Marel Salmon A/S

Company registration number (CVR): 66 30 97 11

Juelstrupparken 14, 9530 Støvring

Annual report for 2017

Approved at the Company's annual general meeting on 7/5 2018
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 Salmon A/S for the financial year 1 January to 31 December 2017.

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 2017 and of the results of its operations for the financial year 1 January – 31 December 2017.

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, 7. May 2018

Management Board:

Henrik Skov Ladefoged	Lars Jøker

Board of Directors:

Linda Jonsdottir Chairman	Arni Oddur Thordarson	Snorri Hafsteinn Thorkelsson

Independent auditor's report
To the shareholders of Marel Salmon A/S

Opinion

We have audited the financial statements of Marel Salmon A/S for the financial year 1 January – 31 December 2017 comprising accounting policies, income statement, balance sheet, statement of changes in equity and, notes. The financial statements are 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 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor' report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 7. May 2018

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Michael Stenskrog
State Authorised
Public Accountant
MNE no. 26819

Michael E.K. Rasmussen
State Authorised
Public Accountant
MNE no. 41364

Management's review

Company details

Marel Salmon A/S
Juelstrupparken 14
DK-9530 Støvring

CVR No.: 66 30 97 11

Registered office:	Støvring
Financial year:	01.01 - 31.12
Eastablished:	27.07.1981

Board of Directors

Linda Jonsdottir, Chairman
Arni Oddur Thordarson
Snorri Hafsteinn Thorkelsson

Management Board

Henrik Skov Ladefoged
Lars Jøker

Auditors

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

Consolidated financial statements

The financial statements of Marel Salmon 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

(DKK'000)	2017	2016	2015	2014	2013
Income statement:					
Revenue	419,395	345,838	351,467	304,956	180,890
Gross profit	143,201	114,806	99,442	80,617	47,842
Ordinary operating profit/loss	61,639	50,709	38,883	42,098	23,547
Financial income and expenses, net	-6,794	-4,388	-3,304	-49,275	-31,543
Profit/loss for the year	47,698	44,540	27,073	-15,766	-10,193
Balance sheet:					
Total assets	338,209	298,509	245,898	223,494	170,160
Equity	123,310	115,612	71,072	43,828	15,065
Gross investments in property, plant and equipment	6,017	1,712	2,849	8,293	1,958
Financial ratios %:					
Gross margin	34,1	33,2	28,3	26,4	26,4
Operating margin	16,3	14,7	11,1	13,8	13,0
Return on investment (yearly basis)	21,5	18,6	16,2	18,8	13,8
Solvency ratio	36,5	38,8	28,9	19,6	8,8

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 process equipment for the global food industry primarily within the fish and meat industry.

Development during the financial year

In 2017 the company has experienced a very positive development in securing orders which has resulted in an increase in revenue of 21% compared to last year with and all-time high revenue of DKK 419.4 million. At the same time the company has succeeded to improve the profitability on its products and together with a shift in revenue towards more sales of standard equipment compared to larger projects, the gross profit margin has increased from 33,2% to 34,1%.

The profit for the year after tax totalled DKK 47.7 million. Equity totalled DKK 123.3 million at the end of the year, corresponding to a solvency ratio of 37%.

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

Capital resources

The Company's capital resources total DKK 103.9 million, corresponding to the Company's cash and cash equivalents.

Particular risks

In addition to the general socio-economic trends, the Company 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.

Likewise the industry for production of advanced food processing solutions is undergoing a rapid process of consolidation in these years and we see an intense competition.

Management's review

Operating review

Particular risks

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

Due to its substantial export transactions, the Company 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 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 Company therefore regularly develops policies and procedures for recruiting, training and retaining employees and for developing and documenting products and business processes.

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. DKK 16,5 million was capitalized and expensed on development projects and activities during the financial year. Development activities for the coming years are expected to be in the same or even a higher level.

Disclosure on social responsibility requirements (§99 a)

The statutory report on corporate social responsibility for Marel Salmon A/S covers the financial period 1 January – 31 December 2017 and relates to the annual report for 2017.

Corporate social responsibility

Employee matters
Marel is dedicated in providing a safe and healthy working environment and equal opportunities for all its employees. Marel takes pride in making sure the company fosters individual and team development and ensures the right to freedom of association for all employees.
The Management has an ongoing focus on ensuring that Marel A/S is an attractive workplace for its employees. Employee satisfaction is measured in annual surveys and employee interviews upon which operational changes are implemented. The employee survey for 2017 shows improvement compared to 2016 and the management team has defined improvement projects for the coming year.

Management's review

Operating review

Corporate social responsibility

Anti-corruption and bribery
Marel's reputation is critical to the company's success; therefore, compliance with global anti-bribery and anti-corruption laws is taken very seriously. An anti-bribery and anti-corruption policy was adopted in January 2016 to reinforce that commitment. It applies to Marel's employees, officers and directors, and any contractors, consultants, agents and other business partners that are engaged in business on behalf of Marel. Furthermore all new customers and vendors are tested in FinScan for sanctions as well as a no cash policy being in place for all transactions made between the company and its customers. No breaches to the anti-corruption and bribery policy were recorded in 2017.

Climate and environment
It is the Management opinion that the group's impact on the climate and environment is mainly connected to innovation efforts that lead to the impact of Marel's solutions on the environmental footprint of its customers. In general, it is the group's policy to reduce this impact to the extent it is considered financially fair and reasonable. In 2017 focus was put on understanding the group's carbon footprint which reveals that it is currently in line with companies in the same industry of similar size. Testing of a state of the art Energy Management system was also started in 2017. This system will be installed in all key manufacturing locations within the next few years to monitor the environmental footprint of the company.

Human rights
Human rights violations including child labor, forced labor or illegal labor conditions are not tolerated by Marel. All Marel employees are required to have reached legal working age in the country they work in and no Marel facilities are associated with illegal labor conditions or forced labor. A system to proactively test vendors for compliance, based on size and risk, is currently in development. A global whistle blower scheme is implemented. No human rights violations were reported in 2017.

Disclosure on Gender diversity requirements (§99 b)

Policy for the gender quota on the Management Board

Under section 139a of the Danish Companies Act, the Board of Directors of Marel Salmon 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 Salmon A/S are now two men and one woman. Therefore, no additional targets has been set for the underrepresented gender.

Management's review

Operating review

Disclosure on Gender diversity requirements (§99 b)

Policy for other management levels

Marel Salmon 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 an 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 Salmon A/S is in a branch, which has a predominance of male employees. The present management team in Marel Salmon A/S comprises six persons of which one is female. The Company aims at increasing the number of female managers, and initiatives will be taken to attract more females that are qualified when changes are made in the present management team. Marel Salmon 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 2017 as there have been no changes in the Management team.

Outlook

For 2018 the Company expects to be able to maintain the same activity level as in 2017, 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 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.

The result for 2018 is expected to be at the same level as for 2017.

Financial statements for the period 1 January – 31 December

Accounting policies

The annual report of Marel Salmon A/S for 2017 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. Smaller adjustments to comparative figures has been made.

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.

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.

Special items

Special items comprise significant income and costs of a special nature in relation to the Company's usual income generating operating activities. Special items also comprise costs related to restructuring and gains and losses from the disposal of fixed assets that are of significant importance over time. Moreover, other significant non-recurring costs are included in special items.

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 equity investments in group entities and associates measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

Financial statements for the period 1 January – 31 December

Accounting policies

Financial income and expenses, continued

In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary.

Tax on profit/loss for the year

Tax for the year comprises current tax for the year end and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

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, rights and knowhow is measured at cost less accumulated amortisation and impairment losses. Goodwill, rights and knowhow is amortized on a straight-line basis over the remaining life. The expected useful life is set between 5 - 20 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.

Financial statements for the period 1 January – 31 December

Accounting policies

Property, plant and equipment, continued

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
Machines, plant, tools and equipment, etc.	3 -10 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.

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.

Equity 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.

Financial statements for the period 1 January – 31 December

Accounting policies

Equity investments, continued

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.

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.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists. Write-down of goodwill is not reversed.

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

Financial statements for the period 1 January – 31 December

Accounting policies

Receivables

Receivables are measured at amortised cost.

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

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.

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.

Financial statements for the period 1 January – 31 December

Accounting policies

Equity

Dividends
The expected dividend payment for the year is disclosed as a separate item under equity.

Reserve for development costs
The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividend, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

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.

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 the parent company. 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 for warranties

Provisions comprise expected costs of warranties, based on historical experience.

Financial statements for the period 1 January – 31 December

Accounting policies

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.

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Company's accounting policies, risks and internal financial management.

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 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 Salmon 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	2017 (DKK'000)	2016 (DKK'000)
Revenue	1	**419.395**	**345.838**
Production costs	2	-275.989	-231.032
Gross profit		**143.406**	**114.806**
Distribution costs	2	-60.315	-50.228
Administrative expenses	2	-14.658	-13.869
Ordinary operating profit		**68.433**	**50.709**
Other operating income, special items	3	0	11.104
Operating profit		**68.433**	**61.813**
Financial income	4	332	387
Financial expenses	5	-7.126	-4.775
Profit/loss before tax		**61.639**	**57.425**
Tax on profit for the year	6	-13.941	-12.885
Profit for the year	**7**	**47.698**	**44.540**

Financial statements 1 January - 31 December

Balance sheet

	Note	2017	2016
ASSETS		(DKK'000)	(DKK'000)
Non-current assets			
Intangible assets	8		
Goodwill		12.403	14.688
Knowhow		250	750
Rights		0	0
Development projects		27.237	22.295
		39.890	**37.733**
Property, plant and equipment	9		
Land and buildings		39.197	40.789
Plant and machinery		4.761	2.031
Fixtures, fittings and other equipment		1.405	1.163
Assets under construction		1.489	0
		46.852	**43.983**
Equity investments			
Other securities and equity investments	10	828	0
		828	0
Total non-current assets		**87.570**	**81.716**
Current assets			
Inventories	11	**67.716**	**63.184**
Receivables			
Trade receivables		13.722	6.886
Contract work in progress	12	10.187	20.760
Receivables from group enterprises		52.013	16.879
Other receivables		2.787	3.365
Prepayments		300	1.127
		79.009	**49.017**
Cash at bank and in hand		**103.914**	**104.592**
Total current assets		**250.639**	**216.793**
TOTAL ASSETS		**338.209**	**298.509**

Financial statements 1 January - 31 December

Balance sheet

	Note	2017 (DKK'000)	2016 (DKK'000)
EQUITY AND LIABILITIES			
Equity	13		
Share capital		47.000	47.000
Reserve for development cost		12.986	5.792
Retained earnings		25.324	22.820
Proposed dividends		38.000	40.000
Total equity		**123.310**	**115.612**
Provisions			
Deferred tax	14	17.398	13.949
Warranties	15	4.150	2.540
		21.548	**16.489**
Non-current liabilities other than provisions			
Payables to group enterprises	16	94.552	94.411
		94.552	**94.411**
Current liabilities other than provisions			
Prepayments from customers	12	13.155	2.871
Trade payables		25.247	19.332
Payables to group enterprises	16	9.141	7.036
Corporation tax		10.492	13.406
Other payables	17	40.764	29.352
Total current liabilities other than provisions		**98.799**	**71.997**
Total liabilities other than provisions		**193.351**	**166.408**
TOTAL EQUITY AND LIABILITIES		**338.209**	**298.509**
Related parties	18		
Collateral, contingent liabilities and lease liabilities	19		

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Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividends	Total
Balance at 1 January 2016	47.000	0	24.072	0	71.072
Net profit for the year		5.792	38.748		44.540
Proposed dividends			-40.000	40.000	0
Equity at 1 January 2017	**47.000**	**5.792**	**22.820**	**40.000**	**115.612**
Net profit for the year		7.194	40.504		47.698
Dividend paid				-40.000	-40.000
Proposed dividends			-38.000	38.000	0
Equity at 31 December 2017	**47.000**	**12.986**	**25.324**	**38.000**	**123.310**

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1 Segment information

Operating segments
The identified operating segments comprise the three industries, which are the reporting segments. These operating segments form the basis for managerial decision taking.

The segment information for the period ended 31 December 2017 is as follows:

	Poultry	Fish	Meat	Others	Total
Revenue	11.546	338.993	65.180	3.676	419.395

Geographical information
The Companys operating segments operate in four main geographical areas

	2017	2016
Revenue	(DKK'000)	(DKK'000)
Denmark	36.322	29.849
Europe other	300.815	206.605
North America	43.889	71.149
Other countries	38.369	38.235
Total	**419.395**	**345.838**

2 Staff costs

Wages and salaries, etc.	101.953	101.221
Pensions	12.021	11.604
Other social security costs	1.612	1.580
	115.586	114.405

Staff costs are recognised as follows:

Production	86.430	85.145
Distribution	24.199	24.276
Administration	4.956	4.984
	115.585	114.405
Average number of employees	219	214

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	2017	2016
	(DKK'000)	(DKK'000)

3 Other operating income - special items

Proceed from settlement of patent case against competitor	0	11.104

As mentioned in the Management's review for 2016, profit from the year has been affected by proceed from settlement of patent case against competitor. This matter deviates from Management's assessment of what is part of the Company's operating activities.

4 Financial income

Other financial income	332	387
	332	387

5 Financial expenses

Interest expense, group companies	3.976	3.905
Other financial expenses	3.150	870
	7.126	4.775

6 Tax

Tax on profit for the year is specified as follows:

Current tax	-10.492	-13.419
Deferred tax	-3.449	435
Correction prior years	0	99
	-13.941	**-12.885**

7 Proposed profit appropriation

Profit for the year	47.698	44.540
Reserve for development cost	-7.194	-7.426
Proposed dividends	-38.000	-40.000
Transferred to next year	**2.504**	**-2.886**

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8 **Intangible assets**	Completed development projects	Ongoing development projects	Total development projects
Cost at 1 January	43.225	14.694	57.919
Additions	0	9.223	9.223
Transferred	0	0	0
Cost at 31 December	43.225	23.917	67.142
Impairment loss and amortisation at 1 January	35.624	0	35.624
Amortisation for the year	4.281	0	4.281
Impairment loss and amortisation at 31 December	39.905	0	39.905
Carrying amount at 31 December	**3.320**	**23.917**	**27.237**

Completed development projects relate to the deveopment and test of machines for the food processing industry and are usually amortised over five years.

Ongoing development projects relate to the development and test of machines for the food processing industry and the majority of the projects are expected to be completed in 2018 where considerable economic benefits are expected.

	Knowhow	Rights	Goodwill
Cost at 1 January	2.500	2.499	43.281
Additions during the year	0	0	0
Cost at 31 December	2.500	2.499	43.281
Impairment loss and amortisation at 1 January	1.750	2.499	28.593
Amortisation for the year	500	0	2.285
Impairment loss and amortisation at 31 December	2.250	2.499	30.878
Carrying amount at 31 December	**250**	**0**	**12.403**

Goodwill is amortized over 20 years, as the service business is linked to equipment with a long lifespan.

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9 Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures and fittings, etc.	Assets under construction
Cost at 1 January	62.527	26.158	8.552	0
Additions	70	3.640	818	1.489
Disposals		-575		
Cost at 31 December	62.597	29.223	9.370	1.489
Impairment loss and depreciation at 1 January	21.738	24.127	7.389	0
Disposals		-575		
Depreciation for the year	1.662	910	576	0
Impairment loss and depreciation at 31 December	23.400	24.462	7.965	0
Carrying amount at 31 December	**39.197**	**4.761**	**1.405**	**1.489**

	2017 (DKK'000)	2016 (DKK'000)
10 Other securities and equity investments		
Deposits for lease of building	828	0
11 Inventories		
Finished goods	12.774	16.001
Work in progress	17.258	20.176
Raw materials and consumables	37.684	27.007
	67.716	63.184

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12 Contract work in progress

	2017 (DKK'000)	2016 (DKK'000)
Contract work in progress	52.876	26.589
Progress billings	-55.844	-8.700
Net value at 31 December	-2.968	17.889
- recognised as follows:		
Contract work in progress	10.187	20.760
Prepayments from customers	-13.155	-2.871
Net value at 31 December	-2.968	17.889

In the above numbers are intercompany projects included with a sales value of DKK 38.498 thousand and progress billings of DKK 40.410 thousand or a net value of DKK -1.912 thousand wiht DKK 6.570 thousand reported under assets and DKK 8.482 thousand reported under liabilities.

13 Equity

The Company's share capital amounts to DKK 47,000 thousand, broken down on a share with a face value of DKK 500. No shares carry special rights.

	2017	2016	2015	2014	2013
Share capital for the last 5 years	47.000	47.000	47.000	47.000	2.300

14 Deferred tax

	2017 (DKK'000)	2016 (DKK'000)
Deferred tax at 1 January	13.949	14.384
Deferred tax for the year recognised in profit for the year	3.449	-435
Deferred tax at 31 December	**17.398**	**13.949**

Deferred tax relates to:

	2017 (DKK'000)	2016 (DKK'000)
Intangible assets	7.723	6.986
Property, plant and equipment	3.943	3.684
Current assets	5.732	3.279
	17.398	**13.949**

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15 Warranties

Balance at 1 January	3.000	3.000
Adjustments for the year	1.150	-460
Balance at 31 December	**4.150**	**2.540**

Date of maturity is expected to be 0-1 year

16 Non-current liabilities

	Current portion	Non-current portion	Total	Hereof falling due after more than five years
Payables to group enterprises	9.141	94.552	103.693	0
	9.141	**94.552**	**103.693**	**0**

17 Other payables

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

18 Related parties

Marel Salmon A/S' related parties comprise the following:

Control:
Marel A/S, P.O. Pedersensvej 18, 8200 Aarhus N, Denmark
Marel A/S holds the majority of the share capital in the company.

Marel Salmon A/S is part of the consolidated financial statements of Marel hf., Austurhraun 9, 210 Gardabaer, Iceland.

The consolidated financial statements of Marel hf. Can be obtained by contacting the Company or at the following website: www.marel.com

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18 Related parties, continued

	2017	2016
	(DKK'000)	(DKK'000)
Related party transactions		
Group		
Sale of goods	259.408	221.156
Production costs	-27.998	-24.325
Distribution costs	-27.710	-14.251
Administrative expenses	-3.904	-3.122
Financial expenses	-3.976	-3.905
Total	**195.821**	**175.553**

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

Parent Company	(DKK'000)	(DKK'000)
Sale of goods	21.078	21.674
Production costs	-7.367	-7.235
Total	**13.711**	**14.439**
Dividend	**40.000**	**0**

Payables and receivables to group enterprises are disclosed in the balance sheet and in note 12 and 16, and expensed interest is disclosed in note 5.

19 Collateral, contingent liabillities and lease liabillities

The Company is jointly taxed with other Danish group companies. Marel A/S is registred as the administrative company and 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 DKK 12,691 thousand at 31 December 2017. Any subsequent corrections to the taxable joint taxation income or withholding taxes may imply that the Company's liability will increase.

The Company has entered into operating leases totalling DKK 2,764 thousand, of which DKK 1,066 thousand is due for payment next year.

The Company has entered into a 2 year rental agreement for a office- and production building with a total rent obligation of DKK 3,309 thousand of which DKK 1,655 thousand is due for payment next year.

Cash at bank and in hand amounting to DKK 99,097 thousand has been pledged as security for a group cash pool.