

Marel Q4 2016 and full year 2016 results

(All amounts in EUR)

Q4 2016 – Order intake at all-time high

- Revenue for Q4 2016 totaled 250.0m [Q4 2015: 201.9m]. On a pro forma basis, revenue in Q4 2015 was 248.8m.
- EBITDA for Q4 2016 was 47.3m or 18.9% of revenue [Q4 2015: Adj. EBITDA** 30.0m or 14.9% of revenue]. Pro forma adj. EBITDA** Q4 2015 was 37.9m or 15.2% of revenue.
- EBIT* for Q4 2016 was 35.1m or 14.0% of revenue [Q4 2015: Adj. EBIT** 22.2m or 11.0% of revenue]. Pro forma adj. EBIT** in Q4 2015 was 34.9m or 14.0% of revenue.
- Net result for Q4 2016 was 22.6m [Q4 2015: 9.9m]. Basic earnings per share were 3.15 euro cents in Q4 2016 [Q4 2015: 1.40 euro cents].
- Cash flow from operating activities before interest and tax in Q4 2016 was 74.3m [Q4 2015: 26.9m]. Net debt/EBITDA is x2.25 at the end of Q4 2016.
- The order book was at 349.5m at the end of Q4 2016 compared with 305.1m at the end of Q3 2016 [Q4 2015: 180.9m]. On a pro forma basis the order book at end of Q4 2015 was 319.8m.

Full year 2016 – Solid performance with 14.6% EBIT*

- Pro forma revenue for 2016 totaled 983.0m [2015 pro forma revenue 975.8m]. Revenue in 2016 was 969.7m compared to 818.6m in 2015.
- Pro forma EBITDA was 179.7m or 18.3% of revenue [2015 pro forma adj. EBITDA** 175.7m or 18.0% of revenue]. EBITDA in 2016 was 175.4m (18.1% of revenue) compared to adj. EBITDA** of 135.8m in 2015 (16.6% of revenue).
- Pro forma EBIT* was 143.5m or 14.6% of revenue [2015: pro forma adj. EBIT** 133.7m or 13.7% of revenue]. Adj. EBIT* in 2016 was 139.4m (or 14.4% of revenue) compared to adj. EBIT** of 99.9m in 2015 (or 12.2% of revenue).
- Net result for 2016 was 75.8m [2015: 56.7m]. Earnings per share were 10.59 euro cents compared with 7.93 euro cents in 2015.
- Cash flow from operating activities before interest and tax was 179.0m [2015: 119.7m]. Net interest bearing debt at the end of the year 2016 was 403.6m compared with 142.8m at the end of 2015.

In Q4 2016 order intake was at a record level totaling 295 million, with strong order intake of Greenfield projects for customers in the poultry, meat and fish industries. Throughout the year order intake remained strong in modernization and maintenance. The uptick in order intake of Greenfields during Q4 compared with previous quarters is in line with what was previously communicated during the Q3 results. During the Q3 results presentation, management lifted the outlook for larger projects after rather soft conditions in the beginning of 2016. The order book at the end of 2016 is at 350 million compared with 320 million at year-end 2015.

Marel's revenue in 2016 was 983.0 million compared with 975.8 million in 2015 on a pro forma basis. Pro forma EBIT* increased between years to 143.5 million (14.6%) compared with 133.7 million (13.7%). Cash flow was strong in 2016 leading to net debt/EBITDA of x2.25 at year-end 2016 compared with x2.9 after the acquisition of MPS in the beginning of the year.

The Board of Directors proposes that a dividend of 2.14 euro cents per share will be paid for the operational year 2016. The estimated total dividend payment, based on current outstanding shares, will be 15.3 million corresponding to approximately 20% of profits for the year. The proposed dividend is in line with Marel's targeted capital allocation and dividend policy. This is in line with the dividend policy of 20-40% of net results and the targeted capital structure of x2-3 net debt/EBITDA.

In addition, the Board of Directors has authorized management to purchase own shares in 2017 for up to a value of 15 million to be used as payment for potential future acquisitions.



Marel's management expects 4-6% average annual market growth in the long term. Marel aims to grow organically faster than the market based on good customer relations and the continuous introduction of revolutionary products to assist processors advance their business. Results may vary from quarter to quarter due to general economic developments, fluctuations in orders received and timing of deliveries of larger systems. In addition Marel's aim is to strengthen product offering and stimulate further growth through strategic acquisitions.

Arni Oddur Thordarson, CEO:

"The year 2016 was a great year for Marel. We are closing Q4 with all-time high order intake. The orders were strong in poultry, meat and fish. Our customers are setting up state of the art processing plants in Asia, South-America, North-America and Europe that will enable them to offer affordable quality food. As well exciting orders in Africa and the Middle-East were secured.

We finalized the acquisition of MPS at the beginning of the year allowing Marel to become a full-line supplier to the meat industry. Integration is on track and the acquisition is delivering value to customers and shareholders. Earnings per share increase by 34% year on year. Our financials and cash flow are strong and net debt/EBITDA is x2.25, well within our capital structure. We have to bear in mind that we closed the acquisition of MPS without issuing any new shares.

We continue on the growth path. Over the course of the year we have invested well in our infrastructure and introduced steady flow of revolutionary products to advance the business of our customers.

Finally, I would like to thank our customers and employees for an eventful and enjoyable year. With passion and dedication, we are transforming the way food is processed."

Refocusing and organizational changes

From April 1, 2017 David Wilson will replace Remko Rosman as Managing Director of Marel Meat. On February 8, 2017 Jesper Hjortshøj will replace David Wilson as Managing Director of further processing activities within Marel.

Management changes in Marel Meat

MPS meat processing systems have since 2005 been under the leadership of Remko Rosman and has during that time enjoyed good growth as well as strengthened its competitive positioning. Remko Rosman will now take on new challenges within the food sector in non-competition with Marel.

By acquiring MPS in January 2016, Marel became a global leader in developing full-line solutions and equipment for the meat processing industry. The integration between Marel and MPS is on track. The main focus in 2016 was on combining the front-end sales teams and aligning financial reporting. Gradually the focus will shift towards integrating the back-end of the business such as supply chain and service activities.

Between 2012 and 2016, David Wilson was Managing Director of Marel Meat and was instrumental in the acquisition of MPS. He has been with Marel since 1998 and a member of the Executive Team since 2013.

Marel gearing up for growth in further processing after successful refocusing

Marel is at the forefront of providing full-line solutions to the poultry, meat and fish industries, from primary processing through secondary and further processing. In 2016, David Wilson led the successful streamlining of further processing activities within Marel. In Q4 2016, Marel rationalized the further processing product portfolio, streamlined the organizational set-up and replaced several managers. Marel's further processing team focuses on innovation, service and product management while sales are mainly channeled through Marel's poultry, meat and fish teams.

From February 8 2017, Jesper Hjortshøj will lead Marel's activities in further processing as Managing Director and will join Marel's Executive team. Under the leadership of Jesper Hjortshøj innovation efforts and product management will be supported and strengthened to capture future growth within the dynamic and growing market for sausage and convenience food. Jesper Hjortshøj has been with Marel since 2006 in various leadership positions including Manager in Strategy and Portfolio for Global Innovation, Product Center Manager and Marketing Manager.

Key figures from Marel's operations in thousands of EUR

Pro forma Figures	Quarter4	Quarter4	Change	Quarter4	Quarter4	Change
	2016	2015	in %	2016 YTD	2015 YTD	in %
	Total	Total	Total	Total	Total	Total
	Marel	Marel	Marel	Marel	Marel	Marel
Revenues	250.026	248.809	0,5	982.961	975.764	0,7
Gross profit	101.183	103.408	(2,2)	404.554	404.223	0,1
Gross profit as a % of Revenues	40,5	41,6		41,2	41,4	
Adjusted result from operations (EBIT) ¹⁾	35.087	34.853	0,7	143.479	133.668	7,3
Adjusted EBIT as a % of Revenues	14,0	14,0		14,6	13,7	
EBITDA (adjusted 2015)	47.349	37.870	25,0	179.742	175.735	2,3
EBITDA (adjusted 2015) as a % of Revenues	18,9	15,2		18,3	18,0	
Adjustment for amortization of acquisition-related intangible assets	(6.705)	-		(24.585)	-	
Result from operations (EBIT)	28.382	20.863	36,0	118.894	115.386	3,0
EBIT as a % of Revenues	11,4	8,4		12,1	11,8	
Orders Received	294.497	265.019	11,1	1.012.697	1.014.594	(0,2)
Order Book				349.526	319.799	9,3

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 and acquisition costs

As per financial statements	Quarter4	Quarter4	Change	Quarter4	Quarter4	Change
	2016	2015	in %	2016 YTD	2015 YTD	in %
Revenues	250.026	201.913	23,8	969.671	818.602	18,5
Gross profit	101.183	79.864	26,7	397.008	319.515	24,3
Gross profit as a % of Revenues	40,5	39,6		40,9	39,0	
Adjusted result from operations (EBIT) ¹⁾	35.087	22.233	57,8	139.361	99.895	39,5
Adjusted EBIT as a % of Revenues	14,0	11,0		14,4	12,2	
EBITDA (adjusted 2015)	47.349	30.024	57,7	175.440	135.751	29,2
EBITDA (adjusted 2015) as a % of Revenues	18,9	14,9		18,1	16,6	
Adjustment for amortization of acquisition-related intangible assets	(6.705)	-		(24.585)	-	
Result from operations (EBIT)	28.382	14.626	94,1	114.776	81.613	40,6
EBIT as a % of Revenues	11,4	7,2		11,8	10,0	
Net result	22.636	9.862	129,5	75.844	56.696	33,8
Net result as a % of revenues	9,1	4,9		7,8	6,9	
Orders Received	294.497	195.028	51,0	1.005.997	824.609	22,0
Order Book				349.526	180.887	93,2

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 and acquisition costs

Cash flows	Quarter4	Quarter4	Quarter4	Quarter4
	2016	2015	2016 YTD	2015 YTD
Cash generated from operating activities, before interest & tax	74.255	26.850	179.017	119.739
Net cash from (to) operating activities	65.049	19.836	137.140	93.652
Investing activities	(13.450)	(10.838)	(408.136)	(17.859)
Financing activities	(32.483)	(9.383)	220.375	(10.723)
Net cash flow	19.116	(385)	(50.621)	65.070

Financial position

Net Interest Bearing Debt	(403.608)	(142.760)
Operational working capital ²⁾	50.699	85.617

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			714.026	704.666
Market cap. in millions of Euros based on exchange rate at end of period			1.456,4	1.252,6
Return on equity	18,6%	9,0%	15,6%	13,0%
Earnings per share in euro cents	3,15	1,40	10,59	7,93
Leverage adjusted result ³⁾			2,25	1,05

³⁾ Net Interest Bearing Debt / Proforma LTM EBITDA

Markets

In Q4, 2016 order intake was at a record level totaling 295 million, with strong order intake of Greenfield projects for customers in the poultry, meat and fish industries. Projects were well distributed geographically with large orders secured in Asia, South-America, North-America and Europe.

Marel is the leading global provider of advanced processing systems and services to the poultry, meat and fish industries. Marel introduced a steady stream of innovative products to the market in 2016 that will continue to increase the customers' value and advance food processing going forward.

Marel Poultry

2016 was a good year for Marel Poultry which showed solid operational profit margins and strong volume. Marel Poultry generated 514.2 million in revenue and EBIT of 85.3 million (16.6% of revenue) in 2016. Projects were well distributed geographically and between different product types. In Q4, a landmark Greenfield project with four high-speed lines was secured in South-Korea with a long-term customer.

In Q4 Marel Poultry launched the second generation of the revolutionary Controlled Atmosphere Stunning system for the poultry industry which is now optimized by arranging the system into a single straight horizontal line. The solution is called SmoothFlow and was awarded the EuroTier 2016 Innovation Medal for setting a new industry standard.

Marel Poultry accounted for 52.3% of Marel's pro forma revenue in 2016.

Marel Fish

In Q4, Marel Fish secured record order intake due to a strategic shift and improved market conditions. Landmark projects were secured in the salmon industry in Norway in addition to various projects in Europe, North-America and South-America.

Soft market conditions in the beginning of the year and the rationalization of product offering negatively affected Marel's Fish results in 2016. Marel Fish generated 127.1 million in revenue and EBIT of 3.9 million (3.1% of revenue) in 2016.

Marel Fish accounted for 12.9% of Marel's pro forma revenue in 2016.

Marel Meat

2016 was a strong year for Marel Meat with good operational margins and volume. Marel Meat generated 333.7 million in revenue on a pro forma basis and pro forma EBIT* of 51.9 million (15.6% of pro forma revenue) in 2016.

Integration of Marel and MPS is on track and going well. A unified sales team secured full line projects in both China and Europe during the latter half of the year. From January 1, 2017 all products from Marel Meat and MPS are presented as Marel Meat which offers full line solution in primary, secondary and further processing.



In 2016 Marel Meat released among other solutions a new portion cutter, the I-Cut 130. This machine uses the latest in laser vision technology to ensure optimal utilization of the raw material and delivers fixed weight portions with high accuracy.

Marel Meat accounted for 34.0% of Marel's revenue in 2016.

Financial items

Cash flow and investments

The balance sheet is healthy and net interest bearing debt amounts to 403.6 million at year-end 2016, compared with 142.8 million at year-end 2015. The increase is due to the acquisition of MPS meat processing systems that was acquired without issuing new shares. In relation to the acquisition 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 converted the previous facility into an all senior facility and extended the term to 2020.

Marel returned a strong cash flow from operations with operational cash flow before interest and tax being 74.3 million for Q4 2016 compared with 26.9 million in Q4 2015. The cash flow at the end of the year 2016 was 179.0 million compared with 119.7 million in 2015. Net debt/EBITDA is x2.25 which is within the range of the targeted capital structure.

Marel continues to invest in the business to prepare for future growth and full potential in line with previous communication. Investment activities are expected to be on average above normalized levels for the coming period.

In Q4 2016 Marel purchased 4.0 million shares for a total amount of 8.1 million in order to fulfill its obligations according to employee stock option agreements. Marel sold 0.5 million shares for a total amount of 0.6 million for the same reason.

At end of 2016, Marel holds 21.5 million treasury shares. There are 8.8 million outstanding stock options at the end of 2016.

Acquisition related items

Purchase price allocation in relation to the acquisition of MPS, previously recorded as provisional, are now final and have not changed compared to the provisional amounts. Under international accounting rules, the period in which adjustments are permitted is limited to 12 months from the date of acquisition.

Distribution of profit

The Board of Directors proposes that a dividend of 2.14 euro cents per share be paid for the operational year 2016. The estimated total dividend payment, based on current outstanding shares, will be 15.3 million euro corresponding to approximately 20% of profits for the year, which amounted to 75.8 million euro. The proposed dividend is in line with Marel's targeted capital allocation and dividend policy. This is in line with the dividend policy of 20-40% of net results and the targeted capital structure of x2-3 net debt/EBITDA.

If approved by Marel's shareholders, the company's shares traded on and after March 3, 2017 (Ex-date) will be ex-dividend and the right to a dividend will be constricted to shareholders identified in the company's shareholders registry at the end of March 6, 2017, which is the proposed record date. The board will propose that payment date of the dividend is March 23 2017.

In addition, the Board of Directors has authorized management to purchase own shares in 2017 for up to a value of 15 million to be used as payment for potential future acquisitions.

Outlook

Marel's management expects 4-6% average annual market growth in the long term. Marel aims to grow organically faster than the market based on good customer relations and the continuous introduction of revolutionary products to assist processors advance their business. Results may vary from quarter to quarter due to general economic developments, fluctuations in orders received and timing of deliveries of larger systems. In addition Marel's aim is to strengthen product offering and stimulate further growth through strategic acquisitions.



Marel's Capital markets day 2017

Marel's Capital Markets Day for institutional investors, analysts and the media will take place on November 2, 2017 at Marel's demonstration center, Progress Point, in Copenhagen. More details and information about registration will be presented at Marel's investor relations website in coming weeks.

Presentation of results, February 9, 2017

Marel will present its results at an investor meeting on Thursday, February 9, at 8:30 am (GMT), at the company's headquarters at Austurhraun 9, Gardabaer. The meeting will also be webcasted at ma-rel.com/webcast.

Publication days of Consolidated Financial Statements in 2017 and 2018

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|----------------------------------|------------------|
| ▪ 1 st quarter 2017 | May 3, 2017 |
| ▪ 2 nd quarter 2017 | July 26, 2017 |
| ▪ 3 rd quarter 2017 | October 25, 2017 |
| ▪ Capital Markets day Copenhagen | November 2, 2017 |
| ▪ 4 th quarter 2017 | February 7, 2018 |

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

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