

Q4 2018

PRESS RELEASE

6 FEBRUARY 2019



15% REVENUE GROWTH AND A SOLID 14.6% EBIT MARGIN IN 2018

EXECUTIVE SUMMARY

Q4 2018 – Record revenues of EUR 331m

- Orders received were EUR 296.0m (4Q17: 281.5m).
- Revenues were EUR 330.8m (4Q18: 294.8m).
- EBIT* was EUR 48.2m (4Q17: 46.2m), translating to an EBIT* margin of 14.6% (4Q17: 15.7%).
- Net result was EUR 38.0m (4Q17: 33.8m).
- Basic earnings per share (EPS) were EUR 5.61 cents (4Q17: 4.81 cents).
- Cash flow from operating activities before interest and tax in the quarter was EUR 62.2m (4Q17: 65.2m).

Full year 2018 – Strong organic growth and solid operational performance

- Orders received were EUR 1,184.1m (FY17: 1,143.7m).
- Revenues were EUR 1,197.9m (FY17: 1,038.2m).
- EBIT* was EUR 175.2m (FY17: 157.4m), translating to an EBIT* margin of 14.6% (FY17: 15.2%).
- Net result was EUR 122.5m (FY17: 96.9m).
- Basic earnings per share (EPS) were EUR 17.95 cents** (FY17: 13.70 cents).
- Cash flow from operating activities before interest and tax was EUR 205.8m (FY17: 236.2m).
- Net debt/EBITDA was x2.0 at year-end (3Q18: x2.1). Targeted capital structure is x2-3 net debt/EBITDA.
- The order book was EUR 476.0m (YE17: 472.1m).

Árni Oddur Thórdarson, CEO

“We are delighted to report record revenues of 331 million in the final quarter of 2018, up 12% compared to the strong fourth quarter in 2017. Revenues for the full year 2018 were up 15%, of which 12.5% was organic growth. With one of the largest installed base worldwide and our proactive service mindset, 35% of our total revenues comes from recurring maintenance revenues. EBIT was solid at 14.6% in Q4 2018 and for the full year.

Orders received in Q4 were 296 million, up by 5% when compared to Q4 2017 and a 10% rise from Q3 2018. The orders received for the full year 2018 were solid at 1,184 million, and rose marginally when compared with the robust growth in 2017. Trade constraints and geopolitical issues make timing of orders harder to predict. In such circumstances however, Marel as a product pioneer with extensive global reach, is well positioned to capitalize on the markets’ requirement to match the supply and demand of food. We still expect the underlying annual growth of the total market to be 4-6% on average and our aim is to continue to grow faster.

Our cash flow generation continues to be best in class and we continuously reinvest in innovation, global reach and infrastructure. We also complement our product portfolio and global reach with acquisitions to accelerate our journey to transform the way food is processed. Last year we acquired MAJA for the enterprise value of 35 million, acquired treasury shares and paid out dividends for close to a 100 million. Our strong operational cash flow and improvements in operating performance lead us to x2 net debt/EBITDA, which is at a similar level to last year despite these high investments.

The dual listing of Marel shares on an international stock exchange in addition to its listing in Iceland is proceeding well and the primary focus is now on Nasdaq Copenhagen and Euronext Amsterdam. It is important for a global leader to have a global stage to support its ambitious growth plan, and drive fair day-to-day trading and continued shareholder returns.”

KEY FIGURES (EUR m)

4Q18	4Q17	Change	As per financial statements	FY18	FY17	Change
330.8	294.8	12.2%	Revenues	1,197.9	1,038.2	15.4%
130.3	116.9	11.5%	Gross profit	467.5	406.7	14.9%
39.4%	39.6%		Gross profit as a % of revenues	39.0%	39.2%	
48.2	46.2	4.3%	EBIT*	175.2	157.4	11.3%
14.6%	15.7%		EBIT* as a % of revenues	14.6%	15.2%	
56.3	56.0	0.5%	EBITDA	215.5	192.0	12.2%
17.0%	19.0%		EBITDA as a % of revenues	18.0%	18.5%	
(7.3)	(2.4)		PPA related costs, including depreciation and amortization	(14.3)	(17.1)	
40.9	43.9	-6.8%	Result from operations (EBIT)	160.9	140.3	14.7%
12.4%	14.9%		EBIT as a % of revenues	13.4%	13.5%	
38.0	33.8	12.4%	Net result	122.5	96.9	26.4%
11.5%	11.5%		Net result as a % of revenues	10.2%	9.3%	
296.0	281.5	5.2%	Orders Received	1,184.1	1,143.7	3.5%
			Order Book	476.0	472.1	0.8%

4Q18	4Q17	Cash flows	FY18	FY17
62.2	65.2	Cash generated from operating activities, before interest & tax	205.8	236.2
53.1	50.8	Net cash from (to) operating activities	166.8	195.6
(15.6)	(18.1)	Investing activities	(84.5)	(77.7)
(17.9)	(26.6)	Financing activities	(60.2)	(122.2)
19.6	6.2	Net cash flow	22.1	(4.3)

Financial position

	31/12 2018	31/12 2017
Net Interest Bearing Debt	431.6	365.1
Operational working capital ¹⁾	27.7	1.8

¹⁾ Trade receivables, Inventories, Net Work in Progress and Trade payables.

4Q18	4Q17	Key ratios	FY18	FY17
		Current ratio	0.9	0.8
		Quick ratio	0.6	0.6
		Number of outstanding shares (millions)	671.8	693.8
		Market cap. in billions of Euros based on exchange rate at end of period	1.9	1.9
27.9%	25.3%	Return on equity	22.2%	18.2%
5.61	4.81	Basic earnings per share in euro cents	17.95	13.70
		Leverage adjusted result ²⁾	2.0	1.9

²⁾ Net Interest Bearing Debt / LTM EBITDA.

COMPANY ACTIONS

Listing of Marel shares on an international stock exchange

- The review of alternative listing options for Marel remains firmly on track. The process was initiated at the 2018 AGM, when Chairman Asthildur Otharsdottir informed that leading independent capital markets advisory firm STJ Advisors had been engaged to evaluate the potential listing alternatives available to Marel. Marel is in the process of engaging two international investment banks as global coordinators. Local financial institutions will be added to the syndicate once a decision on listing location has been made.
- *Dual listing* - The Board of Directors, based on recommendation from management and STJ, believe that a dual listing of shares on an international stock exchange, in addition to its current listing in Nasdaq Iceland, is the optimal way to align the interests of current and future shareholders. The other two options that were under review, were to continue the single listing on Nasdaq Iceland, and to delist from Nasdaq Iceland and relist on a another international exchange.
- *Listing location* - As part of the process, a detailed request for information (RFI) was sent to five exchanges and a substantial technical analysis carried out. In the second round, primary focus was placed on Euronext Amsterdam, Nasdaq Copenhagen, and the London Stock Exchange. The selection has now been narrowed to Euronext Amsterdam and Nasdaq Copenhagen.
- *Timeline* - Next step in the process is to finalize the listing location by the 2019 AGM and select local partners to complete the syndicate for the execution phase. Once a decision has been reached, the execution phase is estimated to take up to nine months, with precise timing determined depending on developments in Marel's business and general financial market conditions.

Changes in the organizational structure and Executive Team

- In June 2018, Marel announced an organizational change where the Commercial function was split into two new functions, Service and Global Markets and new appointments were made to Marel's Executive Team. This new structure will allow for closer proximity to customers and better scalability to support Marel's ambitious growth strategy going forward.

A formal share buyback program initiated

- In order to align the interests of current and future shareholders regarding the dual listing of Marel shares on an international stock exchange, the Board of Directors decided to call for an Extraordinary General Meeting on 22 November 2018.
- The two proposals on the agenda were both approved by the meeting. Firstly, to reduce the Company's share capital in connection with preparations for possible dual listing of the company, for the benefit of shareholders. Article 2.1 of the Articles of Association for Marel hf. was amended accordingly and now states as follows: "The share capital of the Company amounts to ISK 682,585,921.
- Secondly, authorization was granted to the Board of Directors to initiate a formal share buyback program, under which the Company may purchase up to 34,129,296 shares in total, corresponding to 5% of share capital. All relevant information and documents in relation to the Extraordinary General Meeting are available and archived on marel.com/egm.
- On 1 February 2019, Marel hf. had purchased a total of 10,343,189 of own shares under the buyback program, which corresponds to 1.52% of issued shares in the company, for a total purchase price of ISK 3,991,155,307 (EUR ~29m). Buybacks under the first tranche of the program will amount to a maximum of 17,305,940 million shares, or the equivalent of 2.5% of issued shares. The first tranche of the buyback program is in effect from 4 December 2018 until and including 5 March 2019.

Dividend proposal for 2019

- The Board of Directors will propose at the 2019 Annual General Meeting that EUR 5.57 cents dividend per outstanding share will be paid for the operational year 2018, corresponding to around 30% of net result for the year 2018. This is a 33% increase in dividend per share compared with previous year.
- This is proposed in accordance to Marel's dividend policy, disclosed at Marel's Annual General Meeting in March 2011. The target is that the net debt/EBITDA ratio is 2 - 3 times EBITDA, excess capital to be used to stimulate growth and value creation as well as paying dividend and that dividend or share buy-back is targeted at 20-40% of the net result.
- If approved by Marel's shareholders, the Company's shares traded on and after 7 March 2019 (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 8 March 2019, which is the proposed record date. Payment date expected to be on 27 March 2019.

FINANCIAL PERFORMANCE

Order book at good level, balanced exposure to global economies and local markets

- Orders received were EUR 1,184.1m in 2018, up 3.5% from EUR 1,143.7m in 2017. Orders received in the fourth quarter were EUR 296.0m, up 5.2% compared to 4Q17. Orders received from newly acquired MAJA was EUR 8m since the acquisition date.
- Overall, Marel's commercial position continues to benefit from its full-line offering and steady launch of innovative high-tech products for smarter processing. Global reach and focus on full-line offering across the poultry, meat and fish industries counterbalances fluctuations in operations. Market conditions have been exceptionally favorable in recent quarters and are now adjusting towards more normalized levels. With one of the largest installed base worldwide, a significant proportion of Marel's revenues derive from recurring maintenance revenues or around 35% for the full year of 2018.
- The order book was EUR 476m at year-end, compared to 472m at YE17. This equals 40% of 12-month trailing revenues. The book-to-bill ratio was 0.99 in 2018 compared to 1.10 for FY17.
- Greenfields and projects with longer lead times constitute the vast majority of the order book. The strong order book continues to provide a good foundation for 2019.

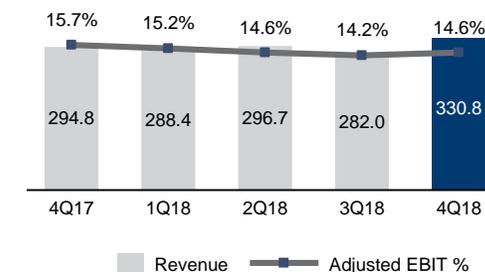
High quality earnings through Marel's global exposure, balanced geographical mix and recurring revenue mix

- Marel continues to deliver double digit revenue growth QoQ and YoY. Revenues were very strong in the quarter and totaled EUR 330.8m in 4Q18 in line with our large order book and timing of project delivery. Ramp up and good execution in the quarter resulted in record revenues historically that relieves pressure from running at the same capacity in beginning of 2019. In comparison, revenues were EUR 282.0m in 3Q18 and EUR 294.8m in 4Q17. EBIT* margin was 14.6% in 4Q18 and EBIT* was EUR 48.2m, up 4.3% YoY.
- Revenues for the full year were EUR 1,197.9m, up 15.4% compared to 2017. EBIT was EUR 175.2m, up 11.3% YoY from EUR 157.4m. EBIT* margin in 2018 was 14.6%, compared to 15.2% in 2017.
- Poultry continues to be the biggest driver with 53% of total revenues and EBIT of 18.4% in 2018 due to high volumes and positive mix of spare parts and equipment. On the back of good volumes, revenues for the meat industry were up 15.7% YoY and delivered 33% of total revenue. EBIT* was 11.3% which is below medium and long-term targets. The fish industry delivered 13% of revenues in 2018 and EBIT of 7.9%, a substantial improvement year-on-year despite the expected soft results in 4Q18.
- Year-on-year revenue growth in 2018 amounts to 12.5% organically, and 15.4% including acquisitions (Sulmaq and MAJA).
- Non-recurring advisory costs, relating to changes in the organizational structure to strengthen the global sales and service platform, M&A activities and the review of possible listing alternatives, were high in the quarter and not especially adjusted for.
- Gross profit margin continues to be stable at around 39% for both 4Q18 and FY18. Gross profit increased 14.9% in 2018 to EUR 467.5 compared to EUR 406.7m in 2017.
- Net result in 4Q18 was EUR 38.0m, up 12.4% compared to EUR 33.8m in 4Q17 and benefited from EUR 7.6m upside due to change in corporate tax legislation in the Netherlands. Basic earnings per share (EPS) were EUR 5.61 cents (4Q17 EUR 4.81 cents) in the quarter and EUR 17.95 cents in 2018 (FY17: 13.70 cents).

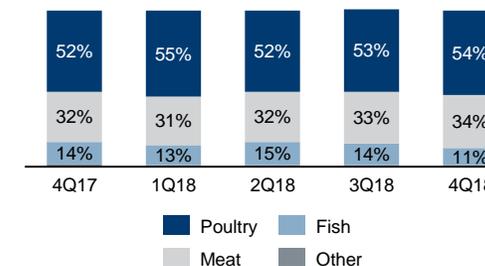
ORDERS RECEIVED ORDER BOOK %, EUR m



REVENUES AND EBIT* %, EUR m



REVENUES BY INDUSTRY %



FINANCIAL PERFORMANCE

MAJA acquisition closed on 14 August 2018

- The acquisition of MAJA, the German food processing equipment manufacturer, was announced on 25 July 2018. The MAJA transaction was closed on 14 August 2018 and the results of MAJA have been included in the Consolidated Financial Statements from that date. In accordance with IFRS requirements, Marel performs a Purchase Price Allocation (PPA). Based on information currently available, a provisional goodwill amount of EUR 0.7m is reported in the 2018 financial statements. This amount will be adjusted based on the final outcome of the PPA-process.

Free cash flow generation and superior working capital cycle

- Free cash flow in the quarter was EUR 40.5m (4Q17: 36.8m) and EUR 120.6m in 2018 (FY17: 152.5m). The difference year-on-year is due to fluctuations and timing of orders received and down payments for large projects. Marel continues to invest in the business to prepare for future growth and its full potential. Investment activities are expected to be above normalized levels for the coming quarters.
- Net interest bearing debt including lease liabilities decreased by around EUR 23m in 4Q18. Net debt/EBITDA including lease liabilities was x2.0 at the end of 4Q18, compared to x2.1 at the end of 3Q18. Currently leverage is at the lower end of the targeted capital structure of x2-3 net debt/EBITDA, which underpins the financial capacity to support further growth and value creation.

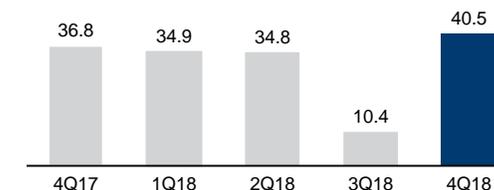
EUR 140 million long-term financing closed at 110-130bp over EURIBOR

- Marel announced the completion of its first issue in the Schuldschein market. This new financing adds further diversification to our long term funding structure, providing additional operational flexibility to support our growth strategy and continued value creation.
- As announced on 31 October 2018, the target size for the issue was EUR 100m with floating and fixed tranches in maturities of five and seven years. The issue was oversubscribed, and in light of the strong investor interest in Marel as a credit and favorable conditions in international capital markets, the issue was subsequently raised to EUR 140 million. The vast majority of the Schuldschein, was placed in the 5-year tranche priced at 110 basis points over EURIBOR, and the 7-year tranche was priced at 130 basis points over EURIBOR. The investor base is well diversified across continental Europe and Asia. Joint bookrunners on the transaction were ABN AMRO, Bayerische Landesbank, and UniCredit.

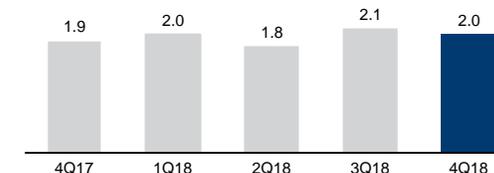
IFRS impact minimal and in line with previous estimates

- On 1 January 2018, Marel implemented the new IFRS standards. The impact for the full year 2018 was in line with previous estimates. For detailed impact and explanations of these new standards reference is made to the 2017 and 2018 Consolidated Financial Statements.
- Impact of new IFRS standards in 2018:
 - IFRS 9 (Financial instruments): Very limited with main impact on net finance costs which was EUR 1.2m higher. Non-material impact on EBIT*.
 - IFRS 15 (Revenues from contracts with customers): Limited impact on revenues of negative EUR 1.2m and negative EBIT* effect of EUR 1.3m.
 - IFRS 16 (Leases): Minimal impact in 2018 and in line with what was estimated at year-end 2017. Non-material impact on EBIT*, annual effect on EBITDA is around EUR 9m and net interest bearing debt increased by EUR 33m resulting in impact on net finance costs which was EUR 1.2m higher.

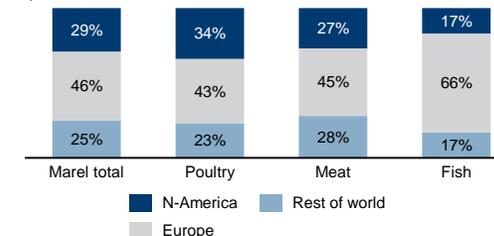
FREE CASH FLOW %, EUR m



LEVERAGE Net debt/EBITDA



REVENUES BY GEOGRAPHY %, FY18



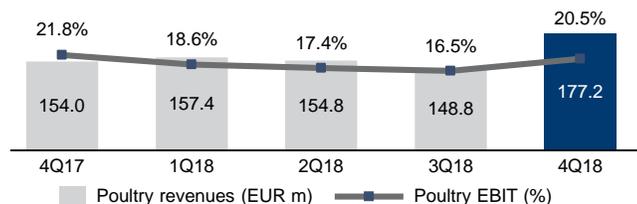
REVENUES BY BUSINESS MIX %, FY18



INDUSTRY PERFORMANCE

MAREL POULTRY

Delivered 53% of total revenues and 18.4% EBIT* in 2018.

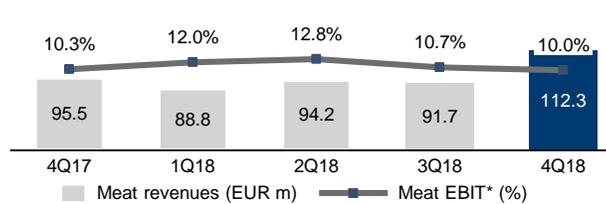


4Q18	4Q17	Change		FY18	FY17	Change
177.2	154.0	15.1%	Revenues	638.2	560.2	13.9%
36.4	33.6	8.3%	EBIT	117.2	109.5	7.0%
20.5%	21.8%		EBIT as a % of revenues	18.4%	19.5%	

- Marel Poultry's competitive position remains strong on the back of its established full-line product range, including standard equipment and modules, and service and spare parts revenue from its large installed base worldwide. Marel Poultry continued to deliver solid operational performance in 2018, with good orders received in the fourth quarter. Projects were well distributed geographically, Europe and Poland in particular as well as smaller orders coming in from the US.
- Primary processing in the US is experiencing a temporary slowdown on the back of trade issues with China and rising inventories. In such market conditions, there are opportunities to move US customers up the value chain. Turning to China, poultry prices have risen significantly, calling for local businesses to invest in automation to counter labor costs.
- Revenues for Marel Poultry in 4Q18 were up 15.1% YoY or EUR 177.2m (4Q17: 154.0m) based on high assembly volume in key locations. EBIT was EUR 36.4m (4Q17: 33.6m) and the EBIT margin was 20.5%. In 2018, revenues for Marel Poultry were EUR 638.2m, up 13.9% from 2017, EBIT was up 7.0% to EUR 117m and the EBIT margin was 18.4%.

MAREL MEAT

Delivered 33% of total revenues and 11.3% EBIT* in 2018.

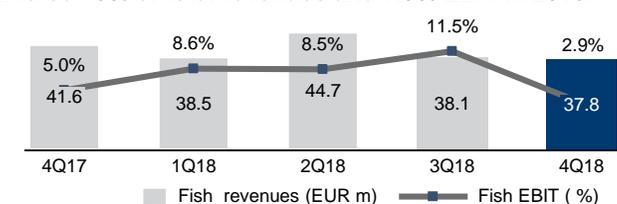


4Q18	4Q17	Change		FY18	FY17	Change
112.3	95.5	17.6%	Revenues	387.0	334.4	15.7%
11.2	9.8	14.3%	EBIT*	43.8	38.5	13.8%
10.0%	10.3%		EBIT* as a % of revenues	11.3%	11.5%	

- Recent acquisitions have made Marel Meat a full-line supplier to the meat processing industry, and further steps were taken throughout the year to fully integrate MPS and Sulmaq into the Marel Meat platform. The MAJA bolt-on acquisition to enhance Marel's offering in secondary processing was finalized in 3Q18 and next steps are focused around standardization and modularization.
- Orders received for Marel meat have risen throughout the year and 2019 will start with a record high order book. Large projects include slaughter and logistics greenfield projects in Russia, Spain and Vietnam. The upselling of secondary and further processing equipment is also firming up, which is a key focus area in order to reach long-term targets.
- Revenues were EUR 112.3m, up 17.6% YoY (4Q17: EUR 95.5m) and EBIT* was EUR 11.2m, up 14.3% YoY (4Q17: 9.8m), resulting in an EBIT* margin of 10.0%. In 2018, revenues for Marel Meat were EUR 387.0m, up 15.7% over the year. EBIT* margin for the same period was 11.3%. Management is targeting medium and long-term EBIT* margin expansion for Marel Meat, through increased efficiency with further standardization and improved upselling.

MAREL FISH

Delivered 13% of total revenues and 7.9% EBIT in 2018.



4Q18	4Q17	Change		FY18	FY17	Change
37.8	41.6	-9.1%	Revenues	159.1	132.3	20.3%
1.1	2.1	-47.6%	EBIT	12.6	5.6	125.0%
2.9%	5.0%		EBIT as a % of revenues	7.9%	4.2%	

- The order book for Marel Fish has slowed down after a good first half of the year in 2018. There was good geographical and product diversity in orders received in 2018, including greenfield projects and salmon sector orders in Chile, France and Norway. Projects over the year include a whitefish projects in Namibia, a refit of a salmon factory in Chile, while the first Flexicut for cod was sold in South Europe and the first Flexicut installed in Russia.
- Marel Fish is focused on becoming a full-line provider for wild whitefish, farmed salmon and farmed whitefish. Higher investments in innovation to close application gaps, and greater emphasis on standardization of the business have delivered good orders received and improved margins.
- Although the full year of 2018 delivered strong revenues for Marel Fish, up 20.3% to EUR 159.1m, revenues in 4Q18 were down 9.1% YoY or EUR 37.8m (4Q17: 41.6m). EBIT for the full year was EUR 12.6m (FY17: 5.6m) and the EBIT margin was 7.9% (FY17: 4.2%), a substantial improvement year-on year despite the soft results in 4Q18.
- As previously stated, the short-term operational margin for Marel Fish was likely to adjust downwards, however management is targeting medium and long-term EBIT margin expansion for the industry segment.

OUTLOOK AND OTHER

Outlook

- Marel enjoys a balanced exposure to global economies and local markets. Market conditions have been exceptionally favorable but are currently more challenging in light of geopolitical uncertainty and the general slowdown in global economic growth.
- In the period 2017-2026, Marel is targeting 12% average annual revenue growth through market penetration and innovation, complemented by strategic partnerships and acquisitions.
 - Marel's management expects 4-6% average annual market growth in the long term. Marel aims to grow organically faster than the market, driven by innovation and market penetration.
 - Maintaining solid operational performance and strong cash flow supports average 5-7% revenues growth annually by acquisition.
 - Marel's management expects basic earnings per share (EPS) to grow faster than revenues.
- Growth will not be linear but based on opportunities and economic fluctuations. Operational results may vary from quarter to quarter due to general economic developments, fluctuations in orders received and timing of deliveries of larger systems.

Investor meeting and webcast 7 February 2019

- On Thursday 7 February 2019, at 8:30 am (GMT), Marel will host an investor meeting where CEO Árni Oddur Thórdarson and CFO Linda Jónsdóttir will give an overview of the financial results and operational highlights in Q4 2018 and for the full year. The meeting is conducted in English and will be held at Marel's headquarters in Iceland.
- Please note that the meeting will also be [webcast live on marel.com](http://webcast.live.on.marel.com) and online participants take part in the Q&A session.

DISCLAIMER

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.

Market share data

Statements regarding market share, including those regarding Marel's competitive position, are based on outside sources such as research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Marel, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

US Disclaimer

Any sale of Marel hf.'s ordinary shares has not been and will not be registered under the United States Securities Act of 1933, as amended (the Securities Act), and will not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act. There will be no public offer of the ordinary shares in the United States (for these purposes, the "United States" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia).

FINANCIAL CALENDAR

- Marel will publish its interim and annual Condensed Consolidated Financial Statements according to the below financial calendar:
 - AGM - 6 March 2019
 - Q1 2019 - 29 April 2019
 - Q2 2019 - 24 July 2019
 - Q3 2019 - 23 October 2019
 - Q4 2019 - 5 February 2020
 - AGM - 4 March 2020
- Financial results will be disclosed and published after market closing.

INVESTOR RELATIONS

Tinna Molphy

Manager in Investor Relations

Marino Þór Jakobsson

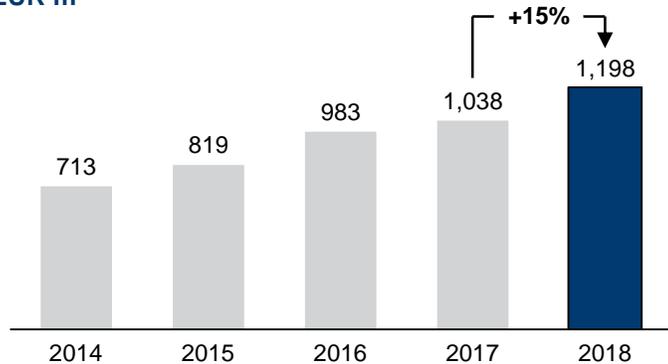
Investor Relations Analyst

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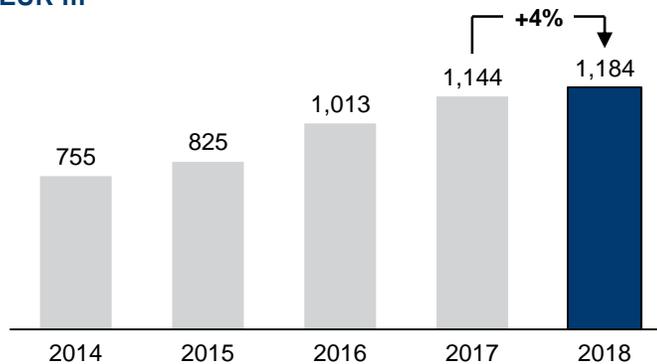
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ANNUAL KEY FIGURES 2018

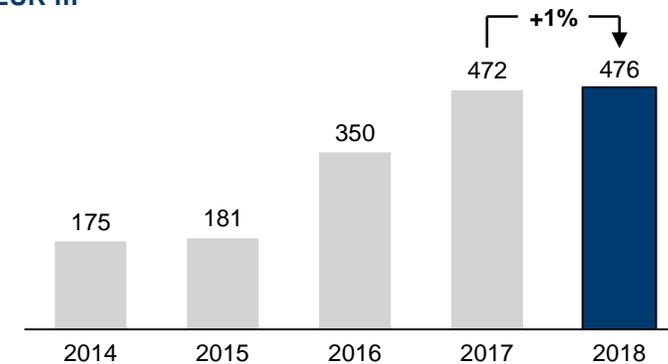
REVENUES
EUR m



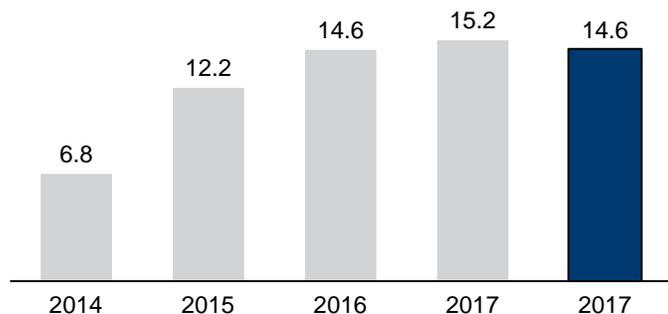
ORDERS RECEIVED
EUR m



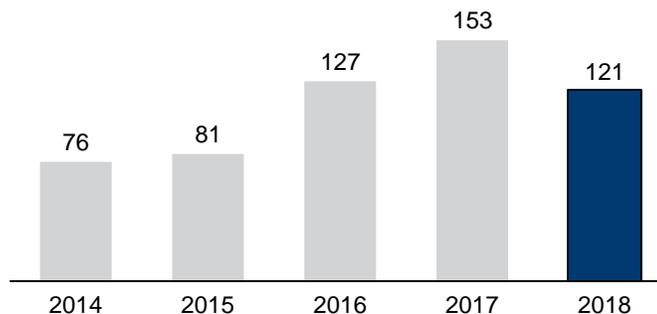
ORDER BOOK
EUR m



EBIT*
%



FREE CASH FLOW
EUR m



LEVERAGE
Net debt/EBITDA

