

## Marel Q3 2017 results

(All amounts in EUR)

### Q3 2017 – Strong competitive position and good momentum

- Revenue for Q3 2017 totaled 247.0m [Q3 2016: 234.8m].
- EBITDA for Q3 2017 was 45.8m or 18.6% of revenue [Q3 2016: EBITDA 41.5m or 17.7% of revenue].
- EBIT\* for Q3 2017 was 37.6m or 15.2% of revenue [Q3 2016: EBIT\* 33.4m or 14.2% of revenue].
- Net result for Q3 2017 was 23.2m [Q3 2016: 17.3m]. Basic earnings per share were 3.29 euro cents in Q3 2017 [Q3 2016: 2.42 euro cents].
- Cash flow from operating activities before interest and tax in Q3 2017 was 71.8m [Q3 2016: 33.2m]. Net debt/EBITDA was x2.0 at the end of Q3 2017.
- The order book was at 467.6m at the end of Q3 2017 compared with 418.9m at the end of Q2 2017 [Q3 2016: 305.1m].

In Q3 order intake was robust at 296 million. Market conditions remain good and Marel's competitive position is strong. The order book was at a good level of 468 million. Revenue in Q3 2017 was 247 million with a solid EBIT\* of 15.2%.

Revenue for the first nine months of 2017 was 743 million compared to 733 million on a pro forma basis for the same period in 2016. EBIT\* for the first nine months of 2017 was 111 million (15.0% of revenue) compared to 108 million on a pro forma basis for the same period last year (14.8% of revenue).

Marel's acquisition of Sulmaq, a Brazilian primary meat processing equipment provider, was finalized on August 31, 2017. Sulmaq's annual revenue is approximately 25 million. In the short term, the acquisition is not expected to have a material impact on Marel's financial results.

Cash flow was exceptionally strong in Q3 leading to further deleveraging, despite the acquisition of Sulmaq for an amount equaling the enterprise value of 26 million and the net purchase of treasury shares for 12 million during the quarter. Furthermore Marel continues to invest in the business to stimulate further growth and value creation. Leverage is now down to x2.0 net debt/EBITDA compared to x2.15 in last quarter.

#### Arni Oddur Thordarson, CEO:

"We are building on good momentum and delivering yet another quarter with robust order intake of 296 million. We are pleased with the operational results in the quarter with 247 million in revenue and EBIT in excess of 15%.

This is delivered despite softness in the operational results of Marel Meat when compared with previous quarters. The outstanding performance of Marel Poultry in Q3 outweighs this. By being the leading global provider to three industries; poultry, meat and fish we counterbalance fluctuations in business unit operations, leading to good overall operational results.

Good earnings and strong cash flow enables us to continue to invest in innovation and strengthening the operational platform. In Q3 we finalized the acquisition of Sulmaq in Brazil for 26 millions in addition to acquiring treasury shares for 12 million. Marel's financial position is strong and net leverage is down to two times EBITDA.

We will continue to engage with new and existing customers around the world in exciting projects that will advance food processing".

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

	Quarter3 2017	Quarter3 2016	Change in %	Quarter3 2017 YTD	Quarter3 2016 YTD	Change in %
<b>Proforma figures <sup>1)</sup></b>						
Revenues	246,987	234,806	5.2	743,470	732,935	1.4
Gross profit	94,010	94,019	(0.0)	289,874	303,371	(4.4)
Gross profit as a % of Revenues	38.1	40.0		39.0	41.4	
Adjusted result from operations (EBIT) <sup>2)</sup>	37,565	33,402	12.5	111,189	108,392	2.6
Adjusted EBIT as a % of Revenues <sup>2)</sup>	15.2	14.2		15.0	14.8	
EBITDA	45,837	41,527	10.4	136,010	132,393	2.7
EBITDA as a % of Revenues	18.6	17.7		18.3	18.1	
Adjustment for amortization of acquisition-related (in)tangible asset	(2,199)	(6,746)		(14,725)	(17,880)	
Result from operations (EBIT)	35,366	26,656	32.7	96,464	90,512	6.6
EBIT as a % of Revenues	14.3	11.4		13.0	12.3	
Orders Received	295,631	233,354	26.7	861,495	718,200	20.0
Order Book				467,551	305,055	53.3

1) Proforma figures include MPS for the full first quarter in 2016.

2) Operating income adjusted for amortization of acquisition-related (in)tangible assets (PPA)

	Quarter3 2017	Quarter3 2016	Change in %	Quarter3 2017 YTD	Quarter3 2016 YTD	Change in %
<b>As per financial statements</b>						
Revenues	246,987	234,806	5.2	743,470	719,645	3.3
Gross profit	94,010	94,019	(0.0)	289,874	295,825	(2.0)
Gross profit as a % of Revenues	38.1	40.0		39.0	41.1	
Adjusted result from operations (EBIT) <sup>2)</sup>	37,565	33,402	12.5	111,189	104,274	6.6
Adjusted EBIT as a % of Revenues <sup>2)</sup>	15.2	14.2		15.0	14.5	
EBITDA	45,837	41,527	10.4	136,010	128,091	6.2
EBITDA as a % of Revenues	18.6	17.7		18.3	17.8	
Adjustment for amortization of acquisition-related (in)tangible asset	(2,199)	(6,746)		(14,725)	(17,880)	
Result from operations (EBIT)	35,366	26,656	32.7	96,464	86,394	11.7
EBIT as a % of Revenues	14.3	11.4		13.0	12.0	
Net result	23,192	17,328	33.8	63,178	53,208	18.7
Net result as a % of revenues	9.4	7.4		8.5	7.4	
Orders Received	295,631	233,354	26.7	861,495	711,500	21.1
Order Book				467,551	305,055	53.3

2) Operating income adjusted for amortization of acquisition-related (in)tangible assets (PPA)

	Quarter3 2017	Quarter3 2016	Quarter3 2017 YTD	Quarter3 2016 YTD
<b>Cash flows</b>				
Cash generated from operating activities, before interest & tax	71,846	33,168	170,957	104,762
Net cash from (to) operating activities	66,125	28,313	143,721	72,090
Investing activities	(34,173)	(8,563)	(59,617)	(394,684)
Financing activities	(26,996)	(17,000)	(95,581)	252,858
Net cash flow	4,956	2,750	(11,477)	(69,736)

\* Operating income adjusted for amortization of acquisition-related intangible assets (PPA).  
Pro forma results include MPS numbers. Pro forma numbers are presented to provide better comparison.

Financial position	Quarter3	Quarter3	Quarter3	Quarter3	Change in %
	2017	2016	2017 YTD	2016 YTD	
Net Interest Bearing Debt			(374,526)	(443,368)	
Operational working capital <sup>3)</sup>			12,243	75,221	

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

Key ratios					
Current ratio			0.8	1.0	
Quick ratio			0.5	0.6	
Number of outstanding shares			703,133	717,478	
Market cap. in millions of Euros based on exchange rate at end of period			1,933.0	1,323.3	
Return on equity	17.5%	14.6%	15.9%	14.9%	
Earnings per share in euro cents	3.29	2.42	8.90	7.44	
Leverage adjusted result 4)			2.02	2.59	

4) Net Interest Bearing Debt / LTM EBITDA

## Markets

Marel's competitive position is strong and market conditions are good. In Q3, Marel secured record order intake of 296 million. The order book is at an all-time high of 468 million compared with 419 million at the end of Q2 2017 and 305 million at the end of Q3 2016.

Marel is the leading global provider of advanced processing systems and services to the poultry, meat and fish industries. Overall the business is showing good operational performance with a solid 15% EBIT and good underlying market fundamentals. Marel continues to invest in the future to be better equipped to capture market growth and to increase value for its customers and stakeholders.

Revenue streams in poultry and fish are well balanced between standard equipment, Greenfields and maintenance while meat is a more project driven business. Poultry is delivering very strong results throughout this year with good product mix, volume and profitability. The operational performance of Marel Fish is still below long term targets and potential but is on track towards more streamlined and focused organization. Although Meat had a very good first half of the year, timing of delivery of projects adversely affected revenue and operational results in Q3.

### Marel Poultry

Marel Poultry had an excellent first nine months (9M) of the year with solid operational profit margins, strong volume and robust order intake. During the first 9M of 2017, Marel Poultry generated 406 million in revenue and 76 million EBIT (18.7% of revenue). Projects were well distributed geographically and between different products. In Q1, a Greenfield project was secured in Russia and in Q2, large orders were secured in Europe and N-America. In Q3, Marel Poultry secured its largest order to-date, a groundbreaking Greenfield project with Costco and Lincoln premium poultry in the U.S. Marel Poultry accounted for 54.6% of Marel's total revenue for the first 9M of 2017.

### Marel Meat

Although Meat had a very good first half of the year, timing of delivery of projects adversely affected revenue and operational results in Q3. During the first 9M of 2017, Marel Meat generated 239 million in revenue and 29 million EBIT\* (12.0% of revenue) Marel Meat accounted for 32.1% of Marel's total revenue during the first 9M. Marel Meat is delivering good projects and fulfilling its customers' needs worldwide. With the acquisition of Sulmaq in Brazil, Marel is strengthening its position in Central and South America and ensuring better access to a large and growing market for meat building on past success in the region in both poultry and fish.

### Marel Fish

Marel Fish is on track in Q3 delivering good order intake, and improving operational margins. During the quarter, Marel secured large orders in Norway, S-Africa and Iceland. During the first 9M of 2017, Marel Fish generated 91 million in revenue and 4 million EBIT (3.9% of revenue). Marel Fish accounted for 12.2% of Marel's total revenue for the first 9M of 2017.



## Financial items

### Cash flow and investments

The balance sheet is healthy and net interest bearing debt amounted to 375 million at the end of Q3 2017, compared to 443 million at the end of Q3 2016.

Operational cash flow before interest and tax was exceptionally strong at 72 million for Q3 2017 compared to 33 million in Q3 2016. The leverage is down to x2.0 net debt/EBITDA compared to x2.15 last quarter.

Marel continues to invest in the business to prepare for future growth and full potential, which is in line with previous communication. Investment activities are expected to be, on average, above normalized levels for the coming period.

In Q3 2017 Marel acquired Sulmaq where the purchase price is 25.6 million on a debt and cash-free basis.

In Q3 2017, Marel purchased 5.0 million treasury shares for a total amount of EUR 14.5 million to be used as a payment for potential future acquisitions, as per the company's announcement on February 8, 2017. Marel sold 0.9 million treasury shares for EUR 2.5 million to the management of Sulmaq in relation to Marel's acquisition of Sulmaq. The sold shares include a lock-up period of 18 months from the date of closing which was August 31, 2017.

At the end of Q3 2017, Marel had 32.4 million treasury shares (end of Q2 2017: 28.4 million treasury shares).

### Outlook

Marel expects market conditions to remain good in the poultry and fish industries, while a softer outlook is expected short term for the meat industry. Long term outlook is good for all industries. Strong position of the order book indicates that revenue will be higher in coming quarters.

Marel is targeting 12% average annual revenue growth in the next 10 years.

- Marel's management expects 4-6% average annual market growth in the long term.
- Marel aims to grow organically faster than the market, driven by innovation and market penetration.
- Maintaining solid operational performance and strong cash flow supports on average 5-7% revenue growth by acquisition.
- Marel's management expects Earnings per Share (EPS) to grow faster than revenue.

Growth will not be linear but based on opportunities and economic fluctuations. Operational results may vary from quarter to quarter due to general economic developments, fluctuations in orders received and timing of deliveries of larger systems.

### Marel's Capital Markets Day 2017

Marel's Capital Markets Day for institutional investors, analysts and the media will take place on November 2, 2017 at Marel's demonstration center, Progress Point, in Copenhagen.

### Presentation of results, October 26, 2017

Marel will present its results at an investor meeting on Thursday, October 26, 2017 at 8:30 am (GMT), at the company's headquarters at Austurhraun 9, Gardabaer. The meeting will also be webcasted at [marel.com/webcast](http://marel.com/webcast).

### Marel's Investor calendar

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|-------------------------------------|------------------|
| ▪ Capital Markets Day in Copenhagen | November 2, 2017 |
| ▪ 4 <sup>th</sup> quarter 2017      | February 7, 2018 |
| ▪ Annual General Meeting            | March 6, 2018    |
| ▪ 1 <sup>st</sup> quarter 2018      | May 2, 2018      |
| ▪ 2 <sup>nd</sup> quarter 2018      | July 25, 2018    |
| ▪ 3 <sup>rd</sup> quarter 2018      | October 31, 2018 |
| ▪ 4 <sup>th</sup> quarter 2018      | February 6, 2019 |

Release of financial statements will take place after market closing on the aforementioned dates.

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**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.