

Marel Q1 2016 Results: Pro forma EBIT of 15% and strong order book

(All amounts in EUR)

Q1 2016: Pro forma financial results

- Revenue for Q1 2016 totaled 233.9m [Q1 2015: 244.1m of which discontinued operations were 6m].
- EBIT* was 35.2m or 15.1% of revenue for Q1 2016 [Q1 2015: Adj. EBIT** 35.2m 14.4%].
- The order book was at 339.9m at the end of the Q1 2016 [Q1 2015: 289.3m].

Pro forma financial results include MPS for the full quarter. Pro forma Q1 2016 is compared to pro forma Q1 2015 to show more representative future indicator than the consolidated accounts.

Order intake was robust and was on pro forma basis 254 million in the quarter. The order intake is well balanced both geographically and between product groups. Large Greenfields were secured in India, U.S., Brazil and Europe during the quarter. Cash flow and operational performance was strong and net debt/EBITDA is 2.9x at the end of the quarter, which is within the range of the targeted capital structure.

The year began on a good note for Marel with the operations of MPS positively impacting on profitability and performance. Pro forma revenue was 234 million with EBIT of 15%. Taking into account the order book and delivery time of projects to customers, increase is foreseen in revenue over the course of the year.

Management reaffirms guidance of modest organic revenue growth and increase in EBIT* between years compared with last year pro forma result of 977 million revenues and adjusted EBIT of 133 million.

Q1 2016: Consolidated financial results

- Revenue for Q1 2016 totaled 220.6m [Q1 2015: 209.3m].
- EBITDA for Q1 2016 was 38.2m or 17.3% of revenue [Q1 2015: Adj. EBITDA** 36.9m or 17.6%].
- EBIT* for Q1 2016 was 31.1m or 14.1% of revenue [Q1 2015: Adj. EBIT** 23.8m or 11.4% of revenue].
- Net result for Q1 2016 was 13.8m [Q1 2015: 12.6m]. Earnings per share were 1.93 euro cents in Q1 2016 [Q1 2015: 1.73 euro cents].
- Cash flow from operating activities before interest and tax in Q1 2016 was 27.9m [Q1 2015: 39.5m].
- The order book was at 339.9m at the end of the quarter compared with 178.0m at the end of Q1 2015 [Q4 2015: 180.9m].

Marel's consolidated accounts include MPS for two months and are compared to Q1 2015 Marel stand alone.

Arni Oddur Thordarson, CEO:

“The year 2016 has kicked off well. I would like to welcome the MPS team on board. Our first steps as a united team are promising. We have maintained the momentum with excellent orders received in the quarter of 254 million, our operational results are strong with a pro forma EBIT of 15% and we enter the future with a record order book of 340 million.

We can already see the positive effect that MPS is having on our operations. We are now a full line provider of solutions and services in Poultry, Meat and Fish. Marel Meat is now accounting for 33% of total revenue with best in class profitability.

Taking into account the order book and the upcoming delivery time of projects to customers, we foresee an increase in revenues over the course of the year. We reaffirm our guidance of modest organic revenue growth and increase in operational results between years compared with the 2015 pro forma result of 977 million in revenue and adjusted EBIT of 133 million”.

MPS is part of Marel's official consolidated financial accounts since January 29, 2016. Integration of the two companies is on track. Marel provides pro forma financial results to help investors make comparisons of Marel's operating results from one financial period to another. Pro forma results are considered a better future indicator than consolidated accounts and give better reflection of the underlying business performance.

Key figures from Marel's operations in thousands of EUR

Pro forma Figures	Quarter1	Quarter1	Change
	2016 YTD	2015 YTD	in %
	Total	Total	Total
	Marel	Marel	Marel
Revenues	233.921	244.088	(4,2)
Gross profit	100.153	100.712	(0,6)
Gross profit as a % of Revenues	42,8	41,3	
Adjusted result from operations (EBIT) ¹⁾	35.241	35.215	0,1
Adjusted EBIT as a % of Revenues	15,1	14,4	
Refocusing costs	-	(7.593)	
Adjustment for amortization of acquisition-related intangible assets	(4.547)	-	
Result from operations (EBIT)	30.694	27.622	11,1
EBIT as a % of Revenues	13,1	11,3	
Orders Received	254.080	258.965	(1,9)
Order Book	339.949	289.299	17,5

¹⁾ 2016: Operating income adjusted for amortization of acquisition-related intangible assets (PPA).

2015: Adjusted for refocusing cost related to the refocusing program Simpler, Smarter & Faster.

Consolidated financial statements	Quarter1	Quarter1	Change
	2016 YTD	2015 YTD	in %
Revenues	220.631	209.311	5,4
Gross profit	92.607	81.464	13,7
Gross profit as a % of Revenues	42,0	38,9	
Adjusted result from operations (EBIT) ¹⁾	31.123	23.837	30,6
Adjusted EBIT as a % of Revenues	14,1	11,4	
EBITDA (adjusted 2015)	38.185	36.871	3,6
EBITDA (adjusted 2015) as a % of Revenues	17,3	17,6	
Refocusing costs	-	(7.593)	
Adjustment for amortization of acquisition-related intangible assets	(4.547)	-	
Result from operations (EBIT)	26.576	16.244	63,6
EBIT as a % of Revenues	12,0	7,8	
Net result	13.752	12.620	9,0
Net result as a % of revenues	6,2	6,0	
Order Book	339.949	178.041	90,9

¹⁾ 2016: Operating income adjusted for amortization of acquisition-related intangible assets (PPA).

2015: Adjusted for refocusing cost related to the refocusing program Simpler, Smarter & Faster.

Cash flows	Quarter1 2016 YTD	Quarter1 2015 YTD
Cash generated from operating activities, before interest & tax	27.886	39.515
Net cash from (to) operating activities	6.335	32.131
Investing activities	(374.519)	(7.640)
Financing activities	306.750	39.184
Net cash flow	(61.434)	63.675

Financial position

Net Interest Bearing Debt	(486.024)	(161.656)
Operational working capital ²⁾	62.798	74.003

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

Key ratios

Current ratio	1,0	1,4
Quick ratio	0,6	1,0
Number of outstanding shares	715.466	725.733
Market cap. in millions of Euros based on exchange rate at end of period	1.204,8	747,0
Return on equity	12,1%	11,7%
Earnings per share in euro cents	1,93	1,73
Leverage adjusted result ³⁾	2,9	1,5

³⁾ Net Interest Bearing Debt / LTM EBITDA

Markets

Marel is the leading global provider of advanced processing systems and services to the poultry, meat and fish industries. Marel management has adjusted how it views and manages the business and serves the customer needs. Since January 1, 2016, further processing previously reported as an, industry, will operate as a business unit within Marel that works across Marel Poultry, Marel Meat and Marel Fish. Marel will focus on providing standard solutions as well as full line offerings throughout the value chain from primary and secondary processing through further processing.

The change from four to three operating industry segments does not have any impact on consolidated revenue, operational profit or net result.

Remko Rosman, former CEO of MPS has now joined the Executive Team of Marel as the new Managing Director of Marel Meat. David Wilson, former Managing Director of Marel Meat will lead Marel's activities in further processing as Managing Director.

Marel has a commercially strong product portfolio stemming from its continuous focus on innovation and strategic acquisitions. Marel has enjoyed success and growth in primary and secondary processing and will now focus on seizing the growth in the further processing of Poultry, Meat and Fish.

Marel Poultry

Marel Poultry had a good start to the year with record order intake. Marel Poultry generated 124.4 million in revenue and EBIT of 17.8 million (14.3% of revenue) in Q1 2016. Marel Poultry accounted for 53.2% of Marel's revenue in the quarter. Projects were well distributed geographically and between different product groups and sizes, including large projects in the U.S. and Hungary. Primary and secondary processing is delivering good results while further processing is still lagging in profitability.

During Q1, Marel Poultry participated in the IPPE Show in Atlanta where the sale of the 500th SensorX bone detection system was signed and all the latest state of the art poultry processing systems were on display.

Marel also participated in VIV MEA in Dubai during the quarter where Marel's stand attracted customers from emerging markets.

Marel Fish

Marel Fish generated 31.5 million in revenue and EBIT of 2.3 million (7.4% of revenue) in Q1 2016. Marel Fish accounted for 13.4% of Marel's revenue in the quarter. Order intake in salmon is in line with expectations while whitefish and on-board solutions are underperforming. Refocusing of onboard solutions in Seattle is ongoing.

Marel Fish exhibited all its latest solutions and equipment for the salmon industry at the Salmon ShowHow that was held in Progress Point, Denmark in February. Marel Fish also exhibited at the Seafood Expo North America in Boston and the CFIA in France during the quarter.

Marel Meat

Marel Meat includes MPS from January 29, 2016. In total, Marel Meat generated 76.5 million on pro forma basis in revenue and EBIT* of 13.6 million (17.8% of revenue) in Q1 2016. Marel Meat accounted for 32.7% of Marel's revenue in Q1 2016. Order intake and volume is at a good level and the pipeline is promising. Marel with MPS on board is a leading global provider in the primary and secondary processing of meat. The plan is to step up investments in further processing to capture growth going forward.

During the quarter Marel Meat participated in the IPPE Show in Atlanta, Anuga in Germany, the CFIA exhibition in France and organized the 5th Meat ShowHow in Progress Point.

Financial items

Cash flow

Marel returned a healthy cash flow from operations with operational cash flow before interest and tax being 27.9 million for Q1 2016 compared with 39.5 million at Q1 2015. Cash flow fluctuates with timing of orders. Cash flow related to interest and finance costs are high due to payment of upfront fees and other fees related to refinancing. These fees are capitalized and amortized over the expected lifetime of the facility.

In Q1 2016, Marel sold 10.8 million treasury shares for a total amount of 16.3 million to shareholders and the employees of MPS, as part of the acquisition price. Marel now holds 20.1 million treasury shares.

Financing and reporting

In Q1 2016 Marel entered into a 670 million loan facility agreement with eight international banks: ING bank, Rabobank, ABN Amro, Nordea, HSBC, BNP Paribas, Landsbankinn and UniCredit Bank. The facility converts the previous facility into an all senior facility, extends the term to 2020 as well as provides funds for the acquisition of MPS. As a result of the acquisition, net interest bearing debt increased during Q1 2016 and amounts to 486 million at the end of the quarter, compared with 161.7 million at the end of Q1 2015 ago. The balance sheet remains healthy and the total net leverage ratio is 2.9 at the end of Q1 2016 and remains below the targeted range of 3x Net debt/EBITDA.

As a result of the acquisition of MPS, approximately 245 million of goodwill is recognized. Furthermore, approximately 200 million is recognized as intangible assets broken down into three main items, technology of approximately 54 million, customer relationships of approximately 118 million and order backlog of approximately 24 million. The amortization of the purchase price allocation in Q1 2016 was 4.5 million: 2.9 million related to the fair value lift up on the order backlog and 1.7 million of amortization of identified intangible assets. The order backlog will be fully amortized mid-2017 and the other identified intangible assets will be amortized straight line over a 20 year period. The amounts recorded are provisional; the period during which adjustments are permitted is limited to 12 months from the date of acquisition.

Outlook

Management reaffirms guidance of modest organic revenue growth and increase in EBIT* between years compared with last year pro forma result of 977 million revenues and adjusted EBIT of 133 million.

A commercially strong product portfolio and focused market approach together with tailwind in the market has driven strong revenue growth in recent quarters. The industry that Marel operates in has a history of 4-6% annual growth and it is expected that average annual growth will remain at that level in the long term. Marel's



aim is to continue to grow faster than the market by leveraging its market presence and with continuous investments in innovation.

Mid- and long-term, the company believes its innovative products and global presence in the poultry, meat and fish segments will secure good growth and increased profitability. 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 26, 2016

Marel will present its results at an investor meeting on Tuesday, April 26, at 8:30 am (GMT), at the Company's headquarters at Austurhraun 9, Gardabaer. The meeting will also be webcasted at marel.com/webcast.

Publication days of Consolidated Financial Statements in 2016

- | | |
|--------------------------------|------------------|
| ▪ 2 nd quarter 2016 | July 27, 2016 |
| ▪ 3 rd quarter 2016 | October 26, 2016 |
| ▪ 4 th quarter 2016 | February 1, 2017 |

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

For further information, contact:

Audbjorg Olafsdottir, Corporate Director of Investor Relations and Communications, tel: (+354) 563 8626 / mobile: (+354) 853 8626.