Marel Salmon A/S

Company registration number (CVR): 66 30 97 11

Juelstrupparken 14, 9530 Støvring

Annual report for 2016

Approved at the Company's annual general meeting on / 2017

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 2016.

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 2016 and of the results of its operations for the financial year 1 January – 31 December 2016.

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, 24, May 2017

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 2016 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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 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, 24, May 2017

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Anette Harritz	Michael E.K. Rasmussen
State Authorised	State Authorised
Public Accountant	Public Accountant

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'0000)	2016	2015	2014	2013	2012
Income statement:					
Revenue	345,838	351,467	304,956	180,890	150,955
Gross profit	114,806	99,442	80,617	47,842	42,726
Ordinary operating profit/loss	50,709	38,883	42,098	23,547	22,397
Financial income and expenses, net	-4,388	-3,304	-49,275	-31,543	-42,357
Profit/loss for the year	44,540	27,073	-15,766	-10,193	-23,074
Balance sheet:					
Total assets	298,509	245,898	223,494	170,160	161,628
Equity	115,612	71,072	43,828	15,065	22,024
Gross investments in property, plant and equipment	1,712	2,849	8,293	1,958	2,846
Financial ratios %:					
Gross margin	33,2	28,3	26,4	26,4	28,3
Operating margin	14,7	11,1	13,8	13,0	14,8
Return on investment (yearly basis)	16,2	16,2	18,8	13,8	13,2
Solvency ratio	38,7	28,9	19,6	8,8	13,0

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 $$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at 31 December}}$$

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.

Unusual circumstances

Some years ago the Company raised a court case for compensation towards a competitor due to patent infringement. In 2016 the case was settled with a compensation of DKK 11.1 million that has been reported under other operating income.

Moreover, reference is made to note 3, in which the matter is described.

Development during the financial year

In 2016 the company has managed to maintain the level of activity that was secured last year and at the same time improve the profitability. The main reason for this is at shift in revenue towards more sales of standard equipment compared to larger projects.

The profit for the year after tax totalled DKK 44.5 million. Equity totalled DKK 115.6 million at the end of the year, corresponding to a solvency ratio of 39%.

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

Capital resources

The Company's capital resources total DKK 104.6 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 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.

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.

Environmental impact

The Company's production primarily comprises the assembly of components from sub-suppliers, and Management is therefore of the opinion that the 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.

Management's review

Operating review

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 7.6 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 2016 and relates to the annual report for 2016.

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 Salmon 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 2016 shows improvement compared to 2015 and the management team has defined improvement projects for the coming year.

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. An e-learning based setup targeted at sales and service employees are being planned for implementation in the coming years, no timetable has been set yet. Further all new customers and vendors are tested in FinScan for sanctions.

Climate and environment
It is the Management opinion that the group's impact on the climate and environment is limited why no policy in this regard has been adopted. In general, it is group policy to reduce this impact to the extent it is considered financially fair and reasonable.

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. In 2017, all new suppliers will be required to comply with the same standards as Marel does on issues related to human rights and labor issues. A system to proactively test vendors for

Management's review

Operating review

Corporate social responsibility

compliance, based on size and risk, is currently in development. A global whistle blower scheme is implemented. No human rights violations were reported in 2016.

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.

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 2016 as there have 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 2017 the Company expects to be able to maintain the same activity level as in 2016, 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 2017 is expected to be at the same level as for 2016.

Financial statements for the period 1 January – 31 December

Accounting policies

The annual report of Marel Salmon A/S for 2016 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, dividends from equity investments in subsidiaries recognised at cost are always recognised in the income statement. 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. Previously, cost was reduced to the extent that distributed dividend exceeded accumulated earnings after the acquisition date.
- Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.
- Going forward, an amount corresponding to the capitalised development costs will be tied to the restricted reserve "Reserve for development costs" under equity. 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.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures other than reclassification within the equity.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Financial statements for the period 1 January – 31 December

Accounting policies

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.

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.

Financial statements for the period 1 January – 31 December

Accounting policies

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.

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.

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, 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.

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

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.

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.

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.

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.

Inventories, continued

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 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.

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.

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.

Financial statements for the period 1 January – 31 December

Accounting policies

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.

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.

Financial statements for the period 1 January – 31 December

Accounting policies

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	2016 (DKK'000)	2015 (DKK'000)
Revenue	1	**345.838**	**351.467**
Production costs	2	-231.032	-252.025
Gross profit		**114.806**	**99.442**
Distribution costs	2	-50.228	-42.238
Administrative expenses	2	-13.869	-18.321
Ordinary operating profit		**50.709**	**38.883**
Other operating income, special items	3	11.104	0
Operating profit		**61.813**	**38.883**
Financial income		387	962
Financial expenses	4	-4.775	-4.266
Profit/loss before tax		**57.425**	**35.579**
Tax on profit for the year	5	-12.885	-8.506
Profit for the year	**6**	**44.540**	**27.073**

Financial statements 1 January - 31 December

Balance sheet

	Note	2016 (DKK'000)	2015 (DKK'000)
ASSETS			
Non-current assets			
Intangible assets	7		
Goodwill		14.688	16.973
Knowhow		750	1.250
Rights		0	169
Development projects		22.295	20.250
		37.733	**38.642**
Property, plant and equipment	8		
Land and buildings		40.789	41.752
Plant and machinery		2.031	2.246
Fixtures, fittings and other equipment		1.163	1.052
		43.983	**45.050**
Investments			
Investments in group enterprises	9	0	0
		0	**0**
Total non-current assets		**81.716**	**83.692**
Current assets			
Inventories	10	**63.184**	**61.072**
Receivables			
Trade receivables		6.886	14.170
Contract work in progress	11	20.760	7.794
Receivables from group enterprises		16.879	14.352
Other receivables		3.365	2.872
Prepayments		1.127	333
		49.017	**39.521**
Cash at bank and in hand		**104.592**	**61.613**
Total current assets		**216.793**	**162.206**
TOTAL ASSETS		**298.509**	**245.898**

Financial statements 1 January - 31 December

Balance sheet

	Note	2016 (DKK'000)	2015 (DKK'000)
EQUITY AND LIABILITIES			
Equity	12		
Share capital		47.000	47.000
Reserve for development cost		7.426	0
Retained earnings		21.186	24.072
Proposed dividends		40.000	0
Total equity		**115.612**	**71.072**
Provisions			
Deferred tax	13	13.949	14.384
Warranties	14	2.540	3.000
		16.489	**17.384**
Non-current liabilities other than provisions			
Payables to group enterprises	15	94.411	94.783
		94.411	**94.783**
Current liabilities other than provisions			
Prepayments from customers	11	2.871	5.080
Trade payables		19.332	16.000
Payables to group enterprises	16	7.036	10.288
Corporation tax		13.406	8.703
Other payables	17	29.352	22.588
Total current liabilities other than provisions		**71.997**	**62.659**
Total liabilities other than provisions		**166.408**	**157.442**
TOTAL EQUITY AND LIABILITIES		**298.509**	**245.898**
Related parties	18		
Collateral, contingent liabilities and lease liabilities	19		

Financial statements 1 January - 31 December

Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividends	Total
Balance at 1 January 2015	47.000	0	-3.172	0	43.828
Adjustments			171		171
Net profit for the year			27.073		27.073
Equity at 1 January 2016	**47.000**	**0**	**24.072**	**0**	**71.072**
Net profit for the year		7.426	37.114		44.540
Proposed dividends			-40.000	40.000	0
Equity at 31 December 2016	**47.000**	**7.426**	**21.186**	**40.000**	**115.612**

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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 2016 is as follows:

	Poultry	Fish	Meat	Others	Total
Revenue	3.425	283.876	54.071	4.466	345.838

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

Revenue	2016 (DKK'000)	2015 (DKK'000)
Denmark	29.849	27.651
Europe other	206.605	222.377
North America	71.149	33.645
Other countries	38.235	67.794
Total	**345.838**	**351.467**

2 Staff costs

Wages and salaries, etc.	101.221	90.902
Pensions	11.604	10.525
Other social security costs	1.580	1.445
	114.405	102.872

Staff costs are recognised as follows:

Production	85.145	76.891
Distribution	24.276	20.684
Administration	4.984	5.297
	114.405	102.872
Average number of employees	214	200

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	2016 (DKK'000)	2015 (DKK'000)
3 Other operating income - special items		
Proceed from settlement of patent case against competitor	11.104	0

As mentioned in the Management's review, 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.

	2016 (DKK'000)	2015 (DKK'000)
4 Financial expenses		
Interest expense, group companies	3.905	3.628
Other financial expenses	870	638
	4.775	4.266
5 Tax		
Tax on profit for the year is specified as follows:		
Current tax	-13.419	-8.702
Deferred tax	435	-171
Correction prior years	99	0
Adjustment of contingent tax due to change in tax rate	0	367
	-12.885	**-8.506**
6 Proposed profit appropriation		
Profit for the year	44.540	27.073
Reserve for development cost	-7.426	0
Proposed dividends	-40.000	0
Transferred to next year	**-2.623**	**27.073**

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7 Intangible assets

	Completed development projects	Ongoing development projects	Total development projects
Cost at 1 January	42.732	7.761	50.493
Additions	0	7.426	7.426
Transferred	493	-493	0
Disposals	0	0	0
Cost at 31 December	43.225	14.694	57.919
Impairment loss and amortisation at 1 January	30.243	0	30.243
Amortisation for the year	5.381	0	5.381
Impairment loss and amortisation at 31 December	35.624	0	35.624
Carrying amount at 31 December	**7.601**	**14.694**	**22.295**

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 ar the majority of the projects are expected to be completed in 2017 where considerable economic benefits are expe

	Knowhow	Rights	Goodwill
Cost at 1 January	2.500	2.499	43.281
Additions during the year		0	0
Cost at 31 December	2.500	2.499	43.281
Impairment loss and amortisation at 1 January	1.250	2.330	26.308
Amortisation for the year	500	169	2.285
Impairment loss and amortisation at 31 December	1.750	2.499	28.593
Carrying amount at 31 December	**750**	**0**	**14.688**

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

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8 Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures and fittings, etc.
Cost at 1 January	61.853	25.762	8.760
Additions	674	487	551
Reclassification		150	-150
Disposals	0	-241	-609
Cost at 31 December	62.527	26.158	8.552
Impairment loss and depreciation at 1 January	20.101	23.516	7.708
Disposals	0	-241	-556
Reclassification		150	-150
Depreciation for the year	1.637	702	387
Impairment loss and depreciation at 31 December	21.738	24.127	7.389
Carrying amount at 31 December	**40.789**	**2.031**	**1.163**

9 Equity investments

	2016 (DKK'000)	2015 (DKK'000)
Investments in group companies		
Cost at 1 January	0	104.519
Additions for the year	0	0
Disposals for the year	0	-104.519
Cost at 31 December	**0**	**0**
Impairment loss at 1 January	0	104.519
Impairmet loss for the year	0	0
Disposal for the year	0	-104.519
Impairment loss at 31 December	**0**	**0**
Net value at 31 December	**0**	**0**

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	2016	2015
	(DKK'000)	(DKK'000)
10 Inventories		
Finished goods	16.001	10.600
Work in progress	20.176	29.879
Raw materials and consumables	27.007	20.593
	63.184	61.072

11 Contract work in progress

	2016	2015
Contract work in progress	26.589	24.701
Progress billings	-8.700	-21.987
Net value at 31 December	17.889	2.714
- recognised as follows:		
Contract work in progress	20.760	7.794
Prepayments from customers	-2.871	-5.080
Net value at 31 December	17.889	2.714

In the above numbers are intercompany projects included with a sales value of DKK 19.834 thousand and progre billings of DKK 2.178 thousand or a net value of DKK 17.656 thousand all reported under assets.

12 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.

	2016	2015	2014	2013	2012
Share capital for the last 5 years	47.000	47.000	47.000	2.300	2.300

	2016	2015
	(DKK'000)	(DKK'000)
13 Deferred tax		
Deferred tax at 1 January	14.384	14.580
Deferred tax for the year recognised in profit for the year	-435	171
Adjustment of deferred tax due to change in tax rate	0	-367
Deferred tax at 31 December	**13.949**	**14.384**

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	2016 (DKK'000)	2015 (DKK'000)
14 Deferred tax, continued		
Deferred tax relates to:		
Intangible assets	6.986	6.923
Property, plant and equipment	3.684	3.436
Current assets	3.279	4.025
	13.949	**14.384**

15 Warranties

	2016	2015
Balance at 1 January	3.000	1.500
Adjustments for the year	-460	1.500
Balance at 31 December	2.540	**3.000**

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	7.036	94.411	101.447	0
	7.036	**94.411**	**101.447**	**0**

17 Other payables

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

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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

	2016	2015
	(DKK'000)	(DKK'000)
Related party transactions		
Group		
Sale of goods	221.156	168.790
Production costs	-24.325	-31.415
Distribution costs	-14.251	-5.254
Administrative expenses	-3.122	-3.280
Financial expenses	-3.905	-3.628
Total	**175.553**	**125.213**

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

Parent Company	(DKK'000)	(DKK'000)
Sale of goods	21.674	12.252
Production costs	-7.235	-2.970
Total	**14.439**	**9.282**

Payables and receivables to group enterprises are disclosed in the balance sheet and in note 11 and 16, and expensed interest is disclosed in note 4.

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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 EUR 3,972 thousand at 31 December 2016. 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 3.154 thousand, of which DKK 1.446 thousand is due for payment next year.

Cash at bank and in hand amounting to DKK 88.725 thousand has been pledged as security for a group cash pool.