**PRESS RELEASE**
24 July 2013

# Marel Q2 2013 results

**(All amounts in EUR)**

### Results reflect delayed market recovery

- Revenues for Q2 2013 totalled 178.4 million (m), a decrease of 4.3% compared to the second quarter of 2012 [186.5m].
- EBITDA was 19.0m or 10.6% of revenues [Q2 2012: 18.6m].
- Operating profit (EBIT) was 12.3m or 6.9% of revenues [Q2 2012: 12.2m].
- Net result for Q2 2013 was 5.2m [Q2 2012: 7m]. Earnings per share were 0.71 euro cents [Q2 2012: 0.96 euro cents].
- Cash flow is healthy and net interest bearing debt is 228.8m at the end of the quarter compared to 262.0m in Q2 2012.
- The order book is at 131.8m at the end of the quarter [Q2 2012: 182.6m] which is roughly 13% decrease compared to the end of last quarter [151.1m].

### EBIT margin of 6.7% in the first half of 2013

- Revenues totalled 336.5 million for the first half of the year, a decrease of 9.4% compared to revenues for the same period the year before [1H 2012: 371.3 million].
- Operating profit (EBIT) was 22.6 million for the first half of the year, or 6.7% of revenues [1H 2012: 33.3 million].
- Net result was 10.9 million for the first half of the year [1H 2012: 20.1 million].

Marel's performance in the first half of 2013 reflects challenging market conditions and delayed recovery in the largest markets. Revenues in the first half of the year decreased by 9.4% compared to the first half of 2012. The order book is lower than at the end of Q2 2012, while being 6m higher than at year-end 2012 (125.4m). EBIT margin of 6.7% is below the long-term target of 10-12% (H1 2012: 9%). The pressure on EBIT is mainly a consequence of lower revenues while the Company remains geared up for increased sales.

The second quarter is in line with expectations with revenues of 178.4m and improved EBIT margin of 6.9%. Clear signs of market improvements are visible in the US while Europe continues to be weak. The situation in emerging markets is mixed though market prospects remain favourable both mid and long term. A number of important orders were received such as from Australia, US, Canada, Mexico, Brazil, Turkey, Romania and UK.

Marel expects that market recovery will be realized in 2014 instead of in the second half of 2013 and full year revenues are expected to decline moderately.

**Theo Hoen, CEO:**
*"We had a decent quarter considering challenging market conditions. With a growing installed base in recent years and extensive sales and service network, Marel's revenues deriving from service and spare parts are constantly increasing. At the same time investments in large projects are delayed which is causing underutilization and has influenced our gross profit.*

*We will keep our focus on operational efficiency while maintaining a good level of investment in innovation and market development.*

*While remaining optimistic about the prospects, we anticipate that market recovery will take longer time despite our earlier view. The underlying market growth is present with investment need building up. We are ready to capture increased demand when markets recover."*

**Standalone equipment sales on track with larger projects delayed**
Orders received amounted to 159.1m in the second quarter compared to 179.6 in Q2 2012. The slowdown in orders received resulted in a decrease of the order book compared to the last quarter. The order book amounted to 131.8m at the end of the second quarter compared with 151.1m at the end of Q1 [Q2 2012: 182.6m]. The reason for a slower pace in new orders is the hesitation to invest, in particular in larger projects, whereas standalone equipment, and spare parts and service are on track. Lingering uncertainty in markets, especially in Europe, could prolong delay in investments. Marel sees that demand for new equipment and update of existing technology keeps building up. Clear signs of improvement are visible in the US after three years of low investment level in the poultry processing industry.

## Performance summary for Q2 2013

### Key figures from Marel's operations in thousands of EUR

| **Operating results** *Consolidated* | **Quarter 2 2013** | **Quarter 2 2012** | **Change in %** | **Quarter 2 2013 YTD** | **Quarter 2 2012 YTD** | **Change in %** |
|---|---|---|---|---|---|---|
| Revenues | 178,430 | 186,469 | *(4.3)* | 336,458 | 371,333 | *(9.4)* |
| Gross profit | 59,517 | 62,277 | *(4.4)* | 117,026 | 130,269 | *(10.2)* |
| *Gross profit as a % of Revenues* | 33.4 | 33.4 | | 34.8 | 35.1 | |
| Result from operations (EBIT) | 12,313 | 12,210 | *0.8* | 22,645 | 33,330 | *(32.1)* |
| *EBIT as a % of Revenues* | 6.9 | 6.5 | | 6.7 | 9.0 | |
| EBITDA | 18,977 | 18,570 | *2.2* | 35,835 | 45,971 | *(22.0)* |
| *EBITDA as a % of Revenues* | 10.6 | 10.0 | | 10.7 | 12.4 | |
| Consolidated net result | 5,219 | 6,988 | *(25.3)* | 10,942 | 20,057 | *(45.4)* |
| *Net result as a % of consolidated revenues* | 2.9 | 3.7 | | 3.3 | 5.4 | |
| Orders Received 1) | 159,135 | 179,619 | *(11.4)* | 342,880 | 365,039 | *(6.1)* |
| Order Book | - | - | | 131,811 | 182,561 | *(27.8)* |

[1] Included are the service revenues.

| Cash flows | Quarter 2 2013 | Quarter 2 2012 | Quarter 2 2013 YTD | Quarter 2 2012 YTD |
|---|---|---|---|---|
| Cash generated from operating activities, before interest & tax | 25,349 | 9,787 | 42,583 | 23,297 |
| | | | | |
| Net cash from (to) operating activities | 23,341 | 4,902 | 36,730 | 14,499 |
| Investing activities | (7,526) | (9,016) | (14,727) | (16,201) |
| Financing activities | (8,356) | (8,719) | (16,517) | (9,591) |
| Net cash flow | 7,459 | (12,833) | 5,486 | (11,293) |

| Financial position | | | | |
|---|---|---|---|---|
| Net Interest Bearing Debt | | | 228,811 | 261,988 |
| Operational working capital 2) | | | 99,688 | 117,890 |

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

| Key ratios | | | | |
|---|---|---|---|---|
| Current ratio | | | 1.3 | 1.3 |
| Quick ratio | | | 0.8 | 0.9 |
| Number of outstanding shares | | | 733,937 | 730,709 |
| Market cap. in millions of Euros based on exchange rate at end of period | | | 596.1 | 697.1 |
| Return on equity | | | 5.4% | 10.5% |
| Earnings per share in euro cents | 0.71 | 0.96 | 1.49 | 2.76 |
| Leverage 3) | | | 3.02 | 2.63 |

[3] Net Interest Bearing Debt / Normalised LTM EBITDA

## Markets

Below is an overview of Marel’s four core industry segments: poultry, fish, meat and further processing.

**Poultry:** During Q2 there was a slowdown in the order intake compared to Q1 2013. Several substantial orders have been booked mainly from Australia, US, Canada, Mexico, Brazil and Romania. Product releases in Q2 worth mentioning are a good start of the streamline concept in the US and a number of successful AeroScalders installations with water and energy savings above expectations. Furthermore, the new wingtip cutter was released for sales; the 1500 Hz EC stunner was officially launched to the market; and the world's first duck processing line at 6000bph was started up a few weeks ago. Looking ahead into the second half of the year, it remains uncertain when markets will recover. However, Marel expects some recovery in the North American markets based on better profitability of the Company‘s customers, good crop forecasts and signs of more readiness to invest after a difficult period of more than three years in the industry.

**Fish:** The first half of 2013 has reflected challenging and uncertain market conditions in the global fish industry, such as volatile prices, consolidation and restructuring in the industry as well as liquidations of major players in the market. Additionally, buyers and processors of salmon are squeezed by high prices, but with new volumes expected both from Norway and Chile in the second half of the year, some softening of prices might be expected to take place. The implication for Marel is that several projects have been postponed. In April, the Marel stand at the world‘s largest Seafood exhibition SPE in Brussels drew the crowds. The launch of I-Cut 130, the next generation of portion cutters, specially designed for fish, is already triggering orders, confirming Marel's leading position in the portioning industry. FAO anticipates a 2.9 % increase in the total world production of fish which supports the notion that the industry overall is still going strong. Processors will need to continue investing and updating their processing technology to accommodate increased volume. Despite challenging market conditions Marel recognizes the underlying need for investment, based on increased demand for seafood.

**Meat:** Marel's meat segment remained slow during the quarter mainly due to prolonged market and economic uncertainty. Nevertheless, the pipeline of projects continues to grow. The realization of projects has been at a slower pace than anticipated, however, it is expected that these projects will be realised in the coming months. There is noticeable increase in activity in Europe and US, Marel's two largest markets, which is a sign of improvement. Good orders were closed in the second quarter in Mexico for our Streamline deboning solutions, for both Pork and Beef. The IFFA exhibition, held every three years, took place in May with Marel prominently positioned within the meat sector. A number of new developments were launched, including Deboflex – a revolutionary new deboning concept for Pork shoulders; Trim Management System – a unique concept for creating predetermined batches of specific meat trim based upon a target fat / lean ratio; and ProTen – a new solution for harvesting residual meat from bones.

**Further processing:** ModularOven, RevoPortioner and fresh sausage systems received a great deal of attention in the second quarter, supporting Marel's reputation as a true full line supplier. Several sausage linkers have been sold in South America and Asia with full lines being purchased by Turkish and UK customers. At the IFFA exhibition in Frankfurt, the Marel stand attracted a large number of valued visitors and important contracts were closed during the exhibition. Marel enjoyed a great success with the ModularOven 700 receiving the Meat Technology Award 2013 in the category Air Conditioning and Heating Technology. At the end of June, the Fresh Sausage Event in the DemoCenter in Boxmeer attracted a group of keen customers who were impressed with the vast array of equipment being demonstrated.

## Innovation

**DeboFlex:** At the IFFA exhibition in Frankfurt in May 2013 Marel launched its groundbreaking DeboFlex, a new flexible shackle-based pork deboning solution. DeboFlex makes deboning and cutting pork fore-ends much easier, by significantly reducing handling and enhancing throughput, yield and product safety. Dorthe Mohn Christensen, Marketing Manager for Marel explains: "With DeboFlex Marel has adopted a solution similar to that found in the poultry industry. The flow is made simple and orderly, resulting in higher capacity, increased yield and improved logistics and ergonomics." The DeboFlex simplifies operations such as hanging, neck removal, skinning, defatting, deboning and shank cutting. It virtually eliminates heavy lifting, easing stress for workers. At the same time, the limited number of contact points offers low risk of contamination.

The first customer to install the DeboFlex system was Compaxo Meat Ltd in Zevenaar, Holland. At the Compaxo pig slaughterhouse, craftsmanship goes hand in hand with the latest technologies and sciences - DeboFlex fits well within that philosophy. Menno van der Post, Production Manager at Compaxo in Zevenaar, immediately adapted to the new way of working. "We are very happy with the DeboFlex. The flexibility and easy logistics of the system are simply impressive. The DeboFlex offers many benefits for Compaxo, as Menno explains, "We constantly see new benefits. The efficiency in the production hall has risen, the transport of products has become simpler, the cutting process has become easier and the bacterial counts have dropped. All this has happened in just a couple of months after installation."

## Operational excellence

**Cost efficiency**
Marel has taken many important steps in recent years in order to align the Company's resources, and to become more efficient in processes throughout the Company's operations. The challenge in recent quarters has been to balance strict cost control with keeping the target level of investment in innovation and continuous market development. The efforts are paying off and the Company will continue to maintain focus on operational efficiency and cost control. At the same time it is clear that the Company's overall cost base is geared towards capturing increased sales and market share in the near term.

**Cash flow**
Operational cash flow before interest and tax remains strong at 25.3m increasing by 15.5m compared to the second quarter of last year [Q2 2012: 9.8m]. The operational working capital decreased by 18.2m compared with Q2 2012 while still supporting the Company's growth plans.

**Finance**
The balance sheet is strong and net interest bearing debt amounted to 228.8m at the end of Q2 2013, compared with 262.0m at the end of Q2 2012. Marel is financed in EUR and USD in a proportion giving a natural hedge to exposures in the long term. Interest cost is trending downwards reflecting the decrease in net debt. Exchange rate differences negatively affected the net profit by 2m last quarter with other finance cost being stable.

As announced on 8 July, Marel has reached an agreement with the administrator of the Carnitech A/S estate to acquire Carnitech's mixing and grinding activities, following its bankruptcy on 21 June 2013. The amount of the transaction is approximately EUR 1.5 million. Although the transaction is small in size, the acquired part of the Carnitech operations is a good strategic fit to Marel making the company's market position stronger.

The Annual General Meeting of shareholders approved a dividend payment of 0.97 euro cents per share (EUR 7.1m) of which EUR 6.5m was paid in Q2. Treasury shares were sold for 0.8m euros in Q2 2013 to fulfil obligations of stock option agreements.

## Outlook
The underlying assumption that markets will recover has not changed. However, in light of slowdown in orders received and investment delays Marel now expects that market recovery will be realized in 2014 instead of the second half of 2013. As a result the Company aims to be back on track with 10-12% EBIT during next year.

Mid- and long-term, the Company believes that Marel's innovative products and global presence in all industries will stimulate strong growth and increased profitability as the underlying market growth is still present.

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, 25 July 2013**

Marel will present its results at an investor meeting on Thursday, 25 July, at 8:30 am (GMT), at the Company's headquarters at Austurhraun 9, Gardabaer. The meeting will also be webcast at www.marel.com/webcast.

## Publication days of Consolidated Financial Statements in 2013

- 3rd quarter 2013 — 23 October 2013
- 4th quarter 2013 — 5 February 2014

Release of financial statements will take place after market closing at above-mentioned 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.