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**PRESS RELEASE**

25 July 2012

## **Marel Q2 2012 results**

(All amounts in EUR)

### **Strong growth with lower profit margins in Q2**

- Revenues for Q2 2012 totalled 186.5 million, an increase of 15.2% compared to the second quarter of 2011 [161.9 million].
- EBITDA was 18.6 million or 10.0% of revenues [Q2 2011 normalised: 20.9 million].
- Operating profit (EBIT) was 12.2 million or 6.5% of revenues [Q2 2011 normalised: 15.0 million].
- Net result for Q2 2012 was 7 million [Q2 2011: 0.2 million<sup>1</sup>]. Basic earnings per share were 0.96 euro cents [Q2 2011: 0.03].
- Cash flow remains healthy and net interest-bearing debt is 262 million at the end of the quarter compared to 248.8 million in Q2 2011.
- The order book remains at a good level of 182.6 million at the end of the quarter compared to 169 million at the end of Q2 2011.

### **EBIT margin of 9% in first half 2012**

- Revenues totalled 371.3 million for the first half of the year, an increase of 17.7% compared to revenues for the same period the year before [1H 2011: 315.4 million].
- Operating profit (EBIT) was 33.3 million for the first half of the year, or 9% of revenues [1H 2011 normalised: 32.1 million].
- Net result was 20.1 million for the first half of the year [1H 2011: 9.0 million consolidated<sup>2</sup>].

Marel shows strong market performance in the second quarter with revenues amounting to 186.5 million, which is 15.2% higher than in the previous year. EBIT margin of 6.5% in Q2 is below target (10-12%) for the full year. This is mainly due to the extra cost of realising some projects, coping with continued strong growth and an unfavourable product mix. The EBIT margin is 9% for the first half of the year and the target remains at 10-12%.

The second quarter signals a well balanced geographical split with large projects in Brazil, Turkey, the USA, South Africa and Russia. The revenue split across the Poultry, Fish and Further Processing industries is also at a good level.

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<sup>1</sup> Taking into account the one-off cost related to pension funding amounting to 11.1 million.

<sup>2</sup> See footnote 1.

**Theo Hoen, CEO:**

"We are satisfied that the business keeps growing and the order book stays at a good level. We have emphasised that results can vary from quarter to quarter. That is the case in the second quarter of this year. We have grown by 18% compared to the first half of last year with an EBIT margin of 9%.

Marel has a strong market position with good geographical spread and innovative products. Our aim is clearly to reach the EBIT target of 10 to 12% for the full year."

**Order book at good level**

In Q2 there was a good pace of orders received (including service revenues), which amounted to 179.6 million compared to 168.8 million in Q2 2011. The main drivers of growth are orders for complete processing lines that comprise a wide range of products, such as the new salmon filleting system, which is taking off thanks to its value-adding features for the benefit of the customer, as well as innovative products like the AeroScalder.

**Performance summary for Q2 2012**

Key figures from Marel's operations in thousands of EUR

<b>Operating results</b>	<b>Quarter 2 2012</b>	<b>Quarter 2 2011</b>	<b>Change in %</b>	<b>Quarter 2 2012 YTD</b>	<b>Quarter 2 2011 YTD</b>	<b>Change in %</b>
<i>Consolidated, (normalised for 2011 Q2 and YTD) <sup>1)</sup></i>						
Revenues	186,469	161,854	15.2	371,333	315,391	17.7
Gross profit	62,277	57,883	7.6	130,269	116,800	11.5
<i>Gross profit as a % of revenues</i>	<i>33.4</i>	<i>35.8</i>		<i>35.1</i>	<i>37.0</i>	
Result from operations (EBIT)	12,210	14,959	(18.4)	33,330	32,080	3.9
<i>EBIT as a % of revenues</i>	<i>6.5</i>	<i>9.2</i>		<i>9.0</i>	<i>10.2</i>	
EBITDA	18,570	20,942	(11.3)	45,971	44,265	3.9
<i>EBITDA as a % of revenues</i>	<i>10.0</i>	<i>12.9</i>		<i>12.4</i>	<i>14.0</i>	
Consolidated net result	6,988	229	2,951.7	20,057	9,004	122.8
<i>Net result as a % of consolidated revenues</i>	<i>3.7</i>	<i>0.1</i>		<i>5.4</i>	<i>2.9</i>	
Orders received <sup>2)</sup>	179,619	168,822	6.4	365,039	329,579	10.8
Order book				182,561	168,981	8.0

<sup>1)</sup> The 2011 numbers are normalised for EUR 11.1 mln one-off costs for pension related issues.

<sup>2)</sup> Included are service revenues.

## Cash flows

Cash generated from operating activities, before interest & tax	9,787	7,377	23,297	21,492
Net cash from (to) operating activities	4,902	2,709	14,499	11,171
Investing activities	(9,016)	(5,602)	(16,201)	(10,841)
Financing activities	(8,719)	(9,693)	(9,591)	(32,557)
Net cash flow	(12,833)	(12,586)	(11,293)	(32,227)

## Financial position

Net interest bearing debt	261,988	248,795
Operational working capital <sup>3)</sup>	117,890	78,649

<sup>3)</sup> Third party debtors, inventories, net work in progress and third party creditors.

## Key ratios

Current ratio	1.3	1.3
Quick ratio	0.9	0.8
Number of outstanding shares	730,709	735,569
Market capitalisation in millions of euros based on exchange rate at end of period	697.1	532.1
Return on equity	10.5%	5.2%
Earnings per share in euro cents	0.96	0.03
Leverage <sup>4)</sup>	2.63	2.76

<sup>4)</sup> Net interest bearing debt / normalised last twelve months EBITDA.

## Markets

Marel's core business focuses on four industry segments: poultry, fish, meat and further processing.

**Poultry:** The order intake was again good for the 2nd quarter of this year, with large orders coming in from Europe, Russia, Korea, Turkey and Brazil. The Company's load factor for its manufacturing facilities continues to be good. This quarter's major orders included two important greenfield projects: a complete duck processing plant in Russia and a new high speed broiler processing plant in Turkey that includes our innovative AeroScalder. We received an important order in Brazil to replace a significant amount of existing eviscerating systems with our Nuova eviscerating system, and a large additional order from Korea.

**Fish:** We experienced great interest in Marel equipment at the SPE exhibition in Brussels in April. There were many visitors at the Marel stand and several deals were signed. In general, orders received in the second quarter met our expectations, especially for larger systems. Marel completed many larger installations in the quarter, both for salmon and whitefish processors. Amongst these are installations of the newly launched MS 2730 salmon filleting machines as well as the new standard flowline. The outlook for the next quarters is viewed as quite positive.

**Meat:** Q2 has been slow in general. Our customers compete on quite thin margins, and are experiencing the effect of a surplus of pork in the European market, combined with a difficult financial and economic climate. Consequently, we are experiencing investment delays from our customers. Project proposals, however, have remained high, with activity mainly coming from Northern Europe, the US and Pacific regions. Of particular interest to processors is our unique StreamLine concept, which offers processors a solution for improving logistics in the deboning hall, whilst ensuring product tracking and improved ergonomic solutions for employees. In Poland we are nearing completion of the largest Case Ready greenfield factory project that Marel has ever supplied. We remain optimistic of new projects in the future.

**Further processing:** During the first half of 2012, the total order intake has been according to plan, mainly thanks to further processors expanding their capacity with full lines. Marel recently received a large order for the new high capacity Cook-Smoke-Link system based on CoExtrusion technology. There seems to be a growing interest in our products, particularly apparent in Central Europe and the Middle East, although the decision-making process has become significantly slower. To cope with growth in recent quarters, we have now moved the FP Industry Center to a new building in the same area of Boxmeer. In the US, the sales organisations for the Meat and Further Processing Industry Centers have merged, meaning there are more sales managers for a smaller area and thus a more concentrated market approach. We are working hard on a number of market introductions for the second half of the year.

## Innovation

Innovation portfolio management is a balancing act between short- and long-term goals. Within Marel different horizons are used. On the short-term horizon, product maintenance in which many “small” improvements originating from service and customer feedback are dealt with to keep existing products up-to-date. A good example of this is the recent launch of a new control and carrier system for the Poultry AMF breast cap filleting system. It’s designed to improve the filleting yield and consistency.

In the medium-term R&D horizon, new product concepts are developed based on existing technology. For example, the inline immersion chill concept fills the gap between full air chill, as used in most European processing plants, and full immersion water chill, which dominates a large part of the rest of the world. Inline Immersion water chill can be applied to enable a transition to air chill in certain markets or solve space problems in others. Similarly, the innovative SK 14-430 Poultry Skinner is designed to remove skins from boneless butterfly chicken breasts, whole legs and thighs with the highest yields on the market and without the need for water.

Long-term horizon projects usually take a number of years. They generate new technology concepts to meet unanswered needs or make existing technology outdated. The Smartweigher and the Innova equipment monitoring software both belong in this category. The Smartweigher combines all Marel’s knowledge about dynamic weighing into a stunning, simple solution for the high-speed weighing of shackles fixed to a chain. It is suitable for many different lines in poultry processing plants. Innova equipment monitoring helps keep the uptime of the processing to a maximum and enables managers to make precise operational decisions.

## Operational excellence

### Cost efficiency

Despite the setback with excess project costs in Q2, Marel will continue to maintain a strict focus on rationalisation, manufacturing efficiency and costs. There are many ongoing projects which aim at streamlining the business and reducing the Company's cost base in a sustainable manner despite further growth in line with strategic goals.

### Cash flow

Operational cash flow before interest and tax was positive at 9.8 million, compared with 7.4 million in Q2 2011. The higher operational working capital stems from the growth of the Company, although there is measurable improvement in the working capital resulting from initiatives in that area.

### Finance

The balance sheet is solid and net interest-bearing debt amounted to 262 million at the end of Q2 2012, compared with 254.2 million at the end of Q1. The business remains well invested, though there has been some expansion of facilities and equipment in order to allow further growth. Cash pooling is one improvement effort which has already paid off, resulting in lower interest expenses.

## Outlook

Marel is on track with its growth strategy and remains optimistic that 2012 will meet the Company's performance target of 10-12% despite lower margins in Q2. Notwithstanding the uncertainties in the world economy, reports project a steady moderate growth in the food industry. Marel views the fish and poultry industries at a good level, whereas conditions in the meat industry are less favourable in the short term. Nevertheless, 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, 26 July 2012

Marel will present its results at an investor meeting on Thursday, 26 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](http://www.marel.com/webcast).

## Publication days of the Consolidated Financial Statements in 2012

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|--------------------------------|-----------------|
| ▪ 3 <sup>rd</sup> quarter 2012 | 24 October 2012 |
| ▪ 4 <sup>th</sup> quarter 2012 | 30 January 2013 |

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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 is 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.