

Marel Q2 2017 results

(All amounts in EUR)

Q2 2017 – Strong order intake, solid performance with delays in orders booked off

- Revenue for Q2 2017 totaled 244.0m [Q2 2016: 264.2m].
- EBITDA for Q2 2017 was 44.2m or 18.1% of revenue [Q2 2016: EBITDA 48.4m or 18.3% of revenue].
- EBIT* for Q2 2017 was 35.9m or 14.7% of revenue [Q2 2016: EBIT* 39.7m or 15.0% of revenue].
- Net result for Q2 2017 was 18.6m [Q2 2016: 22.1m]. Basic earnings per share were 2.62 euro cents in Q2 2017 [Q2 2016: 3.09 euro cents].
- Cash flow from operating activities before interest and tax in Q2 2017 was 61.2m [Q2 2016: 43.7m]. Net debt/EBITDA was x2.15 at the end of Q2 2017.
- The order book was at 418.9m at the end of Q2 2017 compared with 390.3m at the end of Q1 2017 [Q2 2016: 306.5m].

Market conditions are good and Marel's competitive position is strong. In Q2, Marel secured order intake of 273 million. The order book was at 419 million compared with 307 million at the end of Q2 2016. In the beginning of Q3, Marel secured its largest order to date with a groundbreaking Greenfield project with Costco and Lincoln premium poultry in the U.S.

Revenue in Q2 2017 was 244 million with 14.7% EBIT*. Product mix and timing of deliveries of large orders resulted in orders booked off being lower in Q2 2017 than is expected going forward. Cash flow from operating activities was strong at 61.2 million in Q2 2017. Net debt/EBITDA was x2.15 at the end of the quarter. Net purchase of treasury shares amounted to EUR 14.6 million in Q2 2017. The Board of Directors of Marel has at its meeting on July 26, 2017 authorized management to purchase own shares for nominal value of 15 million to be used as payment for potential future acquisitions.

Revenue for the first half of 2017 was 496.5 million and is at same level as pro forma revenue for the first half of 2016. Order intake for the first half of 2017 was 565.9 million compared with pro forma 484.9 million for the first half of 2016. The order book was at 418.9 million compared with 307 million at the end of the first half of 2016.

Marel has agreed to acquire Sulmaq, a Brazilian meat primary processing equipment provider. The aim is to strengthen Marel's position in Central and South America and ensure better access to a large and growing market for beef and pork. Sulmaq's annual revenue is around 25 million. The acquisition is expected to close in the third quarter of 2017, subject to customary closing conditions. In the short term, the acquisition is not expected to have material impact on Marel's financial results.

Arni Oddur Thordarson, CEO:

"In Q2, revenue was 244 million with close to 15% EBIT*. Due to product mix and timing of deliveries of large orders, revenue in Q2 2017 was at a lower level than we expect going forward. Revenue and operational profit for the first six months of the year were at a similar level as for the first half of 2016.

Marel's competitive position is strong and market conditions are good, resulting in a 17% increase in order intake in the first half of the year compared with the same period last year. In the beginning of Q3, our great team secured our largest order to date with Costco and Lincoln Premium Poultry where Marel is delivering a highly automated state-of-the-art poultry plant in the U.S. Marel, in partnership with its customers, is transforming the way food is processed by enabling our customers to deliver affordable and high quality food in a sustainable way.

We are as well strengthening our position in South America with the acquisition of Sulmaq, which has been at the forefront of providing primary meat solutions in the region. Marel has had great success in the poultry and fish market in South America over the last two decades and is now gearing up for further growth in this 600 million people region".

Key figures from Marel's operations in thousands of EUR

Proforma figures ¹⁾	Quarter2	Quarter2	Change	Quarter2	Quarter2	Change
	2017	2016	in %	2017 YTD	2016 YTD	in %
Revenues	244,019	264,208	(7.6)	496,483	498,129	(0.3)
Gross profit	96,420	109,199	(11.7)	195,863	209,352	(6.4)
Gross profit as a % of Revenues	39.5	41.3		39.5	42.0	
Adjusted result from operations (EBIT) ²⁾	35,934	39,749	(9.6)	73,623	74,990	(1.8)
Adjusted EBIT as a % of Revenues ²⁾	14.7	15.0		14.8	15.1	
EBITDA	44,218	48,379	(8.6)	90,173	90,866	(0.8)
EBITDA as a % of Revenues	18.1	18.3		18.2	18.2	
Adjustment for amortization of acquisition-related (in)tangible assets	(6,310)	(6,587)		(12,526)	(11,134)	
Result from operations (EBIT)	29,624	33,162	(10.7)	61,097	63,856	(4.3)
EBIT as a % of Revenues	12.1	12.6		12.3	12.8	
Orders Received	272,676	230,766	18.2	565,864	484,846	16.7
Order Book				418,907	306,507	36.7

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)

As per financial statements	Quarter2	Quarter2	Change	Quarter2	Quarter2	Change
	2017	2016	in %	2017 YTD	2016 YTD	in %
Revenues	244,019	264,208	(7.6)	496,483	484,839	2.4
Gross profit	96,420	109,199	(11.7)	195,863	201,806	(2.9)
Gross profit as a % of Revenues	39.5	41.3		39.5	41.6	
Adjusted result from operations (EBIT) ²⁾	35,934	39,749	(9.6)	73,623	70,872	3.9
Adjusted EBIT as a % of Revenues ²⁾	14.7	15.0		14.8	14.6	
EBITDA	44,218	48,379	(8.6)	90,173	86,564	4.2
EBITDA as a % of Revenues	18.1	18.3		18.2	17.9	
Adjustment for amortization of acquisition-related (in)tangible assets	(6,310)	(6,587)		(12,526)	(11,134)	
Result from operations (EBIT)	29,624	33,162	(10.7)	61,097	59,738	2.3
EBIT as a % of Revenues	12.1	12.6		12.3	12.3	
Net result	18,638	22,128	(15.8)	39,985	35,880	11.4
Net result as a % of revenues	7.6	8.4		8.1	7.4	
Orders Received	272,676	230,766	18.2	565,864	478,146	18.3
Order Book				418,907	306,507	36.7

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

Cash flows	Quarter2	Quarter2	Quarter2	Quarter2
	2017	2016	2017 YTD	2016 YTD
Cash generated from operating activities, before interest & tax	61,203	43,708	99,110	71,594
Net cash from operating activities	44,877	37,441	77,594	43,776
Investing activities	(15,667)	(11,600)	(25,444)	(386,119)
Financing activities	(30,797)	(36,892)	(68,585)	269,858
Net cash flow	(1,587)	(11,051)	(16,435)	(72,485)

Financial position

Net Interest Bearing Debt	(385,799)	(462,611)
Operational working capital ³⁾	39,827	74,212

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

Key ratios

Current ratio			0.9	0.9
Quick ratio			0.6	0.6
Number of outstanding shares			707,216	717,478
Market cap. in millions of Euros based on exchange rate at end of period			2,019.4	1,350.5
Return on equity	14.2%	18.9%	15.2%	15.4%
Earnings per share in euro cents	2.62	3.09	5.62	5.02
Leverage adjusted result ⁴⁾			2.15	2.70

⁴⁾ Net Interest Bearing Debt / LTM EBITDA

Marel agrees to acquire Sulmaq

Marel has agreed to acquire Sulmaq. The aim is to strengthen Marel's position in Central and South America and ensure better access to a large and growing market for beef and pork.

Established in 1971, Sulmaq is at the forefront of providing primary processing solutions to the pork and beef industries in Central and South America. Sulmaq is based in the state of Rio Grande do Sul in southern Brazil. The company employs around 400 employees and their main solutions include hog slaughtering lines, cattle slaughtering lines, cutting and deboning, viscera processing and food logistics. Sulmaq has a large installed base in Central and South America and strong customer relationships. The company also develops and manufactures precision investment castings for various market segments. Sulmaq's annual revenue is around EUR 25 million.

Over the years, Marel has grown organically as well as through the acquisition of several internationally renowned brands such as MPS, Stork and Scanvaegt. The Sulmaq acquisition is in line with Marel's strategy to be a full line supplier to the poultry, meat and fish industries globally. Brazil is the second largest producer of beef and the third largest producer of poultry meat in the world and this step will strengthen Marel's position in Central and South America. Marel is committed to invest in Brazil and the Central and South American market, due to its growth potential, advanced agriculture and access to resources for the food industry.

The acquisition is expected to close in the third quarter of 2017, subject to customary closing conditions but anti-trust approval is not required. Sulmaq's leaders, Fernando Roos, Henrique Roos and Julio Roos, are instrumental for the future of Marel and they will continue in their current positions at Sulmaq. At closing, the management of Sulmaq intends to reinvest part of their proceeds in Marel shares. Sulmaq will be run as a standalone business unit with support from Marel while the companies work on creating the optimal set-up, which will enable them to serve their customers in the best possible way in the future.

Markets

Marel's competitive position is strong and market conditions are good. In Q2, Marel secured order intake of 273 million. The order book was at 419 million compared with 307 million at the end of Q2 2016. In the beginning of Q3, Marel secured its largest order to date with a groundbreaking Greenfield project with Costco and Lincoln premium poultry in the U.S. This new highly automated state-of-the-art poultry plant will deliver 1.6 million chickens per week and have all the latest technology available to ensure high quality food is produced sustainably at affordable prices.

Marel is the leading global provider of advanced processing systems and services to the poultry, meat and fish industries. Marel continues to introduce a steady stream of innovative products to the market that will continue to increase the customers' value and advance food processing going forward.

Marel Poultry

Marel Poultry had an excellent first half of the year with solid operational profit margins, strong volume and good order intake. During the first half of 2017, Marel Poultry generated 268.1 million in revenue and 47.3 million EBIT (17.6% 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. Marel is reaping the benefits of a steady flow of highly innovative solutions introduced to its markets. Marel Poultry accounted for 54% of Marel's total revenue for 1H 2017.

Marel Meat

The first half of 2017 was good for Marel Meat with good operational margins, volume, and order intake. Large Greenfield projects were secured in South-Korea and in Spain as well as numerous important projects worldwide. Marel's full line offering in the meat industry is well perceived by customers and various cross- and upselling sales were secured. Marel Meat generated 164.5 million in revenue and 23.0 million EBIT* (14.0% of revenue) during 1H 2017. Marel Meat accounted for 33% of Marel's total revenue for 1H 2017.

Marel Fish

The Q2 2017 results in Marel Fish are negatively affected by product mix and timing of deliveries of large orders. Marel Fish generated 59.2 million in revenue and 1.7 million EBIT (2.9% of revenue) during 1H 2017. Market conditions in fish remain good and good order intake continues with many large projects. In Q2, a Greenfield project in white fish was secured in Norway. Marel Fish accounted for 12% of Marel's total revenue for 1H 2017.

Financial items

Cash flow and investments

The balance sheet is healthy and net interest bearing debt amounted to 385.8 million at the end of Q2 2017, compared to 462.6 million at the end of Q2 2016.

Operational cash flow before interest and tax was 61.2 million for Q2 2017 compared to 43.7 million in Q2 2016. In Q2, Net debt/EBITDA is x2.15 which is within the range of the targeted capital structure.

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 Q2 2017, Marel purchased 4.7 million treasury shares for a total amount of 15.0 million to be used as a payment for potential future acquisitions, as per the company's announcement on 8 February 2017.

Marel sold 0.4 million treasury shares for EUR 0.4 million in order to fulfill obligations of stock option agreements. At the end of Q2 2017, Marel has 28.4 million treasury shares (end of Q1 2017: 24.0 million treasury shares).

In Q2 2017, Marel secured an extension to and amendments of its long term financing at favorable terms and conditions reflecting its financial strength and current market conditions. The all senior loan facilities are approximately 640 million EUR with initial interest terms EURIBOR/LIBOR +185 bps that will vary in line with Marel's leverage ratio (Net debt/EBITDA) at the end of each quarter. The final maturity is in May 2022. This provides Marel with increased strategic and operational flexibility to support the ambitious growth plan introduced at Marel's Annual General Meeting in March 2017.

Outlook

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 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. More details and information about registration will be presented on Marel's Investor Relations website.

Presentation of results, July 27, 2017

Marel will present its results at an investor meeting on Thursday, July 27, at 8:30 am (GMT), at the company's headquarters at Austurhraun 9, Gardabaer. The meeting will also be webcasted at marel.com/webcast.

Marel's Investor calendar

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| ▪ 3 rd quarter 2017 | October 25, 2017 |
| ▪ Capital Markets Day in Copenhagen | November 2, 2017 |
| ▪ 4 th quarter 2017 | February 7, 2018 |

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

For further information, contact:

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