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**PRESS RELEASE**

5 February 2014

## **Marel 2013 results**

(All amounts in EUR)

### **Operating results below potential – Strong cash flow**

- Revenues for 2013 totaled 661.5 million (m), a decrease of 7.3% compared with the year before [2012: 714.0m].
- EBITDA was 69.4m or 10.5% of revenues compared with 86.0m in 2012.
- Operating profit was 42.9m or 6.5% of revenues compared with 61.1m in 2012.
- Net result for 2013 was 20.6m compared with 35.6m in 2012. Earnings per share were 2.81 euro cents [2012: 4.88 euro cents].
- Cash flow from operating activities before interest and tax was 80.3m in 2013 compared with 65.6m in 2012 and net interest bearing debt is 217.1m at the end of 2013 [2012: 243.2m].
- The order book was at 132.4m at the end of the year [2012: 125.4m].

Revenues were 662 million with 43 million in EBIT in 2013. Revenues declined by 7% compared with previous year. Revenues from large projects were at a low level while recurring spare parts and service revenues continued to increase.

Management guidance is to reach organic revenue growth with 55 million adjusted EBIT in 2014. The long term outlook in the industry remains favorable and Marel's goal is to continue to grow faster than market.

A refocusing plan has been launched where the organizational structure will be simplified in order to service customers better. Business units serving the same customer needs and that rely on the same technical capabilities will be combined. Simultaneously the primary focus has been changed from volume to value creation, with targeted operating profit (EBIT) exceeding 100 million in 2017.

#### **Arni Oddur Thordarson, CEO:**

*“Marel's market position is strong on all continents as a leading provider of advanced solutions for poultry, meat and fish processors. Marel reached 4% average annual growth during the last 5 years. At the same time global economic growth has been historically low. This has been a difficult period for food processors that have seen a spike in corn and energy prices. The situation is improving and overall food processor returned healthy profits in 2013 which enabled them to strengthen their financials.*

*There is now a clear need for expansion and modernization. Marel delivered 43 million operating profit last year which is not in line with potential. Following recent management changes we have taken several initiatives to simplify our structure and drive down fixed cost. A good example is the changes already made in Marel's meat activities. Three business units in Marel's operational structure were merged to better utilize existing innovation and sales capabilities. Among those units are Carnitech activities that were acquired last year.*

*The organizational structure will be further simplified in order to service customers better. We will take careful steps to combine business units that serve the same customer needs and rely on the same technical capabilities. Our manufacturing footprint is extensive and spread causing over- and underutilization in the system. We have formally started our refocusing plan with the objective of becoming simpler, smarter and faster. Our aim is to reach over 100 million in operating profits in 2017”.*

## **Q4 2013 results**

### **Strong cash flow– Low profit margin**

- Revenues for Q4 2013 totaled 168.2m, a decrease of 5.7% compared with revenues for the same period the year before [Q4 2012: 178.4m].
- EBITDA was 14.1m, or 8.4% of revenues [Q4 2012: 19.5m].
- Operating profit (EBIT) was 7.4m, or 4.4% of revenues [Q4 2012: 13.6m].
- Net result was 3.7m for Q4 2013 [Q4 2012: 7.1m].
- Operating cash flow before interest and tax is exceptionally strong at 34.7m for Q4 compared with 28.6m in Q4 2012.

The EBIT margin in fourth quarter 2013 is low. The reasons for this are mainly cost associated with management changes (2m) and adjustment of inventories (2.9m). Cash flow from operating activities is exceptionally strong.

Orders received amounted to 162.4m in Q4 2013 compared with 152.3m in Q4 2012. The order book stood at 132.4m at the end of Q4 2013 compared with 125.4m at the end of Q4 2012.

## Key figures from Marel's operations in thousands of EUR

| <b>Operating results</b><br><i>Consolidated</i>   | Quarter 4<br>2013 | Quarter 4<br>2012 | Change<br>in % | Quarter 4<br>2013 YTD | Quarter 4<br>2012 YTD | Change<br>in % |
|---------------------------------------------------|-------------------|-------------------|----------------|-----------------------|-----------------------|----------------|
| Revenues                                          | 168,182           | 178,363           | (5.7)          | 661,536               | 713,960               | (7.3)          |
| Gross profit                                      | 58,588            | 60,086            | (2.5)          | 233,644               | 249,226               | (6.3)          |
| <i>Gross profit as a % of Revenues</i>            | 34.8              | 33.7              |                | 35.3                  | 34.9                  |                |
| Result from operations (EBIT)                     | 7,410             | 13,632            | (45.6)         | 42,909                | 61,081                | (29.8)         |
| <i>EBIT as a % of Revenues</i>                    | 4.4               | 7.6               |                | 6.5                   | 8.6                   |                |
| EBITDA                                            | 14,086            | 19,527            | (27.9)         | 69,444                | 85,963                | (19.2)         |
| <i>EBITDA as a % of Revenues</i>                  | 8.4               | 10.9              |                | 10.5                  | 12.0                  |                |
| Net result                                        | 3,701             | 7,143             | (48.2)         | 20,620                | 35,609                | (42.1)         |
| <i>Net result as a % of consolidated revenues</i> | 2.2               | 4.0               |                | 3.1                   | 5.0                   |                |
| Orders Received <sup>1)</sup>                     | 162,358           | 152,329           | 6.6            | 668,584               | 650,493               | 2.8            |
| Order Book                                        | -                 | -                 |                | 132,438               | 125,390               | 5.6            |

<sup>1)</sup> Included are the service revenues.

| <b>Cash flows</b>                                               | Quarter 4<br>2013 | Quarter 4<br>2012 | Quarter 4<br>2013 YTD | Quarter 4<br>2012 YTD |
|-----------------------------------------------------------------|-------------------|-------------------|-----------------------|-----------------------|
| Cash generated from operating activities, before interest & tax | 34,707            | 28,567            | 80,320                | 65,569                |
| Net cash from (to) operating activities                         | 29,501            | 25,237            | 64,097                | 49,095                |
| Investing activities                                            | (8,138)           | (11,258)          | (31,963)              | (37,294)              |
| Financing activities                                            | (14,780)          | (11,052)          | (26,461)              | (26,486)              |
| Net cash flow                                                   | 6,583             | 2,927             | 5,673                 | (14,685)              |

### Financial position

|                                           |         |         |
|-------------------------------------------|---------|---------|
| Net Interest Bearing Debt                 | 217,130 | 243,242 |
| Operational working capital <sup>2)</sup> | 91,750  | 110,748 |

<sup>2)</sup> Third party Debtors, Inventories, Net Work in Progress and Third party Creditors.

### Key ratios

|                                                                          |         |         |
|--------------------------------------------------------------------------|---------|---------|
| Current ratio                                                            | 1.3     | 1.3     |
| Quick ratio                                                              | 0.8     | 0.8     |
| Number of outstanding shares                                             | 735,452 | 731,440 |
| Market cap. in millions of Euros based on exchange rate at end of period | 612.7   | 604.2   |
| Return on equity                                                         | 5.0%    | 9.2%    |
| Earnings per share in euro cents                                         | 0.50    | 0.98    |
| Leverage <sup>3)</sup>                                                   | 3.13    | 2.83    |

<sup>3)</sup> Net Interest Bearing Debt / LTM EBITDA

## Markets

Marel's organic growth in recent 5 years is 4% on average per year equal to 21% compounded growth for the five year period. At the same time global economic growth has been around 15%.

Marel has leading market position in all continents. The world is now on a three speed track. USA is back on growth track and food processors are in need for expansion and modernization. Europe is on slower track with gradual economic recovery progressing. Emerging markets, such as S-America and Asia are on long term growth track. Retail and food services have increased significantly in these markets in recent years while investments in food processing are lagging behind.

Below is a performance overview of Marel's four core industry segments in 2013: poultry, fish, meat and further processing.

## **Poultry**

Marel's poultry segment took off with a low volume in the beginning of 2013. The order intake slowly increased during the year which enabled poultry to maintain reasonable profitability. Towards the end of 2013 activity picked up in Poland, UK, Brazil and America and good orders were secured. In the USA the first big bird eviscerating lines were sold with success.

In Mexico the first Nuova eviscerating system was started up successfully. With this breakthrough innovation Marel will be able to position itself for investments in the important evisceration market. Furthermore an automatic tenderloin harvesting module was launched to automate further the breast deboning process.

## **Fish**

Overall it was a demanding year in Marel's fish segment. Volatile prices, consolidation and restructuring in the industry as well as liquidation of major players effected market conditions. Orders were secured in the last quarter for projects in Russia, Norway and the UK. After low volumes throughout the year the salmon business improved before the end of the year and future prospects are good in the Salmon industry going forward. More and more standard solutions are prepared and sold in the market. Pipeline remains strong and level of outgoing new proposals indicate that long term outlook is positive.

## **Meat**

High feed prices and prevailing economic uncertainty caused a slow start of the year for Marel's customers. By mid-year feed prices started to soften and by the end of the year Marel secured a number of significant projects. Increase in activity was particularly seen in Europe, North America, Mexico and Australia, all markets which have been relatively quiet for the past few years. A number of landmark sales were secured during the year, including the new revolutionary DeboFlex system to Brazil. DeboFlex dramatically improves the working method, ergonomics, throughput and yield of pork deboning. A Greenfield case ready project to a major retailer in Australia and a breakthrough StreamLine project in USA are particularly good signs of a market opening up for investment in automation again. Mexico has been a good market for Marel during 2013 and by the end of the year StreamLine deboning and trimming projects were secured in that market.

## **Further processing**

Over the year 2013 Marel has become a world player in the field of processing equipment for the market of convenience food products. Marel further processing will focus on four different product market combinations; convenience products, co-extruded products, traditional sausage making and fresh products. In 2013 Marel further processing received the award for Heating Technology for its Modular Oven Systems which shows once more that Marel is differentiating itself from competition by means of unique developments. Further Co-extrusion system sale was secured towards the end of the year.

## **Innovation**

Innovation is one of the cornerstones of Marel's strategy. The Company invested 6.7% of revenues in innovation in 2013 which is high above industry averages. In 2013 Marel launched 48 new products and applied for a patent on 24 new inventions. By the end of 2013 Marel has 276 active patents. Despite adverse market conditions in 2013, innovation activities were kept on a high level underlining Marel's commitment to innovation which helps its customer to increase their value. Marel has brought a large

number of new solutions to the market to suit the customers' needs, more and more also based on combined knowledge of the different heritages and entities in the company.

### **Cash flow**

Operational cash flow before interest and tax remains healthy at 34.7m for Q4 2013 compared to 28.6m in Q4 2012, an increase of 6.1m. Positive fluctuations in operating working capital in the quarter were mainly due to improvement in financing of work in progress and decrease in inventories. To restrict investments in working capital, Marel continues to monitor the cash conversion cycle. During 2013, sustainable improvements have been realized in Days of Sales Outstanding. Also the Work in Progress improved as new projects continue to be backed up by healthy down payment conditions.

### **Financing**

The balance sheet is healthy and net interest bearing debt amounts to 217.1m, which is lower than at year-end 2012 (243.2m). Marel repaid Danish mortgage loans in the quarter and beginning of January in the amount of 8.4m and is now only financed in EUR and USD in a proportion giving a natural hedge to exposures in the long term. A weaker USD to EUR in 2013 translates into EUR 4m reduction in borrowings expressed in EUR, the Company's reporting currency. Exchange rate differences negatively affected the net profit by 1.5m in the quarter and by 4.8m in 2013 as most emerging markets currencies depreciated against the EUR. Interest cost decreased because of optimization in capital structure and interest rate swaps from 2008 maturing.

Overall, the business remains well invested. Marel can expand its production capacity without heavy investments in facilities and equipment to meet future organic growth

### **Simpler, smarter and faster**

Marel has now launched its refocusing program with the aim of making Marel *simpler, smarter and faster in order to serve customers better*. Actions towards this goal have already been implemented in Marel's meat segment when three business units were merged to better utilize existing innovation and sales capabilities. Another example is the streamlining of our product portfolio in the freezing segment where Marel will focus on unique products that are supporting Marel's full line solutions.

Further steps will be taken where business units serving the same customer needs and that rely on the same technical capabilities will be combined, manufacturing footprint will be optimized, product portfolio sharpened and overall operational efficiency increased. The Company's resources will be aligned to execute strategy and reach full potential. The refocusing plan will be the foundation to reach long-term business goals.

Over the course of 2014 and 2015 total refocusing cost is estimated to be 20- 25 million which will improve results in the future on recurring basis. The primary focus has been changed from volume to value creation, with targeted operating profit (EBIT) exceeding 100 million in 2017.

### **Dividend**

The Board of Directors will propose to the Annual General Meeting (AGM) on 5 March 2014 that no dividends will be paid for the operational year 2013.

## Outlook

Management guidance is to reach organic revenue growth with 55 million adjusted EBIT in 2014. Profitability is expected to improve over the course of the year. Refocusing cost is estimated to be around 20-25 million in total over the course of the years 2014-2015 with the aim of reaching 100 million in EBIT in 2017.

Mid- and long-term, the Company believes that Marel's innovative products and global presence in all industries will secure good growth and increased profitability. The long term outlook in the industry remains favorable and Marel's goal is to continue to grow faster than market.

It should be kept in mind that results may vary from quarter to quarter due to general economic developments, fluctuations in orders received and deliveries of larger systems.

## Presentation of results, 6 February 2014

Marel will present its results at an investor meeting on Thursday, 6 February, at 8:30 am (GMT), at the Company's headquarters at Austurhraun 9, Gardabaer. The meeting will also be webcast at [www.marel.com/webcast](http://www.marel.com/webcast).

## Publication days of Consolidated Financial Statements and Annual General Meeting in 2014

- Annual General Meeting 2013 5 March 2014
- 1st quarter 2014 28 April 2014
- 2nd quarter 2014 23 July 2014
- 3rd quarter 2014 22 October 2014
- 4th quarter 2014 4 February 2015
- Annual General Meeting 2014 4 March 2015

Release of financial statements will take place after market closing at above-mentioned dates.

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### About Marel

Marel is the leading global provider of advanced equipment, systems and services to the fish, meat and poultry industries. With offices and subsidiaries in more than 30 countries and a global network of more than 100 agents and distributors, we work side-by-side with our customers to extend the boundaries of food processing performance. Advance with Marel for all your processing needs.

### 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.