

Marel Q4 and full year 2014 results

(All amounts in EUR)

Q4 2014 – Record order intake and strong cash flow

- Revenue for Q4 2014 totaled 200.0m [Q4 2013: 168.2m].
- Adjusted EBITDA* for Q4 2014 was 28.1m or 14.1% of revenue. EBITDA was 21.0m or 10.5% of revenue [Q4 2013: 14.1m].
- Adjusted operating profit* (adj.EBIT) for Q4 2014 was 16.1m or 8.0% of revenue. EBIT was 8.5m or 4.2% of revenue [Q4 2013: 7.4m].
- Net result for Q4 2014 was 3.0m [Q4 2013: 3.7m]. Earnings per share were 0.41 euro cents [Q4 2013: 0.50 euro cents].
- Cash flow from operating activities before interest and tax was 32.7m [Q4 2013: 34.7m]. Net interest bearing debt was 174.3m at the end of Q4 2014 [Q4 2013: 217.1m].

Full year 2014 – At the customer, for the customer, while refocusing

- Revenue for 2014 totaled 712.6m, an increase of 7.7% compared with the previous year [2013: 661.5m].
- Adjusted EBITDA* was 83.7m or 11.7% of revenue. EBITDA was 66.7m or 9.4% of revenue [2013: 69.4m].
- Adjusted operating profit* (adj.EBIT) for 2014 was 48.8m or 6.8% of revenue. EBIT was 29.2m or 4.1% of revenue [2013: 42.9m].
- Net result for 2014 was 11.7m [2013: 20.6m]. Results were affected by one-off costs associated with the refocusing actions in 2014. Earnings per share were 1.60 euro cents [2013: 2.81 euro cents].
- Cash flow from operating activities before interest and tax was 102.2m [2013: 80.3m]. Net interest bearing debt was 174.3m at the end of the year [2013: 217.1m].

Marel achieved 7.7% revenue growth in 2014 and an adjusted EBIT of 48.8 million in line with management guidance. Order book in the beginning of 2015 stands at 175 million compared with 132 million in the beginning of 2014. 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:

"The fourth quarter was a good quarter for Marel with record revenue and order intake. In the quarter we saw revenue increase by 19% and order intake by 27% compared with the same quarter one year ago.

2014 was a year of progress and transformation for Marel. The year started off slow but in the spring we changed the game and we have managed to be at the customer, for the customer, while refocusing our operations. The sales last year were a good mix of Greenfields, modernization projects and maintenance business around the globe. There is clearly a tailwind in the market, particularly in the U.S. that fully offsets turbulences in Eastern European countries and other countries that are dependent on raw material resources.

The Simpler, Smarter, Faster refocusing program is a two year journey and we are now entering the second year. The streamlining of the operation is fully on track and simultaneously we are investing in future growth through innovation and general investments to advance the business. We are moving into the right direction with operational improvements in the second half of the year and we enter 2015 with optimism. The order book is at good level, we are streamlining towards lower cost base and our aim is to capture good organic growth and increased profits in 2015 compared with previous year."

*Before refocusing cost

Key figures from Marel's operations in thousands of EUR

Operating results

	Quarter 4 2014	Quarter 4 2013	Change in %	Quarter 4 2014 YTD	Quarter 4 2013 YTD	Change in %
Revenues	200,018	168,182	18.9	712,554	661,536	7.7
Gross profit before refocusing costs	75,413	58,588	28.7	255,797	233,644	9.5
Gross profit before refocusing costs as a % of Revenues	37.7	34.8		35.9	35.3	
Result from operations before refocusing costs (EBIT)	16,058	7,410	116.7	48,778	42,909	13.7
EBIT before refocusing costs as a % of Revenues	8.0	4.4		6.8	6.5	
EBITDA before refocusing costs	28,122	14,086	99.6	83,666	69,444	20.5
EBITDA before refocusing costs as a % of Revenues	14.1	8.4		11.7	10.5	
Refocusing costs	(7,565)			(19,600)		
Result from operations (EBIT)	8,493	7,410	14.6	29,178	42,909	(32.0)
EBIT as a % of Revenues	4.2	4.4		4.1	6.5	
EBITDA	20,989	14,086	49.0	66,698	69,444	(4.0)
EBITDA as a % of Revenues	10.5	8.4		9.4	10.5	
Net result	2,995	3,701	(19.1)	11,731	20,620	(43.1)
Net result as a % of revenues	1.5	2.2		1.6	3.1	
Orders Received ¹⁾	205,655	162,358	26.7	754,996	668,584	12.9
Order Book				174,880	132,438	32.0

¹⁾ Included are the service revenues.

	Quarter 4 2014	Quarter 4 2013	Quarter 4 2014 YTD	Quarter 4 2013 YTD
Cash flows				
Cash generated from operating activities, before interest & tax	32,669	34,707	102,201	80,320
Net cash from (to) operating activities	27,030	29,638	85,601	64,552
Investing activities	(3,997)	(8,276)	(28,395)	(32,418)
Financing activities	(25,085)	(14,780)	(55,623)	(26,461)
Net cash flow	(2,052)	6,583	1,583	5,673

Financial position

Net Interest Bearing Debt	174,347	217,130
Operational working capital ²⁾	77,983	91,750

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

Key ratios

Current ratio	1.1	1.3
Quick ratio	0.7	0.8
Number of outstanding shares	728,611	735,452
Market cap. in millions of Euros based on exchange rate at end of period	648.9	612.7
Return on equity	2.8%	5.0%
Earnings per share in euro cents	0.41	0.50
Leverage adjusted for refocusing costs ³⁾	2.08	3.13

³⁾ Net Interest Bearing Debt / LTM EBITDA

Simpler, Smarter, Faster refocusing program

Marel's two year refocusing plan is on track and will continue throughout 2015, after which the focus will be shifted towards full potential with the aim of reaching over 100 million EBIT in 2017.

The refocusing plan's objectives are to increase efficiency in order to serve customers better and reduce the recurring annual cost base by 25 million. Total estimated cash-out costs related to refocusing actions is 25 million, while the total P/L effect cannot be fully estimated at this time. Recurring annual cost savings from actions taken in 2014 is estimated to be approximately 14 million compared to cash-out costs of approximately 14 million while the one-off costs through the P/L is 19.6 million. The one-off costs in Q4 amount to 7.6 million, thereof 6.5 million with cash-out effect.

Marel is streamlining the general business, optimizing the product portfolio and manufacturing footprint and at the same time investing in further growth through innovation and general investments to advance the business. Throughout the refocusing program, Marel has managed to be at the customer, for the customer resulting in increased sales with strong cash flow and net debt/EBITDA at 2.08 at year-end compared to 3.13 at the end of 2013.

In addition to one-off cost related to the Simpler, Smarter Faster program there are non-recurring cost items in sales, general administration and innovation.

Refocusing actions taken during 2014:

- The consolidation of several different business units in Marel's meat segment resulting in better utilization of resources and increased synergies in Marel's meat activities.
- The transfer of salmon activities from Norresundby to a larger and modernized facility in Stovring, Denmark. The transfer was finalized in Q2 and as of Q3; Marel's salmon operation has been running with increased efficiency.
- The transfer of Marel's operations from Oss to the multi-industry site in Boxmeer was completed before year-end and will return increased synergies in innovation and sales going forward.
- The ceasing of manufacturing production in Singapore will be finalized before mid-year 2015 and will increase operational profit during the second half of 2015 and onwards. Marel is entering into partnership to continue to provide freezing solutions for integrated solutions to its customers.
- The streamlining of Marel's activities in Further Processing.

Further refocusing actions will be taken in 2015. In January, Marel announced the consolidation of its Des Moines, Iowa manufacturing operation to an existing facility in Gainesville, Georgia. The aim is to capture synergies and increase Marel's competitiveness by consolidating its manufacturing platform into few multi-industrial manufacturing sites. The transition process began in January 2015, with completion before year-end 2015.

Employees with long term contracts are approximately 3,800 at year-end 2014 compared to approximately 4,000 at the beginning of the year. To manage fluctuations in demand, Marel uses temporary manufacturing resources, of which there are 250 resources at year-end compared with 130 at beginning of the year, reflecting the increased business activity and order book at a good level. The ceasing of freezing activities in Singapore and the U.S. manufacturing consolidation will lead to further reductions of employees as previously announced.

Markets

Marel's business activities have gradually increased over the course of the year. For two consecutive quarters, in Q3 and Q4, Marel secured record order intake and revenue, reflecting continuous customer focus and good market conditions. Sales in 2014 were a good mix of Greenfields, modernization projects and maintenance business around the globe. There is clearly a tailwind in the market, particularly in the U.S. that fully offsets turbulences in Eastern European countries and other countries that are dependent on raw material resources.

Poultry

Operational profit margins and volumes in Marel's poultry segment improved gradually throughout the year and closed the year at a good level. Poultry secured many medium and large sized projects around the globe during the year and the order book is at a healthy level entering 2015. The poultry segment accounted for 53% of Marel's revenue in 2014 with 376 million in revenue and adj. EBIT of 45.2 million (12.0%*).

Fish

The year was good for Marel's fish segment. For the second consecutive year, Marel's salmon activities returned healthy results and increased activity was also seen in whitefish projects throughout the year. Towards the end of the year Marel secured a large salmon project with Bakkafrøst, the largest salmon producer in the Faroe Islands. During the year Marel moved its salmon operations from Norresundsby to Stovring which has enabled Marel to take on further growth and increase operational efficiency. The fish segment accounted for 16% of Marel's revenue in 2014 with 112 million in revenue and adj. EBIT of 6.4 million (5.7%).

Meat

During the year several actions were taken to streamline operations in Marel's meat activities. Business units and operations were consolidated which will result in increased synergies in sales and innovation going forward. Landmark sales were finalized during 2014 in all continents and reference projects have been established around the globe. The meat segment accounted for 17% of Marel's revenue in 2014 with 122 million in revenue and adj. EBIT of -2.6 million (-2.1%).

Further processing

The year started off slow for Marel's Further Processing segment but order intake picked up to a good level during the second half of the year. Positive signals were visible in various markets and important sales were finalized. A strong driver is the positive economic situation in the U.S.

Operations in Further Processing were streamlined in Q4 and the team and market approach strengthened. The Further Processing segment accounted for 13% of Marel's revenue in 2014 with 89.6 million in revenue and adj. EBIT of -0.2 million (-0.2%).

Innovation in 2014

Marel introduced several innovative solutions to the market during 2014. Among them is the water-cut solution, Flexicut, the next generation of whitefish processing lines which will revolutionize whitefish processing. The solution won the innovation prize at the Nor-Fishing exhibition in Norway 2014. Marel also won two innovation awards at the VIV poultry exhibition in the Netherlands for its SmartWeigher Grading and Distribution Line. Towards the end of the year, Marel launched the new Smartline Grader and the latest module in the Innova Software. The Smartline Grader is a revolution in hygienic grading in addition to being fast and highly accurate. The latest module in the Innova software range, enables seafood processors to comply with new EU regulations which affects labels accompanying all fishery and aquaculture products for EU consumers.

Cash flow

Operational cash flow before interest and tax is 32.7 million for Q4 2014, compared with 34.7 million in Q4 2013. For the full year 2014 operational cash flow from operating activities before interest and tax was 102.2 million compared with 80.3 million for 2013.

Increased orders received with pre-payments in addition to tight working capital control returned healthy cash flow from operations.

In Q4 2014 Marel acquired 4.0 million treasury shares for a total amount of 3.4 million. After the purchase and exercises of stock options during the quarter the company holds 7.0 million treasury shares. The purchase of

* Other segments such as vegetables and cheese account for 2% of revenue

treasury shares is to hedge and fulfill obligations of employee stock option agreements. Total outstanding stock options at the year-end 2014 are 16.8 million shares.

Financing

The balance sheet is healthy and net interest bearing debt amounts to 174 million, which is lower than at the end of Q4 2013 (217 million). The leverage is within targeted capital structure at year end, with net/debt EBITDA at 2.08. Marel is financed in EUR and USD in a proportion with assets which naturally hedge majority of currency risk.

Prior to year-end 2014, Marel agreed with its lenders to extend and increase financing facilities with effective date January 9, 2015. The term of its current loan facilities was 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. These changes support Marel's strategic and operational flexibility.

Dividend

The Board of Directors will propose to the Annual General Meeting (AGM) on March 4, 2015 that a dividend of 0.48 euro cents per share be paid for the operational year 2014. Based on the current number of outstanding shares, the estimated total dividend payment will be approximately 3.5 million, corresponding to approximately 30% of net profit for the year.

The proposed dividend is in line with Marel's targeted capital allocation and dividend policy. If approved by Marel's shareholders, the company's shares traded on and after March 5, 2015 (EX-Date) will be ex-dividend and the right to a dividend will be constricted to shareholders identified in the company's shareholders Registry at the end of March 6, 2015, which is the proposed record date. The board will propose that payment date of the dividend is March 27, 2015.

Outlook

With an order book at a good level for the beginning of 2015 and tailwind in main markets, Marel's 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 industries will secure good growth and increased profitability. The long-term outlook in the industry remains favorable and the estimated 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, February 5, 2015

Marel will present its results at an investor meeting on Thursday, February 5, 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

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|--------------------------------|------------------|
| ▪ Annual General Meeting | March 4, 2015 |
| ▪ 1 st quarter 2015 | April 29, 2015 |
| ▪ 2 nd quarter 2015 | July 29, 2015 |
| ▪ 3 rd quarter 2015 | October 28 2015 |
| ▪ 4 th 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.