
PRESS RELEASE

July 23, 2014

Marel Q2 2014 results

(All amounts in EUR)

Strong order intake – Refocusing on track

- Revenue for Q2 2014 was 169.8m [Q2 2013: 178.4m].
- Adjusted EBITDA (EBITDA before refocusing cost) was 18.0m or 10.6% of revenue. EBITDA was 13.0m or 7.7% of revenue [Q2 2013: 19.0m].
- Adjusted operating profit (EBIT) was 10.7m or 6.3% of revenue. EBIT was 3.6m or 2.1% of revenue [Q2 2013: 12.3m].
- Net result for Q2 2014 was 0.8m [Q2 2013: 5.2m]. Earnings per share was 0.10 euro cents [Q2 2013: 0.71 euro cents].
- Cash flow from operating activities before interest and tax was 20.4m [Q2 2013: 25.3m]. Net interest bearing debt was 204.5m at the end of Q2 2014 [Q2 2013: 228.8m].
- The order book was at 156.4m at the end of Q2 2014 compared with 138.4m at the end of Q1 2014 [Q2 2013: 131.8m]

Marel's main markets are showing positive developments. With a focused market approach Marel secured well balanced orders in large systems, standard equipment and spares. Operational profit in Marel's poultry segment is improving and salmon activities are performing well.

The refocusing plan of becoming simpler, smarter, and faster is proceeding according to plan. The plan's objective is to serve customers' needs more effectively and to reduce the company's annual cost base by 20-25 million. Recurring annual cost saving targets from actions taken in the first half of the year amount to 8 million compared with one-off cost of 10.7 million.

In the beginning of the year Marel published guidance to reach organic revenue growth in 2014 with 55 million adjusted EBIT. Based on the current order book and market outlook organic revenue growth is realistic, however the guidance for adjusted EBIT is now updated to 40 - 50 million. Full focus is 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 milestones reached in Q2. Our operational performance improved, order intake is strong and we are moving forward with our refocusing plan.

Order intake, a good forward leading indicator of revenues, was 188 million in the quarter. The order intake was balanced between large systems, standard equipment and spares. The geographical spread in

orders was as well diversified with orders coming in from India, China, the Middle-East and South America in addition to good order intake from our U.S. and European customers.

Operational results are not yet in line with potential. We are moving towards becoming a simpler, smarter, and faster company by taking decisive steps to focus our market approach and optimize our manufacturing footprint. The primary goal and principle is to increase customer and shareholder long-term value.”

Simpler, smarter, and faster

Marel’s refocusing plan to become simpler, smarter, and faster is on track. The plan’s objectives are to increase efficiency in order to serve customers better and reduce the annual cost base by 20-25 million over the course of 2014 and 2015. This will improve results in the future on a recurring basis and support long-term growth and value creation.

Recurring annual cost saving targets from actions taken in the first half of the year amount to around 8 million compared with one-off costs of approximately 10.7 million. In Q1 the future benefits were estimated on a recurring annual basis of approximately 3.6 million with the same amount as non-recurring cost. In Q2 the future benefits are estimated to be 4-5 million with 7.2 million non-recurring cost.

In Q2 2014 several actions were taken:

- Restructuring of Marel’s operations in Oss and transfer to Boxmeer in the Netherlands. The transfer of activities to Boxmeer captures synergies in administration, manufacturing and innovation and strengthens these activities within the organization. The transfer will be completed before the end of the year.
- Successful finalizing of the transfer of salmon activities from Norresundby to Stovring in Denmark. The aim of moving the activities to a larger and modernized facility in Stovring is to be better equipped to take on the foreseen growth in the salmon business.
- Marel acquired the after sales services and business in Denmark and Sweden from an agent. By controlling the full offering of large systems, standard equipment and after sale services in the Nordic region, Marel believes it can better serve its customers’ needs and create more value and to strengthen further the recurring revenue base.

Further steps will be taken where business units serving the same customers’ needs which rely on the same technical capabilities will be combined. The current diverse manufacturing base will be consolidated into larger multi-industry sites where the company is better equipped to take on growth and fluctuations in utilization. In addition, the overall operational efficiency will be increased and the product portfolio sharpened.

Strong order intake in Q2

Markets are turning positive and with a focused market approach Marel secured well balanced orders received in large systems, standard equipment and spares. The order book now stands at 156.4 million, 18 million higher than in the previous quarter. Orders received amounted to 187.8 million compared with 160.8 million in Q1 2014 and 159.1 million in Q2 2013. During Q2, orders were secured from around the world confirming that Marel is strategically and commercially strong with a good portfolio of unique solutions.

Key figures from Marel's operations in thousands of EUR

Operating results

	Quarter 2 2014	Quarter 2 2013	Change in %	Quarter 2 2014 YTD	Quarter 2 2013 YTD	Change in %
Revenues	169,848	178,430	(4.8)	324,605	336,458	(3.5)
Gross profit before refocusing costs	60,344	59,517	1.4	113,010	117,026	(3.4)
Gross profit before refocusing costs as a % of Revenues	35.5	33.4		34.8	34.8	
Result from operations before refocusing costs (EBIT)	10,741	12,313	(12.8)	15,310	22,645	(32.4)
EBIT before refocusing costs as a % of Revenues	6.3	6.9		4.7	6.7	
EBITDA before refocusing costs	18,011	18,977	(5.1)	29,632	35,835	(17.3)
EBITDA before refocusing costs as a % of Revenues	10.6	10.6		9.1	10.7	
Refocusing costs	(7,188)			(10,738)		
Result from operations (EBIT)	3,553	12,313	(71.1)	4,572	22,645	(79.8)
EBIT as a % of Revenues	2.1	6.9		1.4	6.7	
EBITDA	13,022	18,977	(31.4)	21,093	35,835	(41.1)
EBITDA as a % of Revenues	7.7	10.6		6.5	10.7	
Net result	766	5,219	(85.3)	(1,105)	10,942	(110.1)
Net result as a % of revenues	0.5	2.9		(0.3)	3.3	
Orders Received ¹⁾	187,826	159,135	18.0	348,593	342,880	1.7
Order Book				156,427	131,811	18.7

¹⁾ Included are the service revenues.

	Quarter 2 2014	Quarter 2 2013	Quarter 2 2014 YTD	Quarter 2 2013 YTD
Cash flows				
Cash generated from operating activities, before interest & tax	20,422	25,349	39,804	42,583
Net cash from (to) operating activities	16,610	23,501	31,955	36,967
Investing activities	(11,969)	(7,686)	(19,084)	(14,964)
Financing activities	(7,060)	(8,356)	(15,730)	(16,517)
Net cash flow	(2,419)	7,459	(2,859)	5,486

Financial position

Net Interest Bearing Debt	(204,509)	(228,811)
Operational working capital ²⁾	82,592	99,688

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

Key ratios

Current ratio		1.2	1.3
Quick ratio		0.7	0.8
Number of outstanding shares		735,440	733,937
Market cap. in millions of Euros based on exchange rate at end of period		495.6	596.1
Return on equity before refocusing costs	5.9%		3.4%
Return on equity	0.7%	5.1%	-0.5%
Earnings per share before refocusing costs in euro cents	0.84		0.96
Earnings per share in euro cents	0.10	0.71	(0.15)
Leverage adjusted for refocusing costs ³⁾		3.23	3.02

³⁾ Net Interest Bearing Debt / LTM EBITDA

Markets

The world is on a three-speed track. The U.S. is on a growth track and food processors there are in need of expansion and modernization. Europe is on a slower track, with gradual economic recovery. Emerging markets, such as South America and Asia are on a long-term growth track. Retail and food services have

increased significantly in these markets in recent years while investments in food processing are lagging. The long-term potential for these markets remains favorable.

Marel's marketing activities were exceptionally high during the first half of the year including presence in the VIV Poultry exhibition that takes place every three years in Europe in addition to the two large seafood exhibitions in Brussels and Boston that take place every year.

Poultry

Operational profit margins in Marel's poultry segment are improving after difficulties during last two quarters. Key projects were secured during Q2 in Saudi Arabia, India and both North and South America. The order to Saudi Arabia is a large modernization project which will increase the capacity of the plant (three broiler lines) to 12,000 birds per hour. The project in India is a greenfield project where Marel and Sneha fresh chicken will build a highly automated broiler processing plant with the initial capacity of 6,000 birds per hour.

During the quarter Marel participated in the VIV Europe 2014 show in the Netherlands. The show was successful for Marel that won two innovation awards at the show for its SmartWeigher Grading and Distribution Line.

Fish

Salmon activities are performing well and so far the year has been good for salmon processors in both Norway and Chile. The whitefish segment is still underperforming though important orders were secured during Q2 to long term customers. Icelandic Group purchased the new FleXicut, Marel's first water-jet cutter, that with high precision detects and then cuts away bones in whitefish. The FleXicut was launched during the quarter. The sale was finalized during the annual seafood exhibition in Brussels and highlights Marel's contribution to adding value to processes throughout the value chain.

Meat

Results in meat are break-even when compared to the losses in previous years. Moving from customized solutions to modularized solutions has been an important factor in operational profit improvements.

Good projects, including repeat sales of proven systems, have been received from South America, France, Australia and China. Strong activity was seen in StreamLine solutions and Case Ready applications, including the newly acquired mixing and grinding activities. Marel is stepping up sales activities in Deboflex, the revolutionary pork deboning solution.

During Q2 Marel held its annual Meat ShowHow event in Progress Point in Copenhagen. Both existing and potential customers travelled from all over the world and the event was successful.

Further processing

Results in Further Processing are below target, due to low order intake in previous quarters. During Q2, there was an increase in order intake. This can mainly be attributed to sales in the U.S. and interest in the RevoPortioner and Mos ovens. In the U.S., an important order was concluded and several convenience lines were sold in Indonesia, Another important sale during Q2 was the first sale of a new developed CoExtrusion system in Hungary.

During Q2, Marel Further Processing participated in the Brussels seafood exhibition where the sale of the RevoPortioner to HB Grandi was finalized reflecting the potential that the RevoPortioner has in the fish industry building on its past success in poultry.

Innovation

Marel won two innovation awards at the VIV poultry exhibition in May. The SmartWeigher Grading and Distribution Line won both awards: the overall sector processing award and the overall VIV innovation award. The new solution enables accurate weighing, grading and distribution of broilers at the highest possible processing speeds. The Marel SmartWeigher Grading and Distribution Line consists of a newly developed turning shackle, the SmartWeigher, the newest IRIS vision system, a new unloading station and the latest version of the Innova / PDS-NT control software. The result is an unrivaled, high-performance weighing and grading solution.

Cash flow

Operational cash flow before interest and tax remains strong at 20.4 million for Q2 2014 compared with 25.3 million in Q2 2013. Increased orders received with pre-payments in addition to tight working capital control returned healthy cash flows from operations.

Financing

The balance sheet is healthy and net interest bearing debt amounts to 204.5 million, which is lower than at the end of Q2 2013 (228.8 million). Marel is financed in EUR and USD in a proportion which gives a natural hedge to exposures.

Overall, the business remains well invested.

Outlook

In the beginning of the year Marel published guidance to reach organic revenue growth in 2014 with 55 million adjusted EBIT. Based on the current order book and market outlook organic revenue growth is realistic, however the guidance for adjusted EBIT is now updated to 40 - 50 million. Full focus is 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 industries will secure good growth and increased profitability. The long-term outlook in the industry remains favorable and the estimated market growth is 4-6% in upcoming years. Marel's goal is to continue to grow faster than the market based on innovative customer solutions and its extensive sales and service network.

It should be kept in mind that results may vary from quarter to quarter due to general economic developments, fluctuations in orders received, and deliveries of larger systems.

Presentation of results, July 24, 2014

Marel will present its results at an investor meeting on Thursday, 24 July, 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 2014

- 3rd quarter 2014 October 22, 2014
- 4th quarter 2014 February 4, 2015

- Annual General Meeting 2014 March 4, 2015

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.