

Marel Q1 2015 results

Strong sales and operational improvement

- Revenue for Q1 2015 totaled 209.3m [Q1 2014: 154.8m].
- Adjusted EBITDA* for Q1 2015 was 36.9m or 17.6% of revenue [Q1 2014: 11.6m]. EBITDA was 29.4m or 14.0% of revenue [Q1 2014: 8.1m].
- Adjusted operating profit* (adj.EBIT) for Q1 2015 was 23.8m or 11.4% of revenue [Q1 2014: 4.6m]. EBIT was 16.2m or 7.8% of revenue [Q1 2014: 1.0m].
- Net result for Q1 2015 was 12.6m [Q1 2014: Loss of 1.9m]. Earnings per share was 1.73 euro cents compared with a loss of 0.25 euro cents in Q1 2014.
- Cash flow from operating activities before interest and tax was 39.5m [Q1 2014: 19.4m]. Net interest bearing debt was 161.7m [Q1 2015: 208.4m].
- The order book was at 178.0m at the end of the quarter compared with 174.9m at the end of Q4 2014.

The year 2015 starts well for Marel. The company showed significant increase in operational and net profit from previous quarters fuelled by record revenues and order intake as well as operational improvements derived from a simplified and streamlined organization. The strong financial position with net debt/EBITDA at 1.48 enables Marel to further stimulate growth and strengthen its competitive position. There is a general tailwind in Marel's main markets in addition to favorable conditions in the financial markets.

Two subsequent events have taken place between the end of Q1 and the publishing date of the Q1 results;

- The sale of the High Speed Slicing operations in Norwich, U.K., which was agreed in February 2015, was closed in April with a slightly positive P/L effect and total estimated cash proceeds of 9.5 million.
- The real estate in Oss, Netherlands, was sold in April delivering cash proceeds of 2.4 million. The Oss operation was previously transferred to the multi-industry center in Boxmeer to better utilize manpower and investments and as well, allow the company to be better equipped to deal with fluctuations in demand among various product groups and industries.

From the beginning of the refocusing program until the end of Q1, taking into account the proceeds from the above mentioned subsequent events, the total cash-out cost of the refocusing program stands at 12 million with an 27 million in P/L effect.

Management guidance for 2015 is organic revenue growth, with a solid increase in operational and net profit. Full focus remains on strengthening the market approach and operational improvement with the aim to reach EBIT of over 100 million in 2017.

Arni Oddur Thordarson, CEO:

"We are pleased with the good results in the beginning of 2015. With a focused market approach and strong commercial product portfolio we managed to utilize the tailwind in Marel's main markets resulting in record order intake, revenues and significantly improved operational results.

Our sales growth is well balanced between Greenfield projects, extension and modernization projects and growth in our maintenance business. We have invested well in innovation and we have been introducing steady flow of new and exciting solutions to enable poultry, fish and meat processors to further optimize yield and throughput as well as minimizing waste and reducing usage of water and energy, making the value chain more sustainable.

*Before refocusing cost

All industries are showing improved operational results. I want to express my thanks to our employees for their efforts and commitment. At the same time we are refocusing and streamlining the operation we have managed to strengthen our partnership with existing customers and attract new customers. The goal is always the same, to deliver increased value to customers and shareholders.”

Key figures from Marel's operations in thousands of EUR

Operating results

	Quarter 1 2015	Quarter 1 2014	Change in %
Revenues	209.311	154.757	35,3
Gross profit before refocusing costs	81.464	52.666	54,7
Gross profit before refocusing costs as a % of Revenues	38,9	34,0	
Result from operations before refocusing costs (EBIT)	23.837	4.569	421,7
EBIT before refocusing costs as a % of Revenues	11,4	3,0	
EBITDA before refocusing costs	36.871	11.621	217,3
EBITDA before refocusing costs as a % of Revenues	17,6	7,5	
Refocusing costs	(7.593)	(3.550)	
Result from operations (EBIT)	16.244	1.019	1.494,1
EBIT as a % of Revenues	7,8	0,7	
EBITDA	29.393	8.071	264,2
EBITDA as a % of Revenues	14,0	5,2	
Net result	12.620	(1.871)	774,5
Net result as a % of revenues	6,0	(1,2)	
Orders Received ¹⁾	212.473	160.767	32,2
Order Book	178.041	138.449	28,8

¹⁾ Included are the service revenues.

	Quarter 1 2015 YTD	Quarter 1 2014 YTD
Cash flows		
Cash generated from operating activities, before interest & tax	39.515	19.382
Net cash from (to) operating activities	32.131	15.345
Investing activities	(7.640)	(7.115)
Financing activities	39.184	(8.670)
Net cash flow	63.675	(440)

Financial position

Net Interest Bearing Debt	(161.656)	(208.405)
Operational working capital ²⁾	74.003	83.933

²⁾ Third party Debtors, Inventories, Net Work in Progress and Third party Creditors.

Key ratios

Current ratio	1,4	1,2
Quick ratio	1,0	0,7
Number of outstanding shares	725.733	735.327
Market cap. in millions of Euros based on exchange rate at end of period	747,0	493,1
Return on equity	11,7%	-1,8%
Earnings per share in euro cents	1,73	(0,25)
Leverage adjusted for refocusing costs ³⁾	1,48	3,25

³⁾ Net Interest Bearing Debt / LTM EBITDA

Authorization to purchase own shares

Board of Directors of Marel has granted management an authorization to purchase up to 25 million own shares on the behalf of the company in one or more transactions in the period that is remaining of the calendar year 2015. The shares are to be used as payment for potential future acquisitions that needs full approval of the Board of Directors.

Simpler, Smarter, Faster refocusing program

The Simpler, Smarter, Faster two year refocusing program is on track. The program focuses on simplifying the market approach to better serve the customer needs and to streamline operations to increase quality and efficiency in the company while lowering the recurring cost base. There is special focus on innovation and manufacturing optimization.

The innovation and manufacturing optimization is well on track. In Q1 Marel announced the streamlining of its operations in Singapore, Denmark, the U.S. and the U.K. as well as the divestment of a non-core business in Spain. The sale of Stork Inter Ibérica in Spain was concluded during the quarter. The closing of the sale of the High Speed Slicing operations in the U.K. took place in April, though the deal was signed during Q1.

From the beginning of the refocusing program until the end of Q1, taking into account the proceeds from subsequent events, the total cash-out cost of the refocusing program is at 12 million with 27 million in P/L effect for the same period. Total estimated cash-out costs related to refocusing actions is 25 million over the whole refocusing period while the total P/L effect cannot be fully estimated at this time.

Refocusing actions taken during Q1 2015

- **Ceasing of manufacturing of freezers in Singapore.** Marel is entering into partnerships with Heinen and VDL to continue to provide freezing solutions to its customers. The aim is to support Marel's full line offerings in fish, meat and poultry processing.
- **Streamlining of U.S. operations.** The manufacturing operation in Des Moines will merge with an existing facility in Gainesville. At the same time, a new innovation center will be established in Des Moines. The transition process will be completed before year-end 2015.
- **Streamlining of operations in Denmark.** All activities in Bornholm, Denmark will be transferred to existing facilities in Aarhus and Nitra. The transition process will be completed before year-end 2015.
- **Divestment of non-core palletizing business in Spain.** Stork Inter Ibérica was sold to a private investment group.
- **Streamlining of U.K. operations.** High Speed Slicing operations in Norwich, U.K. were sold to the Middleby Corporation. Marel will retain the frozen portioning and robotics families, which remain of strategic importance.

The discontinued operations mentioned above in Singapore, Spain and the U.K. represented close to 30 million in revenues in 2014 with low gross margins and negative EBIT. Revenues in Q1 from discontinued operations were 6 million and the order book of discontinued operations was 4 million at the end of Q1.

Markets

Market conditions in Marel's main markets remain good resulting in yet another quarter of record sales and order intake. There was a good increase in revenues, order intake and operational profits which was fuelled by the poultry and salmon segments where Marel is in the position to deliver turn-key

solutions. All segments (poultry, fish, meat and further processing) are returning improved operational results. White fish, meat and further processing are still below targeted return on sales and invested capital and focus remains on further improvements in these segments.

Energy and feed prices remain at a favorable level, positively impacting the profitability of food processors who are increasingly investing in new solutions and systems to meet increased demands. This is particularly the case in the U.S. where the tailwind is strong and fully offsets the volatility occurring in certain emerging markets.

Poultry

Marel's poultry segment had a good start of the year with strong operational profit margins and volumes. Lower energy and feed prices are the main catalyst for favorable market conditions resulting in good sales and market activity for Marel poultry around the globe. The poultry segment returned 108.6 million in revenue in Q1 2015 and adj. EBIT of 18.7 million (17.2%). Projects during Q1 are well distributed geographically, including small and medium sized Greenfields and extension projects in addition to smaller projects and recurring revenues.

During Q1, Marel poultry segment participated in the IPPE Show in Atlanta and VIV Asia in Bangkok. Both exhibitions were successful for Marel and several market-driven, innovative solutions were presented including the SmartWeigher, which completes Marel's offering of competitive solutions for the high speed secondary processing portfolio. At the VIV Asia Expo Marel's stand attracted customers from growing upcoming markets such as India and Pakistan.

Fish

Q1 2015 was a record quarter for Marel's fish segment in terms of order intake. Volume and operational profit margins were also at a good level. The fish segment returned 30.8 million in revenue in Q1 2015 and adj. EBIT of 2.6 million (8.5%). During the quarter, many good projects were secured in both salmon and whitefish including one large order in whitefish from Alaska. Good activity was also seen in standard equipment and recurring operations.

During the quarter, Marel's fish segment exhibited all its latest solutions and equipment for the salmon industry at the Salmon ShowHow that was held in Progress Point in February. The event drew in over 300 customers representing over 150 companies based in over 30 countries. Marel Fish also exhibited at the Seafood Expo North America in Boston and the CFIA in France.

Meat

Marel's meat segment returned good volume and improved profit margins during Q1 2015. The meat segment returned 36.3 million in revenue in Q1 2015 and adj. EBIT of 1.3 million (3.6%). Good activity was seen in preparation equipment with orders from Australia and the Netherlands. Streamlining of Marel's meat activities continued during the quarter with the successful divestment of High Speed Slicing.

During the quarter Marel's meat segment participated in the IPPE Show in Atlanta, Anuga in Germany and the CFIA exhibition in France. Also during the quarter was the 4th Meat ShowHow in Progress Point. The event drew in 200 customers representing 140 companies based in over 70 countries. During the ShowHow, the focus was in three areas where Marel has leading technology: pork and beef deboning, steak production and mince production. The strategy of planting reference plants around the globe continues with two successful installations, one being the DeboFlex in Brazil and the other being beef deboning lines in Nicaragua.

Further processing

The further processing segment returned 30.7 million in revenue in Q1 2015 with adj. EBIT of 1.5 million (5.0%). Streamlining of further processing activities continued during Q1 2015. The transfer of

manufacturing operations in Des Moines to an existing facility in Gainesville in the U.S. has started and will be concluded before year-end.

During the quarter, further processing continued to strengthen its market approach and participated in various trade exhibitions and shows resulting in improved order intake. Marketing activities are high during Q1 as one-third of all exhibitions are held during the period. This year they are exceptionally high as the Anuga exhibition in Germany who takes place every three years was also held this year.

Financial items

Cash flow

Operational cash flow before interest and tax is 39.5 million for Q1 2015, compared with 19.4 million in Q1 2014. Increased orders received with prepayments in addition to tight working capital control returned healthy cash flow from operations.

In Q1 2015, Marel acquired 6.0 million treasury shares for a total amount of 6.0 million to hedge and fulfill obligations of employee stock option agreements. After the purchase and exercise of stock options during the quarter, the company holds 9.8 million treasury shares. Total outstanding stock options at the end of Q1 2015 are 12.9 million shares.

Dividend payment

The 2105 Annual General Meeting of Marel's shareholders, held on March 4, 2015, approved a dividend payment of 0.48 euro cents per share for the operational year 2014 (3.5 million or 30% of profit for the year 2014). The dividend is in line with the company's targeted capital allocation and dividend policy. The dividend (less tax) of 3.2 million was paid out on March 27, 2015. The tax of the dividend payment amounting to 0.3 million will be paid during Q2 2015.

Financing

The balance sheet is healthy and net interest bearing debt amounts to 161.7 million (Q1 2014: 208.4 million). Strong EBITDA and cash flow results in a total net leverage ratio of 1.48 at the end of Q1 2015 compared to 2.08 at the end of Q4 2014.

In January 2015, Marel signed an agreement with the current bank consortium to amend and extend the current facility. The term of its current loan facilities were extended by one year to November 2018. Included in the agreement is an addition of a junior facility of 50 million with maturity in February 2019. This provides Marel with strategic and operational flexibility.

Outlook

Management guidance for 2015 is organic revenue growth, with a solid increase in operational and net profit. Full focus remains on strengthening the market approach and operational improvement with the aim to reach EBIT of over 100 million in 2017.

In the mid- and long-term, the company believes its innovative products and global presence in all segments will secure good growth and increased profitability. The long-term outlook in the industry remains favorable and the estimated annual market growth for providing advanced solutions and equipment for meat, poultry and fish processing is 4-6%. Marel's goal is to continue to grow faster than the market, based on its innovative customer solutions and extensive sales and service network. Results may vary from quarter to quarter due to general economic developments, fluctuations in orders received, and deliveries of larger systems.

Presentation of results, April 30, 2015

Marel will present its results at an investor meeting on Thursday, April 30, at 8:30 am (GMT), at the Company's headquarters at Austurhraun 9, Gardabaer. The meeting will also be webcast at marel.com/webcast.

Publication days of Consolidated Financial Statements in 2015

- 2nd quarter 2015 July 29, 2015
- 3rd quarter 2015 October 28, 2015
- 4th quarter 2015 February 3, 2016

Release of financial statements will take place after market closing on the aforementioned dates.

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About Marel

Marel is the leading global provider of advanced equipment, systems and services to the fish, meat and poultry industries. With offices and subsidiaries in more than 30 countries and a global network of more than 100 agents and distributors, we work side-by-side with our customers to extend the boundaries of food processing performance. Advance with Marel for all your processing needs.

Forward-looking statements

Statements in this press release that are not based on historical facts are forward-looking statements. Although such statements are based on management's current estimates and expectations, forward-looking statements are inherently uncertain. We, therefore, caution the reader that there are a variety of factors that could cause business conditions and results to differ materially from what is contained in our forward-looking statements, and that we do not undertake to update any forward-looking statements. All forward-looking statements are qualified in their entirety by this cautionary statement.