

Q2 2019 PRESS RELEASE

24 JULY 2019



Q2 2019 – On track with solid sales and EBIT growth

EXECUTIVE SUMMARY

Q2 2019 Highlights

- Orders received were EUR 311.2m (2Q18: 291.1m).
- Revenues were EUR 326.5m (2Q18: 296.7m).
- Adjusted EBIT* was EUR 49.6m (2Q18: 43.2m), translating to an EBIT* margin of 15.2% (2Q18: 14.6%).
- Net result was EUR 34.3m (2Q18: 29.5m).
- Basic earnings per share (EPS) were EUR 5.16 cents (2Q18: 4.31 cents).
- Cash flow from operating activities before interest and tax in the quarter was EUR 22.3m (2Q18: 56.4m).
- Net debt/EBITDA was x0.6 at quarter-end (1Q19: x2.2). Targeted capital structure is x2-3 net debt/EBITDA.
- The order book was EUR 459.4m (1Q19 474.7m and 2Q18: 523.2m).

Euronext Amsterdam listing

- On 7 June 2019, Marel began trading on Euronext Amsterdam, marking the dual-listing of Marel on both Nasdaq Iceland and Euronext Amsterdam.
- In total 100.0 million ordinary shares were offered which is equivalent to approximately 15% of Marel's total issued share capital.
- The offering was multiple times oversubscribed with strong demand from high quality international institutional as well as retail investors from Iceland and the Netherlands.
- Net proceeds from the equity offering is EUR 351.8m.

Árni Oddur Thórdarson, CEO

"The second quarter was an eventful one for Marel. Clearly, the highlight was the offering and listing of 15% of new share capital on Euronext Amsterdam, while at the same time delivering growth and solid operational results.

Revenues reached EUR 327 million, an increase of 10% compared with the same period last year. EBIT was up by 15% and the margin was 15.2% compared with 14.6% in second quarter last year.

Orders received were EUR 311 million, up 7% compared with the second quarter of 2018 and marginally down compared to the strong first quarter of this year. We note a dynamic shift in the market with growth in greenfield sales in Asia and China, while new large project sales were softer in Europe and N-America. Maintenance and modernization of production facilities by our customers in Europe and N-America however is on track.

We are very pleased with the endorsement by high quality cornerstone investors as well as the strong levels of support and interest from both retail and international institutional investment communities in the offering of shares and dual-listing on Euronext Amsterdam, complementing our Icelandic listing. In total more than 4,700 investors participated in the offering compared to around 2,500 shareholders prior to the dual-listing. The Euronext listing will support the next phase of our growth, as liquid and tradable shares are an important acquisition currency.

We continue to drive growth through innovation and global market presence, complemented by acquisitions. We are on track with our 2026 growth targets of reaching EUR 3 billion in revenues and best-in-class profitability. In partnership with our customers we are transforming the way food is processed, with a focus on food safety, traceability, sustainability and affordability."

KEY FIGURES (EUR m)

	2Q19	2Q18	Change	As per financial statements	6M19	6M18	Change
	326.5	296.7	10.0%	Revenues	651.1	585.1	11.3%
	130.2	115.0	13.2%	Gross profit	255.6	226.5	12.8%
	39.9%	38.8%		Gross profit as a % of revenues	39.3%	38.7%	
	49.6	43.2	14.8%	Adjusted result from operations (Adjusted EBIT)	97.1	87.0	11.6%
	15.2%	14.6%		EBIT* as a % of revenues	14.9%	14.9%	
	61.1	53.9	13.4%	EBITDA	120.2	109.1	10.2%
	18.7%	18.2%		EBITDA as a % of revenues	18.5%	18.6%	
	(2.7)	(2.3)		Amortization of acquisition-related (in)tangible assets	(5.3)	(4.6)	
	46.9	40.9	14.7%	Result from operations (EBIT)	91.8	82.4	11.4%
	14.4%	13.8%		EBIT as a % of revenues	14.1%	14.1%	
	34.3	29.5	16.3%	Net result	66.5	57.8	15.1%
	10.5%	9.9%		Net result as a % of revenues	10.2%	9.9%	
	311.2	291.1	6.9%	Orders Received	634.5	620.4	2.3%
				Order Book	459.4	523.2	-12.2%

2Q19 2Q18

	2Q19	2Q18	Cash flows	6M19	6M18
	22.3	56.4	Cash generated from operating activities, before interest & tax	81.9	112.0
	2.2	45.7	Net cash from (to) operating activities	54.5	89.9
	(9.8)	(12.6)	Investing activities	(20.6)	(23.8)
	234.9	(28.5)	Financing activities	185.3	(72.1)
	227.3	4.6	Net cash flow	219.2	(6.0)

Financial position

	30/06 2019	31/12 2018
Net Debt (Including Lease liabilities)	126.7	431.6
Operational working capital ¹⁾	81.1	27.7

¹⁾ Trade receivables, Inventories, Net contract assets, Work in Progress and Trade payables.

2Q19 2Q18

	2Q19	2Q18	Key ratios	6M19	6M18
	19.1%	22.7%	Current ratio	1.4	0.8
	5.16	4.31	Quick ratio	1.1	0.5
			Number of outstanding shares (millions)	759.9	684.8
			Market cap. in billions of Euros based on exchange rate at end of period	3.0	2.3
			Return on equity	18.1%	21.4%
			Basic earnings per share in euro cents	9.86	8.42
			Leverage adjusted result ²⁾	0.6	1.8

²⁾ Net Debt (Including Lease liabilities) / LTM EBITDA.

FINANCIAL PERFORMANCE

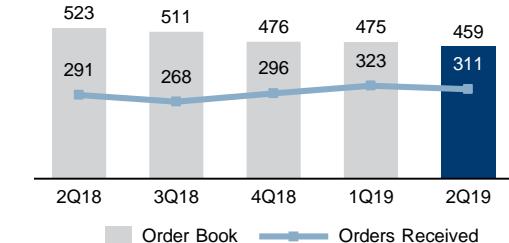
Orders received at good level

- Orders received in the second quarter were EUR 311.2m, down 3.7% QoQ and up 6.9% compared to second quarter of 2018. The book-to-bill ratio was 0.95 in 2Q19 compared to 0.99 in 1Q19.
- Overall, Marel's commercial position continues to benefit from its full-line offering and steady launch of innovative high-tech equipment and software for smarter processing. Global reach and focus on full-line offering across the poultry, meat and fish industries counterbalances fluctuations in operations.
- Markets continue to remain strong with some shifts in demand between markets within the industries and geographies. A higher proportion of new orders are coming from markets outside of Europe and North America. These are markets where it is more difficult to estimate the timing of fully financially secured orders compared to established markets. Orders received from Asia in particular China continue to be on the rise.
- The impact of African Swine Fever (ASF) is severe on the overall pork industry and pork supply, however accelerates further new investments with a focus on automation and traceability in China which Marel can support. ASF is also leading to further imports and investments in the poultry industry serving the Chinese market. With Marel's proprietary software platform Innova our customers have full traceability from live animal intake to the finished product dispatch.
- The order book in the second quarter was EUR 459.4m, compared to EUR 474.7m in 1Q19 and EUR 523.2m 2Q18. This equals 36% of 12-month trailing revenues.
- Greenfields and large projects with longer lead times constitute the vast majority of the order book while services, spares and standard equipment run faster through the system with shorter lead times.

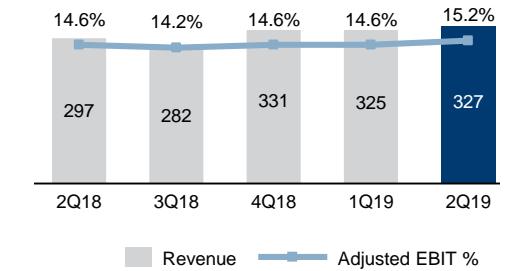
Delivering strong revenue growth and resilient profitability

- Revenues were strong in the quarter and totaled EUR 326.5m in 2Q19, similar levels as in 1Q and up 10.0% compared to second quarter of 2018.
- EBIT* up by 14.8% YoY. EBIT* margin of 15.2% in 2Q19 (14.6% 2Q18).
- With one of the largest installed base worldwide, a significant proportion of Marel's revenues derive from recurring service and spare parts business or around 35% in 2Q19. Installed base is growing following high greenfield sales in past years. Inventories in fast moving and critical parts in spares have been built up in order to shorten lead times and better serve our customers.
- Marel Poultry continues to be the largest driver with 17.9% revenue growth YoY and EBIT of 20.2% in 2Q19. Marel Meat revenues were up 10.5% YoY and 11.2% EBIT*. Marel Fish revenues are down by 21.3% with low EBIT of 2.3%, mainly due to soft orders received in 2H 2018 and change in mix in orders, leading to a delay in revenue and profit recognition.
- Gross profit margin was 39.9% (2Q18: 38.8%) and gross profit was EUR 130.2m in 2Q19, up 13.2% YoY compared to EUR 115.0m in 2Q18. Operational expenses are in line with management's expectations.
- Net result in 2Q19 was EUR 34.3m, up 6.5% QoQ and up 16.3% compared to second quarter of 2018. Basic earnings per share (EPS) were EUR 5.16 cents in the quarter (2Q18 EUR 4.31 cents), up 19.7% YoY.

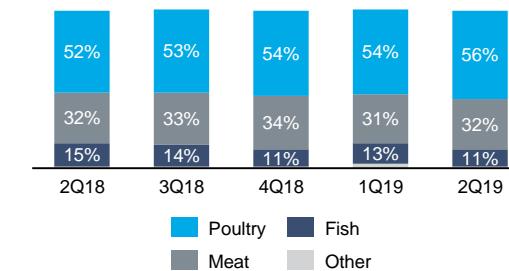
ORDER BOOK AND ORDERS RECEIVED
EUR m



REVENUES AND EBIT*
%, EUR m



REVENUES BY INDUSTRY
%



*Operating income adjusted for purchase price allocation (PPA) costs related to acquisitions

FINANCIAL PERFORMANCE

Cash flow affected by timing and delivery of projects

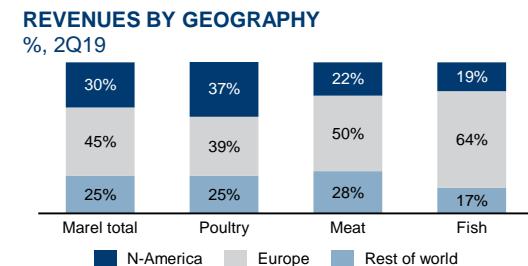
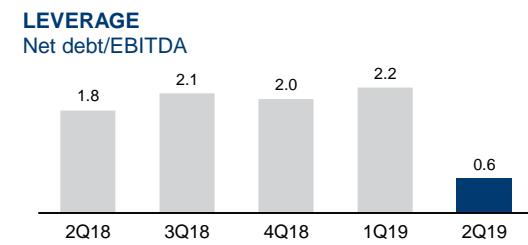
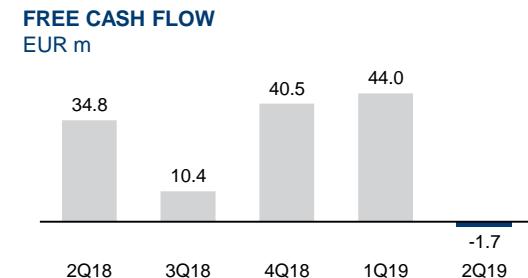
- The cash flow, both operational (EUR 22.3m, 2Q18: 56.4m) and free cash flow (EUR -1.7m, 2Q18: 34.8), was unusually low in the quarter.
- Operational cash flow before taxes and investments is at a lower level mainly due to an increase in work-in-progress (net contract assets and liabilities) of EUR 25.9m and the increase in inventories of EUR 6.2m QoQ. The work-in-progress build up is a timing matter while the inventory build up is a special initiative to shorten lead times in spares and standard equipment's.
- Investments are at lower level than previous quarters with EUR 9.8m (2Q18: 12.6m) as facility investments are scaling down after a period of significant investments. Marel continues to invest in the business to prepare for future growth, including IT platforms and a EUR 1.8m minority investment in Worximity Technology Inc.
- Tax payments are high in the quarter (EUR 16.0m, 2Q18: 9.0m) as a result of timing of payments, not actual changes in taxes or tax rates.
- Net proceeds from the equity offering after deduction of transaction fees is EUR 351.8m.
- Leverage is at x0.6 at the end of 2Q19 (1Q19: x2.2) following the share capital increase. Net debt decreased by EUR 345.8m between quarters and part of the cash from the equity issue was used to repay revolving loan facilities. Leverage is now well under the targeted capital structure (2-3x Net debt/EBITDA) highlighting the company's ability to facilitate future strategic moves in line with its growth strategy.

Strategic investment in Worximity Technology Inc.

- In June 2019, Marel acquired 14.3% interest in the Canadian software company Worximity Technology for CAD 2.5m (EUR 1.8m). Marel will invest an additional CAD 2.5m in new share capital in the company in the next twelve months, bringing Marel's total ownership to 25%.
- Worximity offers real-time cloud data collection and analytics solutions and is compatible with Marel's proprietary software platform Innovia. Worximity has around 25 employees, servicing over 200 customers since its launch in 2012. The company mainly operates in meat, dairy and baked goods processing industries, that use Worximity software solutions to reduce downtime, increase throughput, improve quality and get better raw material yield.

Outlook

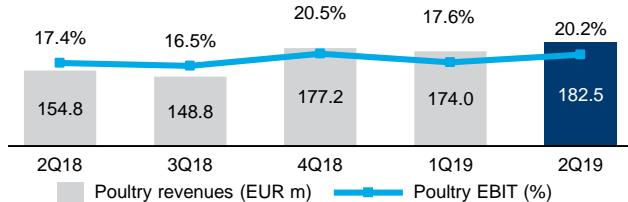
- Market conditions have been exceptionally favorable in recent years but are currently more challenging in light of geopolitical uncertainty. Marel enjoys a balanced exposure to global economies and local markets through its global reach, innovative product portfolio and diversified business mix.
- In the period 2017-2026, Marel is targeting 12% average annual revenue growth through market penetration and innovation, complemented by strategic partnerships and acquisitions.
 - 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 growing market penetration.
 - Maintaining solid operational performance and strong cash flow is expected to support 5-7% revenues growth on average by acquisition.
 - Marel's management expects basic earnings per share (EPS) to grow faster than revenues.
- Growth is not expected to 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.



INDUSTRY PERFORMANCE

MAREL POULTRY

Delivered 56% of total revenues and 20.2% EBIT in 2Q19.

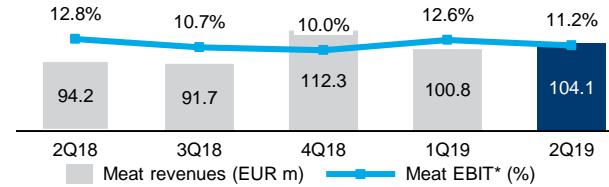


2Q19	2Q18	Change	6M19	6M19	Change	
182.5	154.8	17.9%	Revenues	356.5	312.2	14.2%
36.8	26.9	36.8%	EBIT	67.4	56.2	19.9%
20.2%	17.4%		EBIT as a % of revenues	18.9%	18.0%	

- Marel Poultry's competitive position remains exceptionally strong on the back of its established full-line product range, including standard equipment and modules, and service and spare parts revenue from its large installed base worldwide.
- Revenues for Marel Poultry in 2Q19 were up 17.9% YoY or EUR 182.5m (2Q18: 154.8m). EBIT was EUR 36.8m (2Q18: 26.9m) and the EBIT margin was 20.2% (2Q18: 17.4%). In comparison, the EBIT margin in 1Q19 was 17.6%.
- Large orders booked in Vietnam, China, Canada and the US. Europe and N-America markets are softer in new greenfields while demand has shifted to Asia, in particular in China.
- High growth in maintenance revenues and pipeline building up in standard equipment to advance and modernize existing plants.
- Rising demand in China is partly in response to the ASF and general global trend towards a balanced diet.
- As announced on 10 May 2019 and coming into effect on 1 September 2019, Roger Claessens, current Director of Innovation Poultry will be taking over from Anton de Weerd, as EVP of Marel Poultry.

MAREL MEAT

Delivered 32% of total revenues and 11.2% EBIT* in 2Q19.

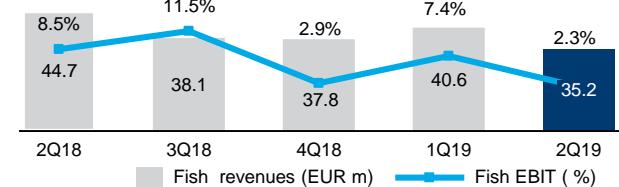


2Q19	2Q18	Change	6M19	6M19	Change	
104.1	94.2	10.5%	Revenues	204.9	183.0	12.0%
11.7	12.1	-3.3%	EBIT*	24.4	22.8	7.0%
11.2%	12.8%		EBIT* as a % of revenues	11.9%	12.5%	

- Marel Meat is a full-line supplier to the meat processing industry following acquisitions of MPS, with further bolt-on capabilities added with the acquisitions of Sulmaq and MAJA.
- Revenues for Marel Meat in 2Q19 were EUR 104.1m, up 10.5% YoY (2Q18: EUR 94.2m). EBIT* was EUR 11.7m (2Q18: 12.1m) and the EBIT* margin was 11.2% (2Q18: 12.8%). In comparison, the EBIT* margin in 1Q19 was 12.6%.
- Order intake was strong in Meat, especially in primary meat. Different from Poultry and Fish the order intake for Meat was strong in Europe as well as Russia.
- Food supply and food security are a top priority in China. Although total supply of pork is down in China, the demand for modern and advanced pork plants with traceability is increasing.
- Standardization and modularization of the offering in primary meat and further cross and upselling of secondary and further processing solutions is a top priority. At a successful IFFA exhibition in May 2019 in Frankfurt Marel launched over 20 new solutions, covering the meat processing value chain.
- Management is targeting medium and long-term EBIT* margin expansion for Marel Meat.

MAREL FISH

Delivered 11% of total revenues and 2.3% EBIT in 2Q19.



2Q19	2Q18	Change	6M19	6M19	Change	
35.2	44.7	-21.3%	Revenues	75.8	83.2	-8.9%
0.8	3.8	-78.9%	EBIT	3.8	7.1	-46.5%
2.3%	8.5%		EBIT as a % of revenues	5.0%	8.5%	

- Marel Fish predominantly consists of sales of solutions into wild whitefish and salmon. Marel is as well investing to serve the potential high growth in farmed whitefish segment.
- Revenues for Marel Fish in 2Q19 were down 21.3% YoY or EUR 35.2m (2Q18: EUR 44.7m), mainly due to soft orders received in 2H 2018. Due to changes in the product mix there are delays in revenue and profit recognition. EBIT was EUR 0.8m (2Q18: 3.8m) and the EBIT margin was at 2.3% (2Q18: 8.5%). In comparison, the EBIT margin in 1Q19 was 7.4%.
- Marel is systematically investing in innovation to become a full-line provider in those segments with closing application capabilities in primary processing and continue to introduce steady flow of innovative solutions in secondary processing.
- Highlights in new solutions introduced to the market this year is the RobotBatcher to sort consumer products and various applications serving the white-farmed fish segment.
- Management is targeting medium and long-term EBIT margin expansion for Marel Fish.

INVESTOR RELATIONS

Investor meeting and live webcast/conference call 25 July 2019

On Thursday 25 July 2019, at 8:30 am GMT (10:30 am CET), Marel will host an investor meeting where CEO Árni Oddur Thórdarson and CFO Linda Jónsdóttir will give an overview of the financial results and operational highlights in the second quarter.

The investor meeting will be held at the company's headquarters: Austurhraun 9, Gardabaer, Iceland. Breakfast will be served from 8:00 am GMT.

Please note that the meeting will also be webcast live on www.marel.com/webcast and a recording will be available after the meeting on marel.com/IR.

Members of the investment community can join the conference call at:

IS: +354 8007508

NL: +31 207219496

UK: +44 3333009031

US: +1 8335268395.

UPCOMING IR EVENTS

- Kepler Cheuvreux - Autumn Conference Paris, 12 September 2019

UPCOMING TRADESHOWS

- Marel Whitefish Showhow - Copenhagen, 25 September 2019
- Marel Poultry Showhow – Copenhagen, 14 November 2019
- Marel Seafood Showhow – Seattle, 22 November 2019

DISCLAIMERS

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.

Market share data

Statements regarding market share, including those regarding Marel's competitive position, are based on outside sources such as research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Marel, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

FINANCIAL CALENDAR

- Marel will publish its interim and annual Condensed Consolidated Financial Statements according to the below financial calendar:
 - Q3 2019 - 23 October 2019
 - Q4 2019 - 5 February 2020
 - AGM - 4 March 2020
- Financial results will be disclosed and published after market closing of both NASDAQ Iceland and Euronext Amsterdam.

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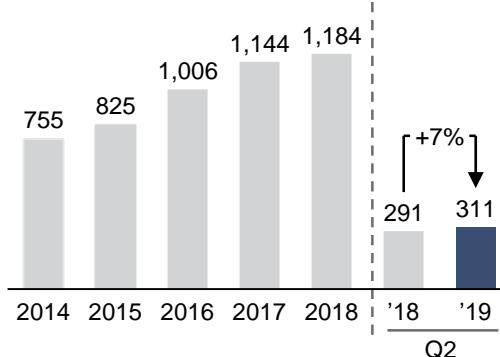
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COMPARISON OF ANNUAL AND INTERIM KEY FIGURES

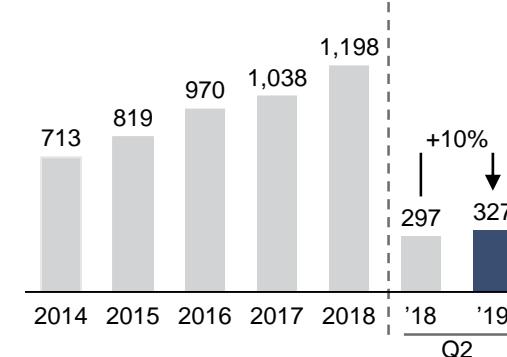
ORDERS RECEIVED

EUR m



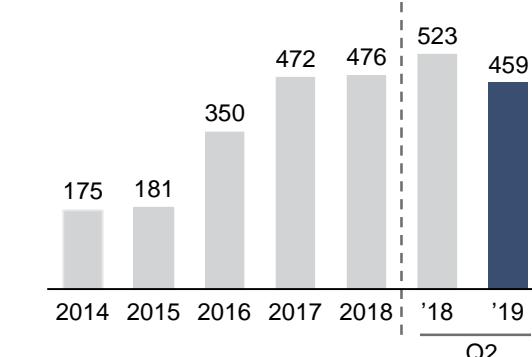
REVENUES

EUR m



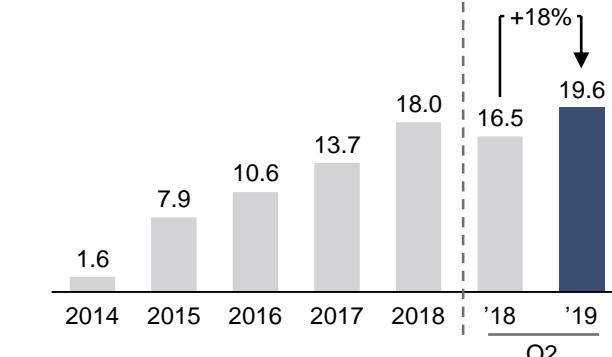
ORDER BOOK

EUR m



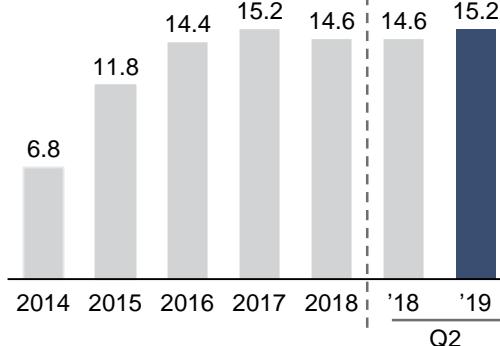
EARNINGS PER SHARE (EPS)

EUR cents, trailing twelve months



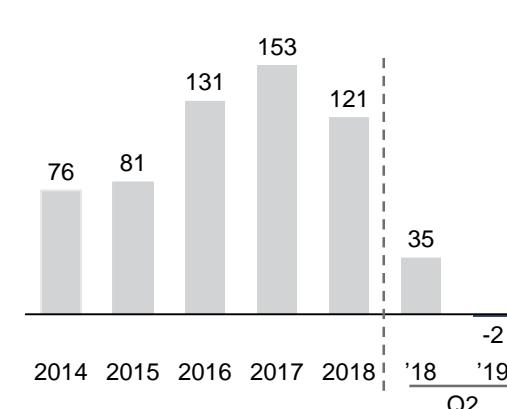
EBIT*

%



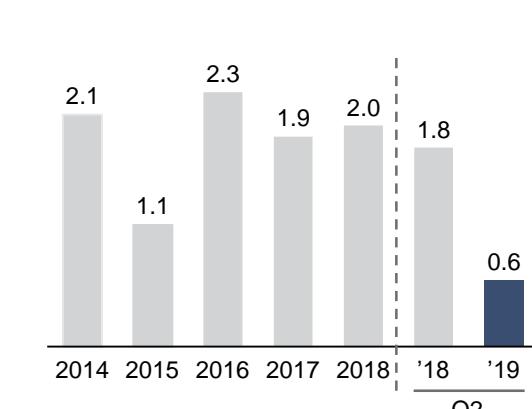
FREE CASH FLOW

EUR m



LEVERAGE

Net debt/EBITDA



12% ANNUAL GROWTH TARGET

CAGR revenue growth from 2017 - 2026¹

ORGANIC
+4-6%

ACQUIRED
5-7%

~EUR
3bn

~EUR
1bn

2017

2026E

¹Growth is not expected to be linear but based on opportunities and economic fluctuations



