Marel A/S

Company registration number (CVR):25 01 37 19

P.O. Pedersens Vej 18, 8200 Aarhus N

Annual report for 2015

Approved at the Company's annual general meeting on 30/5 2016

Chairman of the meeting

Contents

Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board have today discussed and approved the annual report of Marel A/S for the financial year 1 January to 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of its operations for the financial year 1 January – 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Aarhus, 30/5 2016

Management Board:

Henrik Skov Ladefoged	Sigurpall Jonsson	Lars Jøker

Board of Directors:

Linda Jonsdottir Chairman	Arni Oddur Thordarson	Kristján Torsteinsson

Independent auditors' report

To the shareholders of Marel A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Marel A/S for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 30/5 2016

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25578198

Anette Harritz	Elife Savas
State Authorised	State Authorised
Public Accountant	Public Accountant

Management's review

Company details

Marel A/S
P. O. Pedersens Vej 18
DK-8200 Aarhus N

CVR No.: 25 01 37 19

Registered office:	Aarhus
Financial year:	01.01 - 31.12

Board of Directors

Linda Jonsdottir, Chairman
Arni Oddur Thordarson
Kristján Thorsteinsson

Management Board

Henrik Skov Ladefoged
Sigurpall Jonsson
Lars Jøker

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
8210 Aarhus N
DK - Denmark

Consolidated financial statements

The financial statements of Marel A/S are included in the consolidated financial statements of Marel hf., Austurhraun 9, 210 Gardabaer, Iceland. The consolidated financial statements can be downloaded at www.marel.com.

Management's review

Financial highlights

(EUR'000)	2015	2014	2013	2012	2011
Income statement:					
Revenue	91,658	73,355	73,185	98,551	54.950
Gross profit	27,859	19,634	17,200	12,837	14,492
Ordinary operating profit/loss	18,242	10,719	8,243	3,099	5,418
Financial income and expenses, net	821	1,392	-1,454	16,731	-3,485
Profit/loss for the year	15,212	9,903	5,013	19,205	820
Balance sheet:					
Total assets	94,923	87,234	69,430	71,867	79,028
Equity	36,403	30,235	21,330	24,042	22,331
Gross investments in property, plant and equipment	339	115	395	243	230
Financial ratios %:					
Gross margin	30.4	27,3	23,5	13,0	26,4
Operating margin	19.9	16.7	13.2	3.5	9.9
Return on investment (yearly basis)	32.9	23.4	20.1	6.7	10.1
Solvency ratio	38.4	34.7	30.7	33.5	28.3

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". The financial ratios are defined as follows:

Gross margin	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$
Operating margin	$\frac{\text{Ordinary operating profit/loss x 100}}{\text{Revenue}}$
Return on investment	$\frac{\text{Ordinary operating profit/loss}}{\text{Average number of operating assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at 31 December}}$

Management's review

Operating review

Principal activities

The Company's principal activities comprise the development, production and sale of packaging, process and weighing equipment as well as IT-based production management systems for the global food industry. Development and production take place in the Company, whereas primary sales efforts are made via sales and service companies in Denmark and abroad.

Development during the financial year

The Company's revenue for 2015 amounts to EUR 91.7 million, compared to EUR 73.4 million in 2014, and at the same time the Company has been able to improve the gross margin level.

Early 2015 it was decided to close down the company's operations on Bornholm, and by the end of 2015 all production was moved to Aarhus and to some extend to the Group Company's production facility in Slovakia. The project has been finalized without any major negative effects on productivity and profitability on the products previously produced on Bornholm. The total restructuring cost of EUR app. 1 million has been booked of as cost in 2015.

The profit for the year after tax totalled EUR 15.2 million, and dividend distribution of EUR 13 million has been proposed, whereas the remaining profit is to be transferred to equity. Equity totalled EUR 36.4 million at the end of the year, corresponding to a solvency ratio of 38%.

The profit for the year lives up to expectations disclosed in the latest published annual report and is considered satisfactory.

Capital resources

Proposed dividend distribution totals EUR 13 million based on the 2015 financial statements. Subsequent to the dividend distribution, the Company's equity amounts to DKK 23.4 million (2014: DKK 21.2 million), corresponding to a solvency ratio of DKK 28.6% (2014: 27.1%).

The Company's capital resources total EUR 14.6 million, corresponding to the Company's cash and cash equivalents.

Management's review

Operating review

Particular risks

In addition to the general socio-economic trends, the Group is also affected by particular risks in relation to the competitive environment and diseases in the production chain.

In general, the food product industry saw increasing competition in most countries. Combined with strongly increasing competition between countries and regions within agriculture, the production chain is continuously concentrated. At the same time, a number of work processes related to agriculture and food production are transferred from high-income countries to countries with lower production costs.

Diseases such as bird flu, BSE or foot-and-mouth disease are risks which, in case of breakout, may affect the Group's sales in the countries and regions that are affected.

Due to its substantial export transactions, the Group is exposed to changes in foreign currencies and interest level. It is group policy to manage financial risks, and no speculation is made in this respect.

Intellectual capital

The Group's primary business foundation is to provide competitive products, solutions and technology for the food industry improving its competitiveness. Accordingly, the Company must be able to develop and retain intellectual capital and know-how on products and business processes. The Group therefore regularly develops policies and procedures for recruiting, training and retaining employees and for developing and documenting products and business processes.

Environmental impact

The Group's production primarily comprises the assembly of components from sub-suppliers, and Management is therefore of the opinion that the Group's impact on the external environment is limited. In general, it is group policy to reduce this impact to the extent it is considered financially fair and reasonable.

Research and development activities

The Company's research and development activities comprise regular development of new and existing products and processes for the food industry. Approx. EUR 6,2 million was capitalized and expensed on development projects and activities during the financial year, corresponding to approx. 7% of revenue. Development activities for the coming years are expected to be in the range of 5 - 7% of the revenue.

Management's review

Operating review

Corporate social responsibility

The statutory report on corporate social responsibility for Marel A/S covers the financial period 1 January – 31 December 2015 and relates to the annual report for 2015. No policies have been adopted for voluntary integration of corporate social responsibility, including climate and human rights as part of the Company's strategy and activities, and reporting is therefore not prepared in this respect.

Policy for the gender quota on the Management Board

Under section 139a of the Danish Companies Act, the Board of Directors of Marel A/S has laid down the Company's policy to increase the share of the underrepresented gender in the Company's Management in general.

The Board of Directors has an even distribution of the gender quota. The board members of Marel A/S are now 2 men and 1 woman.

Policy for other management levels

Marel A/S wishes that the gender quota of society between men and women is reflected in the Company's management level. Through this policy, the Company will create a more equal distribution of sexes at management level.

Managers of the Company should be elected / employed based on their overall qualifications, and it is essential that the managers have the right qualifications, irrespective of their sex. The Board of Directors, however, acknowledges the advantages of a broad-based management at all levels taking into consideration experience, specialized knowledge, culture and sex, etc.

Marel A/S is in a branch which has a predominance of male employees. The present management team in Marel A/S comprises seven persons of which one is female. The Company aims at increasing the number of female managers, and initiatives will be taken to attract more qualified females when changes are made in the present management team. Marel A/S will aim at having one female candidate among the final applicants for the job when a vacant position is to be filled.

The measures initiated have not yet implied any changes in the gender quota of the management team during 2015 as there has been no changes in the Management team.

On a yearly basis, the Board of Directors will discuss the gender quota of the management team and if necessary adjust the initiatives taken in relation to the policy laid down.

Management's review

Operating review

Outlook

For 2016 the Company expects to be able to maintain the same activity level as in 2015, or even realise a small increase in revenue, as we continue to bring new products to the market and at the same time expand our market share on product releases from previous years. The expected result for 2016 will be at the same level as seen in 2015.

The Company's order book is quite satisfactory, there are, however, still large geographic differences in the development on the markets, and the sales of capital goods will still depend on the general economic climate in the different markets. Expectations therefore involve some uncertainty.

Financial statements for the period 1 January – 31 December

Accounting policies

The annual report of Marel A/S for 2015 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Classification between revenue and cost of goods sold has been adjusted for previous years to make previous year's comparable after a change in classification of allocation of intergroup margins on Spareparts

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Non-current assets acquired in foreign currencies are measured at the exchange rate at the transaction date.

Consolidated financial statements

In accordance with the Danish Financial Statements Act, the Company has not prepared consolidated financial statements, as the Company is a subsidiary and as the financial statements of the Company and its subsidiaries are included in the consolidated financial statements of the parent company, Marel hf., Iceland.

Income statement

Revenue

Revenue from the sale of goods and services is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year-end and that the income can be reliably measured and is expected to be received. Contract work in progress is recognised at the selling price of the work performed. Revenue is measured excl. VAT and taxes and less discounts granted in connection with the sale.

Financial statements for the period 1 January – 31 December

Accounting policies

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials, goods for resale and consumables, wages and salaries, rent and leases, and depreciation of production plant and other assets used for production purposes. Write-down for inventories and write-down in connection with anticipated bad debt losses on contract work in progress are also included. Production costs also comprise development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising and depreciation are recognised as distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for Company management and administration, including expenses for administrative staff, management, office premises, insurance and office expenses, etc. and depreciation.

Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on the disposal of non-current assets.

Financial income and expenses

Financial income and expenses comprise interest income and expense, finance charges in respect of finance leases, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from investments in subsidiaries are recognised in the income statement of the parent company in the year in which dividends are declared. To the extent that distributed dividends exceed accumulated earnings after the date of acquisition, dividends are, however, recognised as a write-down of the cost of the investment.

Financial statements for the period 1 January – 31 December

Accounting policies

Balance sheet

Intangible assets

Development projects comprise costs directly and indirectly attributable to the Company's development activities and which comply with the criteria for recognition under the Danish Financial Statements Act. Capitalised development projects are measured at cost less accumulated amortisation or at recoverable amount if the latter is lower. Capitalised development projects are amortised on a straight-line basis of the estimated useful lives after completion of the development project. The amortisation period is usually five years.

Goodwill is measured at cost less accumulated amortisation and impairment losses. Goodwill is amortized on a straight-line basis over the remaining life. The expected useful life is set to 10 years.

Property, plant and equipment

Land and buildings, plant and machinery, fixtures and fittings, as well as other plant and equipment are measured at cost less accumulated depreciation. Land is not depreciated.

The basis of depreciation is cost less expected residual value at the end of the useful life.
Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	20 - 40 years
Leasehold improvements	Max. 10 years
Cars	4 - 6 years
Machines, plant, tools and equipment, etc.	5 -15 years
Goodwill	10 years
Software	3 - 5 years

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or operating costs.

Financial statements for the period 1 January – 31 December

Accounting policies

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet as assets. On initial recognition, assets are measured at estimated cost, corresponding to the lower of fair value and the present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are depreciated the same way as other similar non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingent liabilities, etc.

Investments

Investments in subsidiaries are recognised in the balance sheet at cost. Write-down is made to the lower of cost and recoverable amount.

Cost is reduced by dividends received that exceed accumulated earnings after the date of acquisition.

For subsidiaries where the parent company has a legal or constructive obligation to cover the deficit, investments are written down corresponding to the parent company's share of negative equity. Any receivable from these enterprises is written down by the parent company's share of the negative net asset value. If the net asset value exceeds the amount owed, the residual amount is recognised under provisions.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests of individual assets or groups of assets are conducted when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Financial statements for the period 1 January – 31 December

Accounting policies

Impairment of non-current assets, continued

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets.

Inventories

Inventories are measured at cost in accordance with the average cost formula. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as direct and indirect production overheads.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is objective evidence that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of the country of domicile and credit ratings of the debtors in accordance with the credit risk management policy of the Company. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Financial statements for the period 1 January – 31 December

Accounting policies

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the work. The degree of completion is computed as the proportion between resources spent and total estimated resources for the completion of the contract. When it is probable that contract work in progress will result in losses, the estimated loss is recognised in the income statement.

When the selling price of contract work in progress cannot be measured reliably, the contract work in progress is measured at the lower of costs incurred and net realisable value.

The individual work in progress is recognised in the balance sheet as receivables or payables depending on the net value of the sales amount less on-account invoicing and prepayments. Selling costs and costs incurred in securing contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, e.g. regarding shares, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the expected value of their realisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable values.

Financial statements for the period 1 January – 31 December

Accounting policies

Corporation tax and deferred tax, continued

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in tax rates are recognised in the income statement.

The Company is jointly taxed with other Danish subsidiaries and affiliated companies. Current Danish corporation tax is settled by the parent company, which is the administrative company, and allocated between the jointly taxed companies in proportion to their taxable income.

Provisions

Provisions comprise expected costs of warranties, losses on work in progress, restructurings, etc.

Liabilities other than provisions

Financial liabilities comprising amounts owed to credit institutions, trade payables and payables to group enterprises are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received regarding income in subsequent years.

Financial statements for the period 1 January – 31 December

Accounting policies

Applied exemption clauses in the Danish Financial Statements Act

In accordance with section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement, as this is included in the consolidated cash flow statement of the parent company, Marel hf., Iceland.

Pursuant to section 96(3) of the Danish Financial Statements Act, the Company has not disclosed the fee to the auditors appointed at the annual general meeting.

Pursuant to section 96(1) of the Danish Financial Statements Act, segment information is not disclosed, as this is deemed to be detrimental to the Company's competitive situation.

Pursuant to section 98b(3) of the Danish Financial Statements Act, the Company has not disclosed remuneration of Management as only one member of the Management Board is remunerated.

The financial statements of Marel A/S are included in the consolidated financial statements of Marel hf., Austurhraun 9, 210 Gardabaer, Iceland. The consolidated financial statements can be downloaded at www.marel.com.

Financial statements 1 January - 31 December

Income statement

	Note	2015 (EUR'000)	2014 (EUR'000)
Revenue		**91.658**	**73.355**
Production costs	1	-63.799	-53.721
Gross profit		**27.859**	**19.634**
Distribution costs	1	-4.632	-4.243
Administrative expenses	1	-4.985	-4.672
Ordinary operating profit		**18.242**	**10.719**
Financial income	2	2.278	3.122
Financial expenses	3	-1.457	-1.730
Profit before tax		**19.063**	**12.111**
Tax on profit for the year	4	-3.851	-2.208
Profit for the year		**15.212**	**9.903**

Proposed profit appropriation

Profit for the year	15.212	9.903
Proposed dividends	-13.000	-9.000
Transferred to next year	**2.212**	**903**

Financial statements 1 January - 31 December

Balance sheet

	Note	2015	2014
ASSETS		(EUR'000)	(EUR'000)
Non-current assets			
Intangible assets			
Goodwill	5	4.515	5.051
Development projects	5	8.377	8.428
Software	5	8	21
		12.900	**13.500**
Property, plant and equipment			
Land and buildings	6	5.191	5.084
Leasehold improvements	6	337	237
Fixtures, fittings and other equipment	6	294	381
		5.822	**5.702**
Investments			
Investments in group enterprises	7	35.566	35.566
Deposits		56	0
		35.622	**35.566**
Total non-current assets		**54.344**	**54.768**
Current assets			
Inventories	8	**9.435**	**6.985**
Receivables			
Trade receivables		8.462	3.063
Contract work in progress	9	376	1.675
Receivables from group enterprises		6.961	6.761
Other receivables		479	1.100
Prepayments		275	215
		16.553	**12.814**
Cash at bank and in hand		**14.591**	**12.667**
Total current assets		**40.579**	**32.466**
TOTAL ASSETS		**94.923**	**87.234**

Financial statements 1 January - 31 December

Balance sheet

	Note	2015	2014
		(EUR'000)	(EUR'000)
EQUITY AND LIABILITIES			
Equity	10		
Share capital		1.342	1.342
Retained earnings		22.061	19.893
Proposed dividends		13.000	9.000
Total equity		**36.403**	**30.235**
Provisions			
Deferred tax	11	2.856	3.269
Warranties	12	544	410
Restructuring cost		478	0
		3.878	**3.679**
Non-current liabilities other than provisions			
Payables to group enterprises	13	35.513	35.513
		35.513	**35.513**
Current liabilities other than provisions			
Credit institutions	13	38	30
Prepayments from customers	9	572	1.306
Trade payables		4.708	3.673
Payables to group enterprises	13	5.551	3.716
Corporation tax		1.384	1.978
Other payables	14	6.876	7.104
Total current liabilities other than provisions		**19.129**	**17.807**
Total liabilities other than provisions		**54.642**	**53.320**
TOTAL EQUITY AND LIABILITIES		**94.923**	**87.234**
Related parties	15		
Collateral, contingent liabilities and lease liabilities	16		

Financial statements 1 January - 31 December

Notes

1 Staff costs

	2015	2014
	(EUR'000)	(EUR'000)
Wages and salaries, etc.	18.599	16.748
Pensions	898	804
Other social security costs	340	312
	19.837	**17.864**

Staff costs are recognised as follows:

Production	14.351	12.796
Distribution	3.748	3.121
Administration	1.738	1.947
	19.837	**17.864**
Average number of employees	261	250

2 Financial income

Interest income, group enterprises	3	13
Dividends from group enterprises	1.936	2.663
Other financial income	339	446
	2.278	**3.122**

3 Financial expenses

Interest expense, group companies	1.349	1.636
Other financial expenses	108	94
	1.457	**1.730**

Notes

4 Tax

	2015	2014
	(EUR'000)	(EUR'000)
Tax on profit for the year is specified as follows:		
Current tax	-4.264	-2.239
Deferred tax	216	-110
Adjustment of deffered tax due to change in tax rate	197	141
	-3.851	**-2.208**

5 Intangible assets

	Completed development projects	Ongoing development projects	Total development projects
Cost at 1 January	15.928	1.821	17.749
Additions	14	2.074	2.088
Transferred	0	0	0
Disposals	0	0	0
Cost at 31 December	15.942	3.895	19.837
Impairment loss and amortisation at 1 January	9.321	0	9.321
Amortisation for the year	2.139	0	2.139
Impairment loss and amortisation at 31 December	11.460	0	11.460
Carrying amount at 31 December	**4.482**	**3.895**	**8.377**

	Software	Goodwill
Cost at 1 January	720	8.295
Foreign exchange adjustments at 1 January	-5	0
Additions during the year	3	0
Cost at 31 December	718	8.295
Impairment loss and amortisation at 1 January	699	3.244
Foreign exchange adjustments at 1 January	-2	0
Amortisation for the year	13	536
Impairment loss and amortisation at 31 December	710	3.780
Carrying amount at 31 December	**8**	**4.515**

Goodwill is amortized over 10 years, as the service business is linked to equipment with a long lifespan.

Financial statements 1 January - 31 December

Notes

6 Property, plant and equipment

	Land and buildings	Leasehold improve-ments	Fixtures and fittings, etc.
Cost at 1 January	6.976	584	3.775
Foreign exchange adjustments at 1 January	0	0	-13
Additions	141	123	75
Disposals	0	-309	-95
Cost at 31 December	7.117	398	3.742
Impairment loss and depreciation at 1 January	1.892	347	3.394
Foreign exchange adjustments at 1 January	0	0	-12
Disposals	0	-309	-49
Depreciation for the year	34	23	115
Impairment loss and depreciation at 31 December	1.926	61	3.448
Carrying amount at 31 December	**5.191**	**337**	**294**
Assets held under finance leases	0	0	30

7 Investments

	2015 (EUR'000)	2014 (EUR'000)
Investments in group companies		
Cost at 1 January	35.834	29.834
Additions for the year	0	6.000
Disposals for the year	0	0
Cost at 31 December	**35.834**	**35.834**
Impairment loss at 1 January	-415	-415
Disposals for the year	0	0
Impairment loss at 31 December	**-415**	**-415**
Net value at 31 December	**35.419**	**35.419**
Negative investments set off against receivables from group companies	147	147
Carrying amount at 31 December	**35.566**	**35.566**

Financial statements 1 January - 31 December

Notes

7 Investments, continued

Specification of subsidiaries see latest published financial statements	Registered office	Owner-ship	Profit/ loss (EUR'000)	Equity (EUR'000)
Norfo Ejendomme A/S	Denmark	100%	111	1.040
Marel Salmon A/S	Denmark	100%	-2.113	5.875
Marel New Zealand Ltd.	New Zealand	100%	44	325
Marel GB Ltd.	England	100%	1.135	1.619
Marel Food Systems Ltd.	Ireland	100%	117	822
Marel Food Systems do Brasil Ltda.	Brazil	100%	499	2.056
Marel Food Systems Lda.	Portugal	98%	27	150
Marel Polska Sp. z.o.o.	Poland	100%	312	999
Scanvaegt Chile Ltda *)	Chile	100%	Not published	
Marel Equipameintos Industriales S.A.	Uruguay	100%	Not published	
Marelexport S.A. *)	Uruguay	100%	Not published	

*) In couse of liquidation

	2015 (EUR'000)	2014 (EUR'000)
8 Inventories		
Finished goods	2.253	2.340
Work in progress	7.145	4.549
Raw materials and consumables	37	96
	9.435	6.985
9 Contract work in progress		
Contract work in progress	666	3.470
Progress billings	-862	-3.101
Net value at 31 December	-196	369
- recognised as follows:		
Contract work in progress	376	1.675
Prepayments from customers	-572	-1.306
Net value at 31 December	-196	369

Financial statements 1 January - 31 December

Notes

10 Equity

	Share capital	Retained earnings	Proposed dividends	Total
Balance at 1 January 2014	1.342	18.988	1.000	21.330
Foreign exc. adj. of equity in Uruguayan branch		2		2
Net profit for the year		9.903		9.903
Dividends paid			-1.000	-1.000
Proposed dividends		-9.000	9.000	0
Equity at 1 January 2014	**1.342**	**19.893**	**9.000**	**30.235**
Foreign exc. adj. of equity in Uruguayan branch		-44		-44
Net profit for the year		15.212		15.212
Dividends paid			-9.000	-9.000
Proposed dividends		-13.000	13.000	0
Equity at 31 December 2014	**1.342**	**22.061**	**13.000**	**36.403**

The share capital comprises 10 shares of DKK 1 million each.

There have been no movements in share capital during the past five years.

11 Deferred tax

	2015 (EUR'000)	2014 (EUR'000)
Deferred tax at 1 January	3.269	3.300
Deferred tax for the year recognised in profit for the year	-216	110
Adjustment of deferred tax due to change in tax rate	-197	-141
Deferred tax at 31 December	**2.856**	**3.269**

Deferred tax relates to:

	2015 (EUR'000)	2014 (EUR'000)
Intangible assets	1.992	2.088
Property, plant and equipment	701	719
Retaxation obligation, foreign entities	56	60
Current assets	115	409
Provisions	-8	-7
	2.856	**3.269**

Notes

	2015	2014

12 Warranties

	2015	2014
Balance at 1 January	410	373
Adjustments for the year	134	37
Balance at 31 December	**544**	**410**

Date of maturity is expected to be 0-1 year

13 Non-current liabilities

	Current portion	Non-current portion	Total	Hereof falling due after more than five years
Finance leases	38	0	38	0
Payables to group enterprises	0	35.513	35.513	0
	38	**35.513**	**35.551**	**0**

14 Other payables

The most significant items are VAT, income taxes, wages and salaries, provisions for holiday allowances and other costs payable.

15 Related parties

The Company's related parties exercising control comprise the parent company, Marel hf.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding at least 5% of the share capital:

Marel hf.
Austurhraun 9
Gardabaer
Iceland

Notes

16 Collateral, contingent liabilities and lease liabilities

The Company is jointly taxed with other Danish group companies. As the administrative company, together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. Corporation taxes payable and withholding taxes within the joint taxation unit totalled EUR 2,672 thousand at 31 December 2015. Any subsequent corrections to the taxable joint taxation income or withholding taxes may imply that the Company's liability will increase.

Bank guarantees, which have been secured upon cash deposits, have been provided as collateral for customers representing a total amount of EUR 505 thousand.

Cash at bank and in hand amounting to EUR 11,781 thousand has been pledged as security for a group cash pool.

The Company is a part in a few pending cases. Management is of the opinion that the outcome of these cases will not affect the Company's financial position other than the receivables and payables recognised in the balance sheet at 31 December 2015.

The Company has entered into operating leases totalling EUR 4,547 thousand, of which EUR 575 thousand is due for payment next year.

The Company's total finance leases total EUR 38 thousand, which is recognised in the balance sheet, cf note 6. The term of these leases does not exceed five years.

The usual guarantees were granted in connection with the disposal of subsidiaries in 2009.

In January 2016, Marel hf., entered into a restated Facility Agreement. In relation to this,