



CEO's operational report

Arni Oddur Thordarson, CEO

**ADVANCING
FOOD PROCESSING**



I | Annual results

CEO's operational report

**ADVANCING
FOOD PROCESSING**



Year of profitable growth and strategic moves

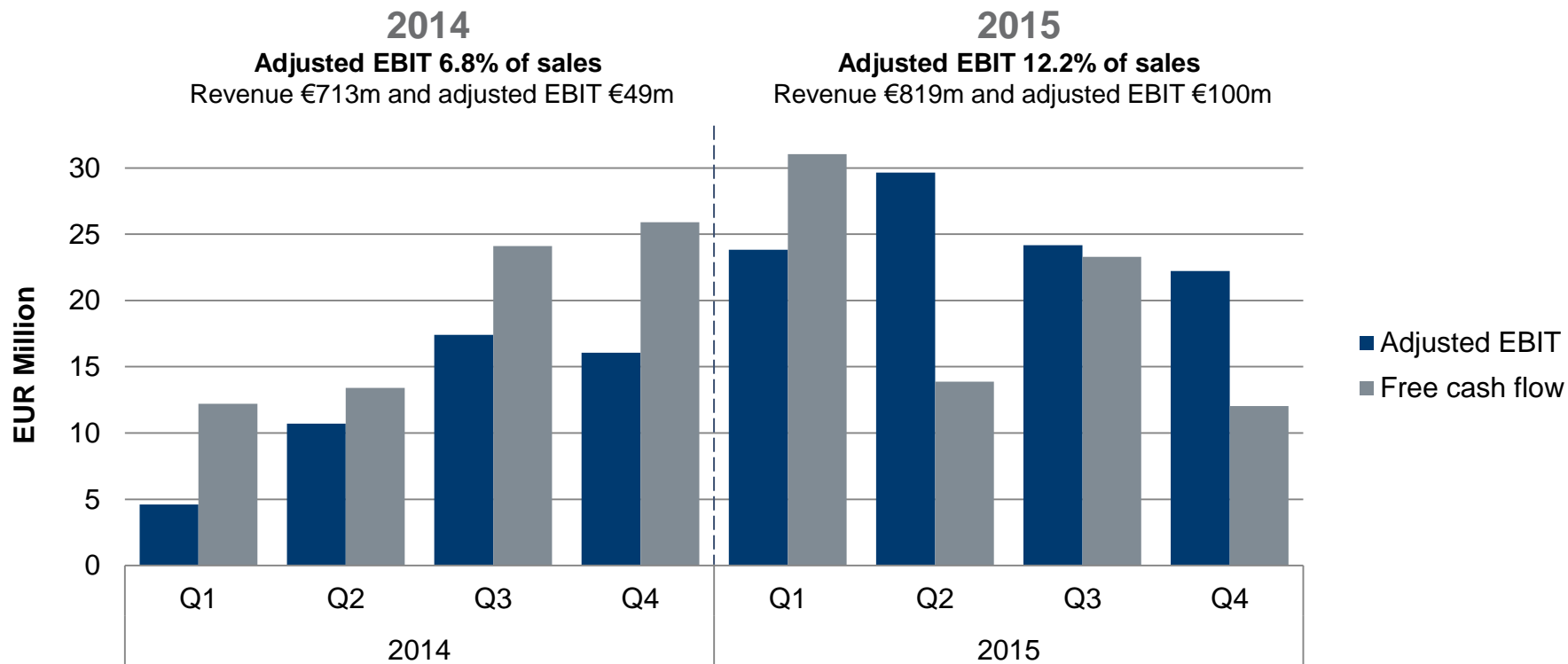


- 15% revenue growth
- Adj. EBIT of €100 million [2014: 49m]
- Net result of €57 million [2014: 12m]
- Earnings per share of 7.93 cents [2014: 1.60]
 - The Board of Directors proposes a dividend of 1.58 cents per share corresponding to approximately 20% of profits for the operational year 2015
- Marel concluded succesful refocusing program and entered into acquisition of MPS to become full line provider in Meat



** Adjustments in 2015 consist of €15.0 million in refocusing costs and €3.3 million in acquisition costs*

Solid operational performance with strong cash flow



EBITDA improvement and strong cash flow has driven Net Debt / adj. EBITDA down to 1.05 enabling MPS acquisition

Business overview for 2015



Other segments account for 2% of revenue and include acquisition cost and non-recurring items



Poultry

Very strong year for Marel's poultry segment with good volume and profitability.
Good mixture of greenfields, modernization projects, and maintenance business around the globe.

55% of revenue
18.8% adj. EBIT



Fish

Salmon and Whitefish delivering good growth and results while the on-board business is underperforming.
Flexicut continues to impress customers and 4 systems were sold at the back end of 2015

17% of revenue
8.3% adj. EBIT



Meat

Operations gradually improving from previous years.
Result in 2015 fully in line with targets.
Meat after MPS acquisition accounts for 30% of revenue and EBITDA.

14% of revenue
7.4% adj. EBIT



Further Processing

Unacceptable results in 2015 despite improvement in volume and margins at the end of the year.
Further streamlining and investments planned to strengthen Marel's position in further processing of Poultry, Meat and Fish.

12% of revenue
-1.5% adj. EBIT

Business results



EUR thousands

| | FY 2015 | % of revenue | FY 2014 | % of revenue |
|--|---------|--------------|---------|--------------|
| Revenue | 818,602 | | 712,554 | |
| Gross profit before refocusing cost | 319,515 | 39.0 | 255,797 | 35.9 |
| Before refocusing and acquisition costs | | | | |
| Selling and marketing expenses | 110,438 | 13.5 | 100,466 | 14.1 |
| Research and development expenses | 57,004 | 7.0 | 53,407 | 7.5 |
| Administrative expenses | 55,955 | 6.8 | 53,171 | 7.5 |
| Before refocusing and acquisition costs | | | | |
| Result from operations (adjusted EBIT) | 99,895 | 12.2 | 48,778 | 6.8 |
| Adjusted EBITDA | 135,751 | 16.6 | 83,666 | 11.7 |
| After refocusing and acquisition costs | | | | |
| Result from operations (EBIT) | 81,613 | 10.0 | 29,178 | 4.1 |
| EBITDA | 120,813 | 14.8 | 66,698 | 9.4 |
| Net result | 56,696 | 6.9 | 11,731 | 1.6 |
| Orders received (including service revenues) | 824,609 | | 754,996 | |
| Order book | 180,887 | | 174,880 | |

Condensed consolidated balance sheet



ASSETS (EUR thousands)

Non-current assets

| | 31/12 2015 | 31/12 2014 |
|-------------------------------------|----------------|----------------|
| Property, plant and equipment | 89,005 | 96,139 |
| Goodwill | 389,407 | 387,103 |
| Other intangible assets | 107,018 | 114,916 |
| Receivables | 443 | 94 |
| Deferred income tax assets | 10,029 | 7,873 |
| | <u>595,902</u> | <u>606,125</u> |

Current assets

| | | |
|---|----------------|----------------|
| Inventories | 99,382 | 88,450 |
| Production contracts | 17,261 | 29,123 |
| Trade receivables | 99,696 | 77,125 |
| Assets held for sale | 3,799 | 2,500 |
| Other receivables and prepayments | 29,139 | 23,551 |
| Cash and cash equivalents | 92,976 | 24,566 |
| | <u>342,253</u> | <u>245,315</u> |

Total assets

| | | |
|--|-----------------------|-----------------------|
| | <u>938,155</u> | <u>851,440</u> |
|--|-----------------------|-----------------------|

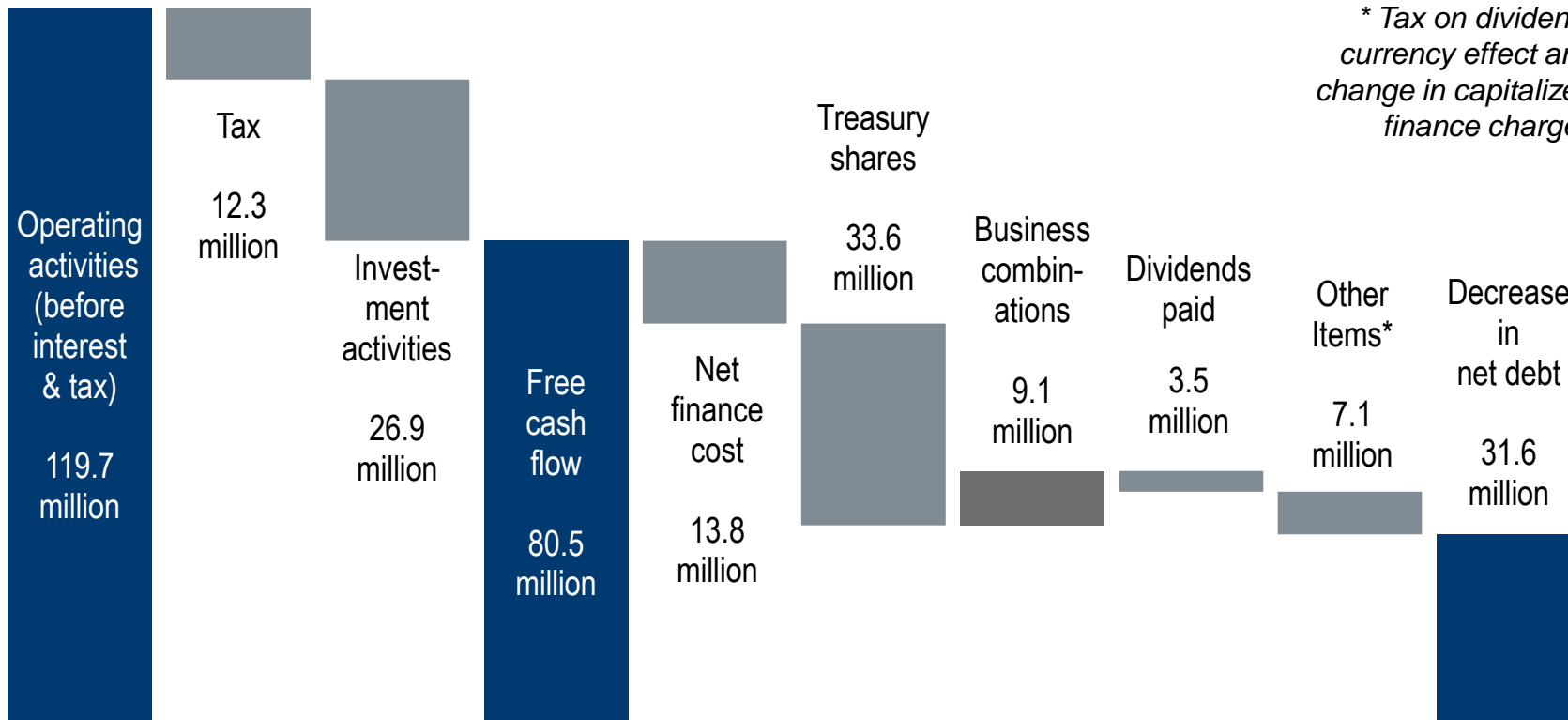
Condensed consolidated balance sheet (continued)



LIABILITIES AND EQUITY *(EUR thousands)*

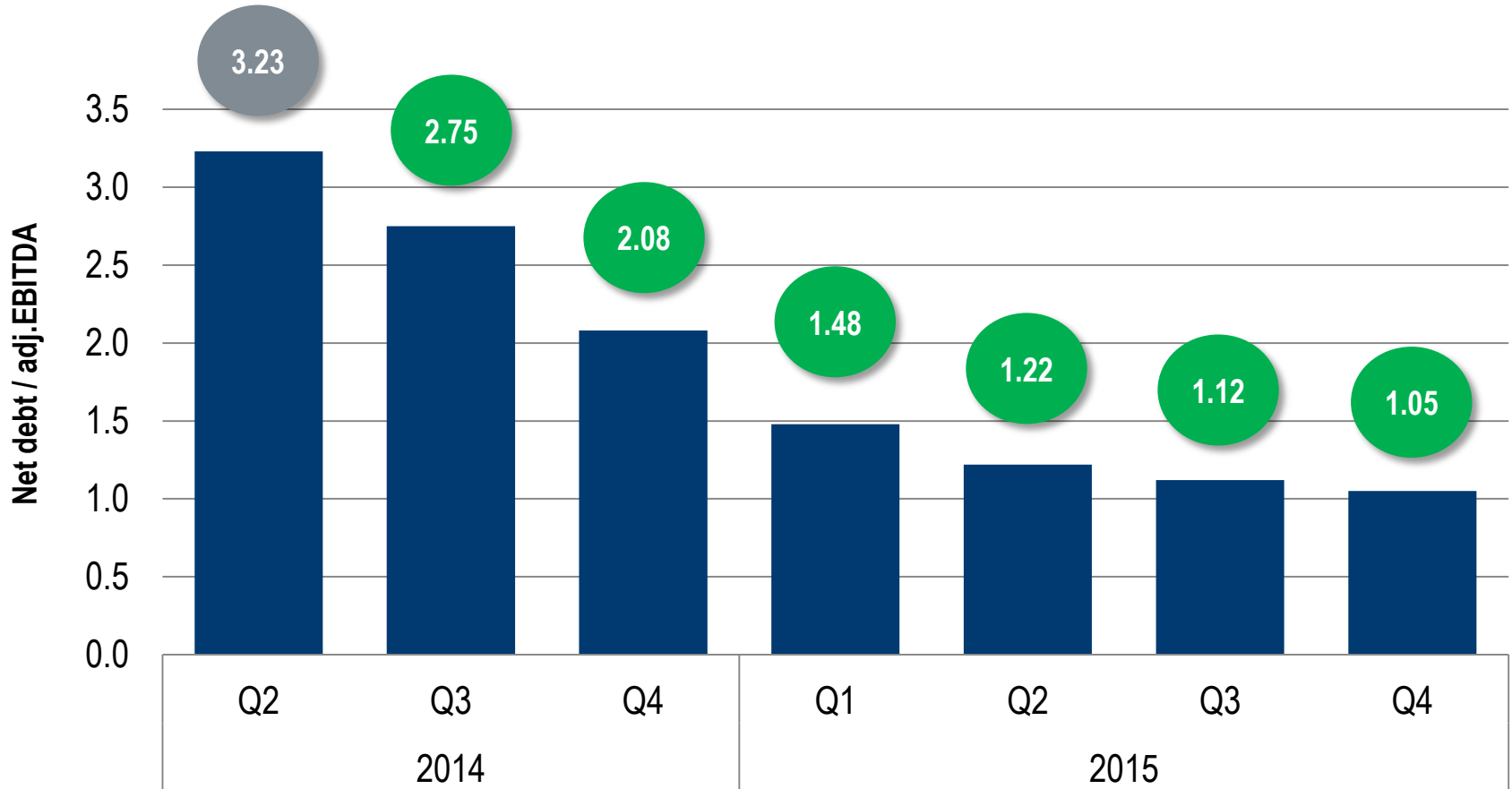
| | 31/12 2015 | 31/12 2014 |
|--|----------------|----------------|
| Equity | 446,739 | 427,498 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Borrowings | 217,287 | 180,278 |
| Deferred income tax liabilities | 15,943 | 11,308 |
| Provisions | 6,943 | 7,292 |
| Derivative financial instruments | 3,057 | 5,399 |
| | 243,230 | 204,277 |
| Current liabilities | | |
| Production contracts..... | 78,330 | 64,958 |
| Trade and other payables | 139,227 | 122,479 |
| Current income tax liabilities | 3,221 | 4,185 |
| Borrowings | 18,449 | 18,635 |
| Provisions | 8,959 | 9,408 |
| | 248,186 | 219,665 |
| Total liabilities | 491,416 | 423,942 |
| Total equity and liabilities | 938,155 | 851,440 |

Cash flow composition in 2015 and change in net debt



* Tax on dividend, currency effect and change in capitalized finance charges

Strong performance and cashflow enabling strategic moves



Long term financing closed in January 2016



- Parallel to the acquisition of MPS, Marel secured and closed long-term senior financing
 - Successful transaction was completed with oversubscription from a diverse group of international banks
- The approximately €670 million senior loan facilities have maturity in November 2020
 - The financing is at favorable terms in line with Marel's financial strength and current market conditions
- Initial interest terms are EURIBOR/LIBOR + 275 bpoints
 - Which will vary in line with Marel's leverage ratio
 - Opening leverage post acquisition below 3 x Net debt / Adj. EBITDA

Eight strong banks support Marel operations



Rabobank





II | Simpler, Smarter and Faster Marel and Strategic Moves

CEO's operational report

Entering 2016 as a Simpler, Smarter, Faster Marel



Simpler, Smarter, Faster: 2014-2015

Product portfolio optimized



At the customer, for the customer

Manufacturing footprint optimized

2014

2015

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

Revenue growth 15%
Adj. EBIT €99.9m
Free cash flow €80.5m

- ✓ Manufacturing footprint reduced from 19 to 9 sites, leading to higher quality and more agile cost base
- ✓ Revenue increased by 25% in two years while number of employees decreased
- ✓ Cash out in relation with the program is €16 million compared to an initial target of €20-25 million
- ✓ Simplifying and streamlining the operations was a prerequisite for further growth

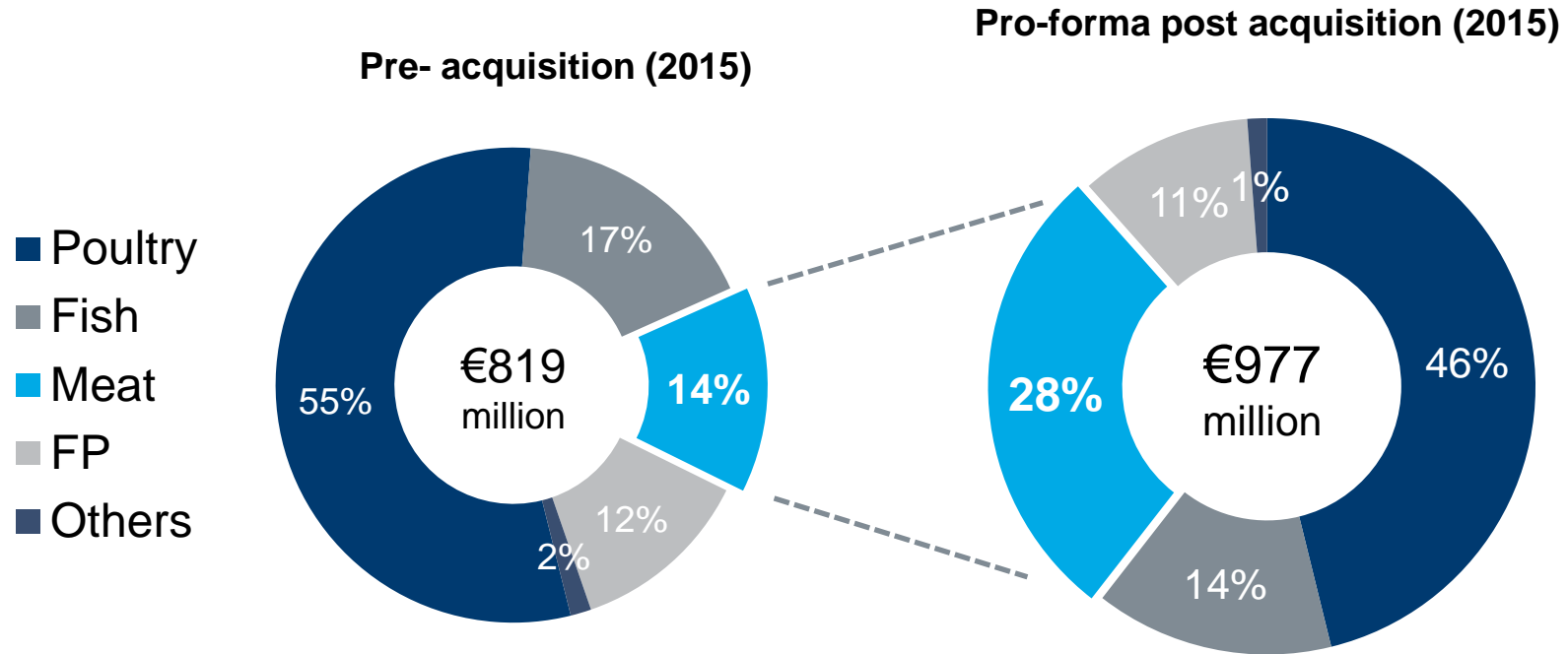
MPS acquisition – strategic and cultural fit



- Marel becomes a full line supplier in meat with the acquisition of MPS
- MPS and Marel are long term partners in the field
- Complementary geographical presence and product portfolio leads to increased economies of scale and cross selling opportunities
- Better serving the customer needs and adding value to our customers
- MPS has strong management and highly skilled employees with long tenure



Revenue by business segment pre and post acquisition



Strong manufacturing platform for full potential





III |

Who we are

CEO's operational report

**ADVANCING
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Leading global provider of systems and services



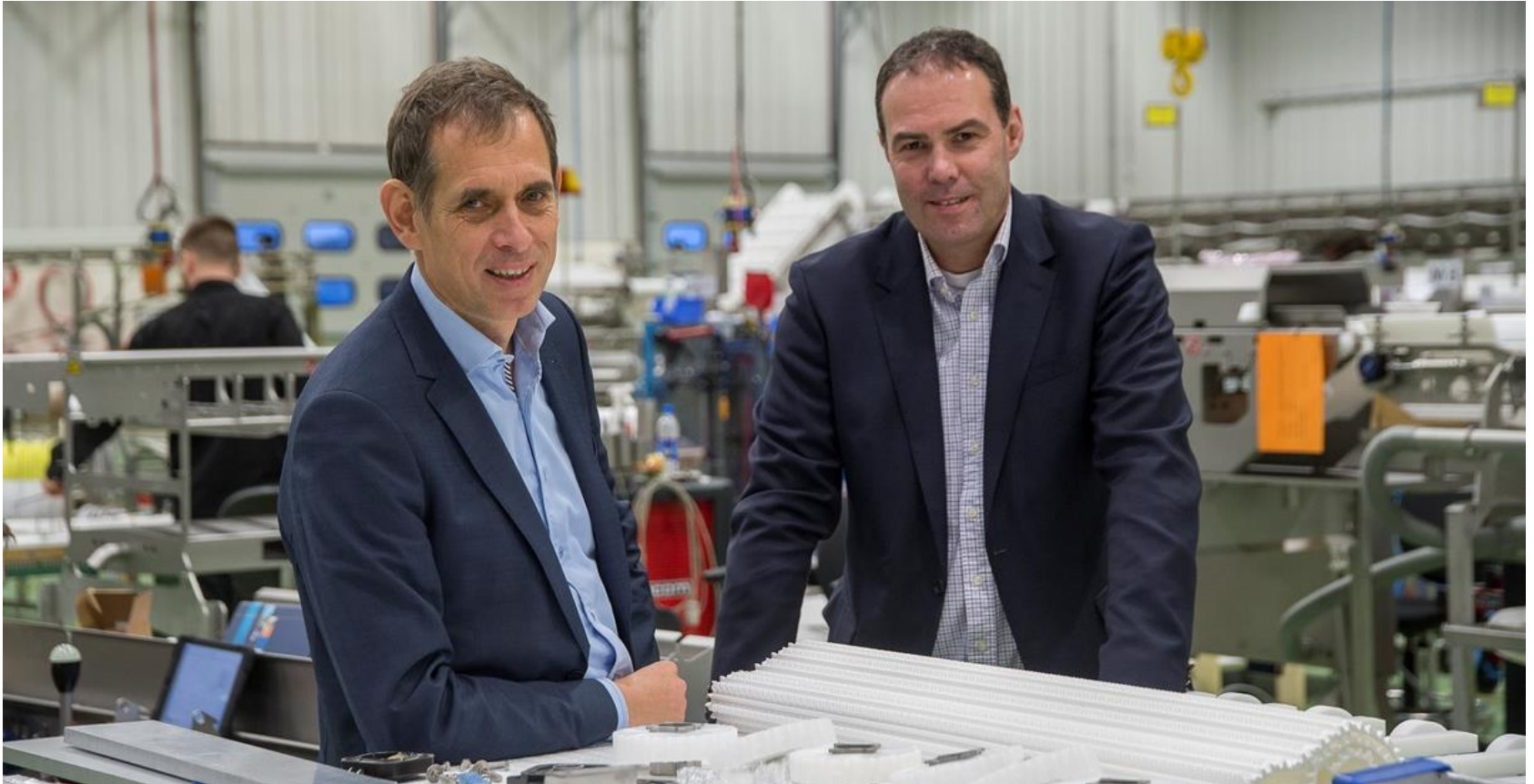
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Remko Rosman to join Marel's Executive Team

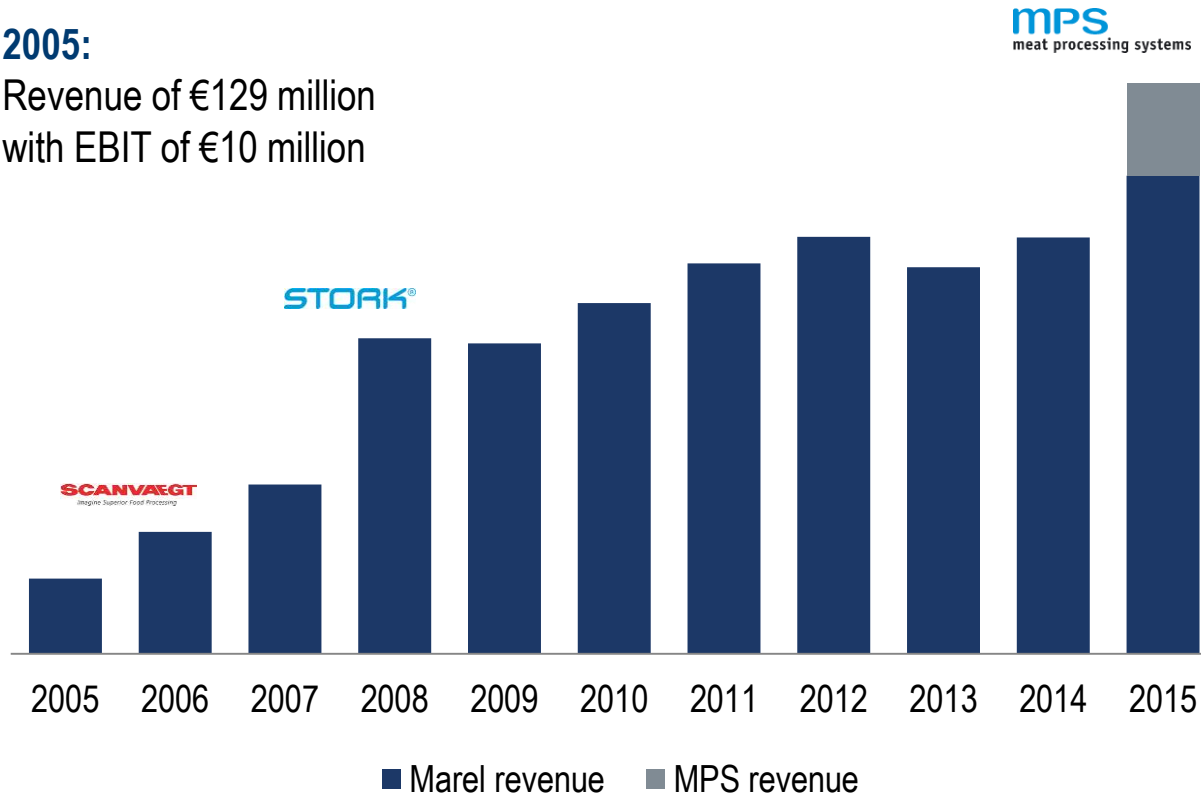


Revenue reaching €1 billion with best in class profitability



2005:

Revenue of €129 million
with EBIT of €10 million



Pro forma 2015:

Revenue of €977 million
with EBIT of €133 million

Organic revenue growth post Stork acquisition has been 6% with 22% increase in earnings per share annually

Today, Marel is the leading global provider of advanced processing systems and services to the poultry, meat and fish industries



Thank you

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