

A 3D rendering of interlocking gears and a blue human figure. The gears are white and grey, and the human figure is blue. The scene is set against a light grey background.

Q1 2014 Presentation

Árni Oddur Thordarson, CEO
Erik Kaman, CFO
Sigsteinn Grétarsson, COO

29 April 2014

**Arni Oddur
Thordarson
CEO**

Operational results in first quarter of 2014

- Revenue €155 million compared to €158 million in Q1 2013
- Order book increase of €6 million from last quarter
- Adjusted EBIT of €4.6 million
 - Refocusing program proceeding according to plan, €3.6 million already achieved in annual cost savings
- Various non-recurring items amounting to €2.4 million not reported as one-off items
- Strong cash flow conversion



* Refocusing costs in Q1 amount to €3.6 million.

Business overview



Poultry

Underutilization of manufacturing capacity

Projects taken on in a difficult market environment during 2013

Profitability expected to improve in Q2 based on order book



Fish

Salmon activities picking up

Low investment level in whitefish in last 3-4 years

FleXicut, Marel's first water-cut trimming robot introduced



Meat

Restructuring going according to plan

Reaching breakeven after losses in recent years

Key projects secured in Australia, Mexico and Argentina



Further Processing

Low market activity at beginning of the year

Corrective actions taken

RevoPortioner with good potential in fish and meat building on past success in poultry

Simpler, Smarter, Faster: Actions and benefits

Combine business units that serve the same customer needs and rely on same technical capabilities

Optimize manufacturing footprint to balance utilization of resources within the company

Serve customer needs better

Reduced “time to market” for innovative solutions

Penetrate market faster after product launches

Increase operational efficiency with a target of EBIT in excess of €100 million in 2017

Strong focus on profitability improvement

Addressing high fixed costs

- Target to reach in 18-24 months a cost base reduction of €20-25 million
- ✓ Actions taken in Q1 alone will lead to €3.6 million annual cost savings

Reshaping operations

- Focusing product offering
- Targeted manufacturing optimization to improve utilization
- Simplify organizational structure
- ✓ Meat activities strengthened, three business units merged
- ✓ Firm steps taken to restructure loss-making freezing activities
- ✓ Reduction of 75 employees, thereof 25 at management level

Reaching full potential

Solid global financing

- Financing extended to support Marel's long term strategy and increase operational flexibility
- ABN Amro, ING Bank, Landsbankinn, LB Lux and Rabobank

Simpler, smarter and faster

- To support the implementation of the refocusing plan and to accelerate the process Marel has engaged the Enterprise improvement team of AlixPartners as advisors

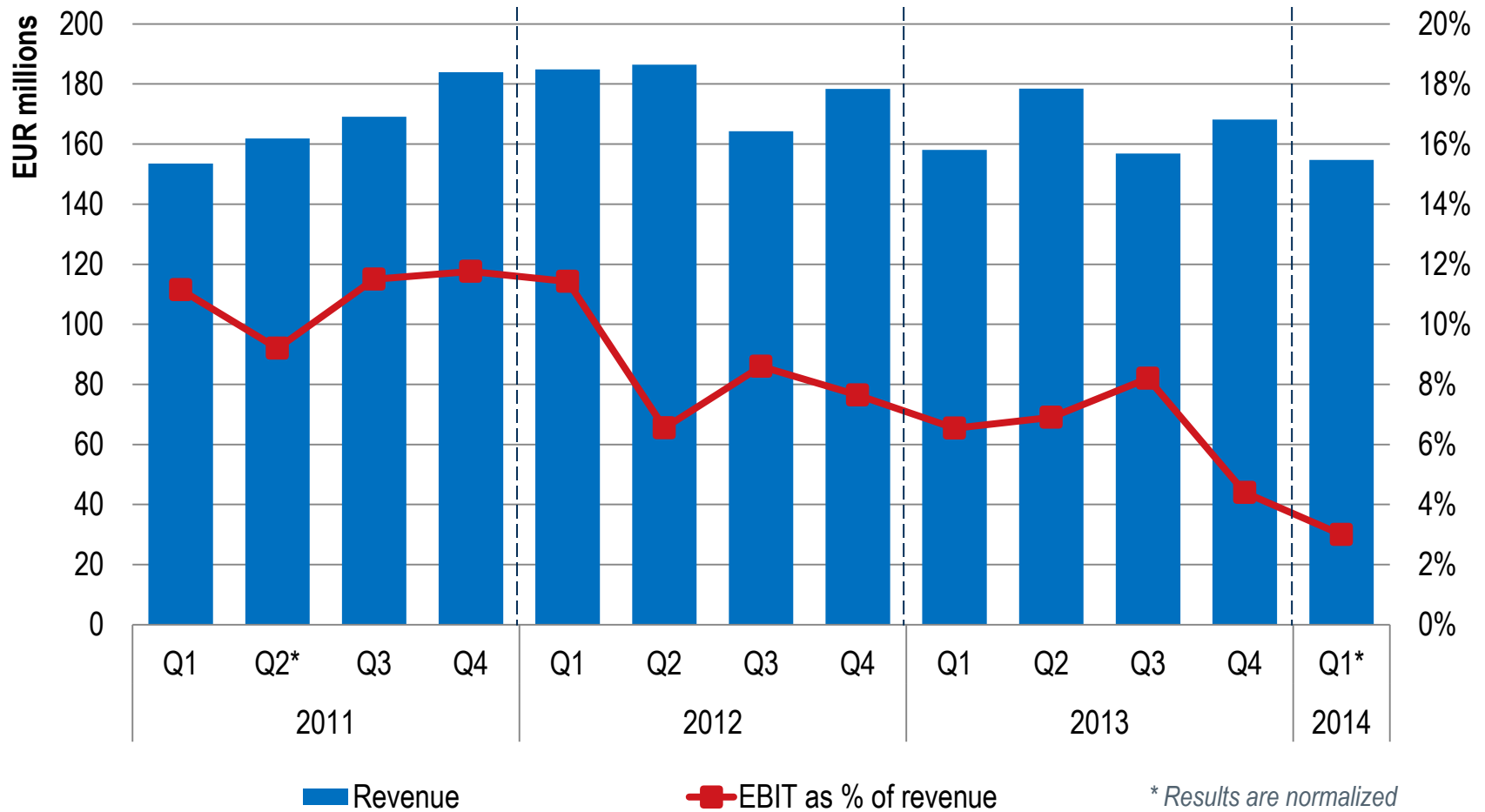
Erik Kaman
CFO

Business results

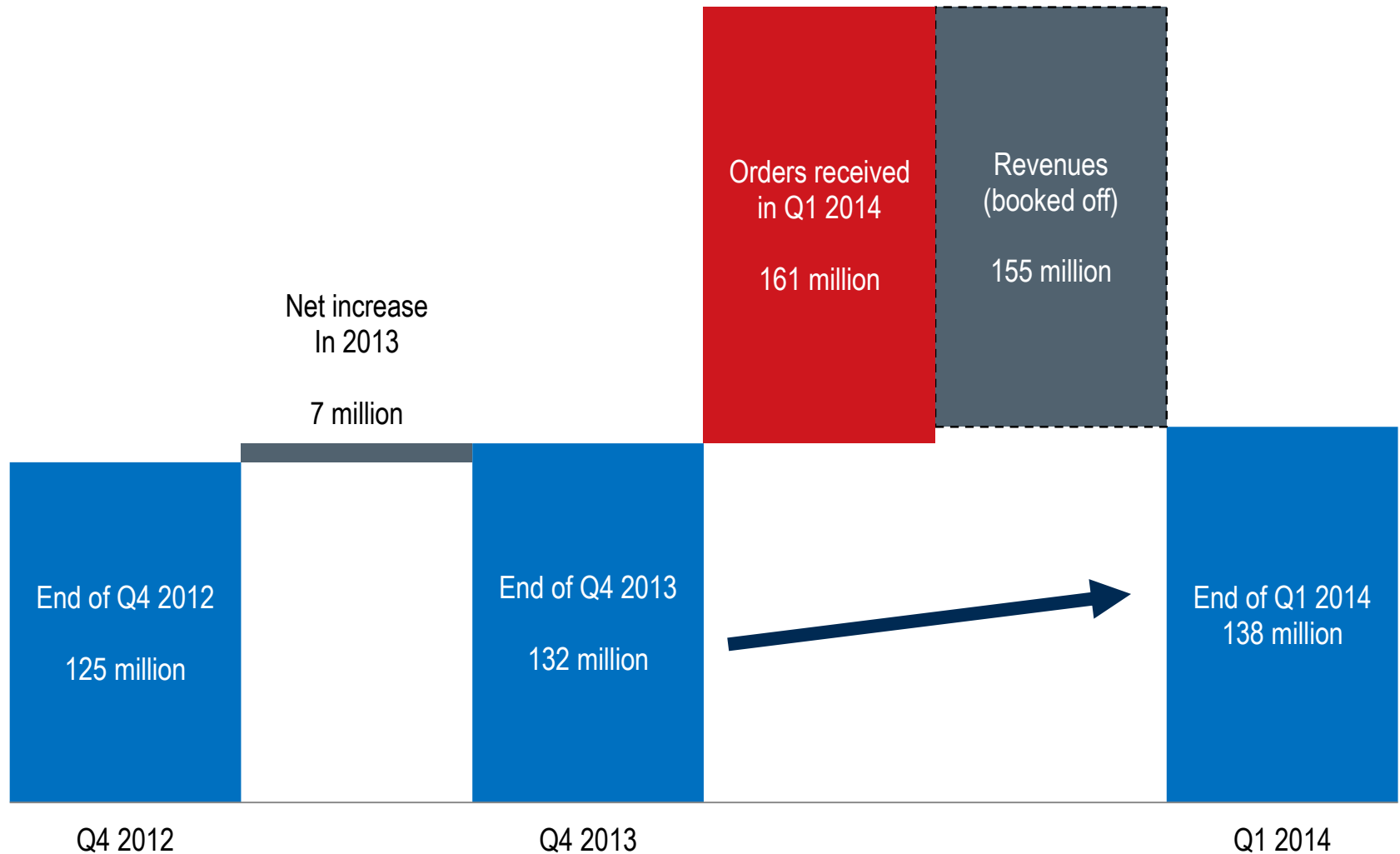
| <i>EUR thousands</i> | Q1 2014 | Q1 2013 | Change in % |
|--|------------|------------|----------------|
| Revenue | 154,757 | 158,028 | (2.1) |
| Gross profit | 52,149 | 57,509 | (9.3) |
| <i>as a % of revenue</i> | 33.7 | 36.4 | |
| Before refocusing costs | | | |
| Result from operations (adjusted EBIT) | 4,569 | 10,331 | (55.8) |
| <i>as a % of revenue</i> | 3.0 | 6.5 | |
| Adjusted EBITDA | 11,621 | 16,858 | (31.1) |
| <i>as a % of revenue</i> | 7.5 | 10.7 | |
| Result from operations (EBIT) | 1,019 | 10,331 | (90.1) |
| <i>as a % of revenue</i> | 0.7 | 6.5 | |
| EBITDA | 8,071 | 16,858 | (52.1) |
| <i>as a % of revenue</i> | 5.2 | 10.7 | |
| Orders received (including service revenues) | 160,767 | 183,745 | (12.5) |
| Order book | 138,449 | 151,106 | (8.4) |

Development of business results

Firm steps to improve profitability

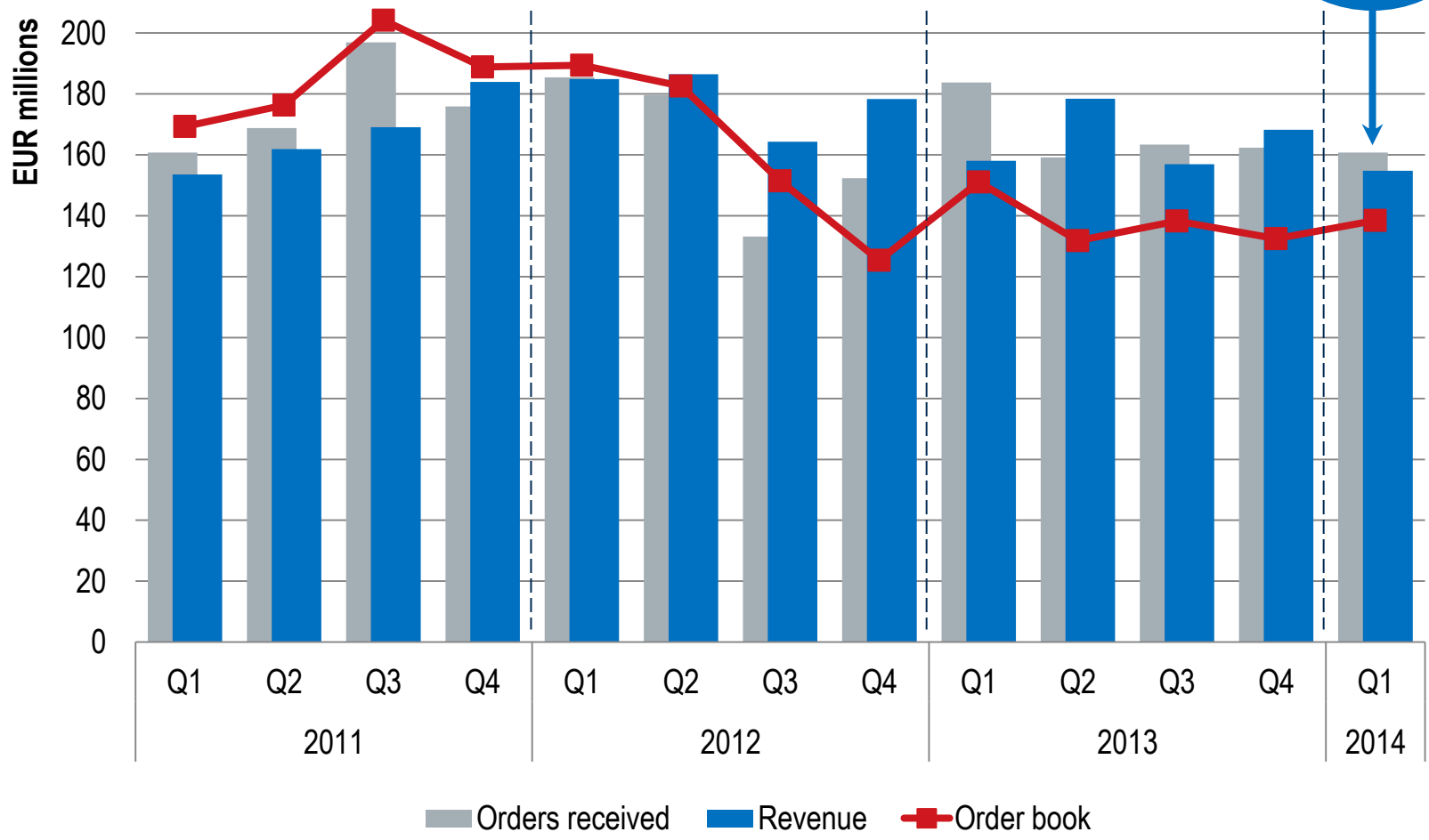


Order book stands at EUR 138 million at the end of Q1



Development of order book

Order book
€138
 million



Condensed consolidated balance sheet

ASSETS

EUR thousands

Non-current assets

| | 31/3 2014 | 31/12 2013 |
|-------------------------------------|----------------|----------------|
| Property, plant and equipment | 104,823 | 104,707 |
| Goodwill | 378,780 | 378,708 |
| Other intangible assets | 118,715 | 118,561 |
| Receivables | 442 | 691 |
| Deferred income tax assets | 10,679 | 9,611 |
| | <u>613,439</u> | <u>612,278</u> |

Current assets

| | | |
|---|----------------|----------------|
| Inventories | 93,068 | 91,796 |
| Production contracts | 24,950 | 24,829 |
| Trade receivables | 66,907 | 68,737 |
| Other receivables and prepayments | 22,500 | 22,135 |
| Cash and cash equivalents | 19,429 | 19,793 |
| | <u>226,854</u> | <u>227,290</u> |

Total assets

| | | |
|--|-----------------------|-----------------------|
| | <u>840,293</u> | <u>839,568</u> |
|--|-----------------------|-----------------------|

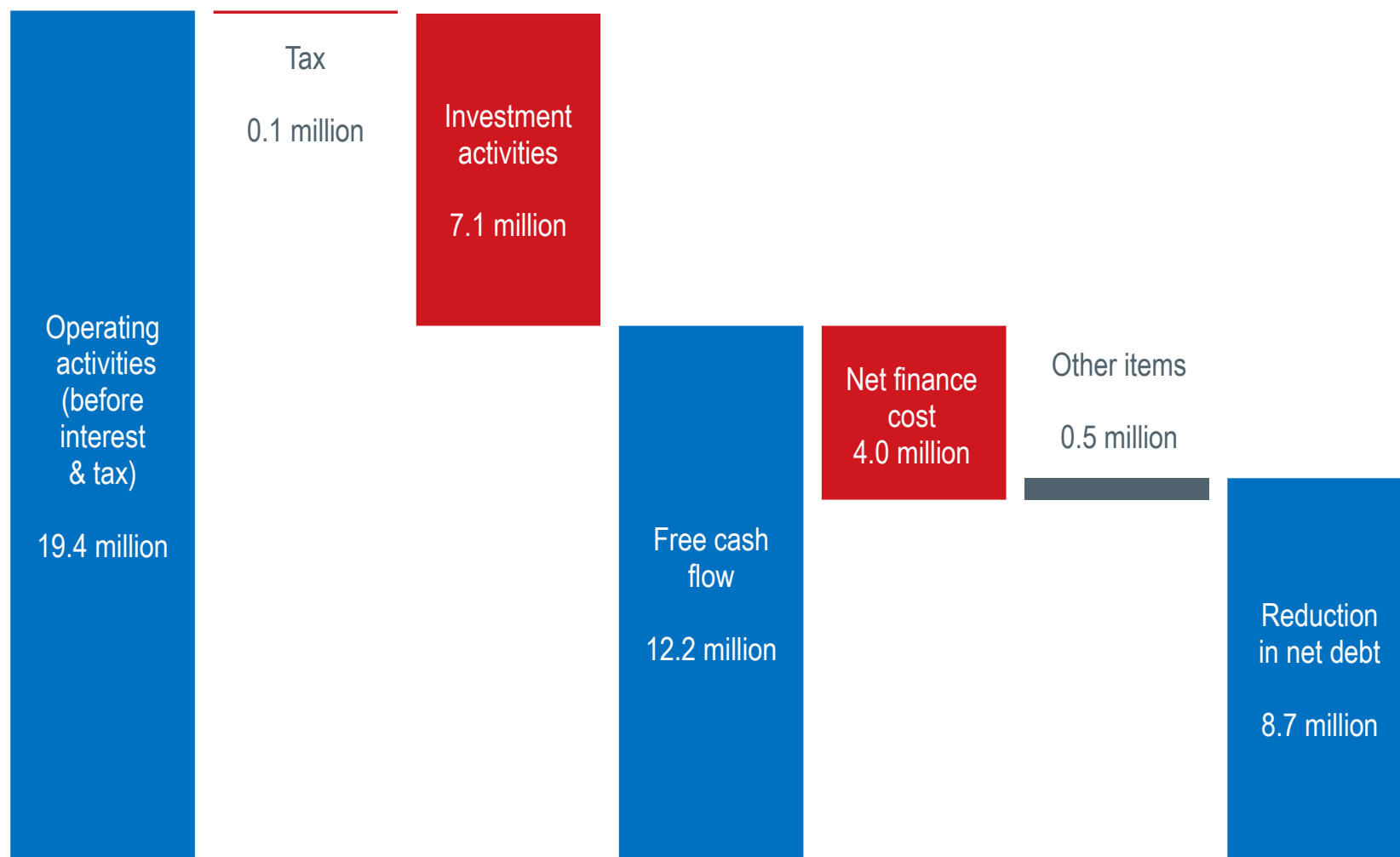
Condensed consolidated balance sheet (continued)

LIABILITIES AND EQUITY

EUR thousands

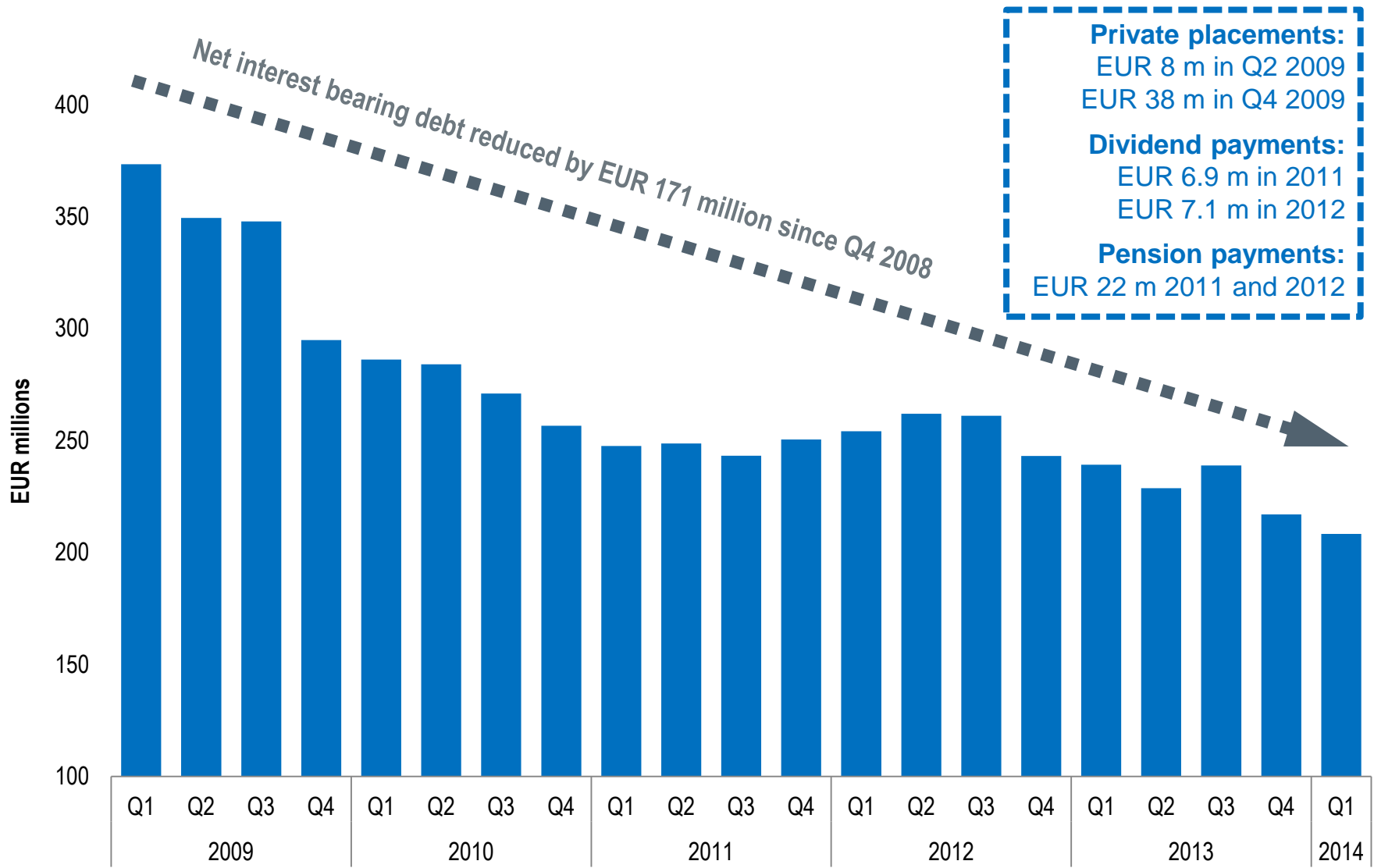
| | 31/3 2014 | 31/12 2013 |
|--|-----------------------|-----------------------|
| Equity | 418,131 | 419,339 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Borrowings | 209,147 | 214,846 |
| Deferred income tax liabilities | 13,247 | 13,885 |
| Provisions | 5,896 | 6,065 |
| Derivative financial instruments | 6,743 | 7,184 |
| | <u>235,033</u> | <u>241,980</u> |
| Current liabilities | | |
| Production contracts..... | 48,453 | 44,881 |
| Trade and other payables | 114,135 | 105,662 |
| Current income tax liabilities | 3,528 | 3,526 |
| Borrowings | 18,687 | 22,077 |
| Provisions | 2,326 | 2,103 |
| | <u>187,129</u> | <u>178,249</u> |
| Total liabilities | 422,162 | 420,229 |
| Total equity and liabilities | <u>840,293</u> | <u>839,568</u> |

Q1 2014 cash flow composition and changes in net debt



* Currency effect, Change in capitalized finance charges and Treasury shares

Net interest bearing debt reduced by EUR 8.7 million in Q1



**Arni Oddur
Thordarson
CEO**

Three-track world

USA back on growth track

Update

- Food processors with good profitability and sound balance sheet
- Need for expansion and modernization
- Marel has strong foothold in USA

Outlook unchanged

Europe on slower track

Update

- Untapped opportunities for modernization of customer's equipment and solutions
- Increasing demand for traceability throughout the value chain, especially after high-profile food scandals
- Installment base generates good service revenues for Marel

Ukraine/Russia situation influencing sentiments

Emerging markets on a long-term growth track

Update

- Retail and food service have increased significantly in recent years while investment in food processing is lagging behind
- Marel has strong foothold in South America and aims to capture growth in Asia in coming years

High volatility in emerging markets in Q1, long-term outlook unchanged

Innovation highlights

FleXicut for innovative whitefish trimming & portioning



Waterjet
trimming &
portioning

High
precision
bone
detection

New Managing Director of Fish



Sigurður Ólason

- Born in 1973, married with four children
- Director of Business Development at Samherji and related companies for the last 6 years, extensive international experience
- MBA Degree from the Brisbane Graduate School of Business in Australia
- Product Development at Marel from 2001 to 2006
- B.Sc. in computer science and B.Sc. in engineering from the University of Iceland

Targets for 2014 and 2017

2014

2017

Revenue

Organic revenue growth

Faster than market growth

Operating profit

Adjusted EBIT
€55 million

EBIT in excess of €100 million

Cash flow

Steady increase in cash
generation

Steady increase in cash
generation

*Estimated cost of refocusing
in 2014-2015
€20-25 million in total*

The way forward

Simpler, smarter, faster

- Merge business units
- Optimize manufacturing footprint and improve capacity utilization
- Simplify organizational structure

Benefits

- Lower fixed cost base
- Improved profitability
- Simpler organization
- Customer excellence
- Reduced time to market
- Faster market penetration

*2017 EBIT
target in
excess of
€100 million*

Q&A

**Sigsteinn
Gretarson
COO**

Business overview



Poultry

Underutilization of manufacturing capacity

Projects taken on in a difficult market environment during 2013

Profitability expected to improve in Q2 based on order book



Fish

Salmon activities picking up

Low investment level in whitefish in last 3-4 years

FleXicut, Marel's first water-cut trimming robot introduced



Meat

Restructuring going according to plan

Reaching breakeven after losses in recent years

Key projects secured in Australia, Mexico and Argentina



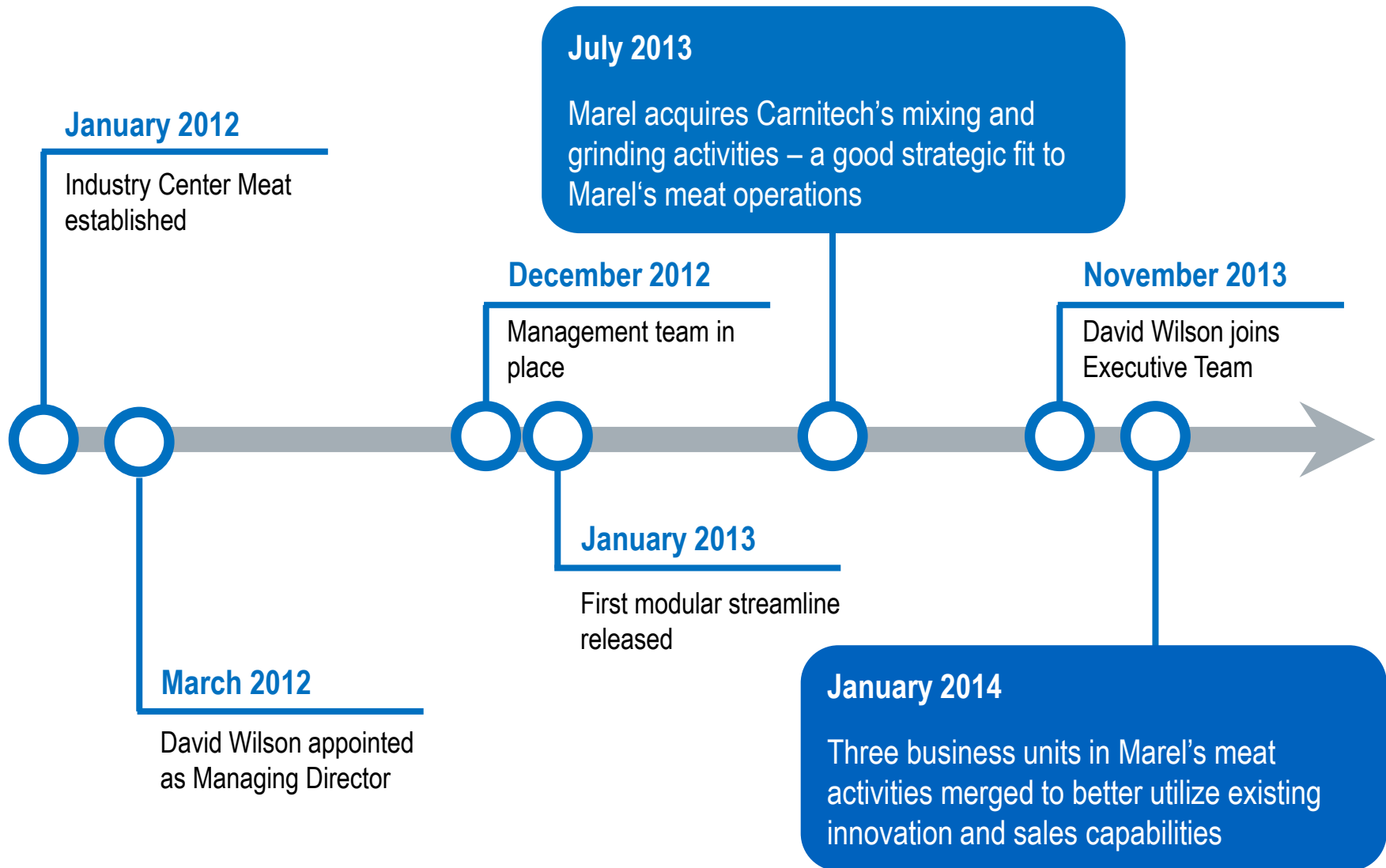
Further Processing

Low market activity at beginning of the year

Corrective actions taken

RevoPortioner with good potential in fish and meat building on past success in poultry

Restructuring going according to plan



Few examples of landmark sales

June 2013

The first DeboFlex sale secured. DeboFlex is Marel's new flexible pork fore-end deboning solution.

July 2013

Major sale to KERMENE, a food and beverages manufacturer based in France

October 2013

Marel signs large contract with SuKarne, The largest meat processor in Mexico

March 2014

Major sale to Vic's meat in Australia

December 2013

Marel secures major contract with Coles, the largest retailer in Australia



INNOVATION
THROUGH PARTNERSHIP®



Disclaimer

- This Presentation is being furnished for the sole purpose of assisting the recipient in deciding whether to proceed with further analysis of this potential opportunity. This Presentation is for informational purposes only and shall not be construed as an offer or solicitation for the subscription or purchase or sale of any securities, or as an invitation, inducement or intermediation for the sale, subscription or purchase of securities.
- The information set out in this Presentation may be subject to updating, completion, revision and amendment and such information may change materially. Even though Marel hf. has given due care and attention in the preparation of this Presentation, no representation or warranty, express or implied, is or will be made by Marel hf. as to the accuracy, completeness or fairness of the information or opinions contained in this Presentation and any reliance the recipient places on them will be at its own sole risk. Without prejudice to the foregoing, Marel hf. does not accept any liability whatsoever for any loss howsoever arising, directly or indirectly, from use of this Presentation or its contents or otherwise arising in connection therewith. Any recipient of this Presentation is recommended to seek its own financial advice.
- There is no representation, warranty or other assurance that any of the projections in the Presentation will be realised. The recipient should conduct its own investigation and analysis of the business, data and property described herein. Any statement contained in this Presentation that refers to estimated or anticipated future results or future activities are forward-looking statements which reflect current analysis of existing trends, information and plans. Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially and could adversely affect the outcome and financial effects of the plans and events described herein. As a result, the recipient is cautioned not to place undue reliance on such forward-looking statements.
- Transactions with financial instruments by their very nature involve high risk. Historical price changes are not necessarily an indication of future price trends. Any recipient of this Presentation are encouraged to acquire general information from expert advisors concerning securities trading, investment issues, taxation, etc. in connection with securities transactions.
- This Presentation and its contents are confidential and may not be further distributed, published or reproduced, in whole or in part, by any medium or in any form for any purpose, without the express written consent of Marel hf. By accepting this Presentation the recipient has agreed, upon request, to return promptly all material received from Marel hf. (including this Presentation) without retaining any copies. In furnishing this Presentation, Marel hf. undertakes no obligation to provide the recipient with access to any additional information or to update this Presentation or to correct any inaccuracies therein which may become apparent.
- The distribution of this Presentation, or any of the information contained in it, in other jurisdictions than the Republic of Iceland may be restricted by law, and persons into whose possession this Presentation comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdictions.

Thank you
Dank u wel
Takk fyrir
Mange tak