



Arni Oddur Thordarson, CEO

## 2. CEO's Operational Report

# At the customer, for the customer while refocusing

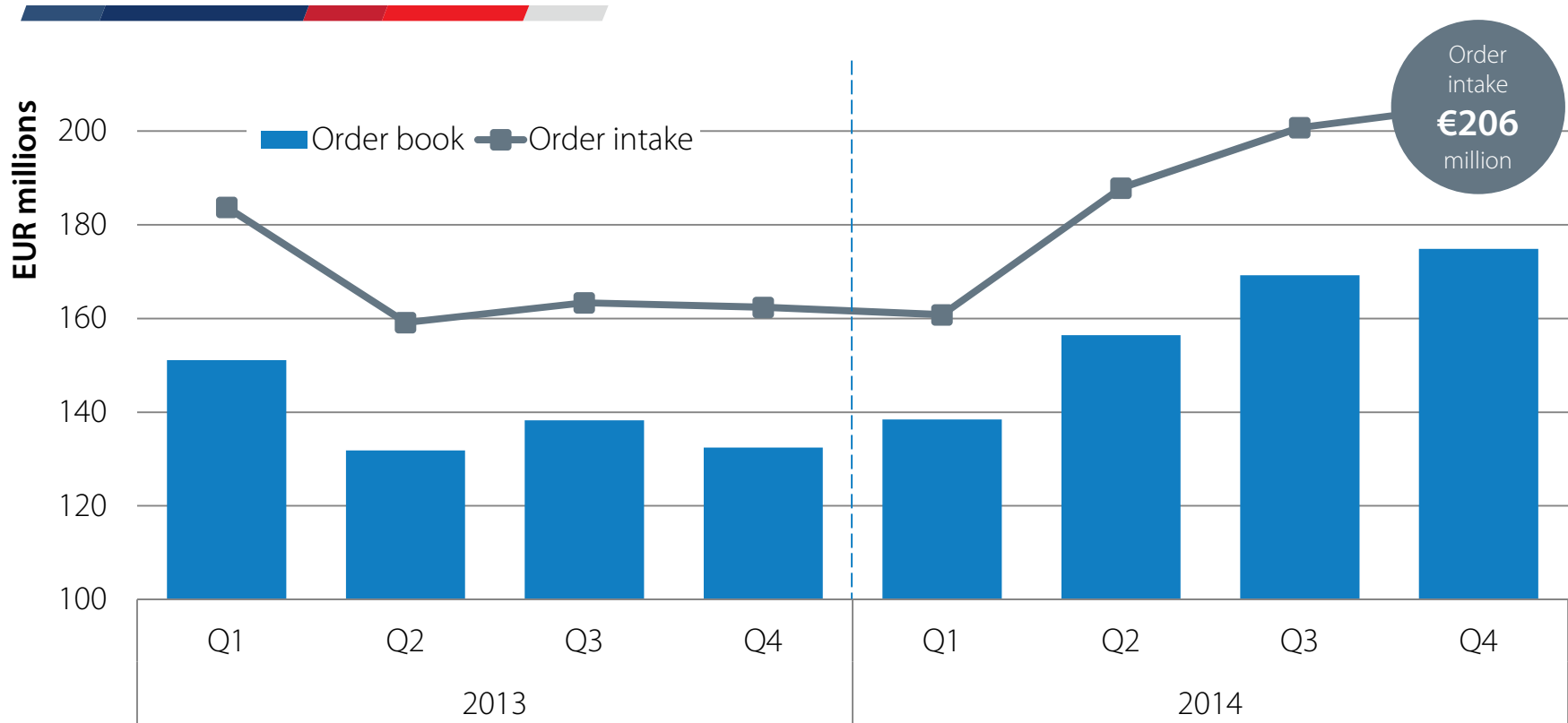


- Revenue €713 million compared to €662 million in 2013
  - 7.7% revenue growth
- Order book starts the year at €175 million compared to €132 million in 2014
  - Good geographical mix in order intake
- Adjusted EBIT of €48.8 million or 6.8%
- Net result of €11.7 million and free cash flow of €75.5 million

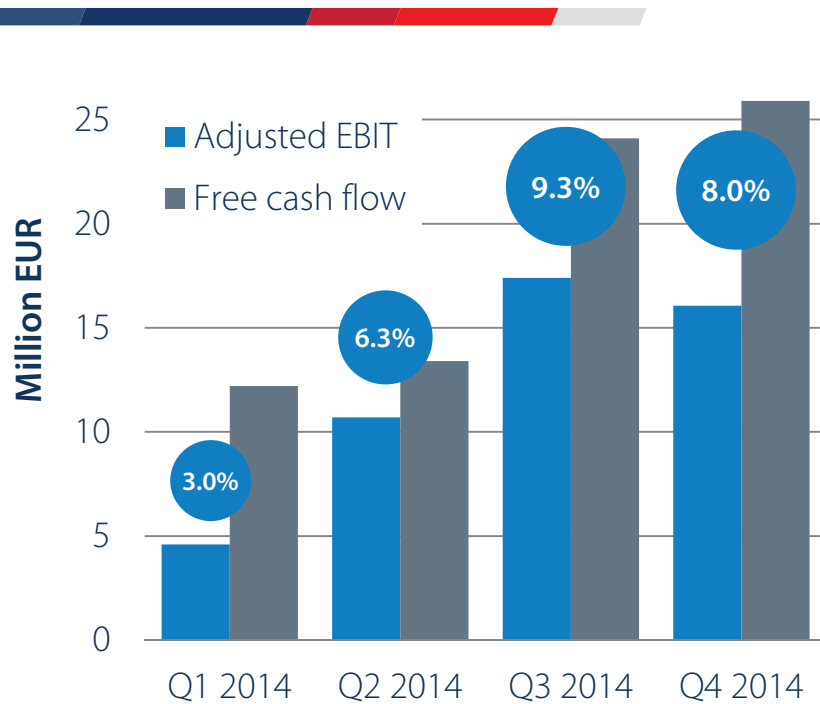


\* Refocusing costs in 2014 amount to €19.6 million

# Order book at a good level at the start of 2015



# Operational results improving with strong cash flow



- Revenue growth of 7.7% from last year
- Full year adjusted EBIT of EUR 48.8 million (6.8%)
- Management guidance for 2014 was organic growth with adjusted EBIT of EUR 40-50 million
- Order book at end of year is EUR 175 million compared to EUR 132 million at beginning of year

EBITDA improvement and strong cash flow has driven Net Debt/adj. EBITDA down to 2.08



# Business Results

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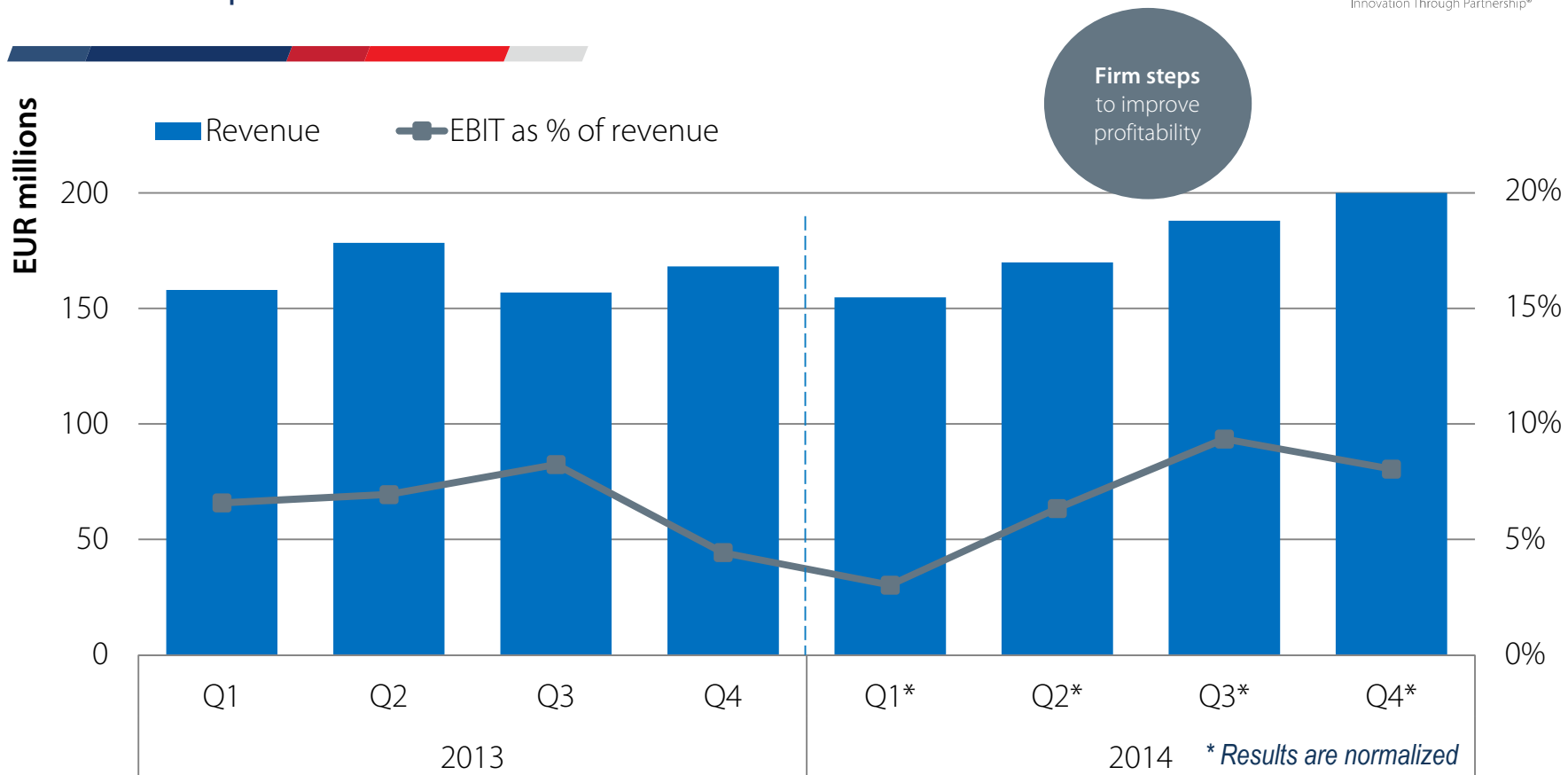
# Business results



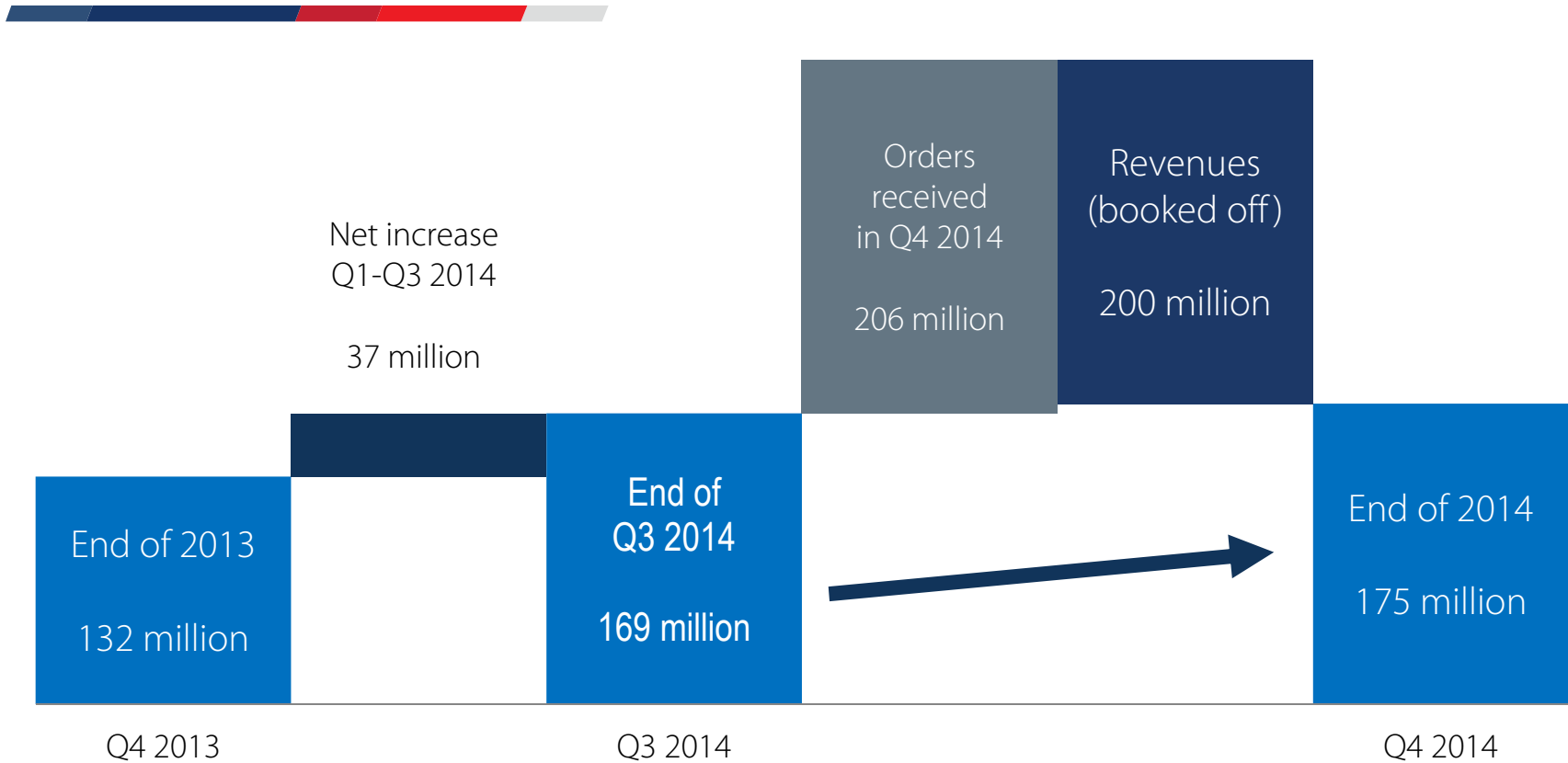
EUR thousands

	Full year 2014		Full year 2013	
Revenue .....	712,554		661,536	
Gross profit before refocusing cost .....	255,797	35.9%	233,644	35.3%
<b>Before refocusing costs</b>				
Result from operations (adjusted EBIT) .....	48,778	6.8%	42,909	6.5%
Adjusted EBITDA .....	83,666	11.7%	14,086	10.5%
<b>After refocusing costs</b>				
Result from operations (EBIT) .....	29,178	4.1%		
EBITDA .....	66,698	9.4%		
Net result .....	11,731		22,620	
Orders received (including service revenues)	754,996		668,584	
Order book .....	174,880		132,438	

# Development of business results



# Marel enters 2015 with Order Book of EUR 175 million





# Condensed consolidated balance sheet



## ASSETS

EUR thousands

### Non-current assets

	31/12 2014	31/12 2013
Property, plant and equipment .....	96,139	104,707
Goodwill .....	387,103	378,708
Other intangible assets .....	114,916	118,561
Receivables .....	94	691
Deferred income tax assets .....	7,873	9,611
	<u>606,125</u>	<u>612,278</u>

### Current assets

Inventories .....	88,450	91,796
Production contracts .....	29,123	24,829
Trade receivables .....	77,125	68,737
Assets held for sale .....	2,500	-
Other receivables and prepayments .....	23,551	22,135
Cash and cash equivalents .....	24,566	19,793
	<u>245,315</u>	<u>227,290</u>

### Total assets

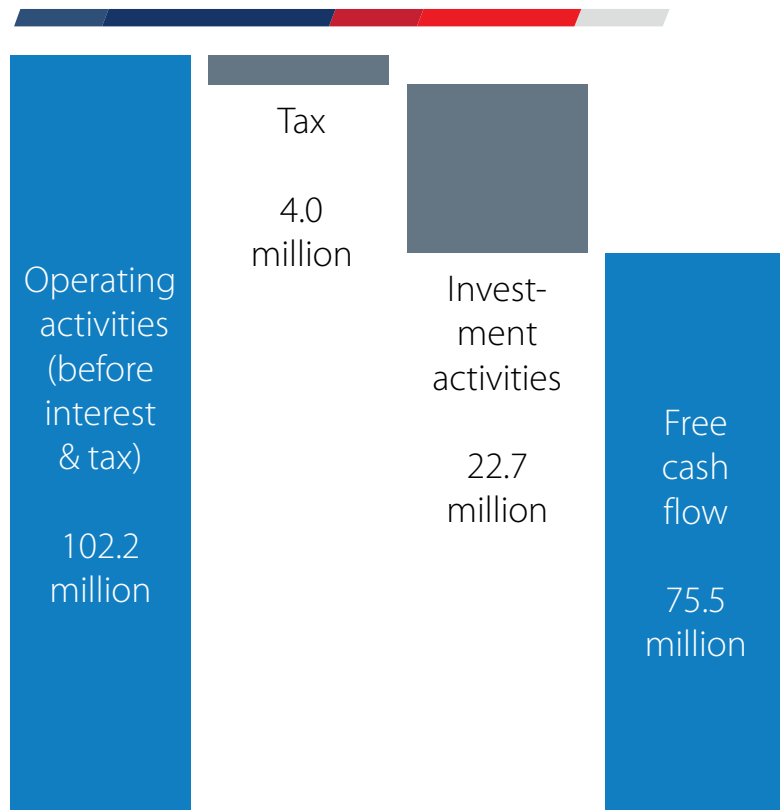
	<u><b>851,440</b></u>	<u><b>839,568</b></u>
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# Condensed consolidated balance sheet (continued)

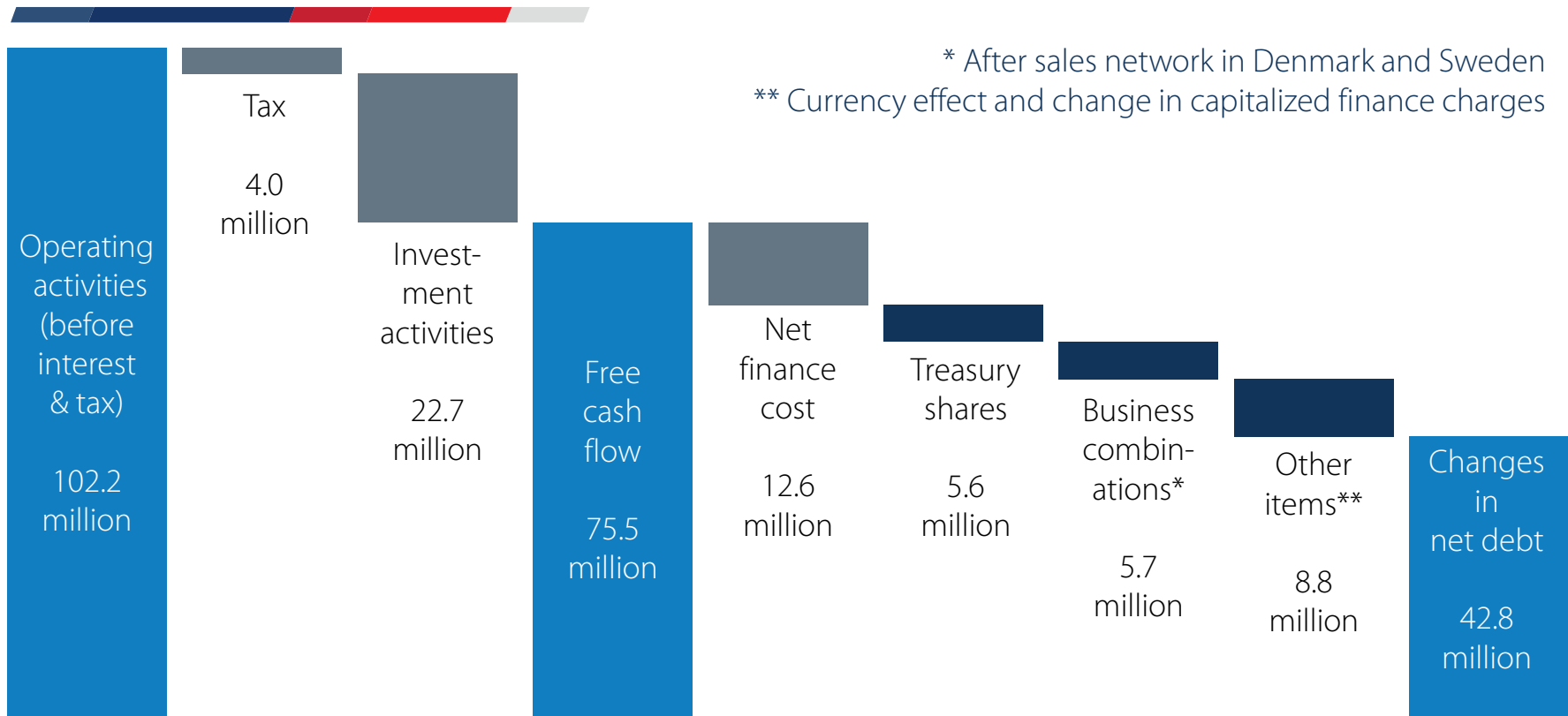


<b>LIABILITIES AND EQUITY</b>	<b>31/12 2014</b>	<b>31/12 2013</b>
<i>EUR thousands</i>		
<b>Equity</b>	<b>427,498</b>	<b>419,339</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings .....	180,278	214,846
Deferred income tax liabilities .....	11,308	13,885
Provisions .....	7,292	6,065
Derivative financial instruments .....	5,399	7,184
	<u>204,277</u>	<u>241,980</u>
<b>Current liabilities</b>		
Production contracts.....	64,958	44,881
Trade and other payables .....	122,479	105,662
Current income tax liabilities .....	4,185	3,526
Borrowings .....	18,635	22,077
Provisions .....	9,408	2,103
	219,665	178,249
<b>Total liabilities</b>	<b>423,942</b>	<b>420,229</b>
<b>Total equity and liabilities</b>	<b><u>851,440</u></b>	<b><u>839,568</u></b>

# 2014 cash flow composition and changes in net debt



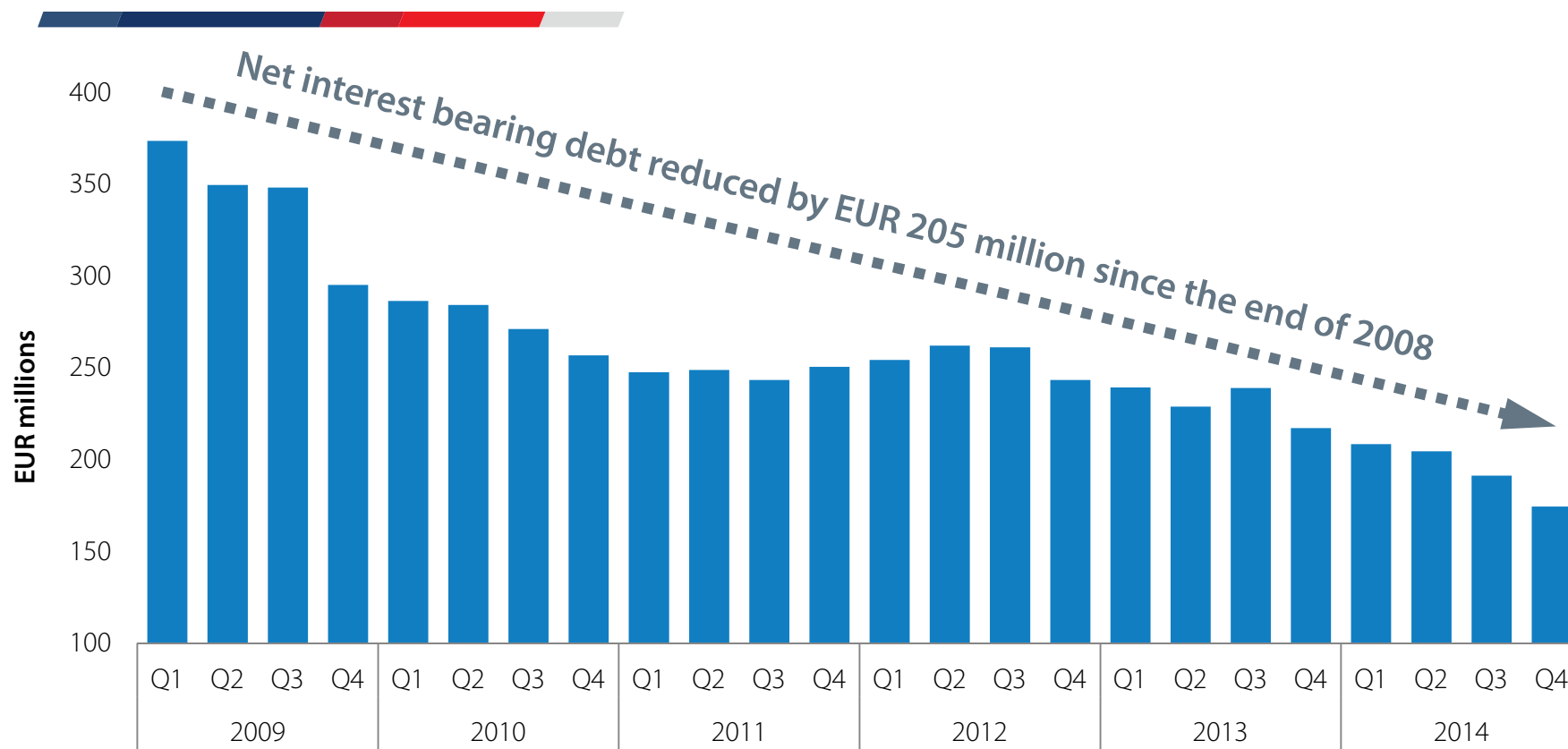
# 2014 cash flow composition and changes in net debt



\* After sales network in Denmark and Sweden

\*\* Currency effect and change in capitalized finance charges

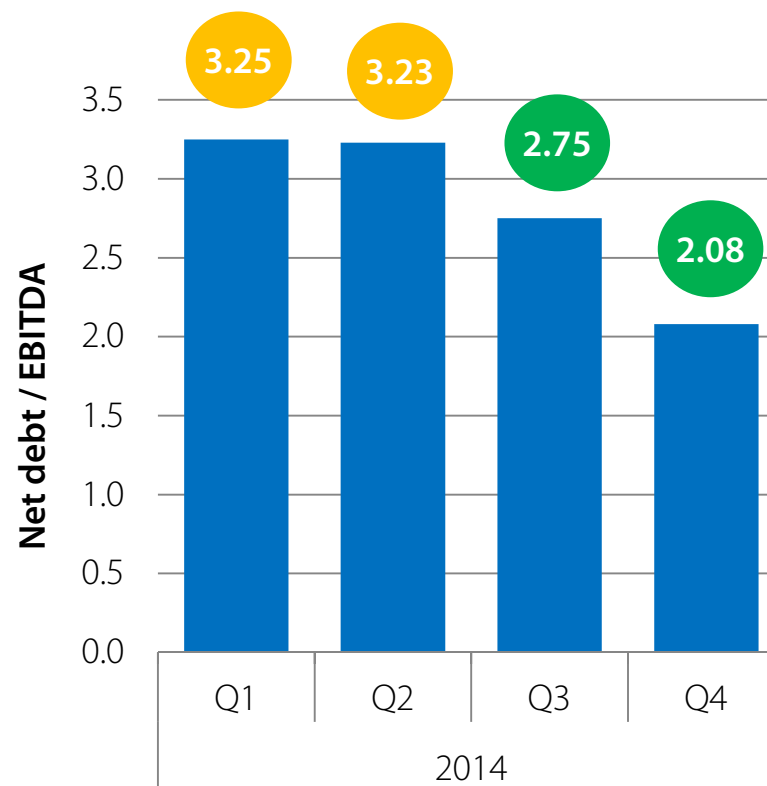
Net interest bearing debt reduced by EUR 42.8 million in 2014

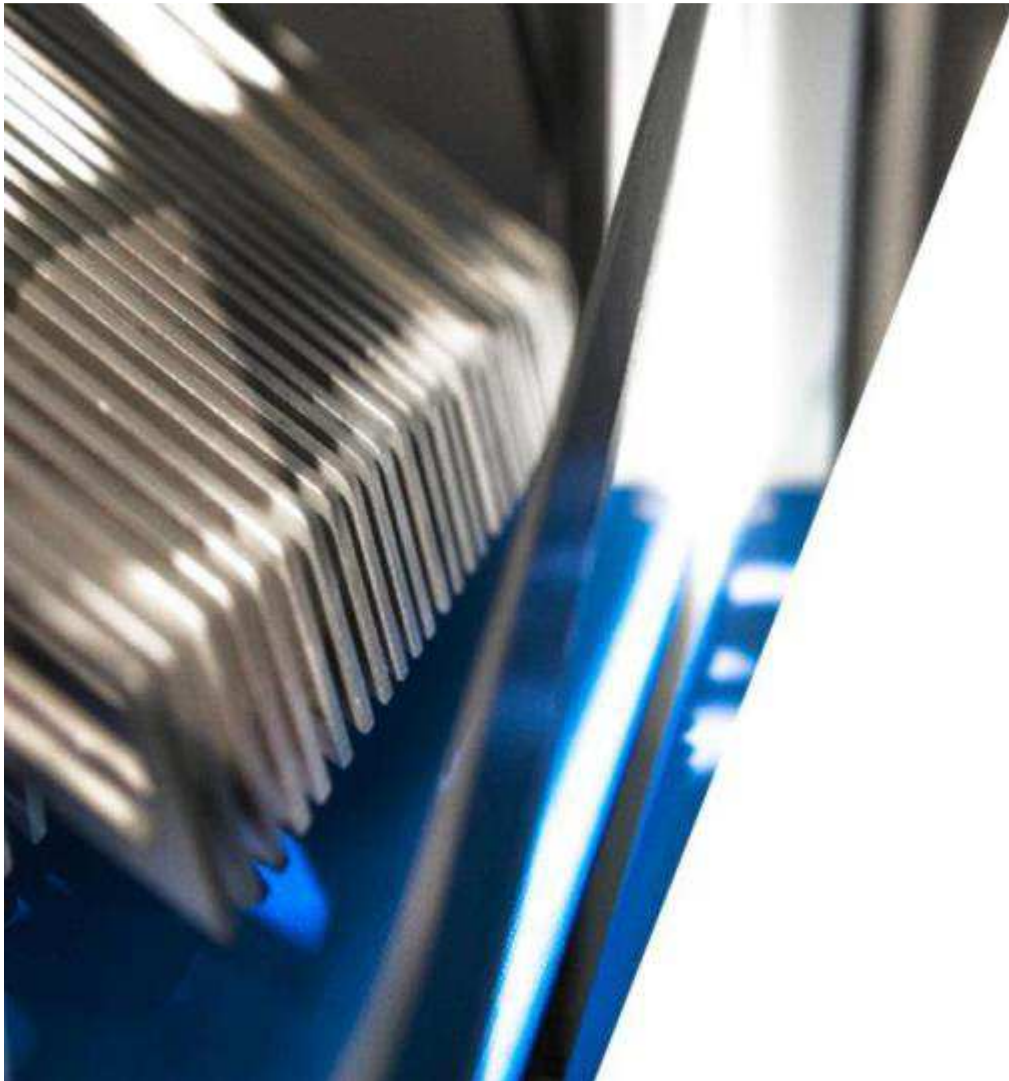


# Capital structure in line with targets



- Net debt / EBITDA ratio target of 2-3 x EBITDA
- Board of Directors proposes to pay out 30% of net profit of 2014 as dividend in line with dividend policy of 20-40%
- Marel is stimulating further revenue and operational profit growth by:
  - Streamlining the business
  - Continuous innovation
  - Investing in the business





## Refocusing on track

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# Simpler, Smarter, Faster



Refocus the product portfolio. Leverage our strengths and focus on our unique solutions

Optimize manufacturing footprint to balance utilization of resources within the company

Continuous focus on innovation and investments to advance the business to drive future value creation



Serve customer needs better

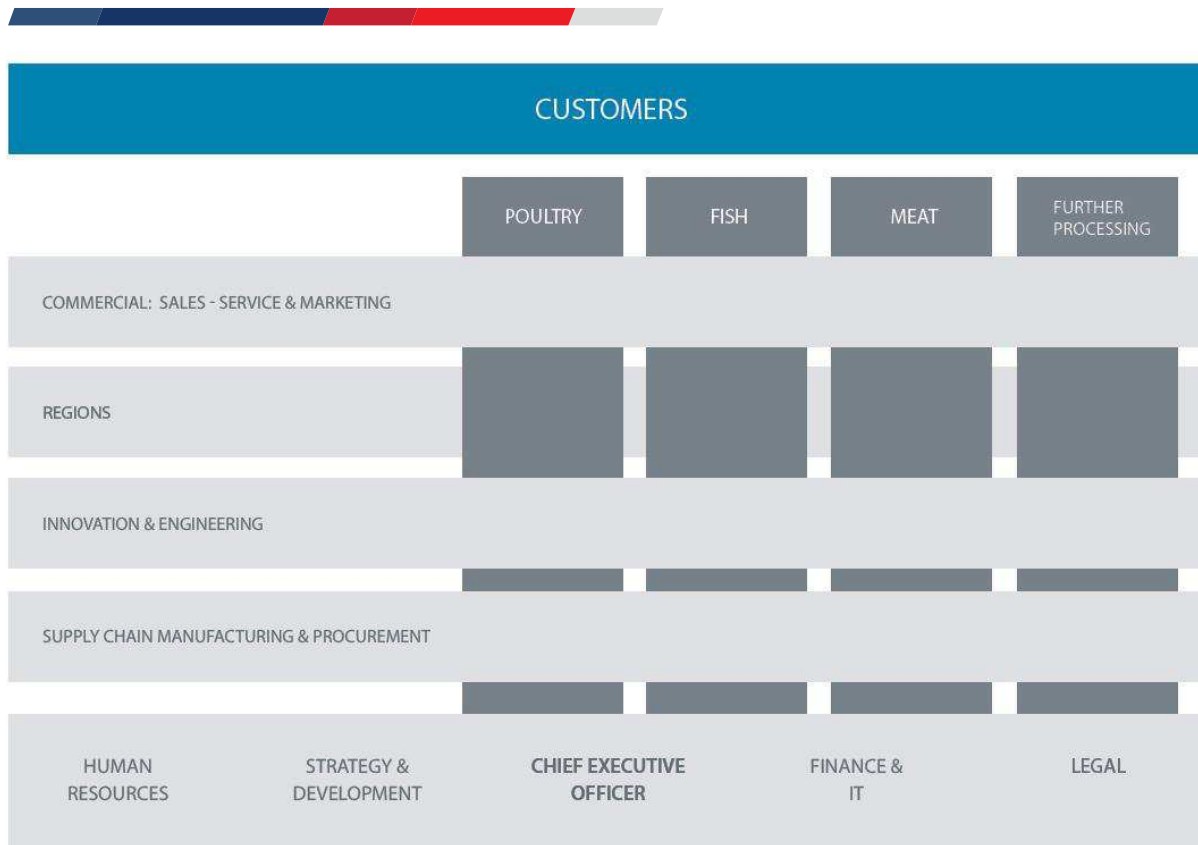
Reduced "time to market" for innovative solutions

Penetrate market faster after product launches

Increase operational efficiency with a target of EBIT in excess of €100 million in 2017



# Simpler, Smarter, Faster Organizational Structure



# Refocusing well on track



## At the customer, for the customer

- Record order intake and revenue in the second half of 2014



## Simpler, Smarter, Faster Marel

- Streamlining in sales, service, and innovation



## Actions taken to optimize manufacturing in 2014

- Salmon activities transferred from Norresundby to Stovring
- Meat activities transferred from Oss to Boxmeer
- Ceasing of manufacturing of freezers in Singapore, to be completed by mid year



# Actions taken to optimize manufacturing in 2015



## Streamlining of U.S. operations



- Manufacturing in Des Moines to be merged to an existing facility in Gainesville
- Investment in a new innovation center in Des Moines

## Streamlining of U.K. operations



- Divestment of High-speed slicing operations in Norwich
- The acquirer is the Middleby corporation and the closing of the transaction is expected before the end of Q1 2015
- Marel will retain the frozen portioning and robotics product families, which remain of strategic importance

## Divestment of non-core business



- Stork Inter Ibérica focusing on the local dairy business in Spain, sold to Keravalon, a private investment group

## Simpler, Smarter, Faster: 2014-2015

## Full potential ▶

Product portfolio optimized



At the customer, for the customer

Marel is stimulating further revenue growth and solid operational improvements:

- Streamlining the business
- Continuous innovation
- Investing in the business

Manufacturing footprint optimized

2014

Revenue growth 7.7%  
Adj. EBIT 48.8 m  
Free cash flow 75.5m

2015

Organic growth  
Solid operational improvement  
Good cash conversion

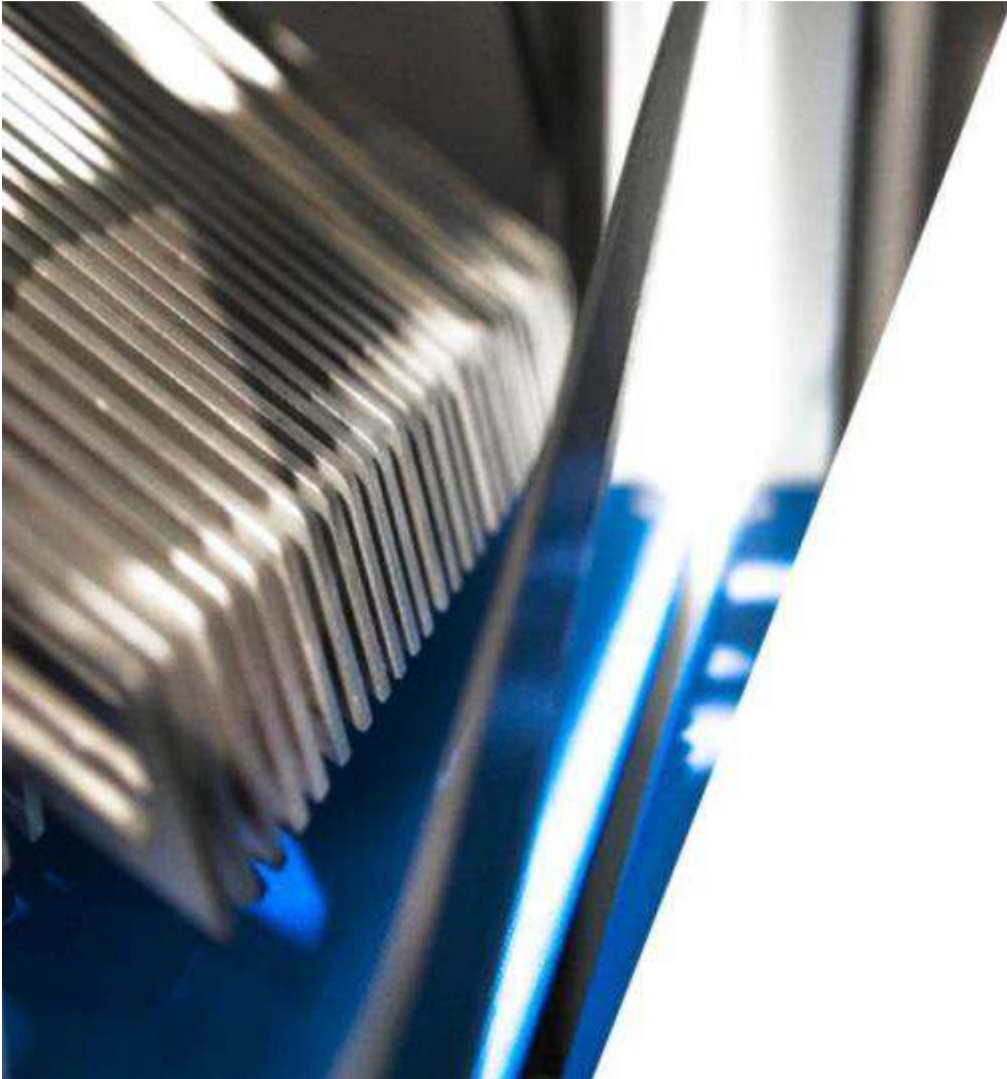
2016

Organic growth  
Solid operational improvement  
Good cash conversion

2017

Organic growth  
> 100 million EBIT  
Good cash conversion

Total estimated cash-out cost of refocusing €25 million



# Quality of Earnings

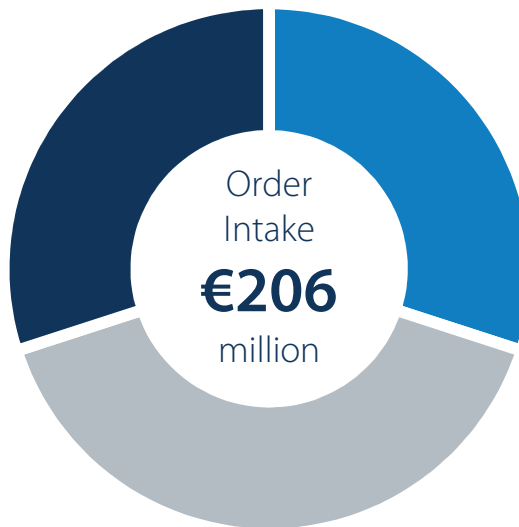
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## Good mix of Greenfields, Modernization, and Maintenance



### Modernization and standard equipment ►

- Investment in expansion and modernization projects picking up, especially in the Americas



### ◀ Greenfields

- Several large Greenfield projects in Poultry, Fish, and Further Processing

### Maintenance ▲

- Marel has the largest installment base in its industry
- Recurring service and spare parts revenues increasing steadily and are currently around 40% of total revenues

# Business overview



Other segments such as vegetable and cheese account for 2% of revenue



## Poultry

Volume and profitability improved throughout the year

Good mix of Greenfields, modernization, and maintenance business around the globe

**53%** of revenue  
**12.0%** adj. EBIT



## Fish

Very good year for Marel's Salmon segment and operation moved to modern facility in Stovring

Investments in the Whitefish segment are picking up

**16%** of revenue  
**5.7%** adj. EBIT



## Meat

Reference projects established around the globe

Operation streamlined and manufacturing in Oss consolidated with Boxmeer to capture synergies

**17%** of revenue  
**-2.1%** adj. EBIT



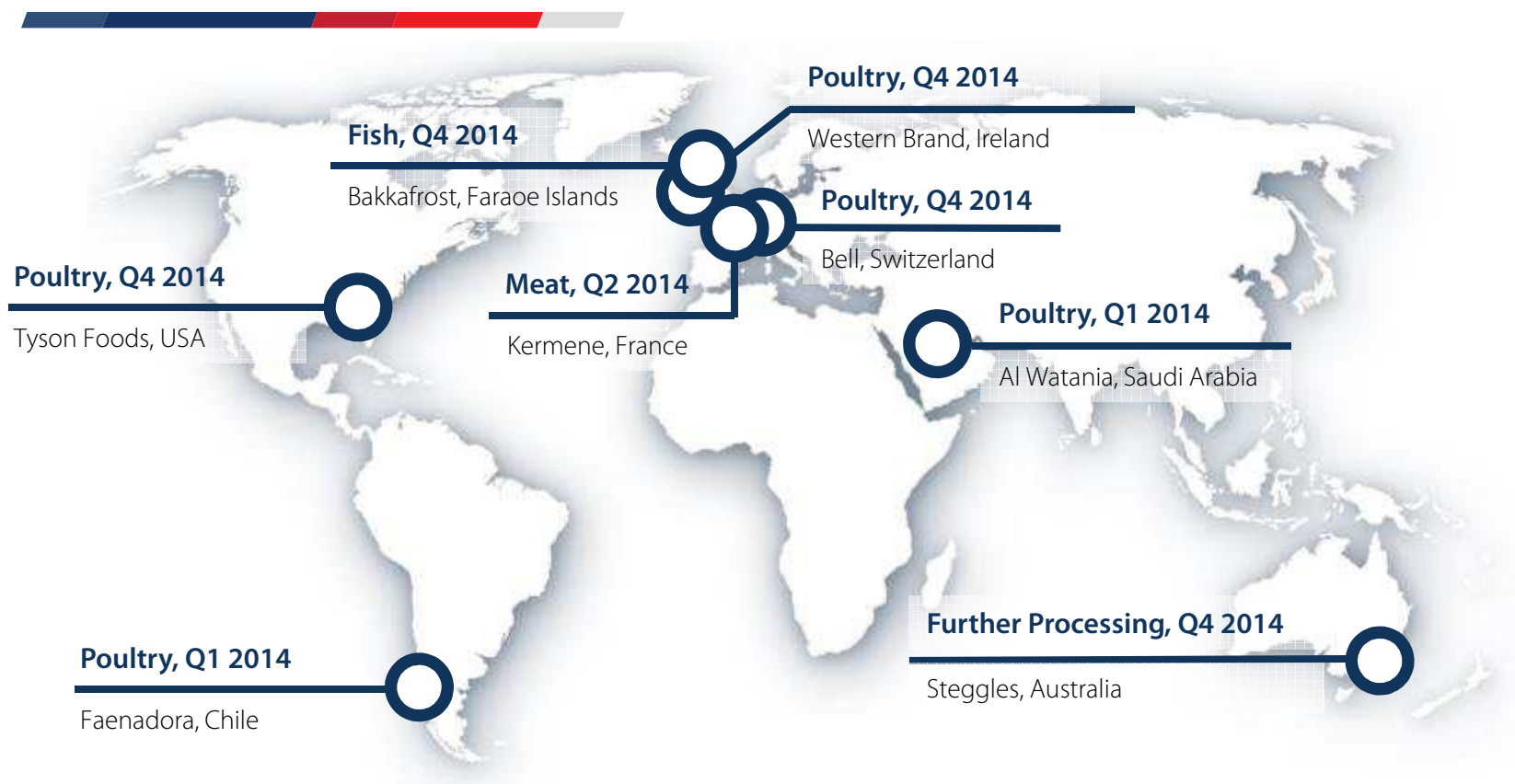
## Further Processing

The year started slow but order intake at good level in second half of year

Operation streamlined in Q4 2014 and Q1 2015, manufacturing in US consolidated

**13%** of revenue  
**-0.2%** adj. EBIT

# Large projects around the globe in 2014







Thank you  
Takk fyrir  
Dank u wel  
Mange tak

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