
PRESS RELEASE

April 28, 2014

Marel Q1 2014 results

(All amounts in EUR)

Refocusing for profitability improvement and growth

- Revenue for Q1 2014 totaled 154.8m, [Q1 2013: 158m].
- Adjusted EBITDA before refocusing cost was 11.6m or 7.5% of revenue. EBITDA was 8.1m or 5.2% of revenue, [Q1 2013: 16.9m].
- Adjusted operating profit (EBIT) was 4.6m or 3% of revenue. EBIT was 1.0m or 0.7% of revenue, [Q1 2013: 10.3m].
- Net loss was 1.9m compared with 5.7m net profit in Q1 2013. Earnings per share were negative by 0.25 euro cents, [Q1 2013: 0.78 euro cents].
- Cash flow from operating activities before interest and tax was 19.4m, [Q1 2013: 17.2m]. Net interest bearing debt was 208.4m at the end of Q1 2014, [Q1 2013: 239.3m].
- The order book was at 138.4m compared with 132.4m at the beginning of the year, [Q1 2013: 151.1m].

The market for large projects is still at a low level while sale of standard equipment increased between years. Operating profit in the poultry segment was lower than usual caused by underutilization in manufacturing and projects taken on in a difficult market environment during 2013. Poultry is expected to show improved profitability in Q2 based on current order book.

The refocusing plan of becoming simpler, smarter and faster was launched in the beginning of the year and is proceeding according to plan. The plan's objective is to serve customers' needs more effectively and to reduce the annual cost base by 20-25 million. Annual cost savings that have already been achieved in Q1 amount to annual cost 3.6 million.

First quarter results are as well affected by various non-recurring items amounting to 2.4 million. Those items are not part of the formal refocusing plan and are therefore not reported as one-off items.

Arni Oddur Thordarson, CEO:

"Marel sales are 155 million in first quarter with an adjusted EBIT of 4.6 million that is below potential. Our refocusing plan, which was launched in beginning of the year is proceeding according to plan. During the first quarter we have achieved cost savings initiatives that lower our cost base by 3.6 million annually.

We are taking clear steps to optimize our manufacturing footprint and overall simplify the company structure. Marel is strategically and commercially strong but needs to better align execution with strategy in order to reach its full potential.

In the poultry industry we introduced the RoboBatcher and the SensorX SmartSort. At the same time we are excited about the Flexicut, which will revolutionize whitefish processing.

As stated in the beginning of the year, we believe that profitability will improve over the course of the year. Our most promising markets in the short term are the U.S. and South America. Expansion and modernization needs are building up there and Marel is well placed to capitalize on these opportunities. However, the sentiment in Europe is affected by current geopolitical tension. Despite market volatility in emerging economies during Q1, long-term outlook remains robust”.

Simpler, smarter and faster

Marel’s refocusing plan to become simpler, smarter and faster is proceeding according to plan. The plan’s objectives are to increase efficiency in order to serve customers better and reduce the annual cost base by 20-25 million. Already achieved cost savings in Q1 amount to 3.6 million.

The first steps towards this goal have already been realized. Actions during the first quarter include:

- The merging of three different business units in Marel meat activities into one in order to better utilize existing sales and innovation capabilities
- The narrowing of Marel’s product portfolio in the freezing segment
- The reduction of 75 employees thereof 25 from middle management

Further steps will be taken where business units serving the same customer needs and that rely on the same technical capabilities will be combined. Additionally 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 the long-term business goals. To support the implementation of the refocusing plan and to accelerate the process Marel has engaged the Enterprise improvement team of AlixPartners as advisors.

Over the course of 2014 and 2015 the total refocusing cost is estimated to be 20-25 million which will improve results in the future on recurring basis and support long-term growth and value creation.

Order book growing marginally

The order book now stands at 138.4 million compared with 132.4 million at the beginning of the year. Orders received amounted to 160.8 million compared with 162.4 million in Q4 2013. Large orders are still at low level while sales of standard equipment increased between years.

Key figures from Marel's operations in thousands of EUR

Operating results

	Quarter 1 2014 YTD	Quarter 1 2013 YTD	Change in %
Revenues	154,757	158,028	(2.1)
Gross profit before refocusing costs	52,666	57,509	(8.4)
Gross profit before refocusing costs as a % of Revenues	34.0	36.4	
Result from operations before refocusing costs (EBIT)	4,569	10,331	(55.8)
EBIT before refocusing costs as a % of Revenues	3.0	6.5	
EBITDA before refocusing costs	11,621	16,858	(31.1)
EBITDA before refocusing costs as a % of Revenues	7.5	10.7	
Refocusing costs	(3,550)		
Result from operations (EBIT)	1,019	10,331	(90.1)
EBIT as a % of Revenues	0.7	6.5	
EBITDA	8,071	16,858	(52.1)
EBITDA as a % of Revenues	5.2	10.7	
Net result	(1,871)	5,722	(132.7)
Net result as a % of revenues	(1.2)	3.6	
Orders Received ¹⁾	160,767	183,745	(12.5)
Order Book	138,449	151,106	(8.4)

¹⁾ Included are the service revenues.

	Quarter 1 2014 YTD	Quarter 1 2013 YTD
Cash flows		
Cash generated from operating activities, before interest & tax	19,382	17,235
Net cash from (to) operating activities	15,345	13,466
Investing activities	(7,115)	(7,277)
Financing activities	(8,670)	(8,161)
Net cash flow	(440)	(1,972)

Financial position

Net Interest Bearing Debt	208,405	239,340
Operational working capital ²⁾	83,933	110,530

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

Key ratios

Current ratio	1.2	1.2
Quick ratio	0.7	0.8
Number of outstanding shares	735,327	732,428
Market cap. in millions of Euros based on exchange rate at end of period	493.1	717.1
Return on equity before refocusing costs	0.8%	
Return on equity	-1.8%	5.7%
Earnings per share before refocusing costs in euro cents	0.11	
Earnings per share in euro cents	(0.25)	0.78
Leverage adjusted for refocusing costs ³⁾	3.25	

³⁾ Net Interest Bearing Debt / LTM EBITDA

Markets

The world is on a three-speed track. The U.S. is on a growth track and food processors there are in need of expansion and modernization. Europe is on a slower track, with gradual economic recovery progressing. Recent turmoil in Ukraine could adversely impact that progress. Emerging markets, such as South America and Asia are on a long-term growth track. Retail and food services have increased significantly in these markets in recent years while investments in food processing are lagging. Despite increased volatility in emerging markets, caused by the devaluation of currencies and deteriorated economic outlook, the long-term potential for these markets remains favorable.

Poultry

Gross profit in last two quarters have been unusually low in Marel's poultry segment because of underutilization and difficult business environment but profitability is expected to improve in Q2. Key projects were secured during Q1 in Australia, U.S., South Korea and India.

Highlights of product launches during the quarter are: RoboBatcher, SensorX SmartSort and new technology for stunning. RoboBatcher for poultry is for the fixed weight retail segment. SensorXSmartSort combines weighing and X-ray technology in one solution and was a commercial success at the IPPE Show in Atlanta in January. The new stunner uses improved technology that meets updated EU regulations.

Fish

Salmon activities are picking up and during the first quarter of the year Marel secured key sales in new salmon filleting lines. Marel's 13th Salmon ShowHow was successfully held in February and was for the first time hosted in Progress Point, Marel's new demonstration facility in Copenhagen, Denmark.

Capital investments in the whitefish segment continue to be at a low level as it has been in recent years. Marel introduced FleXicut at the annual North Atlantic Seafood Forum (NASF). FleXicut is Marel's first water- cut trimming robot for high precision bone detection and removal in the whitefish segment.

Meat

The meat segment started 2014 stronger than previous years and operational results are gradually improving. Landmark sales in Australia and South America were secured. During the quarter three business units were merged into one in order to better utilize existing sales and innovation capabilities. Strong activity was seen in StreamLine solutions and Case Ready applications, including the newly acquired mixing and grinding activities.

Further processing

Despite limited market activity in the first quarter, there was an increase in interest in Europe, Asia and the U.S. During the quarter, Further Processing participated in the International Processing Equipment Show (IPE) in Atlanta and the Salmon ShowHow in Copenhagen. RevoPortioner shows good potential in fish and meat, building on past success in poultry.

Innovation

Marel has introduced the next generation of whitefish processing lines which will revolutionize whitefish processing. The water-cut solution, FleXicut incorporates two critical processing steps in one machine; locating the pin bones precisely, and cutting/trimming to remove the bones. The equipment consists of high resolution X-ray detection, image control, and a water-jet cutting mechanism for removing pin bones.

The bones in whitefish are notoriously difficult to locate and remove, and the process traditionally requires a lot of skilled labor. The automation of this process with FleXicut is therefore set to reshape the whitefish industry, as it not only reduces the need for skilled labor, but also greatly improves product handling and yield.

Cash flow

Operational cash flow before interest and tax remains strong at 19.4 million for Q1 2014 compared with 17.2 million in Q1 2013, an increase of 2.2 million. To restrict investments in working capital, Marel continues to closely monitor the cash conversion cycle.

Financing

The balance sheet is healthy and net interest bearing debt amounts to 208.4 million, which is lower than at the end of Q1 2013 (239.3 million). Marel is financed in EUR and USD in a proportion giving a natural hedge to exposures.

In March Marel signed an agreement with its lenders to amend and extend the term of current loan facilities by one year, or to November 2017. The amendment and extension gives Marel additional flexibility to support the company's long-term strategy.

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

Outlook

Profitability is expected to improve over the course of the year. Management guidance is to reach organic revenue growth with 55 million adjusted EBIT in 2014.

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 by 2017.

In the mid- and long-term, the Company believes its 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, April 29, 2014

Marel will present its results at an investor meeting on Tuesday, 29 April, at 8:30 am (GMT), at the Company's headquarters at Austurhraun 9, Gardabaer. The meeting will also be webcast at marel.com/webcast.

Publication days of Consolidated Financial Statements in 2014

- 2nd quarter 2014 July 23, 2014
- 3rd quarter 2014 October 22, 2014
- 4th quarter 2014 February 4, 2015
- Annual General Meeting 2014 March 4, 2015

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