Marel Salmon A/S

Company registration number (CVR): 66 30 97 11

Juelstrupparken 14, 9530 Støvring

Annual report for 2021

Approved at the Company's annual general meeting on 24. June 2022
Chairman of the meeting

Gudbjorg H. Gudmundsdottir

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 2021.

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 2021 and of the results of its operations for the financial year 1 January – 31 December 2021.

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

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

Støvring, 24. June 2022

Management Board:

Lars Jøker

Board of Directors:

Gudbjorg H. Gudmundsdottir Chairman	Arni Sigurjonsson	Rebekka Joelsdottir

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 2021 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. 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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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.

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.

Independent auditor's report

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. June 2022

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Mikkel Trabjerg Knudsen	Michael E.K. Rasmussen
State Authorised	State Authorised
Public Accountant	Public Accountant
MNE34459	MNE41364

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

Established: 27.07.1981

Board of Directors

Gudbjorg H. Gudmundsdottir, Chairman
Arni Sigurjonsson
Rebekka Joelsdottir

Management Board

Lars Jøker

Auditors

KPMG P/S
Frederiks Plads 42, 7. tv
8000 Aarhus C
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)	**2021**	**2020**	**2019**	**2018**	**2017**
Income statement:					
Revenue	480,576	450,183	460,034	434,591	419,395
Gross profit	101,019	100,985	145,641	129,955	143,201
Ordinary operating profit	30,349	26,258	68,234	42,507	61,639
Financial income and expenses, net	-928	-3,108	-2,620	-3,536	-6,794
Profit for the year	23,712	19,126	51,103	30,094	47,698
Balance sheet:					
Total assets	417,654	358,019	367,663	330,739	338,209
Equity	126,345	112,633	133,507	92,404	123,310
Gross investments in property, plant and equipment	10,474	3,944	13,880	19,100	6,017
Financial ratios %:					
Gross margin	21.0	22.4	31.7	29.9	34.1
Operating margin	6.3	5.8	14.8	9.8	16.3
Return on investment (yearly basis)	7.8	7.2	19.5	12.7	21.5
Return on equity	30.3	31.5	36.3	27.9	36.5

Financial ratios are calculated in accordance with the guidelines "Recommendations and Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated 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	$\frac{\text{Ordinary operating profit/loss}}{\text{Average number of operating assets}}$
Return on equity	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at 31 December}}$

Management's review

Operating review

Business model

Marel is a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries. Marel has a global reach with local presence in over 30 countries, with sales and service engineers servicing customers in over 140 countries.

Marel's business model is based on providing full-line solutions and services to the food processing industry, one of the most important value chains in the world. With an emphasis on innovation, close partnership with customers, and global and local reach, this model supports our vision of a world where quality food is produced sustainably and affordably.

Our revenue streams consist of sales of standard equipment, major projects, and recurring sales of parts, services, and software licenses. We have a global customer base diversified across different industries, product mixes, and geographical areas, allowing us to achieve and maintain strong profitability throughout economic cycles.

Development during the financial year

Revenue in 2021 totalled DKK 480.6 million which is an increase of DKK 30.4 million (6.8%) compared to 2020.

The higher revenue combined with higher supply chain costs resulted in a gross profit of DKK 101.0 million compared to DKK 101.0 million in 2020. This has led to a gross margin of 21.0% compared to 22.4% in 2020.

The profit for the year after tax totalled DKK 23.7 million, which is an increase of DKK 4.6 million (24.0%) compared to 2020.

Equity totalled DKK 126.3 million at the end of the year, corresponding to a solvency ratio of 30.3%. In 2021 a dividend of DKK 10 million was paid.

Overall the financial statements are in line with our expectations disclosed in the latest published annual report.

Subsequent events

No events materially affecting the Company's financial position have occurred subsequent to the financial year end.

Management's review

Operating review

Unusual conditions

COVID-19:

Marel is a critical infrastructure company for the poultry, meat and fish processing industry. Marel's focus during COVID-19 is on keeping its employees and customers safe, while maintaining productivity of all manufacturing sites. Marel reorganized its manufacturing sites ensuring all sites remained open, although operating at below historical and targeted utilization rates. By systematically building up safety stock of spare parts across locations and having local presence in more than 30 countries, Marel managed to maintain good levels of delivery performance despite a challenging environment.

COVID-19 has had an impact on Marel's results in 2021. There was a global peak in the pandemic resulting in significant lockdowns and logistical challenges, which led to inefficiencies in manufacturing and higher costs for service operations and logistics. Despite positive developments in parts of the world following the introduction of vaccines, infectious new variants have affected the recovery of the global economy.

In the second half of 2021, Marel has been impacted by an imbalance between supply and demand for electronic components and other raw materials, resulting in an increase in prices and delivery times. Marel is working with its highly talented team and partners around the world to resolve imbalances; innovation and agility in ways of working is critical. Marel's highest priority remains to deliver to our customers the right quality, at the right time.

Particular risks

Our management has identified certain key risks to our business that demand attention. Of these, seven key risks are discussed below, together with an overview of corresponding mitigative actions.

Profit and earnings volatility risk:

Our operational results are subject to volatility. Factors like increase in competition, geopolitical conflicts, trade restrictions, and natural disasters might influence our ability to predict revenues, costs, and expenses affecting our growth objectives. Our business model with revenue streams generated by different industries, geographical areas, and product mix allows us to achieve and maintain strong profitability throughout economic cycles.

Management's review

Operating review

Particular risks

Innovation risk:

Changes in technology, failure to understand customer needs, inability to enforce intellectual property rights, etc. can affect our expansion objectives. Our success depends on our ability to develop and successfully introduce new products in addition to ensuring the competitiveness of existing ones, including solutions and software.

Marel will continue to lead the innovation game in the food processing industry by committing significant resources to support its ambitious innovation objectives.

People management risk:

A high turnover rate, disengaged employees, gaps in workforce skills or misalignment of those skills with the company's needs, an inadequate succession plan, etc. can harm our business. Workplace instability, absenteeism, and additional stress caused by the global pandemic, coupled with changing global workforce preferences, further increase the risk of effective talent management.

Marel remains a desirable place to work that attracts and retains talented employees. Throughout the pandemic, we have implemented initiatives to maintain motivation and engage with our workforce in a personal manner. Marel is proactive in adapting its policies to align with current global trends.

Supply chain disruption risk:

As a manufacturer of leading technology solutions, we rely on the timely supply of inputs, as well as continued supply of scarce resources. The global pandemic caused instability in commercial transport and saw an increase in the demand of raw materials. This can lead to increased costs as well as delays to customer delivery.

Marel makes use of its global footprint to mitigate supply chain risks, while continuing to adopt new supply chain technologies. Deliberate mitigations include the increasing of inventory levels, as well as identifying substitute suppliers. The company remains agile and proactive when prioritizing its manufacturing needs.

Management's review

Operating review

Particular risks

Reputation and compliance risk:

Marel operates worldwide and needs to comply with numerous and changing laws and regulations. Failure to comply can lead to penalties and adverse publicity. The evolution of social media further increases the risk of reputational damage.

Marel strives to preserve and enhance its brand value, build resilience, and create emotionally connected customers, employees, and stakeholders, while complying with all industry, regulatory, and other general standards of significance.

Information security risk:

Failure to secure our information systems and data could result in operational disruptions, financial losses, reputational damage with existing and new customers, etc.

Marel continues to invest in new facilities and infrastructure and in upgrading existing ones to ensure their integrity and availability in case of adverse events.

Foreign exchange risk:

As an international company, Marel is exposed to foreign exchange risk arising from various currency movements, primarily with respect to the EUR/USD exchange rate for revenues and EUR/ISK rate on the cost side.

Marel takes advantage of natural currency hedges by matching revenues and operational costs as economically as possible. The company's funding is denominated in its main operational currencies to create natural hedging in the balance sheet. Where necessary, financial exposure is hedged in accordance with Marel's policy on permitted instruments and exposure limits.

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.

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. Marel is committed to developing industry-leading technology in partnership with our customers.

Annually, we invest approximately 6-8% of revenues in research and development, which translated to DKK 37.3 million in 2021. This is essential to the creation of transformative solutions for the food processing industry and securing our competitive advantage, which in turn deliver organic growth to the company.

Corporate social responsibility

Marel Salmon A/S is part of the Marel Group that has signed the United Nations Global Compact. The Company meets the statutory requirement for Corporate Social Responsibility by following the Consolidated Sustainability Policy for Marel Group. For the statutory reporting on Corporate Social Responsibility, according to §99a, we refer to the official SCR reporting for the group which can be found in the ESG report for Marel on the website:
https://marel.com/en/investors/financials#sustainability-and-esg

Goals and policies for the underrepresented gender

This section constitutes Marel Salmon A/S' reporting on gender diversity according to §99b in the Danish Financial Statements Act.

The Marel Group promotes diversity in all its locations worldwide. We must ensure that Marel has a diverse and truly inclusive culture. With this in mind, we have set targets for achieving a better-balanced gender representation across managerial levels and included targets to that effect in our sustainability program.

We understand the value of reflecting the markets and communities we serve across all dimensions – whether that is servicing our customers in their local languages, listening to the needs of our end consumers, moving towards fully local management teams in the regions or hiring and developing more diverse talent in technical roles. Marel employees, prospective employees, contractors, consultants, suppliers, and customers must be treated equally and should not be discriminated against on the grounds of age, race or ethnicity, nationality, or on any other aspect.

Management's review

Operating review

Goals and policies for the underrepresented gender

We want to lead by example and have already taken steps towards this with a well gender-balanced board and executive team. We are also committed to ensuring the right diversity and set of competences at all managerial levels to meet future challenges. We hope to be part of moving our industry towards more diversity and more inclusivity going forward, and feel very proud that both our Board and Executive team are in the optimal gender balance within the 40-60% ratio.

In 2021, Marel introduced a new Global Diversity and Inclusion Policy with additional focus on inclusion and accountability. The overall objective of the policy and accompanying action plan is to build and maintain a diverse and inclusive culture, where people thrive and drive the success of Marel. The D&I policy is aligned to the updated Code of Conduct. We also trained 76% of managers globally on how they can play active roles in creating a culture of inclusion and allyship.

Policy for the gender quota on the Management Board:

Under section 99b of the Danish Companies Act, the Board of Directors of Marel Salmon A/S has determined the Company's policy to increase the share of the underrepresented gender in the Company's Management in general.

The Board of Directors and Management Board of Marel Salmon A/S are now two woman and two men. As this is compliant with the Danish Business Authority's recommendations, Marel Salmon is not required to set targets for the underrepresented gender.

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 line of business, which has a predominance of male employees. The present management team in Marel Salmon A/S comprises 5 persons of which none is female.

In the management team, we seek diversity in line with Group policy. Marel aims to obtain equality between co-workers, and finds that the positions in the management team are equally suitable for both men and women. However, as Marel is considered a good workplace, we do not have frequently changes in the management group.

Management's review

Operating review

Goals and policies for the underrepresented gender

In case a manger leaves, Marel will strive to get a more diverse management team, as we want to improve the gender balance for the future, as well as making a systematic effort to give the employees a good work life balance.

The measures initiated have not yet implied any changes in the gender quota of the management team during 2021, as no replacements has taken place.

Outlook

Increased geopolitical tensions, especially in Europe in the early months of 2022 will cause uncertainty. Marel has a balanced exposure to global economies and local markets through its global reach, innovative product portfolio and diversified business mix. Indeed, our business model has proved to be resilient during times of turbulence. Our global reach and years of investment in innovation and digital solutions have proved to be key differentiating factors for Marel. These will enable us to push forward and help us navigate geopolitical tensions in the long run. That path is of course one of discovery to some extent, with inherent challenges and learnings, but one that team Marel will manage with its characteristic determination.

The expectation for 2022 is an increase in revenue of 12 % from organic growth and to achieve a gross margin of 25 %, which includes R&D cost that are expected to remain at 6-8 % of revenue. For the sales and administration cost these are expected to remain at 15 % of revenue. Thereby the expectation is to deliver an EBIT margin of 10 %. These expectations are subjected to uncertainties due the increased geopolitical tensions mentioned above.

Reporting on data ethics

The Company does not have any policy for data ethics as it is not an integrated part of the company's strategy.

Financial statements 1 January - 31 December 2021

Income statement

	Note	2021	2020
		(DKK'000)	(DKK'000)
Revenue	2	480.576	450.183
Production costs	3	-379.557	-349.198
Gross profit		**101.019**	**100.985**
Distribution costs	3	-57.894	-59.150
Administrative expenses	3	-12.776	-15.577
Operating profit		**30.349**	**26.258**
Financial income	4	959	81
Financial expenses	5	-1.886	-3.189
Profit before tax		**29.422**	**23.150**
Tax on profit for the year	6	-5.710	-4.024
Profit for the year	**7**	**23.712**	**19.126**

Financial statements 1 January - 31 December 2021

Balance sheet

	Note	2021	2020
ASSETS		(DKK'000)	(DKK'000)
Non-current assets			
Intangible assets	8		
Goodwill		3.267	5.548
Development projects		41.219	34.952
Total intangible assets		**44.486**	**40.500**
Tangible assets			
Property, plant and equipment	9	64.018	61.283
Total tangible assets		**64.018**	**61.283**
Equity investments			
Other securities and equity investments	10	1.122	1.122
Total equity investments		**1.122**	**1.122**
Total non-current assets		**109.626**	**102.905**
Current assets			
Inventories	11	**116.309**	**86.730**
Receivables			
Trade receivables		16.570	13.420
Contract work in progress	12	93.349	50.775
Receivables from group enterprises		25.026	41.253
Other receivables		4.544	4.191
Prepayments		180	76
Total receivables		**139.669**	**109.715**
Cash at bank and in hand		**52.050**	**58.669**
Total current assets		**308.028**	**255.114**
TOTAL ASSETS		**417.653**	**358.019**

Financial statements 1 January - 31 December 2021

Balance sheet

	Note	2021	2020
		(DKK'000)	(DKK'000)
EQUITY AND LIABILITIES			
Equity	13		
Share capital		47.000	47.000
Reserve for development cost		30.550	25.048
Retained earnings		33.795	30.585
Proposed dividends		15.000	10.000
Total equity		**126.345**	**112.633**
Provisions			
Deferred tax	14	28.625	23.173
Warranties	15	3.390	3.390
Total provisions		**32.015**	**26.563**
Non-current liabilities other than provisions	16		
Payables to group enterprises		74.380	94.533
Lease liabilities		5.502	6.083
Other payables		14.474	0
Total non-current liabilities other than provisions		**94.356**	**100.616**
Current liabilities other than provisions			
Lease liabilities		2.815	2.607
Prepayments from customers	12	25.673	27.283
Trade payables		40.177	18.334
Payables to group enterprises	16	56.982	19.037
Corporation tax		258	1.768
Other payables	17	39.033	49.178
Total current liabilities other than provisions		**164.938**	**118.207**
Total liabilities other than provisions		**259.294**	**218.823**
TOTAL EQUITY AND LIABILITIES		**417.654**	**358.019**

Related parties	18
Collateral, contingent liabilities and lease liabilities	19

Financial statements 1 January - 31 December 2021

Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividends	Total
Balance at 1 January 2020	47.000	19.963	26.544	40.000	133.507
Net profit for the year		5.085	14.041		19.126
Dividend paid				-40.000	-40.000
Proposed dividends			-10.000	10.000	0
Equity at 1 January 2021	**47.000**	**25.048**	**30.585**	**10.000**	**112.633**
Net profit for the year		5.502	18.210		23.712
Dividend paid				-10.000	-10.000
Proposed dividends			-15.000	15.000	0
Equity at 31 December 2021	**47.000**	**30.550**	**33.795**	**15.000**	**126.345**

Financial statements 1 January - 31 December 2021

Notes

1 Accounting policies

The annual report of Marel Salmon A/S for 2021 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.

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 1 January - 31 December 2021

Notes

1 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.

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

Financial statements 1 January - 31 December 2021

Notes

1 Accounting policies

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, knowhow and rights 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 assets under construction 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. The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life.

Financial statements 1 January - 31 December 2021

Notes

1 Accounting policies

Property, plant and equipment

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

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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.

Leased assets

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other fixed 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.

Short term leases and leases of low-value assets

Short term leases that have a lease term of 12 month or less and leases of low-value assets are not recognized as right of use assets and lease liability and the lease payments associated with these leases are expensed as a straight line base over the lease term.

The Company's obligation relating to these leases is disclosed in contingent liabilities.

Financial statements 1 January - 31 December 2021

Notes

1 Accounting policies

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.

Equity investments

Other securities and equity investments containing of lease deposits and other financial deposits are measured at cost.

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.

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1 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, such as licence fees and exhibition cost.

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1 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,

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.

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Notes

1 Accounting policies

Corporation tax and deferred tax

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.

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.

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1 Accounting policies

Applied exemption clauses in the Danish Financial Statements Act

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.

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2 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 2021 is as follows:

	Poultry	Fish	Meat	Others	Total
Revenue	1.839	374.422	103.082	1.233	**480.576**

Geographical information

The Companys operating segments operate in four main geographical areas

	2021	2020
Revenue	(DKK'000)	(DKK'000)
Denmark	39.726	34.847
Europe other	321.700	304.938
North America	56.121	45.966
Other countries	63.029	64.432
	480.576	**450.183**

3 Staff costs

Wages and salaries, etc.	134.290	128.493
Pensions	16.808	15.746
Other social security costs	2.181	1.801
	153.279	**146.040**

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	2021	2020
3 Staff costs	(DKK'000)	(DKK'000)

Staff costs are recognised as follows:

	2021	2020
Production	119.183	116.116
Distribution	26.992	24.383
Administration	7.104	5.541
	153.279	**146.040**
Average number of employees	282	270

Incentive schemes

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.

4 Financial income

	2021	2020
Other financial income	959	81
	959	**81**

5 Financial expenses

	2021	2020
Interest expense, group companies	1.411	1.589
Other financial expenses	475	1.600
	1.886	**3.189**

6 Tax for the year

Tax on profit for the year is specified as follows:

	2021	2020
Current tax	-258	-1.768
Deferred tax	-5.452	-2.256
	-5.710	**-4.024**

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7 Proposed profit appropriation

	2021 (DKK'000)	2020 (DKK'000)
Profit for the year	23.712	19.126
Reserve for development cost	-5.502	-5.085
Proposed dividends	-15.000	-10.000
Transferred to next year	**3.210**	**4.041**

8 Intangible assets

	Knowhow	Rights	Goodwill
Cost at 1 January	2.500	2.499	43.281
Cost at 31 December	2.500	2.499	43.281
Impairment loss and amortisation at 1 January	2.500	2.499	37.733
Amortisation for the year	0	0	2.281
Impairment loss and amortisation at 31 December	2.500	2.499	40.014
Carrying amount at 31 December	**0**	**0**	**3.267**

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

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8 Intangible assets

	Completed development projects	Development projects in progress	Total development projects
Cost at 1 January	70.859	26.868	97.727
Additions	0	9.798	9.798
Transferred	5.877	-5.877	0
Cost at 31 December	76.736	30.789	107.525
Impairment loss and amortisation at 1 January	62.775	0	62.775
Amortisation for the year	3.531	0	3.531
Impairment loss and amortisation at 31 December	66.306	0	66.306
Carrying amount at 31 December	**10.430**	**30.789**	**41.219**

Completed development projects relate to the development 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 2022 where considerable economic benefits are expected.

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9 Property, plant and equipment, own

	Land and buildings	Plant and machinery	Fixtures and fittings, etc.	Assets under construction	Total
Cost at 1 January	64.468	42.721	10.018	0	117.207
Additions	256	1.424	411	6.005	8.096
Disposals	0	-595	0	0	-595
Cost at 31 December	64.724	43.550	10.429	6.005	124.708
Impairment loss and depreciation at 1 January	28.535	26.566	9.432	0	64.533
Disposals	0	-595	0	0	-595
Depreciation for the year	1.737	2.865	352	0	4.954
Impairment loss and depreciation at 31 Decembe	30.272	28.836	9.784	0	68.892
Carrying amount at 31 December	**34.452**	**14.714**	**645**	**6.005**	**55.816**

Property, plant and equipment, leased

	Land and buildings	Plant and machinery	Fixtures and fittings, etc.	Assets under construction	Total
Cost at 1 January	8.144	0	4.815	0	12.959
Additions	147	0	2.231	0	2.378
Disposals	0	0	-1.748	0	-1.748
Cost at 31 December	8.291	0	5.298	0	13.589
Impairment loss and depreciation at 1 January	1.629	0	2.721	0	4.350
Disposals	0	0	-1.730	0	-1.730
Depreciation for the year	1.667	0	1.100	0	2.767
Impairment loss and depreciation at 31 Decembe	3.296	0	2.091	0	5.387
Carrying amount at 31 December	**4.995**	**0**	**3.207**	**0**	**8.202**
Total	**39.447**	**14.714**	**3.852**	**6.005**	**64.018**

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	2021	2020
10 Other securities and equity investments	(DKK'000)	(DKK'000)
Deposits for lease of building	827	828
Deposits for foreign VAT	295	294
	1.122	**1.122**

11 Inventories		
Finished goods	16.389	20.458
Work in progress	34.076	32.097
Raw materials and consumables	65.844	34.175
	116.309	**86.730**

12 Contract work in progress		
Contract work in progress	141.787	93.395
Progress billings	-74.111	-69.903
Net value at 31 December	**67.676**	**23.492**
- recognised as follows:		
Contract work in progress	93.349	50.775
Prepayments from customers	-25.673	-27.283
Net value at 31 December	**67.676**	**23.492**

In the above numbers are intercompany projects included with a sales value of DKK 64,921 thousand and progress billings of DKK 13,396 thousand or a net value of DKK 51,525 thousand with DKK 63,104 thousand reported under assets and DKK 11,579 thousand reported under liabilities.

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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.

	2021	2020	2019	2018	2017
Share capital for the last 5 years	47.000	47.000	47.000	47.000	47.000

14 Deferred tax

	2021 (DKK'000)	2020 (DKK'000)
Deferred tax at 1 January	23.173	20.690
Deferred tax for the year recognised in profit for the year	5.452	2.256
Correction to deferred taxes prior years	0	227
Deferred tax at 31 December	**28.625**	**23.173**
Deferred tax relates to:		
Intangible assets	9.786	8.645
Property, plant and equipment	5.713	5.725
Current assets	13.151	8.821
Liabillities other than provision	-25	-18
	28.625	**23.173**

15 Warranties

	2021	2020
Balance at 1 January	3.390	3.240
Adjustments for the year	0	150
Balance at 31 December	**3.390**	**3.390**

Date of maturity is expected to be 0-1 year

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16 Non-current liabilities

	Current portion	Non-current portion	Total	Hereof falling due after more than five years
Payables to group enterprises	56.982	74.380	131.362	0
Lease liabillities	2.815	5.502	8.317	0
Other payables	39.033	14.474	53.507	13.093
	98.830	**94.356**	**193.186**	**13.093**

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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		2021	2020
18	**Related parties**	(DKK'000)	(DKK'000)
	Related party transactions:		
	Group		
	Sale of goods	239.382	249.723
	Production costs	-52.710	-63.294
	Distribution costs	-22.191	-24.445
	Administrative expenses	-5.520	-5.935
	Financial expenses	-1.411	-1.589
	Total	**157.550**	**154.460**

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

	2021	2020
Parent Company		
Sale of goods	22.268	15.573
Production costs	-25.328	-16.209
Total	**-3.060**	**-636**
Dividend	**10.000**	**40.000**

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.

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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 totaled a receivable of DKK 3,528 thousand at 31 December 2021. Any subsequent corrections to the taxable joint taxation income or withholding taxes may imply that the Company's liability will increase.

Cash at bank and in hand amounting to DKK 52,050 thousand has been pledged as security for a group cash pool.