

## Marel Salmon A/S

Company registration number (CVR): 66 30 97 11

Juelstrupparken 14, 9530 Støvring

Annual report for 2020

Approved at the Company's annual general meeting on <sup>25</sup>/<sub>6</sub> 2021  
Chairman of the meeting

A handwritten signature in blue ink, appearing to be "Toris Fjærnes", written over a horizontal line.

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## 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 2020.

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 2020 and of the results of its operations for the financial year 1 January – 31 December 2020.

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, 25. June 2021

**Management Board:**



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Lars Jøker

**Board of Directors:**



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Gudbjörg H. Guðmundsdóttir      Arni Sigurðsson      Rebekka Joelsdóttir  
Chairman

## **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 2020 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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 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.

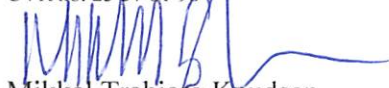
Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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, 25. June 2021

#### KPMG

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 67 81 98



Mikkel Trabjerg Knudsen  
State Authorised  
Public Accountant  
MNE34459



Michael E.K. Rasmussen  
State Authorised  
Public Accountant  
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  
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](http://www.marel.com).

## Management's review

### Financial highlights

(DKK'000)	2020	2019	2018	2017	2016
<b>Income statement:</b>					
Revenue	450,183	460,034	434,591	419,395	345,838
Gross profit	101,135	145,641	129,955	143,201	114,806
Ordinary operating profit	26,258	68,234	42,507	61,639	50,709
Financial income and expenses, net	-3,107	-2,620	-3,536	-6,794	-4,388
Profit for the year	19,126	51,103	30,094	47,698	44,540
<b>Balance sheet:</b>					
Total assets	358,019	367,663	330,739	338,209	298,509
Equity	112,633	133,507	92,404	123,310	115,612
Gross investments in property, plant and equipment	3,944	13,880	19,100	6,017	1,712
<b>Financial ratios %:</b>					
Gross margin	22.4	31.7	29.9	34.1	33.2
Operating margin	5.8	14.8	9.8	16.3	14.7
Return on investment (yearly basis)	7.2	19.5	12.7	21.5	18.6
Return on equity	31.5	36.3	27.9	36.5	38.8

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



## **Management's review**

### **Operating review**

#### **Business model**

Marel provide advanced equipment and systems to the fish, meat and poultry industries around the world. Our customers are predominantly companies using advanced and high-end equipment and we serve producers looking to increase the automatization of their production process.

We are defined by our dedication to innovation, reflected in our extensive R&D investments, and we invest around 6% of revenues in research and development annually. Our approach to innovation is not limited to mechanical engineering to optimize performance of each application, but also encompasses integrated technologies and connectivity. Data analytics and software control are becoming increasingly important.

At Marel we focus our efforts on our three main industries of operation, fish, meat and poultry, and are constantly working on new ways to improve existing processes, increase automation and streamlining product processing.

Our strong and long lasting relationship with our customers forms the bedrock of our business model. We are here to partner with our customers, and together we innovate and create products that set new benchmarks in the industry and archive continuous improvements in line with our customer needs.

Marel's extensive sales and service network, spread out across more than 30 countries, is a key competitive edge. The network is Marel's first line of contact for customers at the local level, and it brings first-rate service, consistency and continuity to our partnership with our clients.

#### **Development during the financial year**

Revenue in 2020 totalled DKK 450.2 million which is a drop of DKK 9.9 million (2.1%) compared to 2019.

The lower revenue combined with a shift in the product mix, had a negative effect on the gross profit margin, leading to a drop in gross profit of DKK 44.6 million.

In 2020 Marel Salmon A/S has implemented a new Product Lifecycle Management System, which is the backbone for production, spare part handling and installed base information. The cost of the implementation has been booked of as cost in the Profit and Loss statement for the year.

## **Management's review**

### **Operating review**

#### **Development during the financial year, continued**

The profit for the year after tax totalled DKK 18.9 million, which is DKK 32.1 million less than 2019. Equity totalled DKK 112.5 million at the end of the year, corresponding to a solvency ratio of 31%. The equity was reduced by paying dividend for a total of DKK 40 million during 2020.

Profit was lower than expectations disclosed in the latest published annual report, though comparable to updated expectations in a COVID-19 environment.

#### **COVID-19**

Marel is a critical infrastructure company for the poultry, meat and fish industry. Marel's focus during the 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 delivery performance despite a challenging environment.

Marel did not make use of government support or rent discounts related to COVID-19 in 2020.

#### **Capital resources**

The Company's capital resources total DKK 58.7 million, corresponding to the Company's cash and cash equivalents.

#### **Particular risks**

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

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

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

## **Management's review**

### **Operating review**

#### **Particular risks**

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

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

#### **Intellectual capital**

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

#### **Research and development activities**

The Company's research and development activities comprise regular development of new and existing products and processes for the food industry. Approx. DKK 35.1 million was capitalized and expensed on development projects and activities during the financial year equivalent to 7.8% of revenue. 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)**

Marel Salmon A/S is part of the global Marel Group that has signed the United Nations Global Compact. The official CSR reporting for the group can be found in the annual report for Marel on the website <https://www.marel.com/en/investors/financials#financial-reports>

The statutory report on corporate social responsibility for Marel Salmon A/S covers the financial period 1 January – 31 December 2020 and relates to the annual report for 2020.

#### **Corporate social responsibility**

##### *Social and staff matters*

Marel's human resources mission is to engage competent employees and provide them with a supportive and ambitious work environment that motivates and encourages them to make Marel's vision their own. To do this, we provide excellent training and opportunities for further education and job development. We work hard to promote a spirit of teamwork and co-operation throughout the whole organization.

## **Management's review**

### **Operating review**

#### **Corporate social responsibility**

One of the biggest risks is the employee's retention, which we manage through our development trainings and employee satisfaction surveys that guide us to improve ourselves as employer and continue delivering value to our employees.

The Management has an ongoing focus on ensuring that Marel Salmon A/S is an attractive workplace for its employees. We do this by supporting a number of employee activities, e.g. sports, social events and a good and healthy canteen. We have a policy of open communication as well as promoting a culture that seeks a healthy balance between work and personal life.

Employee engagement is measured in annual surveys and employee interviews upon which operational changes are implemented. For 2020 we have seen a small improvement in the overall rating, going from 3,69 to 3,80 (with 5 being the maximum score).

Based on the survey the individual team's defined improvement projects to be worked on during 2020 within each function.

Our engagement with the local community is mainly focused on educational outreach in collaboration with local educational institutions, using internships and trainee programs to assist talented young professionals entering the workforce.

#### *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 2017 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.

The main risk related to our activities include employees and suppliers' violation of our Code of Conduct and our Anti-corruption policies and potential legal and financial consequences hereof. In order to limit such risks, we provide training for both current and new employees.

Furthermore all new customers and vendors are tested in FinScan for sanctions as well as a no cash policy being in place for all transactions made between the company and its customers. No breaches to the anti-corruption and bribery policy was recorded in 2020.

## **Management's review**

### **Operating review**

#### **Corporate social responsibility**

##### *Climate and environment*

One of our sustainability goals is to help our customers use less water and energy while minimizing their CO<sub>2</sub> footprint during production. In general, it is the group's policy to reduce this impact to the extent it is considered financially fair and reasonable. A number of projects have been implemented to support precautionary approaches to environmental challenges, and in 2017 we added a sustainability Scorecard to the product development process, which encourages inclusion of sustainable features from the beginning of the product development process.

Because we are in the food processing business animal welfare is high on our agenda, particularly for our research and development process, where a number of sustainability indicators on animal welfare is included in the sustainability scorecard. By instituting good animal welfare practices in general, we can increase the quality of products and production while simultaneously reducing the carbon footprint of food processing using Marel solutions.

The main risk to the climate and the environmental impact is the increased carbon emission.

The two largest indirect contributors to our carbon footprint are energy consumption in our facilities and employee air travel. Due to the pandemic and the global travel ban that followed, our carbon emission has been reduced, and through the learnings we have made during the pandemic we will strive to continue to continuously lower our carbon footprint by actively encouraging employees to continue to use alternative means of meeting and communicating with each other and our customers.

In 2020 we have introduced a sustainability dashboard where we monitor key factors such as waste and our ability to recycle it, and water and energy consumption. We continue to change our lighting sources to LED.

Further we are working on implementing a CTS System to centrally control heat and ventilation to be able to reduce the consumption of energy.

##### *Human rights*

In Marel we have a zero-tolerance policy concerning human rights violations including child labor, forced labor or illegal labor conditions. All Marel employees are required to have reached legal working age in the country they work in and no Marel facilities are allowed to be associated with illegal labor conditions or forced labor.

## Management's review

### Operating review

#### Corporate social responsibility

We are committed to respecting all employees' freedom of association and right to collective bargaining without discrimination.

No human rights violations was recorded in 2020.

The main risk related to our activities includes work accidents especially for our operational staff.

Marel is dedicated in providing a safe and healthy working environment, and in order to limit the risk, we do our utmost to make sure our employees have the necessary competences, tools and instructions to perform their work professionally and safely. A Marel Safety, Health and Environment (SHE) Support team monitors compliance with the Marel SHE Policy and facilitates the process for improvement.

The reported number of accidents and the correspondent number of sick days has developed like this:

	2017	2018	2019	2020
Accidents	15	7	14	8
Number of sick days	6	33	6	27

In 2020 no serious accidents were reported.

We are continuously working with safety. In 2021, Marel has launched a global campaign under the name "Zero harm". Huge efforts will be made to create a healthy, safe and productive workplace by taking care of our colleagues, our community, our customers and ourselves.

One of the steps in DK towards zero harm is to hire a local HSE Manager to take health and safety to a new level at Marel's locations in DK.

A global diversity policy was adopted in 2017, and has been implemented from 2018 and onwards. Its objective is to insure that equality and diversity within Marel as well as increasing job satisfaction and well-being in the workplace.

The diversity policy rests on four, equally important, pillars:

1. Ensuring equal opportunity
2. Promoting a company culture of tolerance and integration
3. Acting strong and decisively against any bullying, violence or harassment
4. Increasing the visibility of Marel

## **Management's review**

### **Operating review**

#### **Corporate social responsibility (§99 a)**

We aim to make sure that employees are not discriminated against on the grounds of their gender, beliefs, nationality, race, sexual orientation, religion, color, personal finances, family, age or on any other grounds.

#### **Disclosure on Gender diversity requirements (§99 b)**

##### *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 members 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 4 persons of which one 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.

In case a manger leaves, Marel will strive to get more women in the 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.

## **Management's review**

### **Operating review**

#### **Disclosure on Gender diversity requirements (§99 b)**

The measures initiated have not yet implied any changes in the gender quota of the management team during 2020, as no replacements has taken place.

### **Outlook**

COVID-19 is expected to continue to have an impact in 2021, although it is not known what the full economic impact of COVID-19 will be on Marel. Marel enjoys a balanced exposure to global economies and local markets through its global reach, innovative product portfolio and diversified business mix. Marel's balance sheet and cash flow remain strong, though the Company is impacted by the pandemic.

Marel's significant investments in its business and infrastructure in the past years have uniquely positioned us to capture the many opportunities ahead. Furthermore, we will accelerate and increase our investment in the digital platform.

Based on the actual result for the first 4 month of 2021 the result for the full year is expected to be comparable with 2020, while fluctuations may occur.



# **Financial statements for the period 1 January – 31 December**

## **Accounting policies**

The annual report of Marel Salmon A/S for 2020 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.

### **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**

#### **Income statement**

##### **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 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, 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. 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**

#### **Leased assets**

Leased assets is depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use assets or the end of the lease term. The estimated useful lives of the assets are determined on the same basis as those of property and equipment.

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.

#### **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.

## **Financial statements for the period 1 January – 31 December**

### **Accounting policies**

#### **Inventories**

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

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

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

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

#### **Receivables**

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable 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.

## **Financial statements for the period 1 January – 31 December**

### **Accounting policies**

#### **Prepayments**

Prepayments comprise costs incurred concerning subsequent financial years, such as licence fees and exhibition cost.

#### **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 development costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

#### **Corporation tax and deferred tax**

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

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

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

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

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

## **Financial statements for the period 1 January – 31 December**

### **Accounting policies**

#### **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.

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](http://www.marel.com).

## Financial statements 1 January - 31 December 2020

### Income statement

	Note	2020 (DKK'000)	2019 (DKK'000)
Revenue	1	450,183	460,034
Production costs	2	-349,198	-314,393
<b>Gross profit</b>		<b>100,985</b>	<b>145,641</b>
Distribution costs	2	-59,150	-61,448
Administrative expenses	2	-15,577	-15,959
<b>Operating profit</b>		<b>26,258</b>	<b>68,234</b>
Financial income	3	81	220
Financial expenses	4	-3,189	-2,840
<b>Profit before tax</b>		<b>23,150</b>	<b>65,614</b>
Tax on profit for the year	5	-4,024	-14,511
<b>Profit for the year</b>	<b>6</b>	<b>19,126</b>	<b>51,103</b>



## Financial statements 1 January - 31 December 2020

### Balance sheet

	Note	2020 (DKK'000)	2019 (DKK'000)
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>	7		
Goodwill		5,548	7,833
Development projects		34,952	30,552
		<u>40,500</u>	<u>38,385</u>
<b>Tangible assets</b>			
Property, plant and equipment	8	61,283	65,444
		<u>61,283</u>	<u>65,444</u>
<b>Equity investments</b>			
Other securities and equity investments	9	1,122	1,122
		<u>1,122</u>	<u>1,122</u>
<b>Total non-current assets</b>		<u>102,905</u>	<u>104,951</u>
<b>Current assets</b>			
<b>Inventories</b>	10	<u>86,730</u>	<u>87,580</u>
<b>Receivables</b>			
Trade receivables		13,420	14,606
Contract work in progress	11	50,775	24,941
Receivables from group enterprises		41,253	13,982
Other receivables		4,191	3,000
Prepayments		76	458
		<u>109,715</u>	<u>56,987</u>
<b>Cash at bank and in hand</b>		<u>58,669</u>	<u>118,145</u>
<b>Total current assets</b>		<u>255,114</u>	<u>262,712</u>
<b>TOTAL ASSETS</b>		<u>358,019</u>	<u>367,663</u>

## Financial statements 1 January - 31 December 2020

### Balance sheet

	Note	2020	2019
		(DKK'000)	(DKK'000)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	12		
Share capital		47,000	47,000
Reserve for development cost		25,048	19,963
Retained earnings		30,585	26,544
Proposed dividends		10,000	40,000
<b>Total equity</b>		<b>112,633</b>	<b>133,507</b>
<b>Provisions</b>			
Deferred tax	13	23,173	20,690
Warranties	14	3,390	3,240
		<b>26,563</b>	<b>23,930</b>
<b>Non-current liabilities other than provisions</b>	15		
Payables to group enterprises		94,533	94,884
Lease liabilities		6,083	8,876
		<b>100,616</b>	<b>103,760</b>
<b>Current liabilities other than provisions</b>			
Lease liabilities		2,607	1,501
Prepayments from customers	11	27,283	3,256
Trade payables		18,334	24,181
Payables to group enterprises	15	19,037	24,970
Corporation tax		1,768	12,919
Other payables	16	49,178	39,639
<b>Total current liabilities other than provisions</b>		<b>118,207</b>	<b>106,466</b>
<b>Total liabilities other than provisions</b>		<b>218,823</b>	<b>210,226</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>358,019</b>	<b>367,663</b>
Related parties	17		
Collateral, contingent liabilities and lease liabilities	18		

## Financial statements 1 January - 31 December 2020

### Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividends	Total
Balance at 1 January 2019	47,000	18,643	16,761	10,000	92,404
Net profit for the year		1,320	49,783		51,103
Dividend paid				-10,000	-10,000
Proposed dividends			-40,000	40,000	0
<b>Equity at 1 January 2020</b>	<b>47,000</b>	<b>19,963</b>	<b>26,544</b>	<b>40,000</b>	<b>133,507</b>
Net profit for the year		5,085	14,041		19,126
Dividend paid				-40,000	-40,000
Proposed dividends			-10,000	10,000	0
<b>Equity at 31 December 2020</b>	<b>47,000</b>	<b>25,048</b>	<b>30,585</b>	<b>10,000</b>	<b>112,633</b>

## Financial statements 1 January - 31 December 2020

### Notes

#### 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 2020 is as follows:

	Poultry	Fish	Meat	Others	Total
<b>Revenue</b>	<u>1,461</u>	<u>329,811</u>	<u>118,119</u>	<u>792</u>	<u>450,183</u>

##### Geographical information

The Company's operating segments operate in four main geographical areas

	2020 (DKK'000)	2019 (DKK'000)
<b>Revenue</b>		
Denmark	34,847	36,904
Europe other	304,938	326,880
North America	45,966	49,534
Other countries	64,432	46,717
<b>Total</b>	<u>450,183</u>	<u>460,034</u>

#### 2 Staff costs

Wages and salaries, etc.	128,493	125,912
Pensions	15,746	15,178
Other social security costs	1,801	1,976
	<u>146,040</u>	<u>143,066</u>

Staff costs are recognised as follows:

Production	116,116	110,512
Distribution	24,383	27,090
Administration	5,541	5,464
	<u>146,040</u>	<u>143,066</u>
Average number of employees	<u>270</u>	<u>268</u>

## Financial statements 1 January - 31 December 2020

### Notes

	<u>2020</u>	<u>2019</u>
	(DKK'000)	(DKK'000)
<b>3 Financial income</b>		
Other financial income	81	220
	<u>81</u>	<u>220</u>
<b>4 Financial expenses</b>		
Interest expense, group companies	1,589	2,468
Other financial expenses	1,600	372
	<u>3,189</u>	<u>2,840</u>
<b>5 Tax</b>		
Tax on profit for the year is specified as follows:		
Current tax	-1,768	-12,919
Deferred tax	-2,256	-1,706
Correction prior years	0	114
	<u>-4,024</u>	<u>-14,511</u>
<b>6 Proposed profit appropriation</b>		
Profit for the year	19,126	51,103
Reserve for development cost	-5,085	-1,320
Proposed dividends	-10,000	-40,000
<b>Transferred to next year</b>	<u>4,041</u>	<u>9,783</u>

## Financial statements 1 January - 31 December 2020

### Notes

#### 7 Intangible assets

	<u>Knowhow</u>	<u>Rights</u>	<u>Goodwill</u>
Cost at 1 January	2,500	2,499	43,281
Cost at 31 December	<u>2,500</u>	<u>2,499</u>	<u>43,281</u>
Impairment loss and amortisation at 1 January	2,500	2,499	35,448
Amortisation for the year	<u>0</u>	<u>0</u>	<u>2,285</u>
Impairment loss and amortisation at 31 December	<u>2,500</u>	<u>2,499</u>	<u>37,733</u>
<b>Carrying amount at 31 December</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>5,548</u></b>

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

#### Intangible assets

	<u>Completed development projects</u>	<u>Development projects in progress</u>	<u>Total development projects</u>
Cost at 1 January	65,778	19,377	85,155
Additions	0	12,572	12,572
Transferred	5,081	-5,081	0
Cost at 31 December	<u>70,859</u>	<u>26,868</u>	<u>97,727</u>
Impairment loss and amortisation at 1 January	54,603	0	54,603
Amortisation for the year	3,812	0	3,812
Impairment loss for the year	<u>4,360</u>	<u>0</u>	<u>4,360</u>
Impairment loss and amortisation at 31 December	<u>62,775</u>	<u>0</u>	<u>62,775</u>
<b>Carrying amount at 31 December</b>	<b><u>8,084</u></b>	<b><u>26,868</u></b>	<b><u>34,952</u></b>

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 2020 where considerable economic benefits are expected.

## Financial statements 1 January - 31 December 2020

### Notes

#### 8 Property, plant and equipment, own

	Land and buildings	Plant and machinery	Fixtures and fittings, etc.	Total
Cost at 1 January	64,468	40,084	10,431	114,983
Additions	0	2,686	0	2,686
Transferred	0	0	0	0
Disposals	0	-49	-413	-462
Cost at 31 December	<u>64,468</u>	<u>42,721</u>	<u>10,018</u>	<u>117,207</u>
Impairment loss and depreciation at 1 January	26,796	23,974	9,132	59,902
Disposals	0	-49	-385	-434
Depreciation for the year	1,739	2,641	685	5,065
Impairment loss and depreciation at 31 December	<u>28,535</u>	<u>26,566</u>	<u>9,432</u>	<u>64,533</u>
<b>Carrying amount at 31 December</b>	<b><u>35,933</u></b>	<b><u>16,155</u></b>	<b><u>586</u></b>	<b><u>52,674</u></b>

#### Property, plant and equipment, leased

	Land and buildings	Plant and machinery	Fixtures and fittings, etc.	Total
Cost at 1 January	8,144	0	4,232	12,376
Additions	0	0	1,258	1,258
Transferred	0	0	0	0
Disposals	0	0	-675	-675
Cost at 31 December	<u>8,144</u>	<u>0</u>	<u>4,815</u>	<u>12,959</u>
Impairment loss and depreciation at 1 January	0	0	2,013	2,013
Disposals	0	0	-675	-675
Depreciation for the year	1,629	0	1,383	3,012
Impairment loss and depreciation at 31 December	<u>1,629</u>	<u>0</u>	<u>2,721</u>	<u>4,350</u>
<b>Carrying amount at 31 December</b>	<b><u>6,515</u></b>	<b><u>0</u></b>	<b><u>2,094</u></b>	<b><u>8,609</u></b>
<b>Total</b>	<b><u>42,448</u></b>	<b><u>16,155</u></b>	<b><u>2,680</u></b>	<b><u>61,283</u></b>

## Financial statements 1 January - 31 December 2020

### Notes

	2020	2019
	(DKK'000)	(DKK'000)
<b>9 Other securities and equity investments</b>		
Deposits for lease of building	828	828
Deposits for foreign VAT	294	294
	<u>1,122</u>	<u>1,122</u>
<b>10 Inventories</b>		
Finished goods	34,175	25,625
Work in progress	32,097	24,016
Raw materials and consumables	20,458	37,939
	<u>86,730</u>	<u>87,580</u>
<b>11 Contract work in progress</b>		
Contract work in progress	93,395	62,520
Progress billings	-69,903	-40,835
Net value at 31 December	<u>23,492</u>	<u>21,685</u>
- recognised as follows:		
Contract work in progress	50,775	24,941
Prepayments from customers	-27,283	-3,256
Net value at 31 December	<u>23,492</u>	<u>21,685</u>

In the above numbers are intercompany projects included with a sales value of DKK 19,402 thousand and progress billings of DKK 6,280 thousand or a net value of DKK 13,122 thousand with DKK 13,726 thousand reported under assets and DKK 604 thousand reported under liabilities.

### 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.

	2020	2019	2018	2017	2016
Share capital for the last 5 years	47,000	47,000	47,000	47,000	47,000



## Financial statements 1 January - 31 December 2020

### Notes

	2020 (DKK'000)	2019 (DKK'000)
<b>13 Deferred tax</b>		
Deferred tax at 1 January	20,690	19,000
Deferred tax for the year recognised in profit for the year	2,256	1,690
Correction to deferred taxes prior years	227	0
<b>Deferred tax at 31 December</b>	<u>23,173</u>	<u>20,690</u>

Deferred tax relates to:

Intangible assets	8,645	7,917
Property, plant and equipment	5,725	5,494
Current assets	8,821	7,282
Liabilities other than provision	-18	-3
	<u>23,173</u>	<u>20,690</u>

### 14 Warranties

Balance at 1 January	3,240	3,240
Adjustments for the year	150	0
<b>Balance at 31 December</b>	<u>3,390</u>	<u>3,240</u>

Date of maturity is expected to be 0-1 year

### 15 Non-current liabilities

	Current portion	Non-current portion	Total	Hereof falling due after more than five years
Payables to group enterprises	19,037	94,533	113,570	0
Lease liabilities	2,607	6,083	8,690	
	<u>21,644</u>	<u>100,616</u>	<u>122,260</u>	<u>0</u>

### 16 Other payables

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

## Financial statements 1 January - 31 December 2020

### Notes

#### 17 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](http://www.marel.com)

	2020	2019
	(DKK'000)	(DKK'000)
<b>Related party transactions</b>		
<b>Group</b>		
Sale of goods		
Production costs	249,723	248,393
Distribution costs	-63,294	-25,308
Administrative expenses	-24,445	-24,875
Financial expenses	-5,935	-5,437
<b>Total</b>	<u>-1,589</u>	<u>-2,468</u>
	<b>154,460</b>	<b>190,305</b>
The Company's related parties exercising control comprise the parent company, Marel hf.		
<b>Parent Company</b>		
Sale of goods		
Production costs	15,494	15,494
<b>Total</b>	<u>-16,209</u>	<u>-9,700</u>
	<b>-715</b>	<b>5,794</b>
<b>Dividend</b>		
	<u>40,000</u>	<u>10,000</u>

Payables and receivables to group enterprises are disclosed in the balance sheet and in note 11 and 15, and expensed interest is disclosed in note 4.

## **Financial statements 1 January - 31 December 2020**

### **Notes**

#### **18 Collateral, contingent liabilities and lease liabilities**

The Company is jointly taxed with other Danish group companies. Marel A/S is registered 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 2,240 thousand at 31 December 2020. 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 58,669 thousand has been pledged as security for a group cash pool.