

Marel Q1 2018 results

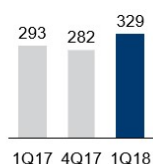
(All amounts are in EUR)

Strong organic growth and solid performance

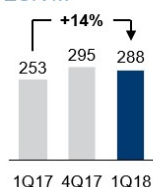
Financial highlights

- Orders received were EUR 329m (1Q17: 293m).
- Revenues were EUR 288m (1Q17: 253m).
- EBIT* was EUR 44m (1Q17: 38m), translating to an EBIT* margin of 15.2% (1Q17: 14.9%).
- Net result was EUR 28m (1Q17: 21m) and earnings per share (EPS) were EUR 4.11 cents (1Q17: 2.99 cents).
- Cash flow from operating activities before interest and tax in the quarter was EUR 56m (1Q17: 38m).
- Dividend of EUR 4.19 cents per share was paid out to shareholders, corresponding to EUR 29m or around 30% of net profits for 2017, was declared in March 2018. In the quarter, Marel also purchased EUR 30.3m worth of treasury shares.
- Net debt/EBITDA was x2.0 at quarter-end (YE17: x1.9). Targeted capital structure is x2-3 net debt/EBITDA.
- The order book was EUR 529m (FY17: 472m).

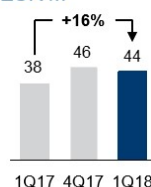
ORDERS RECEIVED
EUR m



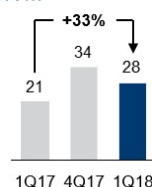
REVENUES
EUR m



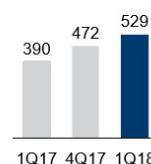
ADJ. EBIT
EUR m



NET RESULT
EUR m



ORDER BOOK
EUR m



Arni Oddur Thordarson, CEO:

"We had a great start to the year. Revenue growth was 14% year-on-year and operational performance was solid with 15% EBIT margin.

The food industry is transforming. Consumers are demanding affordable, healthy and convenient food that is processed in a sustainable way. Moreover, safety and traceability is a focus point for all participants in the value chain.

Cash flow remains strong and we continue to invest far above industry standards in innovation in addition to our extensive investments in infrastructure. The aim of these investments is to serve customers' needs better and bolster our position as a leading global provider of smart and interconnected full-line solutions for the poultry, meat and fish industries.

We continue to closely engage with existing and new customers and the order intake is at all-time high in the quarter, totaling EUR 329 million. The order intake was well balanced geographically and strong across all segments. Our united team of 5,500 employees are both committed and motivated to advance food processing in partnership with customers and continue to deliver shareholder value."

Key Figures from Marel's operations in millions of EUR unless stated otherwise

As per financial statements	Q1 2018	Q1 2017	Change
Revenues	288,4	252,5	14,2%
Gross profit	111,5	99,5	12,1%
Gross profit as a % of Revenues	38,7%	39,4%	
Adjusted result from operations (EBIT) 1)	43,8	37,7	16,2%
Adjusted EBIT as a % of Revenues 1)	15,2%	14,9%	
EBITDA	55,3	46,0	20,2%
EBITDA as a % of Revenues	19,2%	18,2%	
Adjustment for amortization of acquisition-related (in)tangible assets	(2,3)	(6,2)	
Result from operations (EBIT)	41,5	31,5	31,7%
EBIT as a % of Revenues	14,4%	12,5%	
Net result	28,3	21,3	32,9%
Net result as a % of revenues	9,8%	8,5%	
Orders Received	329,3	293,2	12,3%
Order Book	528,7	390,3	35,5%

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

Cash flows	Q1 2018	Q1 2017
Cash generated from operating activities, before interest & tax	55,6	37,9
Net cash from (to) operating activities	44,2	32,7
Investing activities	(11,2)	(9,7)
Financing activities	(43,6)	(37,8)
Net cash flow	(10,6)	(14,8)

Financial position	Q1 2018	Q1 2017
Net Interest Bearing Debt	418,2	401,4
Operational working capital 2)	(10,4)	63,6

2) Trade receivables, Inventories, Net Work in Progress and Trade payables.

Key ratios	Q1 2018	Q1 2017
Current ratio	0,8	0,9
Quick ratio	0,5	0,6
Number of outstanding shares (millions)	683,8	711,5
Market cap. in billions of Euros based on exchange rate at end of period	2,0	1,9
Return on equity	21,7%	16,2%
Earnings per share in euro cents	4,11	2,99
Leverage adjusted result 3)	2,0	2,2

3) Net Interest Bearing Debt / LTM EBITDA

* Operating income adjusted for amortization of acquisition-related intangible assets (PPA).

Financial performance

- **Minimal impact of IFRS changes**
- **Order book at good level, balanced across geographies and industries**
- **Stable and healthy profit margin for nine consecutive quarters**
- **Strong cash flow enables substantial investments in innovation and the future platform**

IFRS impact

On January 1, 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 1Q18 Condensed Consolidated Interim Financial Statements.

Impact of these new standards in 1Q18:

- Impact of IFRS 9 (Financial instruments) was very limited because of recognized profit from amended financing in the opening balance sheet. The main impact was on net finance costs which was EUR 0.3 m higher, and in line with what was estimated at year-end 2017. Non material impact on adjusted EBIT.
- Impact of IFRS 15 (Revenues from contracts with customers): Revenues were EUR 288m with an adjusted EBIT of 44m, but would have been EUR 292m and EUR 47m respectively before the IFRS 15 effect. Biggest impact on deferred revenues and adjusted EBIT was within Marel Poultry. Increase in the order book was due to deferral of revenues by EUR 4m in 1Q18. Impact on EBIT estimated at year-end 2017 was close to zero, reason for deviation is mix and timing of delivery of orders to our customers.
- Impact of IFRS 16 (Leases), where lease assets and liabilities were added to the balance sheet, is minimal in 1Q18 and in line with what was estimated at year-end 2017. Non-material impact on adjusted EBIT, annual effect on EBITDA is estimated around EUR 8m and net interest bearing debt increased by EUR 31m, resulting in a x2.0 net debt/EBITDA leverage ratio at end of 1Q18.

Impact of main items on opening balance sheet as at January 1, 2018:

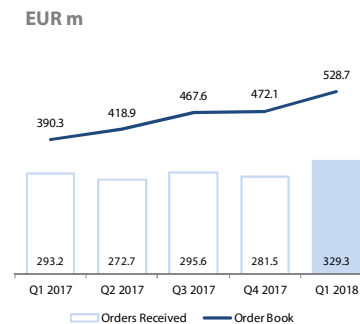
- IFRS 9: an increase in retained earnings of EUR 4m relating to modifications in the Group's loan facilities
- IFRS 15: deferred revenues of EUR 16m resulting in a decrease in retained earnings of EUR 9m, which deferral leads to an increase in the order book of EUR 16m (one time effect)
- IFRS 16 (early adopted): recognition of right of use assets and lease liability of EUR 33m. No impact on retained earnings

Order book at good level, balanced across geographies and industries

Orders received were very strong in the first quarter. Market conditions are good and Marel's commercial position is benefiting from its full-line offering and steady launch of innovative high-tech products for smarter processing. Up 17% from the previous quarter, the EUR 329m of orders received were well spread geographically and across our three key industries. Larger greenfield projects weighed more heavily in the business mix of orders, but sales of standard equipment and spare parts were on track. As was the case for FY17, orders received over the quarter continue to exceed revenues in 1Q18.

The order book was EUR 529m at quarter-end, 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 operational year 2018.

Order Book & Orders Received



Stable and healthy profit margin for nine consecutive quarters

Revenues were EUR 288m with an adjusted EBIT of 44m. Assembly and factory load was very high in key locations resulting in strong revenues. The recently implemented co-location strategy has allowed for better production management, which in addition to our recently extended Nitra facility and outsourcing has been a key success factor in improved management of the production load.

Revenues & adjusted operating result

EUR m

	Q1 2018	Q1 2017	Change
Revenues	288.4	252.5	14.2%
Adjusted result from operations (EBIT) ¹⁾	43.8	37.7	16.2%
Adjusted EBIT as a % of Revenues ¹⁾	15.2%	14.9%	

¹⁾ Operating income adjusted for amortization of acquisition-related (in) tangible assets (PPA).

For the ninth quarter in a row, we continue to deliver strong earnings growth with a stable profit margin of approximately 15% EBIT*.

All industries delivered strong revenues in 1Q18. Poultry continues to be the biggest driver with EBIT of 18.6%. The meat industry showed marginal improvement in the quarter to 12.0%, but the fish industry is on track and showing margin improvements and improved their EBIT margin from 5.0% to 8.6% from year-end.

Strong cash flow enables substantial investments in innovation and the future platform

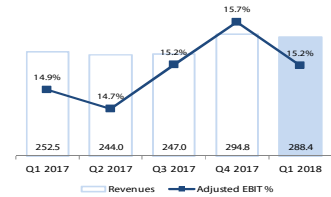
Cash flow was strong in 1Q18. Cash flow from operating activities before interest and tax in the quarter was EUR 56m (1Q17: 38m). Marel continues to invest in the business to prepare for future growth and full potential. Investment activities are expected to be, on average, above normalized levels for the coming period.

Net interest bearing debt (excluding lease liabilities) increased by around EUR 20m in 1Q18. At the same time Marel purchased EUR 30.3m worth of treasury shares to facilitate potential future acquisitions and paid out EUR 25m from the declared dividend (EUR 4.19 cents per share, corresponding to around 30% of net profits for 2017). Net debt/EBITDA was x2.0 at 1Q18, compared to x2.2 at 1Q17, in line with the targeted capital structure of x2-3 net debt/EBITDA.

Net result in 1Q18 was EUR 28m, up 33% compared to EUR 21m in 1Q17, translating to Earnings per share (EPS) of EUR 4.11 cents (1Q17: EUR 2.99 cents).

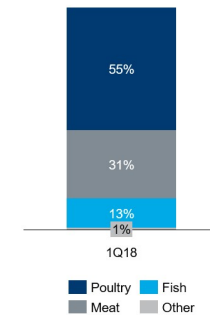
Revenues & Adjusted EBIT %

EUR m



Revenues split by industry

%



Industry performance

- Poultry - 55% of total revenues and 18.6% EBIT margin (p. 5)
- Meat - 31% of total revenues and 12.0% EBIT margin (p. 6)
- Fish - 13% of total revenues and 8.6% EBIT margin (p. 7)

Marel Poultry

Marel Poultry contributed EUR 157 million in revenues in 1Q18, or 55% of total revenues, translating to an adjusted EBIT of 18.6%.

With the most complete product range and the largest installed base worldwide, Marel Poultry is a leading global provider of advanced food processing systems and services for broilers, turkeys and ducks. The year started with strong orders received across all product groups. Projects were well distributed geographically with large order booked in the US, Poland, Australia and France.

Revenues in 1Q18 were the highest ever for Poultry at EUR 157m, up 17% (1Q17: EUR 135m), mainly due to higher assembly load in key locations. Solid revenues in the period ensured that the EBIT was high for the quarter or EUR 29m, up 31% YoY (1Q17: 22m). The EBIT margin was 18.6%, up from 16.5% in 1Q17.

Key figures

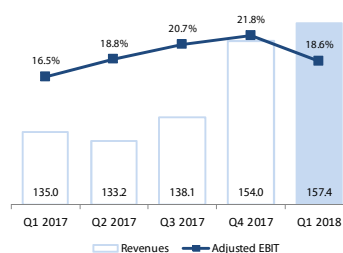
EUR m

	Q1 2018	Q1 2017	Change
Revenues	157.4	135.0	16.6%
Adjusted result from operations (EBIT) ¹⁾	29.3	22.3	31.4%
Adjusted EBIT as a % of Revenues ¹⁾	18.6%	16.5%	

¹⁾ Operating income adjusted for amortization of acquisition-related (in) tangible assets (PPA).

Revenues & Adjusted EBIT

EUR m



Marel Meat

Marel Meat contributed EUR 89 million in revenues in 1Q18, or 31% of total revenues, translating to an adjusted EBIT of 12.0%

Key figures

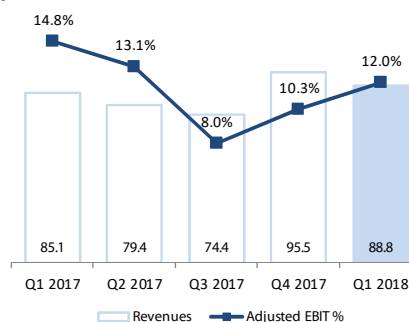
EUR m

	Q1 2018	Q1 2017	Change
Revenues	88.8	85.1	4.3%
Adjusted result from operations (EBIT) ¹⁾	10.7	12.6	-15.1%
Adjusted EBIT as a % of Revenues ¹⁾	12.0%	14.8%	

¹⁾ Operating income adjusted for amortization of acquisition-related (in)tangible assets (PPA).

Revenues & Adjusted EBIT

EUR m



Marel Meat had a good start to the year, with good order intake in both primary and secondary meat. Projects were well distributed geographically, with large orders booked in Spain, Russia and Japan. Several large promotional events took place in the first quarter, not least the IPPE in Atlanta and Marel Meat's own Show How in Copenhagen.

Over the course of 2017 diligent work was made on the integration of new team members into the front-line sales team. Several new products and improvements to previous machinery were launched in 2017 which has been very well received. Recent acquisitions have made Marel Meat a full-line supplier to the meat processing industry, from live animal intake to finished consumer product, and larger installations and green-field projects have become more prominent.

Revenues in 1Q18 were good for Marel Meat. Factory load was very good in the quarter which improved revenues. Revenues were EUR 89m, up 4% (1Q17: EUR 85m) and adjusted EBIT was EUR 11m, down 15% YoY (1Q17: 13m), resulting in an adjusted EBIT margin of 12.0%.

Marel Fish

Marel Fish contributed EUR 39 million in revenues in 1Q18, or 13% of total revenues. The adjusted EBIT margin was 8.6%, which is an improvement from 4.3% for the full year 2017 but still below long term targets.

Key figures

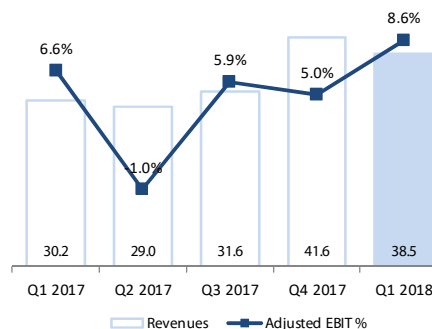
EUR m

	Q1 2018	Q1 2017	Change
Revenues	38.5	30.2	27.5%
Adjusted result from operations (EBIT) ¹⁾	3.3	2.0	65.0%
Adjusted EBIT as a % of Revenues ¹⁾	8.6%	6.6%	

¹⁾ Operating income adjusted for amortization of acquisition-related (in) tangible assets (PPA)

Revenues & Adjusted EBIT

EUR m



1Q18 was a strong quarter for Marel Fish. Projects were well distributed geographically and between different products. Marel Fish is focused on providing full-line offerings for wild whitefish, farmed salmon and farmed whitefish. Large orders were secured in Namibia, Faroe Islands and Latvia.

Marel Fish generated EUR 39m in revenues and EUR 3m in EBIT (8.6% EBIT margin) in 1Q18. This is a 28% increase in revenues and a 65% increase from the EBIT of EUR 2m in 1Q17 (6.6% EBIT margin).

Marel Fish has been transformed in recent years and is on the right track as investments in innovation and standardization of the business has delivered good orders received and improved margins. It is worth noting that Marel Fish is close to reaching the same level of revenues as before discontinuing its onboard customized solutions in Seattle that accounted for approximately a third of total revenues in 2015.

Dividend

The 2018 Annual General Meeting held on March 6th, approved a dividend payment of EUR 4.19 cents per outstanding share which was paid to shareholders in March. The dividend corresponds to approximately 30% of the 2017 net result of EUR 29m, and is in line with Marel's dividend policy that states that dividends or share buy-backs are targeted at 20-40% of the net results.

Outlook

In light of the good results delivered in 2017 and robust order book, we expect strong organic revenue growth in 2018.

Marel is targeting 12% average annual revenue growth in the period 2017-2026, by 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 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.

Investor meeting and webcast

On Tuesday April 24, 2018, at 8:30 am (GMT), market participants are invited to 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 the company's headquarters in Iceland.

Please note that the meeting will also be [webcast live on marel.com](http://www.marel.com).

Financial calendar

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

- Q2 2018 results July 25, 2018
- Q3 2018 results October 31, 2018
- Q4 2018 results February 6, 2019

Financial results will be disclosed and published after market closing.

Investor relations:

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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.

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.