

# Q3 2018

## Press Release

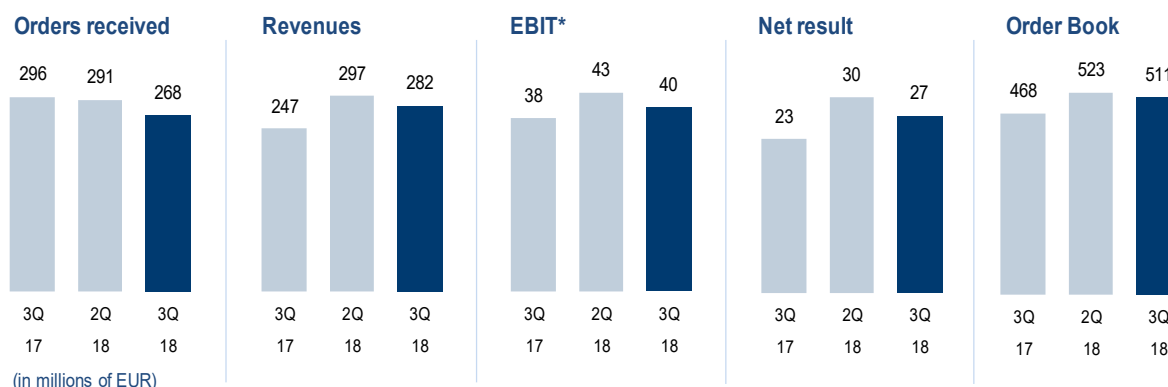
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## Executive summary - Double digit revenue growth with 14.2% EBIT

### Financial highlights Q3 2018

- Orders received were EUR 267.7m (3Q17: 295.6m).
- Revenues were EUR 282.0m (3Q17: 247.0m).
- EBIT\* was EUR 40.0m (3Q17: 37.6m), translating to an EBIT\* margin of 14.2% (3Q17: 15.2%).
- Net result was EUR 26.7m (3Q17: 23.2m).
- Basic earnings per share (EPS) were EUR 3.94 cents (3Q17: 3.29 cents).
- Cash flow from operating activities before interest and tax in the quarter was EUR 31.6m (3Q17: 71.8m).
- Net debt/EBITDA was x2.1 at quarter-end (2Q18: x1.8). Targeted capital structure is x2-3 net debt/EBITDA. In 3Q18, Marel closed the bolt-on acquisition of MAJA for the enterprise value of EUR 35.5m and purchased treasury shares worth EUR 30m.
- The order book was EUR 510.8m (YE17: 472.3m).



### Arni Oddur Thordarson, CEO:

*"We are pleased with the results from operations in the third quarter and year to date. In the third quarter, we delivered a 14% increase in revenues between years and a 14.2% EBIT\* margin. Year to date revenue growth was 17% with an EBIT\* margin of 14.6%. Earnings per share has been gradually increasing in the past 5 years. In the quarter, we closed the acquisition of MAJA with an enterprise value of EUR 35 million and acquired treasury shares for EUR 30 million. Our financial position remains strong with net debt around two times EBITDA.*

*Currently, there are interesting dynamics at play in the global market for poultry, meat and fish. Trade constraints and geopolitical issues result in a mismatch in food supply and demand within regions while global consumer demand continues to rise. This may lead in lower order intake for the next two to three quarters compared to the great start to the year. Consumers are asking for convenient and safe products at affordable prices and in more varieties than we have ever seen. Consequently the demand for advanced and high-tech food processing solutions is rising. Our market is dynamic and fast growing. We aim to continue to grow at a faster rate than the market by leveraging our strong product leadership and global reach.*

*We are proceeding according to plan with the potential listing of Marel shares on an International Stock Exchange. We have now narrowed our focus towards three stock exchanges: Amsterdam, Copenhagen and London. Furthermore, the focus is on dual listing the shares on one of those exchanges in addition to our current listing in Iceland. It is our firm belief that this route of a dual listing is the best way to interlink the interests of current and future shareholders."*

## Key figures

(In EUR millions unless stated otherwise)

As per financial statements	3Q18	3Q17	Change	9M18	9M17	Change
Revenues	282.0	247.0	14.2%	867.1	743.5	16.6%
Gross profit	110.7	94.0	17.8%	337.2	289.9	16.3%
Gross profit as a % of Revenues	39.3%	38.1%		38.9%	39.0%	
EBIT*	40.0	37.6	6.4%	127.0	111.2	14.2%
EBIT* as a % of Revenues	14.2%	15.2%		14.6%	15.0%	
EBITDA	50.0	45.8	9.2%	159.2	136.0	17.1%
EBITDA as a % of Revenues	17.7%	18.6%		18.4%	18.3%	
Amortization of acquisition-related (in)tangible assets	(2.4)	(2.2)		(7.0)	(14.7)	
Result from operations (EBIT)	37.6	35.4	6.2%	120.0	96.5	24.4%
EBIT as a % of Revenues	13.3%	14.3%		13.8%	13.0%	
Net result	26.7	23.2	15.1%	84.5	63.2	33.7%
Net result as a % of revenues	9.5%	9.4%		9.7%	8.5%	
Orders Received	267.7	295.6	-9.4%	888.1	861.5	3.1%
Order Book				510.8	467.6	9.2%

Cash flows	3Q18	3Q17	9M18	9M17
Cash generated from operating activities, before interest & tax	31.6	71.8	143.6	171.0
Net cash from (to) operating activities	23.8	66.0	113.7	143.7
Investing activities	(45.1)	(34.2)	(68.9)	(59.6)
Financing activities	29.8	(27.0)	(42.3)	(95.6)
Net cash flow	8.5	5.0	2.5	(11.5)

Financial position	30/09 2018	31/12 2017
Net Interest Bearing Debt	451.5	365.1
Operational working capital <sup>1)</sup>	20.0	1.8

<sup>1)</sup> Trade receivables, Inventories, Net Work in Progress and Trade payables.

Key ratios	3Q18	3Q17	9M18	9M17
Current ratio			0.9	0.8
Quick ratio			0.6	0.5
Number of outstanding shares (millions)			674.8	703.1
Market cap. in billions of Euros based on exchange rate at end of period			2.2	1.9
Return on equity	20.0%	17.5%	21.0%	15.9%
Basic earnings per share in euro cents	3.94	3.29	12.34	8.90
Leverage adjusted result <sup>2)</sup>			2.1	2.0

<sup>2)</sup> Net Interest Bearing Debt / LTM EBITDA.



## Business highlights

### Marel to raise a Schuldschein borrowers note

Marel intends to raise a senior unsecured Schuldschein borrowers note. The current low interest rates and liquid markets provide a favorable market environment to secure long term funding and diversify the funding structure. The size of the Schuldschein issue is expected to be at least EUR 100m, in both fixed and floating tranches with maturities of 5, 7 and 10 years. Terms of the Schuldschein are expected to have positive effect on Marel's funding cost. Marel's management has mandated ABN AMRO Bank N.V., Bayerische Landesbank and Unicredit Bank AG as arrangers of the Schuldschein. The transaction is expected to close before year-end.

### Review of listing alternatives

At the 2018 AGM, Chairman Asthildur Otharsdottir stated, "The listing on Nasdaq Iceland has served Marel well but we have growing concerns about the relative size of the company on the Icelandic stock market. To further advance the global vision and drive continued shareholder returns, Marel has engaged STJ Advisors, a leading independent capital markets advisory firm, to evaluate potential listing alternatives. We are committed to responsible growth and long-term value creation for Marel and all of our shareholders."

Management believes that a dual listing of shares on an international stock exchange, in addition to its current listing in Nasdaq Iceland, is the optimal way to interlink the interests of current and future shareholders. The other two options that were under review, were to continue the single listing on Nasdaq Iceland, and to delist from Nasdaq Iceland and relist on a another international exchange.

As part of the process, a detailed request for information (RFI) was sent to selected exchanges and a substantial technical analysis carried out. The Board of Directors, based on recommendation from management and STJ, have decided to place primary focus on Euronext Amsterdam, London Stock Exchange, and Nasdaq Copenhagen.

We are therefore pleased to report that this process remains firmly on track. The next steps will be to continue discussions with the three exchanges and to select Marel's partners for the execution phase. The results of this assessment are expected to be presented at the 2019 AGM. The execution phase is then estimated to take up to nine months, with precise timing determined depending on developments in Marel's business and general financial market conditions.

### Extraordinary shareholders' meeting on 22 November 2018

In line with the Company's intention to pursue dual listing of its shares, it is anticipated that the Company will at the 2019 AGM request shareholders' authorization to issue new share capital of up to 15% to support a successful international listing, fair valuation and liquidity.

In order to align the interests of current and future shareholders regarding aforementioned anticipated share capital increase in connection with the listing project, the Board of Directors has decided to call an extraordinary shareholders' meeting on 22 November 2018. At the meeting it will be proposed that the Company's share capital will be reduced, and that the Board of Directors will be granted authorization to initiate a formal share buy-back program that complies with the Act on Securities transactions no. 108/2007, regulation 630/2005 and the Act respecting Public Limited Companies no. 2/1995.

### MAJA acquisition closed on 14 August 2018

The acquisition of MAJA, the German food processing equipment manufacturer, was announced on 25 July 2018. MAJA is a highly innovative manufacturer of food processing machinery, specializing in skinning and portioning with main focus on the meat market as well as ice machines for the preservation of fresh food.

The transaction was closed on 14 August 2018 and the results of MAJA have been included in the consolidated financial statements from that date. In accordance with IFRS requirements, Marel performs a Purchase Price Allocation (PPA). Based on information currently available, a provisional goodwill amount of EUR 14.5m is reported in the Q3 2018 condensed consolidated interim financial statements. This amount will be adjusted based on the final outcome of the PPA-process.

## Financial performance in Q3 2018

### Order book at good level, orders received normalizing

For the first nine months, orders received were EUR 888.1m, up 3.1%, from EUR 861.5m. Orders received in the third quarter were sequentially down, compared to the robust order intake in the first two quarters in the year. Orders received in 3Q18 totaled EUR 268m.

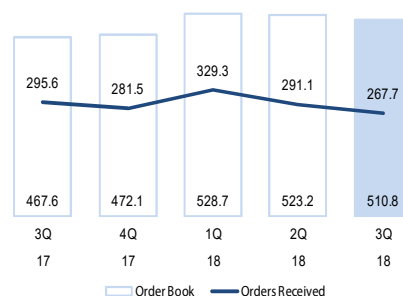
Overall, Marel's commercial position continues to benefit from its full-line offering and steady launch of innovative high-tech products for smarter processing. Global reach and focus on full-line offering across the poultry, meat and fish industries counterbalances fluctuations in operations. Market conditions have been exceptionally favorable in recent quarters and are now adjusting towards more normalized levels. This resulted in softer order intake for Marel Poultry and Marel Fish, while Marel Meat enjoyed robust order intake in 3Q18.

The order book was EUR 511m at quarter-end, compared to 472m at year-end 2017. This equals 44% of 12-month trailing revenues. The book-to-bill ratio was 1.02 in 9M18 compared to 1.10 for FY17, reflecting strong demand and underpins Marel's ability to deliver the right quality at the right time.

Greenfields and projects with longer lead times constitute the vast majority of the order book. The strong order book continues to provide a good foundation for the full operational year 2018.

### Order Book & Orders Received

EUR m



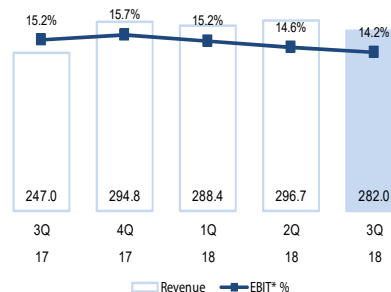
### Double digit revenue growth with 14.2% profit margin

Marel continues to deliver double digit revenue growth year-on-year. Revenues were EUR 282.0m in 3Q18, up 14.2% YoY. EBIT\* margin was 14.2%. EBIT\* was EUR 40.0m, up 6.4% YoY. This is in line with previous statements in 2Q18 on the impact of seasonality and product mix to be expected in 3Q18.

Revenues for the first nine months were EUR 867.1m, up 16.6% over the year. EBIT\* margin for the first nine months was 14.6%, compared to 15.0% in the same period last year.

### Revenues & EBIT\* margin

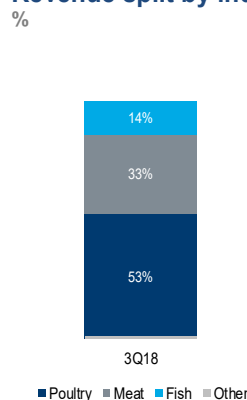
EUR m, %



Poultry continues to be the biggest driver with 53% of total revenues and EBIT of 16.5%. The meat industry showed marginal improvement in the quarter with 33% of revenues and EBIT\* of 10.7%. The fish industry is on track with 14% of revenues and showing strong EBIT margin of 11.5% in 3Q18, up from 5.0% at 4Q17.

Non-recurring advisory costs, relating to changes in the organizational structure to strengthen the global sales and service platform, M&A activities and the review of possible listing alternatives, were high in the quarter and not especially adjusted for.

### Revenue split by industry



	3Q18	3Q17	Change	9M18	9M17	Change
Revenues	282.0	247.0	14.2%	867.1	743.5	16.6%
EBIT*	40.0	37.6	6.4%	127.0	111.2	14.2%
EBIT* as a % of Revenues	14.2%	15.2%		14.6%	15.0%	

Gross profit margin continues to be stable at 39.3% in 3Q18, compared to 38.1% in 3Q17. Gross profit increased to EUR 337.2m in 9M18 from EUR 289.9m in 9M17 and the gross profit margin was 38.9%, compared with 39.0% in 9M17.

Net result in 3Q18 was EUR 26.7m, up 15.1% compared to EUR 23.2m in 3Q17, translating to basic earnings per share (EPS) of EUR 3.94 cents (3Q17 EUR 3.29 cents).

### Acquisition of MAJA and purchase of treasury shares financed by cash flow

Cash flow from operating activities before interest and tax in the quarter was EUR 31.6m, compared to the exceptionally strong 3Q17 of EUR 71.8m. The difference year-on-year is due to fluctuations and timing of orders received and down payments for large projects. Marel continues to invest in the business to prepare for future growth and its full potential. Investment activities are expected to be above normalized levels for the coming quarters.

Net interest bearing debt increased by around EUR 61m in 3Q18. Net debt/EBITDA including lease liabilities was x2.1 at the end of 3Q18, compared to x1.8 at the end of 2Q18. The rise in leverage is mainly explained by the the bolt-on acquisition of MAJA for the enterprise value of EUR 35.5m and purchase of treasury shares for the value of EUR 30m. Currently leverage is at the lower end of the targeted capital structure of x2-3 net debt/EBITDA, which underpins the financial capacity to support further growth and value creation.

### Outlook

Management expects strong organic revenue growth and solid operational results for the full year 2018, although the short-term outlook might be softer than previously expected. Market conditions have been exceptionally favourable and are more challenging at the moment.

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 market penetration.
- Maintaining solid operational performance and strong cash flow supports average 5-7% revenues growth annually by acquisition.
- Marel's management expects basic earnings per share (EPS) to grow faster than revenues.

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.

## Industry performance in Q3 2018

### Marel Poultry - 53% of total revenues and 16.5% EBIT margin

Marel Poultry contributed EUR 148.8 million in revenues in 3Q18, or 53% of total revenues, and the EBIT margin was 16.5%.

#### Marel Poultry - Key figures

EUR m

	3Q18	3Q17	Change	9M18	9M17	Change
Revenues	148.8	138.1	7.7%	461.0	406.2	13.5%
EBIT	24.6	28.6	-14.0%	80.8	75.9	6.5%
EBIT as a % of Revenues	16.5%	20.7%		17.5%	18.7%	

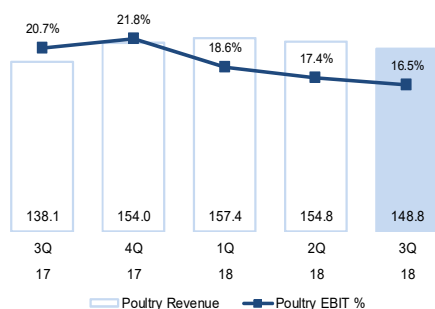
With the most complete product range and the largest installed base worldwide, Marel Poultry's competitive position remains strong. Marel Poultry delivered solid operational performance in 3Q18, although orders received were softer than in previous quarters. Projects were well distributed geographically with large orders booked in Romania, France, Canada and the US.

The market environment for poultry processing is normalizing, and a temporary slow-down in primary poultry processing in the US is noted. In such market conditions, there are opportunities to move US customers up the value chain. In Europe and new markets, there is also a clear need to increase capacity, which will generate demand for new greenfields as well as ongoing modernization of the installed base.

Revenues for Marel Poultry in 3Q18 were up 7.7% YoY or EUR 148.8m (3Q17: EUR 138.1m), EBIT was EUR 24.6m (3Q17: 28.6m) and the EBIT margin was 16.5%. In the first nine months of the year, revenues for Marel Poultry were EUR 461.0m, up 13.5% over the year. EBIT margin for the same period was 17.5%.

#### Marel Poultry - Revenues & EBIT

EUR m, %



## Marel Meat - 33% of total revenues and 10.7% EBIT\* margin

Marel Meat contributed EUR 91.7 million in revenues in 3Q18, or 33% of total revenues, and the EBIT\* margin was 10.7%.

### Marel Meat - Key figures

EUR m

	3Q18	3Q17	Change	9M18	9M17	Change
Revenues	91.7	74.4	23.3%	274.7	238.9	15.0%
EBIT*	9.8	5.7	71.9%	32.6	28.7	13.6%
EBIT* as a % of Revenues	10.7%	7.7%		11.9%	12.0%	

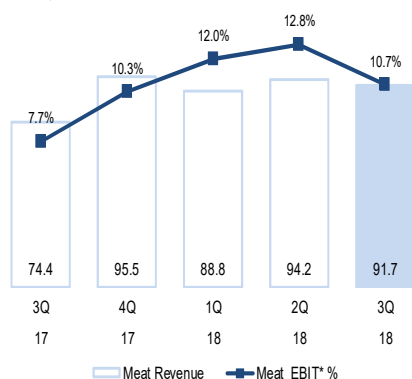
Orders received in 3Q18 were robust for Marel Meat. Orders were well balanced across primary and secondary processing as customers are moving up the value chain. Three large projects were booked in Russia, and others in Germany, Vietnam and Japan. The bolt-on acquisition of MAJA, to strengthen Marel's offering in secondary processing, closed 14 August 2018 and the results of MAJA have been included in the consolidated financial statements from that date.

Revenues in 3Q18 were good for Marel Meat, in particular from standard equipment and spares. Revenues were EUR 91.7m, up 23.3% YoY (3Q17: EUR 74.4m) and EBIT\* was EUR 9.8m, up 71.9% YoY (3Q17: 5.7m), resulting in an EBIT\* margin of 10.7%. In the first nine months of the year, revenues for Marel Meat were EUR 274.7m, up 15.0% over the year. EBIT\* margin for the same period was 11.9%.

Management is targeting medium and long-term EBIT\* margin expansion for Marel Meat. Recent acquisitions have made Marel Meat a full-line supplier to the meat processing industry, and continued focus will be placed on increasing standardization and modularization.

### Marel Meat - Revenues & EBIT\*

EUR m, %





## Marel Fish - 14% of total revenues and 11.5% EBIT margin

Marel Fish contributed EUR 38.1 million in revenues in 3Q18, or 14% of total revenues. EBIT margin was 11.5% on the back of good project execution on highly innovative greenfield projects.

### Marel Fish - Key figures

EUR m

	3Q18	3Q17	Change	9M18	9M17	Change
Revenues	38.1	31.6	20.6%	121.3	90.8	33.6%
EBIT	4.4	1.9	131.6%	11.5	3.6	219.4%
EBIT as a % of Revenues	11.5%	6.0%		9.5%	4.0%	

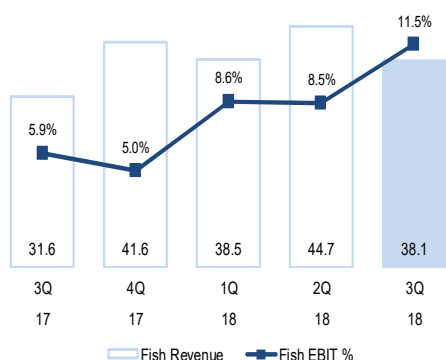
Orders received in 3Q18 were soft for Marel Fish, coloured by low level of investments in Nordic markets. However the pipeline is building up in the US and new markets.

Marel Fish have shown continued operational improvements in recent quarters. In 3Q18, Marel Fish generated EUR 38.1m in revenues and EUR 4.4m in EBIT, translating to an EBIT margin of 11.5%. This is a 20.6% increase in revenues and a significant rebound in EBIT compared to 3Q17. In the first nine months of the year, revenues for Marel Fish were EUR 121.3m, up 33.6% over the year. EBIT margin for the same period was 9.5%. Over the quarter, Marel Fish is benefiting from good project execution on a number of large projects, where closing and final delivery of installations contributed to higher margins. The landmark next generation salmon plant for Leroy in Norway is a recent example of excellent project execution for Marel Fish.

The short-term operational margin for Marel Fish is likely to adjust downwards, however management is targeting medium and long-term EBIT margin expansion for the industry segment. Marel Fish is focused on becoming a full-line provider for wild whitefish, farmed salmon and farmed whitefish. Higher investments in innovation to close application gaps, and greater emphasis on standardization of the business have delivered good orders received and improved margins.

### Marel Fish - Revenues & EBIT

EUR m, %



## IFRS impact minimal and in line with previous estimates

On 1 January 2018, Marel implemented the new IFRS standards. For detailed impact and explanations of these new standards reference is made to the 2017 Consolidated Financial Statements and 3Q18 Condensed Consolidated Interim Financial Statements. The impact in 3Q18 was minimal and in line with previous estimates.

Impact of new IFRS standards in 3Q18:

- IFRS 9 (Financial instruments): Very limited with main impact on net finance costs which was EUR 0.3m higher. Non-material impact on EBIT\*.

- IFRS 15 (Revenues from contracts with customers): Limited impact on revenues of negative EUR 1.1m and negative EBIT\* effect of EUR 0.8m.
- IFRS 16 (Leases): Minimal in 3Q18 and in line with what was estimated at year-end 2017. Non-material impact on EBIT\*, annual effect on EBITDA is estimated around EUR 8m and net interest bearing debt increased by EUR 31m.

For information on impact of IFRS standards in previous quarters, please refer to archived quarterly press releases available on [marel.com/IR](http://marel.com/IR).

## Investor meeting and webcast 1 November 2018

On Thursday 1 November 2018, at 8:30 am (GMT), Marel will host an investor meeting where CEO Arni Oddur Thordarson and CFO Linda Jonsdottir will give an overview of the financial results and operational highlights. The meeting is conducted in English and will be held at Marel's headquarters in Iceland.

Please note that the meeting will also be [webcast live on marel.com](http://marel.com). As a new feature, online participants will be able to ask questions during the Q&A session via a chat window. Once the webcast has started, there will be a speech bubble icon in the top right corner of your window. A click on that icon will open up the online Q&A. Note that only questions from verified participants will be reviewed, so please ensure you accurately fill in your name, company and email address.

## Financial calendar

Marel will publish its interim and annual Consolidated Financial Statements according to the below financial calendar:

- |                                       |                  |
|---------------------------------------|------------------|
| • Extraordinary shareholders' meeting | 22 November 2018 |
| • Q4 2018 financial results           | 6 February 2019  |
| • Annual General Meeting              | 6 March 2019     |

Financial results will be disclosed and published after market closing.

## Investor relations

Tinna Molphy, Manager in Investor Relations, and Marino Þór Jakobsson, Investor Relations Analyst via [investors@marel.com](mailto:investors@marel.com) or tel: (+354) 563 8001.

## 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.