

Marel Q2 2016 Results

(All amounts in EUR)

Record revenue and robust operational performance

- Revenue for Q2 2016 totaled 264.2m [Q2 2015: 218.3m]. On a pro forma basis, revenue in Q2 2015 was 253.1m.
- EBITDA for Q2 2016 was 48.4m or 18.3% of revenue [Q2 2015: Adj. EBITDA** 37.2m or 17.1% of revenue]. Pro forma adj. EBITDA** Q2 2015 was 47.7m or 18.9% of revenue.
- EBIT* for Q2 2016 was 39.7m or 15.0% of revenue [Q2 2015: Adj. EBIT** 29.7m or 13.6% of revenue]. Pro forma adj. EBIT** in Q2 2015 was 38.4m or 15.2% of revenue.
- Net result for Q2 2016 was 22.1m [Q2 2015: 19.5m]. Earnings per share were 3.09 euro cents in Q2 2016 [Q2 2015: 2.71 euro cents].
- Cash flow from operating activities before interest and tax in Q2 2016 was 43.7m [Q2 2015: 23.7m]. Net debt/EBITDA is 2.7x at the end of Q2 2016.
- The order book was at 306.5m at the end of Q2 2016 compared with 340.0m at the end of Q1 2016 [Q2 2015: 165.9m]. On a pro forma basis at the order book at end of Q2 2015 was 272.4m.

Q2 2016 was a good quarter for Marel with record revenue of 264 million and 15.0% EBIT*. In the first half of the year Marel saw good performance and profitability. Pro forma revenue for 1H 2016 is 498 million with pro forma EBIT* of 15.1%.

Order intake in Q2 2016 was at 231 million and year to date 485 million. Order intake of standard equipment and spare parts was strong across all industries. Market conditions for large greenfield projects in the meat and fish industries were soft in 1H while Marel Poultry has managed to secure several large projects in 1H 2016.

Cash flow from operating activities was strong and Marel continues to invest in the business to prepare for future growth and full potential. Net debt/EBITDA is 2.7x which is within the range of the targeted capital structure.

Arni Oddur Thordarson, CEO:

“We are pleased with Marel’s second quarter results with record revenue and robust operational performance. Revenue is 264 million with 15.0% EBIT.

In 2016 we have introduced a steady flow of new innovative solutions enabling poultry, meat and fish processors to advance their business further. The cash generated from operations is strong and we are investing in the business to improve premises, tools and processes to prepare for full potential and future growth. Despite the temporary spike in investments we have continued to deleverage and strengthen financials.

Last year we saw significant organic revenue growth and increase in order intake, both for Marel and MPS. Marel increased significantly revenue and profitability in first half of 2016 with MPS on board. Long term growth prospects for Marel are promising while short term economic uncertainty has recently increased. Our target for the year is modest organic growth and an increase in operating profit between years.”

Streamlining in Seattle concluded

In the first half 2015 Marel discontinued several activities such as High Speed Slicing and freezing. In the first half of 2016, Marel streamlined its operations in Seattle. Revenue and order intake from discontinued operations are 15 million lower in 1H 2016 than for same period last year.

Marel is now focusing its onboard business on innovative and standardized solutions instead of customized ad-hoc solutions and is running the business with 50 less employees going forward.

Key figures from Marel's operations in thousands of EUR

Proforma Figures	Quarter2	Quarter2	Change	Quarter2	Quarter2	Change
	2016	2015	in %	2016 YTD	2015 YTD	in %
	Total Marel	Total Marel	Total Marel	Total Marel	Total Marel	Total Marel
Revenues	264.208	253.120	4,4	498.129	497.208	0,2
Gross profit	109.199	104.851	4,1	209.352	205.563	1,8
Gross profit as a % of Revenues	41,3	41,4		42,0	41,3	
Adjusted result from operations (EBIT) ¹⁾	39.749	38.362	3,6	74.990	73.577	1,9
Adjusted EBIT as a % of Revenues	15,0	15,2		15,1	14,8	
EBITDA (adjusted 2015)	48.379	47.748	1,3	90.866	96.410	(5,8)
EBITDA (adjusted 2015) as a % of Revenues	18,3	18,9		18,2	19,4	
Refocusing costs	-	(1.122)		-	(8.715)	
Adjustment for amortization of acquisition-related intangible assets	(6.587)	-		(11.134)	-	
Result from operations (EBIT)	33.162	37.240	(11,0)	63.856	64.862	(1,6)
EBIT as a % of Revenues	12,6	14,7		12,8	13,0	
Orders Received	230.766	229.681		484.846	488.646	(0,8)
Order Book				306.507	272.407	12,5

¹⁾ 2016: Operating income adjusted for amortization of acquisition-related intangible assets (PPA)
2015: Adjusted for refocusing cost related to the refocusing program Simpler, Smarter & Faster.

As per financial statements	Quarter2	Quarter2	Change	Quarter2	Quarter2	Change
	2016	2015	in %	2016 YTD	2015 YTD	in %
Revenues	264.208	218.272	21,0	484.839	427.583	13,4
Gross profit	109.199	84.264	29,6	201.806	165.728	21,8
Gross profit as a % of Revenues	41,3	38,6		41,6	38,8	
Adjusted result from operations (EBIT) ¹⁾	39.749	29.659	34,0	70.872	53.496	32,5
Adjusted EBIT as a % of Revenues	15,0	13,6		14,6	12,5	
EBITDA (adjusted 2015)	48.379	37.219	30,0	86.564	74.090	16,8
EBITDA (adjusted 2015) as a % of Revenues	18,3	17,1		17,9	17,3	
Refocusing costs	-	(1.122)		-	(8.715)	
Adjustment for amortization of acquisition-related intangible assets	(6.587)	-		(11.134)	-	
Result from operations (EBIT)	33.162	28.537	16,2	59.738	44.781	33,4
EBIT as a % of Revenues	12,6	13,1		12,3	10,5	
Net result	22.128	19.516	13,4	35.880	32.136	11,7
Net result as a % of revenues	8,4	8,9		7,4	7,5	
Orders Received	230.766	206.168	12	478.146	418.641	14
Order Book				306.507	165.938	84,7

¹⁾ 2016: Operating income adjusted for amortization of acquisition-related intangible assets (PPA)
2015: Adjusted for refocusing cost related to the refocusing program Simpler, Smarter & Faster.

Cash flows	Quarter2	Quarter2	Quarter2	Quarter2
	2016	2015	2016 YTD	2015 YTD
Cash generated from operating activities, before interest & tax	43.708	23.714	71.594	63.229
Net cash from (to) operating activities	37.441	16.400	43.776	48.531
Investing activities	(11.600)	5.523	(386.119)	(2.117)
Financing activities	(36.892)	(26.762)	269.858	12.422
Net cash flow	(11.051)	(4.839)	(72.485)	58.836

Financial position

Net Interest Bearing Debt	(462.611)	(155.985)
Operational working capital ²⁾	74.212	80.738

²⁾ Third party Debtors, Inventories, Net Work in Progress and Third party Creditors.

Key ratios

Current ratio			0,9	1,4
Quick ratio			0,6	1,0
Number of outstanding shares			717.478	713.850
Market cap. in millions of Euros based on exchange rate at end of period			1.350,5	900,6
Return on equity	18,9%	18,1%	15,4%	14,9%
Earnings per share in euro cents	3,09	2,71	5,02	4,44
Leverage adjusted result ³⁾			2,70	1,22

³⁾ Net Interest Bearing Debt / LTM EBITDA

Markets

Marel is the leading global provider of advanced processing systems and services to the poultry, meat and fish industries. Marel has a commercially strong product portfolio stemming from its continuous focus on innovation and strategic acquisitions. During the first half of 2016, Marel has introduced various innovative solutions to the market that will continue to advance food processing and help Marel's customers to increase value creation going forward. These projects are a mixture of new breakthrough innovations, product upgrades and incremental additions to existing machines and systems to maintain our competitive edge.

Order intake was at a strong level during the first half of 2016 across all industries and geographies and a good increase was seen in standard equipment and spare parts. Market activity has been strong in the poultry industry and Marel Poultry has secured several large projects in 1H 2016. Market conditions for large green-field projects in the meat and fish industries have been softer during the same period. Long term growth prospects for Marel are promising while short term economic uncertainty has recently increased.

Marel Poultry

Marel Poultry had an excellent start to the year, During the first half of 2016 Marel Poultry generated 271 million in revenue and EBIT of 47.8 million (17.6% of revenue). Marel Poultry accounted for 54% of Marel's revenue in 1H 2016. Projects were well distributed geographically and between different product groups and sizes, including large projects in the U.S., Hungary and China.

Marel Fish

Marel Fish generated 63.4 million in revenue and EBIT of 3.1 million (4.9% of revenue) in the first half of 2016. Marel Fish accounted for 13% of Marel's revenue in 1H 2016. Large projects were at a low level in the fish industry during 1H 2016. Marel Fish managed to secure milestone sales of FleXicut solutions during the period.

Marel Fish's results are colored by streamlining actions in its onboard business in Seattle, which was concluded during Q2 2016 resulting in the reduction of 50 employees. Marel is shifting focus in its Seattle operations from customized ad-hoc solutions towards innovative high-end solutions to better serve fish processors in North America. This is a significant step towards a more streamlined and cost effective future operation in North America and is fully in line with Marel's strategy to be a full-line supplier to the poultry, meat, and fish industries. The step also represents Marel's continuous effort on refocusing its product portfolio to concentrate on areas of competitive advantage and to strengthen its market position.

Marel Meat

Marel Meat generated 159.9 million on a pro forma basis in revenue and EBIT* of 22.4 million (14.0% of revenue) in 1H 2016. Marel Meat accounted for 32.1% of Marel's revenue in 1H 2016. Order intake and volume is at a good level and the pipeline is promising. Integration of Marel and MPS is on track and is going well. Sales teams have been trained to sell the whole product portfolio in meat, from primary processing to secondary processing and further processing. Marel, with MPS on board is a leading global provider in the primary and secondary processing of meat.

Financial items

Cash flow and investments

Marel returned a strong cash flow from operations with operational cash flow before interest and tax being 43.7 million for Q2 2016 compared with 23.7 million at Q2 2015.

Marel continues to invest in the business to prepare for future growth and full potential in line with previous communication. Investment activities are expected to be on average above depreciation level for the coming quarters. Net debt/EBITDA is 2.7x which is within the range of the targeted capital structure.

In Q2 2016, Marel sold 2.0 million treasury shares for a total amount of 2.1 million in order to fulfill its obligations according to employee stock option agreements. Marel now holds 18.1 million treasury shares.

Acquisition related items

Purchase price allocation in relation to the acquisition of MPS is recorded as provisional; the period during which adjustments are permitted is limited to 12 months from the date of acquisition. No material changes are foreseen from previous publication.

Outlook

Marel expects modest organic revenue growth and increase in EBIT* between years.

The industry that Marel operates in has a history of 4-6% annual growth and it is expected that average annual growth will remain at that level in the long term. Marel's aim is to continue to grow faster than the market by leveraging its market presence and with continuous investments in innovation.

Long term growth prospects for Marel are promising while short term economic uncertainty has recently increased. Results may vary from quarter to quarter due to general economic developments, fluctuations in orders received and deliveries of larger systems.

Presentation of results, July 28, 2016

Marel will present its results at an investor meeting on Thursday, July 28, at 8:30 am (GMT), at the Company's headquarters at Austurhraun 9, Gardabaer. The meeting will also be webcasted at marel.com/webcast.

Publication days of Consolidated Financial Statements in 2016

▪ 3 rd quarter 2016	October 26, 2016
▪ 4 th quarter 2016	February 1, 2017
▪ 1 st quarter 2017	May 5, 2017
▪ 2 nd quarter 2017	July 26, 2017
▪ 3 rd quarter 2017	October 25, 2017
▪ 4 th quarter 2017	January 31, 2018

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

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