flows in any one accounting period.

Environmental remediation

The Company and its subsidiaries are subject to environmental laws and regulations. Under these laws, the Company and/or its subsidiaries may be required to remediate the effects of certain incidents on the environment.

29 Related party transactions

At 31 December 2020 and 2019 there are no loans to the members of the Board of Directors and the CEO. In addition, there were no transactions carried out (purchases of goods and services) between the Group and members of the Board of Directors nor the CEO in the year ended 31 December 2020 and 2019. The Group has an outstanding loan to Curio for EUR 1.0 million granted in 2020.

The Board of Directors' remuneration is shown in the table below. The Board of Directors is not granted stock options.

Board of Directors' fee for the year and shares at year end (in thousands)	2020 Board fee	2020 Pension contribution[1]	2020 Shares at year end[2]	2019 Board fee	2019 Pension contribution[1]	2019 Shares at year end[2]
Asthildur Margret Otharsdottir, Chairman	144	17	32	140	16	32
Arnar Thor Masson, Vice Chairman	100	12	-	97	11	-
Ann Elizabeth Savage, Board Member	63	7	-	54	6	-
Astvaldur Johannsson, Board Member	56	6	-	54	6	-
Helgi Magnusson, Board Member, (until 06-03-2019)	-	-	-	9	1	-
Lillie Li Valeur, Board Member (from 18-03-2020)	35	4	-	-	-	-
Margret Jonsdottir, Board Member (until 18-03-2020)[2]	14	2	193	54	6	195
Olafur S. Gudmundsson, Board Member	56	6	1,705	54	6	1,705
Ton van der Laan, Board Member, (from 06-03-2019)	56	6	-	45	5	-

1 Pension contributions for all board members and the Executive Team are part of a defined contribution plan.
2 Margret Jonsdottir is the Managing Director of Operations of Eyrir Invest hf. and Arni Oddur Thordarson is a major shareholder of Eyrir Invest hf., which on 31 December 2020 held 190,366,838 (2019: 190,366,838) shares in Marel hf. 24.7% (2019: 24.7%) of total issued shares.

The Executive Team remuneration is shown in the tables below.

In 2020 Marel identified nine executives who have material significance for Marel's operations. The Executive Team consists of the Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer and executive vice president ("EVP") of Strategic Business Units, EVP Marel Poultry, EVP Marel Meat, EVP Marel Fish, EVP Global Markets and Service, EVP Global Supply Chain, and EVP Innovation. Two of them joined the Executive Team in March 2020; five former executives left the Executive Team at the same time and are included in the below table.

Executive Team remuneration 2020 (in thousands)	Total fixed remuneration	Short-term bonus	Stock Options awarded[1]	Total variable remuneration	Extra-ordinary items	Pension contribution[2]	Total remuneration	Shares at year end[3]
Arni Oddur Thordarson, Chief Executive Officer	**706**	332	334	**666**	-	137	**1,509**	140
Other Executive Team Members	**2,486**	489	1,058	**1,547**	-	283	**4,316**	771
Former Executive Team Members	**941**	189	-	**189**	819	235	**2,184**	1,048
Total Executive Team	**4,133**	**1,010**	**1,392**	**2,402**	**819**	**655**	**8,009**	**1,959**

1 The granted options during 2020 are valued according to the model of Black-Scholes with the assumptions applied when granted. The options granted in 2020 have a vesting period of 3 years. The calculated total cost for the 3 years is disclosed in this table.
2 Pension contributions for all board members and the Executive Team are part of a defined contribution plan.
3 Including financially related.

In 2019 Marel identified twelve executives who had a material significance for Marel's operations. The Executive Team consisted of the Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer, EVP Marel Poultry, EVP Marel Meat, EVP Marel Fish, EVP Marel Further Processing, EVP Global Service, EVP Global Markets, EVP Global Supply Chain, EVP Human Resources, and EVP Innovation. One of them joined the Executive Team in September 2019; one former executive left the Executive Team at the same time and is included in the following table.

Executive Team remuneration 2019 (in thousands)	Total fixed remune-ration	Short-term bonus	Stock Options awarded[1]	Total variable remune-ration	Extra-ordinary items	Pension contribu-tion[2]	Total remune-ration	Shares at year end[3]
Arni Oddur Thordarson, Chief Executive Officer	**680**	376	347	**723**	-	139	**1,542**	132
Other Executive Team Members	**3,292**	972	1,674	**2,646**	31	394	**6,363**	1,273
Former Executive Team Members	**232**	143	134	**277**	-	15	**524**	195
Total Executive Team	**4,204**	**1,491**	**2,155**	**3,646**	**31**	**548**	**8,429**	**1,600**

1 The granted options during 2019 are valued according to the model of Black-Scholes with the assumptions applied when granted. The options granted in 2019 had a vesting period of 3 years. The calculated total cost for the 3 years is disclosed in this table.
2 Pension contributions for all board members and the Executive Team are part of a defined contribution plan.
3 Including financially related.

An overview of the Executive Team's stock options are shown in the tables below.

	Main conditions of the stock option plan					Information regarding the financial year			
Stock options 2020 (number of shares in thousands)	Award date	Last vesting date	Expiration date	Exercise price per share[1]	Stock options awarded	Stock options vested	Stock options exercised	Stock options forfeited	Stock options at year end
Arni Oddur Thordarson, Chief Executive Officer	3-5-2016	28-4-2021	28-4-2022	1.797	360	72	288	-	72
	5-3-2017	6-3-2020	15-5-2021	2.623	600	600	600	-	-
	12-2-2018	13-2-2021	13-2-2022	2.768	650	-	-	-	650
	12-2-2019	13-2-2022	13-2-2023	3.136	650	-	-	-	650
	24-4-2020	24-4-2023	24-4-2024	3.800	580	-	-	-	580
Other Executive Team members	2-12-2014	24-4-2020	28-4-2021	0.830	675	135	360	-	135
	4-8-2015	25-10-2020	28-10-2021	1.385	600	120	200	-	240
	3-5-2016	28-4-2021	28-4-2022	1.797	540	108	-	-	432
	5-3-2017	6-3-2020	15-5-2021	2.623	1,100	1,100	800	-	300
	12-2-2018	13-2-2021	13-2-2022	2.768	1,350	-	-	-	1,350
	12-2-2019	13-2-2022	13-2-2023	3.136	1,600	-	-	-	1,600
	6-6-2019	7-6-2022	15-11-2023	3.642	250	-	-	-	250
	24-4-2020	24-4-2023	24-4-2024	3.800	1,840	-	-	-	1,840
Former Executive Team members	2-12-2014	24-4-2020	28-4-2021	0.830	1,125	180	810	90	45
	4-8-2015	25-10-2020	28-10-2021	1.385	1,000	160	680	120	40
	3-5-2016	28-4-2021	28-4-2022	1.797	900	144	360	180	252
	5-3-2017	6-3-2020	15-5-2021	2.623	1,300	1,300	1,000	-	300
	12-2-2018	13-2-2021	13-2-2022	2.768	1,650	-	-	750	900
	12-2-2019	13-2-2022	13-2-2023	3.136	1,500	-	-	500	1,000
Total Executive Team	2-12-2014	24-4-2020	28-4-2021	0.830	1,800	315	1,170	90	180
	4-8-2015	25-10-2020	28-10-2021	1.385	1,600	280	880	120	280
	3-5-2016	28-4-2021	28-4-2022	1.797	1,800	324	648	180	756
	5-3-2017	6-3-2020	15-5-2021	2.623	3,000	3,000	2,400	-	600
	12-2-2018	13-2-2021	13-2-2022	2.768	3,650	-	-	750	2,900
	12-2-2019	13-2-2022	13-2-2023	3.136	3,750	-	-	500	3,250
	6-6-2019	7-6-2022	15-11-2023	3.642	250	-	-	-	250
	24-4-2020	24-4-2023	24-4-2024	3.800	2,420	-	-	-	2,420

1 The exercise prices of options granted are originally the same as the market price at the date of each granting except for options granted in June 2019, the exercise price is the same as the final offer price in the listing on Euronext Amsterdam. The exercise prices are adjusted afterwards according to dividend per share when paid, i.e. the exercise prices are lowered by the same amount as the paid dividend per share (cent against cent). The exercise prices of options granted 2014-2016 are subject to a hurdle rate. For options from 2014-2015 it is 3% annually and 2% for options from 2016. Exercise prices in other outstanding options are not affected by a hurdle rate.

	Main conditions of the stock option plan					Information regarding the financial year			
Stock options 2019 (number of shares in thousands)	**Award date**	**Last vesting date**	**Expiration date**	**Exercise price per share[1]**	**Stock options awarded**	**Stock options vested**	**Stock options exercised**	**Stock options forfeited**	**Stock options at year end**
Arni Oddur Thordarson, Chief Executive Officer	3-5-2016	28-4-2021	28-4-2022	1.819	360	216	-	-	360
	5-3-2017	6-3-2020	15-5-2021	2.681	600	-	-	-	600
	12-2-2018	13-2-2021	13-2-2022	2.825	650	-	-	-	650
	12-2-2019	13-2-2022	13-2-2023	3.194	650	-	-	-	650
Other Executive Team members	2-12-2014	24-4-2020	28-4-2021	0.861	1,350	270	45	-	1,170
	4-8-2015	25-10-2020	28-10-2021	1.423	1,200	240	160	-	1,040
	3-5-2016	28-4-2021	28-4-2022	1.819	1,080	648	108	-	972
	5-3-2017	6-3-2020	15-5-2021	2.681	1,900	-	-	-	1,900
	12-2-2018	13-2-2021	13-2-2022	2.825	2,500	-	-	-	2,500
	12-2-2019	13-2-2022	13-2-2023	3.194	2,850	-	-	-	2,850
	6-6-2019	7-6-2022	15-11-2023	3.700	250	-	-	-	250
Former Executive Team members	2-12-2014	24-4-2020	28-4-2021	0.861	450	90	45	-	270
	4-8-2015	25-10-2020	28-10-2021	1.423	400	80	40	-	240
	3-5-2016	28-4-2021	28-4-2022	1.819	360	216	108	-	252
	5-3-2017	6-3-2020	15-5-2021	2.681	500	-	-	-	500
	12-2-2018	13-2-2021	13-2-2022	2.825	500	-	-	-	500
	12-2-2019	13-2-2022	13-2-2023	3.194	250	-	-	-	250
Total Executive Team	2-12-2014	24-4-2020	28-4-2021	0.861	1,800	360	90	-	1,440
	4-8-2015	25-10-2020	28-10-2021	1.423	1,600	320	200	-	1,280
	3-5-2016	28-4-2021	28-4-2022	1.819	1,800	1,080	216	-	1,584
	5-3-2017	6-3-2020	15-5-2021	2.681	3,000	-	-	-	3,000
	12-2-2018	13-2-2021	13-2-2022	2.825	3,650	-	-	-	3,650
	12-2-2019	13-2-2022	13-2-2023	3.194	3,750	-	-	-	3,750
	6-6-2019	7-6-2022	15-11-2023	3.700	250	-	-	-	250

1 The exercise prices of options granted are originally the same as the market price at the date of each granting except for options granted in June 2019, the exercise price is the same as the final offer price in the listing on Euronext Amsterdam. The exercise prices are adjusted afterwards according to dividend per share when paid, i.e. the exercise prices are lowered by the same amount as the paid dividend per share (cent against cent). The exercise prices of options granted 2014-2016 are subject to a hurdle rate. For options from 2014-2015 it is 3% annually and 2% for options from 2016. Exercise prices in other outstanding options are not affected by a hurdle rate.

30 Subsequent events

Acquisition of PMJ

On 21 January 2021, Marel concluded the acquisition of the entire share capital of Poultry Machinery Joosten B.V. ("PMJ"). PMJ is at the forefront of duck and goose processing solutions and services. The company was founded in 1998 as a family business and has evolved into a global leader for waterfowl processing solutions. PMJ's product range contains solutions for a wide variety of production sizes. PMJ's complementary product portfolio of primary processing, including waxing and automated evisceration, will make Marel the industry's only full-line provider of duck processing solutions. PMJ's annual revenues are around EUR 5 million.

Closing was subject to standard closing conditions. The purchase consideration was paid with EUR 12.4 million in cash. The acquisition was financed through Marel's strong cash position and existing credit facilities.

In accordance with IFRS 3, business combinations, the purchase price of PMJ will be allocated to identifiable assets and liabilities acquired. Due to the short timeframe between closing of the acquisition and issuance of the Consolidated Financial Statements, this has not been completed and as such the allocation of the purchase price to acquired assets and liabilities assumed is not disclosed.

Strategic minority investment in Stranda Prolog

On 29 January 2021, Marel acquired a 40% interest in Stranda Prolog ("Stranda"), a Norwegian provider of salmon processing solutions. The transaction is in line with Marel's strategic objective to be a full-line supplier of advanced food processing solutions, software and services to the fish, meat and poultry industries. Stranda's complementary product portfolio for primary salmon processing and aquaculture solutions will bring Marel closer to becoming a full-line provider to the global salmon industry. The initial value of this investment amounts to EUR 8.6 million and will be recognized under Investments in associates.

No other significant events have taken place since the reporting date, 31 December 2020.

31 Subsidiaries

The following lists presents the material subsidiaries as per 31 December 2020 representing greater than 1% of either the consolidated Group revenues or total asset value. All of the entities are fully consolidated in Group financial statements. Companies are listed in alphabetical order of the country of incorporation.

	Country of Incorporation	Ownership Interest
Marel Australia Pty. Ltd.	Australia	100%
Marel Brasil Commercial e Industrial Ltda	Brazil	100%
Sulmaq Industrial e Comercial S.A.	Brazil	100%
Marel Salmon A/S	Denmark	100%
Marel Meat A/S	Denmark	100%
Marel France S.A.R.L.	France	100%
TREIF Maschinenbau GmbH	Germany	100%
MAJA Maschinenfabrik Hermann Schill GmbH & Co. KG	Germany	100%
Marel Iceland ehf.	Iceland	100%
Marel Holding B.V.	Netherlands	100%
Marel Meat B.V.	Netherlands	100%
Marel Poultry B.V.	Netherlands	100%
Marel Further Processing B.V.	Netherlands	100%
Marel Water Treatment B.V.	Netherlands	100%
Marel Red Meat Slaughtering B.V.	Netherlands	100%
Marel Meat Service B.V.	Netherlands	100%
Marel Food Logistics Systems B.V.	Netherlands	100%
Marel Norge AS	Norway	100%
Marel Food Systems LLC	Russia	100%
Marel Slovakia s.r.o.	Slovakia	100%
Marel Ltd.	UK	100%
Marel GB Ltd.	UK	100%
Marel Inc.	USA	100%
Marel USA Holding Inc.	USA	100%

Appendices

1 Marel hf. Corporate Governance Statement

Icelandic law and the company's corporate governance framework determine the duties of the various bodies within the company. They define and dictate how the company is governed and controlled – including the interaction between the CEO, who is responsible for day-to-day management, the Board of Directors, shareholders, regulators, and other stakeholders. Marel hf. is committed to recognized general principles aimed at ensuring good corporate governance.

Corporate Governance Framework and Compliance

Marel's corporate governance consists of a framework of principles and rules, including its Articles of Association and the Guidelines on Corporate Governance issued in 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 complies with the Guidelines on Corporate Governance, apart from the following exceptions:

Article 1.4

Of the Guidelines concerning Share Registry: Marel is listed in ISK on Nasdaq Iceland and in EUR on Euronext Amsterdam. In the Netherlands, shares are registered in the account-based electronic securities system operated by Euroclear Nederland, a central securities depository and clearing organization authorized under the Securities Bank Giro Transactions Act. All securities in its depository are registered in the name of Euroclear Nederland. Under Dutch property law governing Euroclear Nederland, the legal title to the shares registered in the name of Euroclear Nederland are owned by all investors collectively, each in proportion to their percentage shareholding. Dutch law further regulates how Euroclear Nederland must afford the investors the rights to the securities in its custody, such as voting rights and rights to dividends. For this reason, Marel is unable to keep a shareholder registry for the EUR shares listed on Euronext Amsterdam. Marel keeps a shareholder registry for the ISK shares listed on Nasdaq Iceland.

Article 1.5.1

Of the Guidelines concerning the appointment of a Nomination Committee: According to the Guidelines, the shareholders' meeting shall appoint members to the Nomination Committee or decide how they should be appointed. Marel deviates from this provision as the Nomination Committee is a sub-committee of the Board of Directors, and the Board appoints its members. This is in line with the Dutch corporate governance code.

Article 1.5.3

Of the Guidelines concerning the appointment of Board members in the Nomination Committee: as the Nomination Committee is a sub-committee of the Board of Directors, the members of the Nomination Committee are all also members of the Board of Directors. This is in line with the Dutch corporate governance code.

Article 1.5.10

Of the Guidelines concerning the Nomination Committee's request for proposals from shareholders before the company's AGM: The Nomination Committee consults with the company's major shareholders on the nomination process as well as engaging professional firms, but does not formally request proposals from shareholders. Information on how to contact the Nomination Committee is however publicly available on the Committee's website. This is line with the Dutch corporate governance code.

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

The CEO is responsible for ensuring adequate internal controls and risk management in connection with financial reporting. The Board of Directors maintains an ongoing dialogue with the CEO to identify, describe and manage the business risks that the company may be exposed to. Significant risks are discussed in the 2020 Consolidated Financial Statements.

Internal Audit and Control

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

External Audit

An independent auditing firm is elected at the Annual General Meeting for a term of one year. The external auditors examine the company's Consolidated Financial

Statements in accordance with generally recognized auditing standards and, for this purpose, inspect its accounting records and other material relating to the operation and financial position of the company. The external auditors report any significant findings regarding accounting matters and internal control deficiencies via the Audit Committee to the Board of Directors.

KPMG ehf. was elected as the company's auditor at the company's AGM held on 18 March 2020. Auditors on KPMG's behalf are Saemundur Valdimarsson and Hrafnhildur Helgadottir, both Certified Public Accountants (CPAs). They have audited and endorsed Marel's Consolidated Financial Statements for the year 2020.

In 2027 the provisions of EU Regulation no. 537/2014, on specific requirements regarding statutory audit of public-interest entities, concerning the maximum duration of audit engagements, will enter into force for Marel, cf. Article 55(2) of the Icelandic Act on Auditors no. 94/2019. The Board of Directors will organize a tender process in due time, in line with the requirements of Article 16 of EU Regulation no. 537/2014.

Composition and Activities of the Board of Directors, its Sub-committees, the CEO and Executive Team

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

Board of Directors

The Board of Directors has supreme authority in company affairs between shareholders' meetings. It is elected by shareholders at the AGM for a one-year term and operates in accordance with applicable Icelandic laws and regulations, the company's Articles of Association and the Board's Rules of Procedure. The Board currently comprises of seven directors who were elected at the company's AGM on 18 March 2020. In line with Icelandic law, the Board of Directors convenes immediately following the AGM in which it is elected to allocate responsibilities between the board members. The Board of Directors elects a Chairman and Vice-Chairman, as well as the Chairmen and members of its committees.

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

Regular board meetings are held with management over the course of the year, including quarterly meetings coinciding with the publication of financial results, two strategy sessions and an operational planning meeting for the coming year. The Board of Directors meets at least once a year without management to structure its agenda and conduct a self-assessment. Additional meetings are convened as needed. The Board of Directors has a number of on-site visits to company locations and to customers during the year but due to travel restrictions all visits in 2020 were postponed to a later date. All matters dealt with at Board meetings are decided by a majority vote, provided that the meeting has been lawfully convened. In the event of a tie vote, the Chairman casts the deciding vote. However, important decisions are not made unless all directors have been given an opportunity to discuss the matter.

At the company's AGM on 18 March 2020 Lillie Li Valeur was elected to the Board of Directors. After serving on the Board of Directors for 14 years, Margret Jonsdottir did not declare candidature.

The Board of Directors convened 25 times in 2020, with an average attendance of 98.3%.

The Board of Directors has assessed which directors are independent according to the Icelandic Guidelines on Corporate Governance. All seven current directors: Ann Elizabeth Savage, Arnar Thor Masson, Asthildur Margret Otharsdottir, Ton van der Laan, Lillie Li Valeur, Astvaldur Johannsson and Olafur S. Gudmundsson, are considered independent of the company. Furthermore, six of the Board members, Ann Elizabeth Savage, Arnar Thor Masson, Asthildur Margret Otharsdottir, Ton van der Laan, Lillie Li Valeur and Astvaldur Johannsson, are considered independent of the company's major shareholders. Margret Jonsdottir who served on the Board of Directors until 18 March 2020 was considered to be independent of the company, but non-independent of Eyrir Invest hf., Marel's largest shareholder. According to the Guidelines, the tenure of a director does not affect the independency assessment.

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

See marel.com for profiles of the Board members, the rules of procedure for the Board of Directors and for the Board's sub-committees.

Sub-committees

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

Remuneration Committee

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

The current Board decided to appoint four members to the Remuneration Committee as of March 2020: Asthildur Margret Otharsdottir (Chair), Ann Elizabeth Savage, Arnar Thor Masson and Olafur S. Gudmundsson.

The Remuneration Committee convened four times in 2020, with an average attendance of 93.8%.

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 their tasks. At least one member needs to have solid knowledge and experience of financial statements or auditing. Its work includes monitoring Marel's financial status and evaluating the company's internal monitoring and risk management systems, management reporting on finances, whether laws and regulations are followed, and the work of the company's internal and statutory auditors.

Members of the Audit Committee since March 2020 are Arnar Thor Masson (Chair), Astvaldur Johannsson, Ann Elizabeth Savage and Ton van der Laan. All members are independent of the company, its auditors and of large shareholders. Margret Jonsdottir who served on the Audit Committee until 18 March 2020 was considered to be independent of the company, but non-independent of Eyrir Invest hf., Marel's largest shareholder.

The Audit Committee convened seven times in 2020, with an average attendance of 96.4%.

Nomination Committee

The Nomination Committee is composed of three members elected by the Board. The Nomination Committee was established in 2019. The main objective of the Committee is to assist the Company's shareholders in a structured and transparent way with ensuring that the Board and its Committees consist of Directors with the appropriate balance of skills, experience, diversity, independence and knowledge, enabling effective execution of duties and responsibilities. The Nomination Committee identifies and nominates candidates for the Board, and members of the Board's committees, who can fulfill these requirements. The majority of the members of the Nomination Committee shall be independent of the Company.

The Board has taken a balanced view of Corporate Governance Principles in Iceland and the Netherlands when structuring the framework for the Nomination Committee. Members of the Nomination Committee since March 2020 are Arnar Thor Masson (Chair), Asthildur Margret Otharsdottir and Olafur S. Gudmundsson.

The Nomination Committee convened four times in 2020, with an average attendance of 91.7%.

2020	Board of Directors	25 meetings Attendance (%)	Audit Committee	7 meetings Attendance (%)	Nomination Committee	4 meetings Attendance (%)	Remuneration Committee	4 meetings Attendance (%)
Asthildur Margret Otharsdottir	Chairman	100.0			√	100.0	Chair	100.0
Arnar Thor Masson	Vice-Chairman	100.0	Chair	100.0	Chair	100.0	√	100.0
Ann Elizabeth Savage[1]	Director	96.0	√	80.0			√	100.0
Astvaldur Johannsson	Director	96.0	√	100.0				
Lillie Li Valeur[2]	Director	100.0						
Margret Jonsdottir[3]	Director	100.0	(√)	100.0				
Olafur S. Gudmundsson	Director	96.0			√	75.0	√	75.0
Ton van der Laan	Director	100.0	√	100.0				

1 Member of the Audit Committee from 18 March 2020, after which 5 Audit Committee meetings were held.
2 Board member from 18 March 2020, after which 18 Board meetings were held.
3 Board member and member of the Audit Committee until 18 March 2020, while 7 Board meetings and 2 Audit Committee meetings were held.

Chief Executive Officer

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

Together with related parties, his direct holding is 139,878 shares in Marel. He is a major shareholder of Eyrir Invest, which on 3 February 2021, held 190,366,838 shares in Marel hf. (24.7% of total issued shares).

1. The CEO is responsible for daily operations and is obliged to follow the Board's policy and instructions in that regard. Daily operations do not include measures that are unusual or extraordinary. The CEO may only take such measures if specifically authorized by the Board or unless it was impossible to wait for the Board's decision without substantial disadvantage to the company's operations. In such an event, the CEO must inform the Board of his/her actions without delay.
2. The CEO is responsible for the work and results of the Executive Team.
3. The CEO shall ensure that the accounts of the company comply with the law and accepted financial reporting practices and that the treatment of company assets is secure. The CEO shall provide any information requested by the company's auditors.
4. At least once a year, the CEO shall evaluate the work and results of the Executive Team that he heads according to previously established criteria. The CEO shall discuss the results of his evaluation with each member of the Executive Team and decide on any actions to be taken.

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

Executive Team

In March 2020 the Executive Team was consolidated from twelve to nine members, resulting in a leaner management team with clear accountability in order to sharpen market focus, shorten time to market and reduce the cost base. The company's Executive Team is composed of:

Executive

- Arni Oddur Thordarson, Chief Executive Officer
- Linda Jonsdottir, Chief Financial Officer
- Arni Sigurdsson, Chief Strategy Officer and EVP of Strategic Business Units

Business Units

- Roger Claessens, EVP Marel Poultry
- David Wilson, EVP Marel Meat
- Gudbjorg Heida Gudmundsdottir, EVP Marel Fish

Operations

- Ulrika Lindberg, EVP Global Markets and Service
- Folkert Bölger, EVP Global Supply Chain
- Anna Kristin Palsdottir, EVP Innovation

See marel.com for profiles of the Executive Team.

Diversity

Marel's Diversity and Inclusion policy, accessible on marel.com, guides and ensures commitment to fostering, cultivating and preserving a culture of diversity and inclusion within the company. The policy applies to all employees and governance bodies, including the Board of Directors, its sub-committees and the Executive Team.

The Nomination Committee has the role of reviewing and evaluating the structure and composition of the Board of Directors, in order to ensure balance of skills, knowledge, experience, diversity, tenure and independence. The Board as a whole should also encompass desirable diversity in aspects such as nationality, gender, age, education and different perspectives. Marel's Board of Director's skills matrix is used in the yearly evaluation and nomination process and is published in the Nomination Committee's report.

The Board of Directors and the CEO are responsible for reviewing and evaluating the structure and composition of the Executive Team, based on the same principles of diversity as apply to the Board of Directors in addition to Marel's diversity and inclusion policy.

Gender diversity within the Board of Directors remained stable at 43% female (2019: 43%) following the election of Lillie Li Valeur at the AGM on 18 March 2020. Following the consolidation within the Executive Team in March 2020, gender diversity rose to 44% female (2019: 17%).

Gender diversity (female/male ratio)	2020	2019
Board of Directors	43/57	43/57
Executive Team	44/56	17/83
Total enterprise	16/84	16/84

Code of Conduct and Social Responsibility

Values and Social Responsibility

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

Marel places great emphasis on corporate and social responsibility with detailed information available in Marel's ESG Report for 2020.

Code of Conduct

Marel's Board of Directors approved a Code of Conduct with a 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.

See marel.com for the company's Code of Conduct.

Communication Between Shareholders and the Board of Directors

Shareholders' meetings, within limits established by the company's Articles of Association and statutory law, are the supreme authority in Marel's affairs as well as the primary means of communication between shareholders and the Board of Directors. The AGM is held each year before the end of August, and other shareholders' meetings are convened as needed. The AGM is advertised publicly with at least three weeks' notice in accordance with Icelandic law and the company's Articles of Association.

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

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

Further information on communication with shareholders can be found in the company's Investor Relations Policy on marel.com.

2 Quarterly results (unaudited)

	2020 Q1	2020 Q2	2020 Q3	2020 Q4	Total
Revenue	301.6	305.7	287.2	343.3	1,237.8
Cost of sales	(194.3)	(191.5)	(174.7)	(217.9)	(778.4)
Gross profit	**107.3**	**114.2**	**112.5**	**125.4**	**459.4**
Selling and marketing expenses	(42.1)	(34.5)	(32.8)	(39.2)	(148.6)
General and administrative expenses	(24.0)	(18.7)	(21.4)	(23.7)	(87.8)
Research and development expenses	(18.4)	(18.6)	(16.9)	(19.4)	(73.3)
Result from operations (EBIT)	**22.8**	**42.4**	**41.4**	**43.1**	**149.7**
Net finance costs	(5.0)	(5.3)	(3.2)	(4.9)	(18.4)
Share of result of associates	0.0	0.1	(0.1)	0.3	0.3
Result before income tax	**17.8**	**37.2**	**38.1**	**38.5**	**131.6**
Income tax	(4.4)	(6.5)	(8.7)	(9.4)	(29.0)
Net result for the period	**13.4**	**30.7**	**29.4**	**29.1**	**102.6**
Result before depreciation & amortization (EBITDA)	**37.6**	**56.9**	**55.7**	**62.3**	**212.5**

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Total
Revenue	324.6	326.5	312.5	320.1	1,283.7
Cost of sales	(199.2)	(196.3)	(193.0)	(204.1)	(792.6)
Gross profit	**125.4**	**130.2**	**119.5**	**116.0**	**491.1**
Selling and marketing expenses	(39.0)	(41.3)	(37.2)	(41.7)	(159.2)
General and administrative expenses	(20.1)	(20.6)	(20.2)	(22.5)	(83.4)
Research and development expenses	(21.4)	(21.4)	(20.5)	(22.6)	(85.9)
Result from operations (EBIT)	**44.9**	**46.9**	**41.6**	**29.2**	**162.6**
Net finance costs	(3.8)	(2.5)	(2.0)	(12.4)	(20.7)
Share of result of associates	-	0.0	(0.0)	(0.1)	(0.1)
Result before income tax	**41.1**	**44.4**	**39.6**	**16.7**	**141.8**
Income tax	(8.9)	(10.1)	(6.2)	(6.5)	(31.7)
Net result for the period	**32.2**	**34.3**	**33.4**	**10.2**	**110.1**
Result before depreciation & amortization (EBITDA)	**59.1**	**61.1**	**56.4**	**43.7**	**220.3**

The below tables provides an overview of the quarterly adjusted result from operations, which management believes to be a relevant Non-IFRS measurement, as mentioned in note 5.

	2020 Q1	2020 Q2	2020 Q3	2020 Q4	Total
Revenue	301.6	305.7	287.2	343.3	1,237.8
Cost of sales	(194.3)	(191.5)	(174.7)	(214.8)	(775.3)
Gross profit	**107.3**	**114.2**	**112.5**	**128.5**	**462.5**
Selling and marketing expenses	(40.5)	(32.8)	(31.1)	(36.7)	(141.1)
General and administrative expenses	(23.9)	(18.6)	(21.3)	(21.7)	(85.5)
Research and development expenses	(17.5)	(17.8)	(16.0)	(17.8)	(69.1)
Adjusted result from operations[1]	**25.4**	**45.0**	**44.1**	**52.3**	**166.8**
Non-IFRS adjustments	(2.6)	(2.6)	(2.7)	(9.2)	(17.1)
Result from operations (EBIT)	**22.8**	**42.4**	**41.4**	**43.1**	**149.7**

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Total
Revenue	324.6	326.5	312.5	320.1	1,283.7
Cost of sales	(199.2)	(196.3)	(193.0)	(204.1)	(792.6)
Gross profit	**125.4**	**130.2**	**119.5**	**116.0**	**491.1**
Selling and marketing expenses	(37.3)	(39.7)	(35.5)	(40.1)	(152.6)
General and administrative expenses	(20.0)	(20.5)	(20.1)	(22.4)	(83.0)
Research and development expenses	(20.6)	(20.4)	(19.6)	(21.5)	(82.1)
Adjusted result from operations[1]	**47.5**	**49.6**	**44.3**	**32.0**	**173.4**
Non-IFRS adjustments	(2.6)	(2.7)	(2.7)	(2.8)	(10.8)
Result from operations (EBIT)	**44.9**	**46.9**	**41.6**	**29.2**	**162.6**

[1] Result from operations is adjusted for PPA related costs, including depreciation and amortization, and beginning in 2020, acquisition related expenses.

3 Definitions and abbreviations

AGM

Annual General Meeting

BBA

British Bankers Association

CGU

Cash Generating Units

EBIT

Earnings before interest and tax

EBITDA

Earnings before interest, tax, depreciation and amortization

ECL

Expected credit loss

EPS

Earnings per share

ESG

Environmental, Social and Governance

EURIBOR

Euro interbank offered rates

EVP

Executive Vice President

FTE

Full-time equivalent

FX

Foreign exchange

IAS

International Accounting Standards

IFRIC

International Financial Reporting Interpretation Committee

IFRS

International Financial Reporting Standards

KPI

Key performance indicator

LIBOR

London Interbank Offered Rate

NCI

Non-controlling interest

OCI

Other comprehensive income

PPA

Purchase Price Allocation

VPL

Wet aanpassing fiscale behandeling VUT-prepensioen en introductie levensloopregeling (Law relating to adjustments of fiscal treatment of (pre)pension and the introduction of a life plan scheme)

WACC

Weighted average cost of capital