

# VikingGenetics F.M.B.A.


Ebeltoftvej 16  
8960 Randers SØ

CVR no. 31 47 45 74

## Annual report 2018

The annual report was presented and approved at  
the meeting of the Association's Council of  
Representatives

on 9th April 20 19

  
chairman of the Council of Representatives

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## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of VikingGenetics F.M.B.A. for the financial year 1 January – 31 December 2018.

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

In our opinion, the consolidated financial statements and the parent association financial statements give a true and fair view of the Group's and the Parent Association's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Association's operations and consolidated cash flows for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Association's activities and financial matters, of the results for the year and of the Group's and the Parent Association's financial position.

We recommend that the annual report be approved at the meeting of the Council of Representatives.

Randers, 14 March 2019  
Executive Board:



Rex Archard Clausager

Board of Directors:



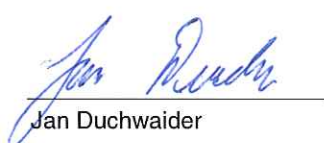
Lars-Inge Gunnarsson  
Chairman



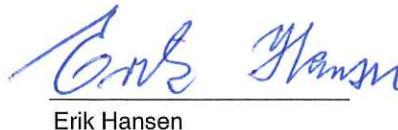
Casper Koldkjær Pedersen  
Vice chairman



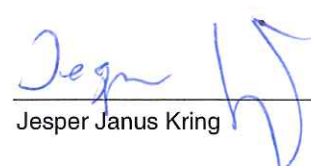
Anna Riitta Lappalainen  
Vice chairman



Jan Duchwaider



Erik Hansen



Jesper Janus Kring



Andreas Karl Vilhelm  
Johansson



Sven Per-Johan Svensson



Anders Levring



## **Independent auditor's report**

### **To the shareholders of VikingGenetics F.M.B.A.**

#### **Conclusion**

We have audited the consolidated financial statements and the parent association financial statements of VikingGenetics F.M.B.A. for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Association and a cash flow statement for the Group. The consolidated financial statements and parent association financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent association financial statements give a true and fair view of the Group's and the Parent Association's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Association's operations and consolidated cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

#### **Basis for opinion**

We conducted our audit in accordance with International Standard 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 consolidated financial statements and the parent association financial statements" section of our report. We are independent of the Group 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 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 consolidated financial statements and the parent association financial statements**

Management is responsible for the preparation of consolidated financial statements and parent association 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 consolidated financial statements and parent association financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent association financial statements, Management is responsible for assessing the Group's and the Parent Association'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 consolidated financial statements and the parent association financial statements unless Management either intends to liquidate the Group or the Parent Association or to cease operations, or has no realistic alternative but to do so.



## Independent auditor's report

### Auditor's responsibilities for the audit of the consolidated financial statements and the parent association financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent association 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 users taken on the basis of these consolidated financial statements and parent association 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 consolidated financial statements and the parent association 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 Group's and the Parent Association'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 consolidated financial statements and the parent association 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 Group's and the Parent Association'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 consolidated financial statements and the parent association 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 Group and the Parent Association to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent association financial statements, including the disclosures, and whether the consolidated financial statements and the parent association financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements and the parent association 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 consolidated financial statements and the parent association 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 consolidated financial statements or the parent association 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 consolidated financial statements and the parent association 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, 14 March 2019

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Anette Harritz  
State Authorised  
Public Accountant  
mne9368

Michael Stenskrøg  
State Authorised  
Public Accountant  
mne26819

## Management's review

### Financial highlights for the Group

EUR'000	2018	2017	2016	2015	2014
Revenue	31,277	32,082	30,719	30,837	32,446
Gross profit	12,327	12,986	11,382	12,267	12,790
EBITDA	2,278	2,252	1,083	2,214	2,981
Operating profit/loss	-3,821	-1,736	-1,407	-374	535
Profit/loss from financial income and expenses	-25	-40	17	-21	-227
Profit/loss for the year	-3,198	-1,854	-1,543	-486	573
Total assets	48,642	53,093	55,409	56,734	59,574
Investments in property, plant and equipment	2,894	672	944	1,688	1,096
Equity	43,953	47,524	49,619	51,285	51,256
Return on invested capital	-7.8%	-3.2%	-2.5%	-0.6%	0.9%
Current ratio	504.2%	515.1%	443.2%	525.7%	372.0%
Return on equity	-7.3%	-3.8%	-2.8%	-0.7%	1.1%
Solvency ratio	90.4%	89.5%	89.6%	90.4%	86.0%
Average number of full-time employees	151	148	155	154	152

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Return on invested capital

$$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets} \times 100}$$

Current ratio

$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Return on equity

$$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio

$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

## Management's review

### Operating review

#### The Group's principal activities

VikingGenetics F.M.B.A is an association between Nordic cattle farmers in Denmark, Sweden and Finland. The Association's activity primarily includes sustainable genetic development and production of bull semen and related services to the ultimate owners in Denmark, Sweden and Finland. In addition, the Association effects external sales to foreign customers through subsidiaries in UK, Germany and Australia – and several agents and distributor throughout the world.

#### Development in activities and financial position

In the year under review, VikingGenetics F.M.B.A. sold semen to the three members VikingDanmark, Växa and Faba. In addition VikingGenetics F.M.B.A. sold semen to its subsidiaries, VikingGenetics International AB, VikingGenetics Australia Pty Ltd, VikingGenetics UK Ltd., ProCross Aps and the recently established VikingGenetics Deutschland GMBH – in total exporting 984,000 doses of semen, generating revenue of approx. EUR 7.4 million. The performance of VikingGenetics outside the home markets Denmark, Sweden and Finland is considered satisfactory, however slightly below budget.

The group VikingGenetics F.M.B.A.'s total revenue in 2018 was EUR 31.2 million, a reduction from 2017 of EUR 0.9 million, driven by less sales from secondary activities such as sale of animals and crops from farms. The group reported pre-tax income for the year of a negative EUR 3.8 million whereas net income for the year totalled a negative EUR 3.2 million. The negative results were solely driven by write-down of EUR 4.1 million on property as a result of production optimisation, resulting in lower utilisation of the existing production set-up.

The Association's performance for the year under review is considered in line with expectations before property write-down. Operating activities generated positive cash flows of EUR 1.5 million, and an amount of EUR 2.9 million was invested in property, plant and equipment.

In addition to this, the Association has invested and will continue to invest in the development of genomic selection, as the further development thereof is still expected to offer major potential. Moreover investments in Supply Chain, People, Competences and Digitalization of data and processes are continued with the purpose of improving the performance of the business. Costs related to such development activities are expensed over the profit/ loss.

#### Outlook

In January 2019, an optimised organisational structure was announced in order to create a better platform for delivering the ambitious strategy plan for 2019-2022. 2019 is expected to deliver higher sales of semen and to improve commercial embryo activities compared with 2018 – resulting in slightly positive results.

#### Environmental matters

The Association is subject to environmental requirements that influence the operation of farms. The Association has taken out insurance in the event of environmental pollution and conducts its operations in accordance with current EU and national law. Even though the Association conducts its operations within the law, pollution of land can still happen.



## Management's review

### Operating review

#### Research and development activities

The Association considers it an important task to participate in research and provides substantial annual contributions for this purpose.

#### Knowledge resources

The Association has an academic environment, which is wide-ranging and which, at the same time, is specialised.

The Association also considers it an important task to participate in research in areas relevant to its members. This is done in collaboration with a number of organisations. One of the Association's visions is to remain the absolute leader on the Danish, Swedish and Finnish markets in cattle breeding and to be an active player in international livestock breeding work.

#### Particular risks

##### *Operating risks*

The highest operating risk of the Association is considered to be animal diseases as this will reduce the possibility to sell semen. In order to reduce the risk, the Association has taken the following precautions:

- Production of semen is located in different countries (Denmark and Sweden)
- The Association has acquired neighbour farms to reduce the risk of airborne diseases
- The Association has a certain level of security inventory of semen.

#### Post balance sheet events

No post balance sheet events have occurred which could materially affect the assessment of the Association's financial position.

#### Branches

VikingGenetics F.M.B.A has a branch in Sweden, VikingGenetics F.M.B.A. filial Danmark located in Skara.

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Income statement

EUR'000	Note	Group		Parent Association	
		2018	2017	2018	2017
<b>Revenue</b>		31,277	32,082	27,829	28,414
Changes in inventories of finished goods		-23	150	-2	323
Other operating income		1,256	1,077	522	425
Cost of sales		-14,466	-14,817	-16,860	-18,195
Other external costs		-5,717	-5,506	-3,642	-3,429
<b>Gross profit</b>		12,327	12,986	7,847	7,538
Staff costs	2	-10,049	-10,734	-6,447	-6,200
<b>Profit before interest, tax, depreciation and amortisation (EBITDA)</b>		2,278	2,252	1,400	1,338
Amortisation/depreciation of and impairment losses on intangible assets and property, plant and equipment	3	-6,099	-3,988	-1,679	-3,054
<b>Operating profit/loss</b>		-3,821	-1,736	-279	-1,716
Income from equity investments in group entities	4	0	0	-2,865	25
Income from equity investments in associates	4	20	17	20	16
Financial income	5	24	30	9	8
Financial expenses	6	-49	-70	-85	-190
<b>Profit/loss before tax</b>		-3,826	-1,759	-3,200	-1,857
Tax on profit/loss for the year	7	628	-95	2	3
<b>Profit/loss for the year</b>	8	-3,198	-1,854	-3,198	-1,854

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Balance sheet

EUR'000	Note	Group		Parent Association	
		2018	2017	2018	2017
<b>ASSETS</b>					
<b>Fixed assets</b>					
<b>Intangible assets</b>					
Acquired intangible assets	9	518	473	495	367
<b>Property, plant and equipment</b>					
Land and buildings	10	20,644	24,571	15,438	14,956
Fixtures and fittings, tools and equipment		2,913	2,285	2,464	1,733
		23,557	26,856	17,902	16,689
<b>Investments</b>					
Equity investments in group entities	4	0	0	11,909	15,048
Investments in associates		163	146	103	83
Other securities and equity investments		1,987	1,942	1,874	1,887
		2,150	2,088	13,886	17,018
<b>Total fixed assets</b>		26,225	29,417	32,283	34,074
<b>Current assets</b>					
<b>Inventories</b>					
Finished goods and goods for resale		11,151	11,174	10,560	10,562
<b>Receivables</b>					
Trade receivables		5,538	5,442	3,761	3,734
Receivables from group entities		0	0	0	1,160
Receivables from associates		578	501	578	501
Income tax receivable		52	19	0	0
Other receivables		260	8	96	3
Prepayments		186	322	76	102
		6,614	6,292	4,511	5,500
<b>Cash at bank and in hand</b>		4,652	6,210	2,419	3,098
<b>Total current assets</b>		22,417	23,676	17,490	19,160
<b>TOTAL ASSETS</b>		48,642	53,093	49,773	53,234

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Balance sheet

EUR'000	Note	Group		Parent Association	
		2018	2017	2018	2017
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Contributed capital		52,843	53,273	52,843	53,273
Retained earnings		-8,890	-5,749	-8,890	-5,749
<b>Total equity</b>		<b>43,953</b>	<b>47,524</b>	<b>43,953</b>	<b>47,524</b>
<b>Provisions</b>					
Provisions for deferred tax	11	243	973	104	108
<b>Total provisions</b>		<b>243</b>	<b>973</b>	<b>104</b>	<b>108</b>
<b>Liabilities other than provisions</b>					
<b>Current liabilities other than provisions</b>					
Trade payables		2,286	2,469	1,672	1,955
Payables to group entities		0	0	3,082	2,692
Payables to associates		58	143	54	59
Income tax payable		13	0	0	0
Other payables		2,089	1,984	908	896
		4,446	4,596	5,716	5,602
<b>Total liabilities other than provisions</b>		<b>4,446</b>	<b>4,596</b>	<b>5,716</b>	<b>5,602</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>48,642</b>	<b>53,093</b>	<b>49,773</b>	<b>53,234</b>

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Statement of changes in equity

EUR'000	Group		
	Share capital	Retained earnings	Total
<b>Equity at 1 January 2018</b>	53,273	-5,749	47,524
Profit/loss for the year	0	-3,198	-3,198
Exchange rate adjustment	-430	57	-373
<b>Equity at 31 December 2018</b>	<b>52,843</b>	<b>-8,890</b>	<b>43,953</b>

EUR'000	Parent Association		
	Share capital	Retained earnings	Total
<b>Equity at 1 January 2018</b>	53,273	-5,749	47,524
Profit/loss for the year	0	-3,198	-3,198
Exchange rate adjustment	-430	57	-373
<b>Equity at 31 December 2018</b>	<b>52,843</b>	<b>-8,890</b>	<b>43,953</b>

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Cash flow statement

EUR'000	Note	Group	
		2018	2017
Profit/loss for the year		-3,198	-1,854
Adjustments	13	5,324	4,099
Cash generated from operations before changes in working capital		2,126	2,245
Changes in working capital	14	-495	-2,005
Cash generated from operations (operating activities)		1,631	240
Interest income		24	30
Interest expense		-49	-70
Corporation tax paid		-119	-117
<b>Cash flows from operating activities</b>		<b>1,487</b>	<b>83</b>
Acquisition of intangible assets		-209	-97
Acquisition of property, plant and equipment		-2,895	-672
Disposal of property, plant and equipment		0	1,237
Purchase of financial assets		0	-3
Disposal of financial assets		16	32
<b>Cash flows from investing activities</b>		<b>-3,088</b>	<b>497</b>
Reduction of short-term bank credits		0	-78
<b>Cash flows from financing activities</b>		<b>0</b>	<b>-78</b>
<b>Cash flows for the year</b>		<b>-1,601</b>	<b>502</b>
Cash and cash equivalents at 1 January		6,210	5,742
Exchange rate adjustment		43	-34
<b>Cash and cash equivalents at year end</b>		<b>4,652</b>	<b>6,210</b>

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of VikingGenetics F.M.B.A. for 2018 has been presented in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

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

#### Consolidated financial statements

The consolidated financial statements comprise the Parent Association, VikingGenetics F.M.B.A., and entities in which VikingGenetics F.M.B.A. directly or indirectly holds more than 50% of the votes or in some other way exercises control.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether control exists.

The consolidated entities' financial statements are prepared in accordance with the accounting policies applied by the Parent Association. The consolidated financial statements are prepared on the basis of the financial statements of the consolidated entities by aggregating similar items. Intra-group income and expenses, gains, losses, investments, dividends and balances are eliminated. Equity investments in consolidated entities are set off against the proportionate share of the consolidated entity's net asset value.

Recently acquired or sold subsidiaries are recognised in the consolidated income statement for the period in which the Parent Association controls such entities. Comparative figures are not restated for recently acquired or sold entities.

The purchase method of accounting is applied to the acquisition of subsidiaries. Cost is made up by the net present value of the consideration agreed plus directly attributable expenses. Conditional payments are recognised at the amount expected to be paid. Identifiable assets and liabilities in the acquired entities are measured at fair value at the date of acquisition. Restructuring costs of the acquirer at the acquisition date are recognised if the restructuring has been decided at the time of acquisition. Allowance is made for the tax effect of revaluations of assets and liabilities. Any residual difference between cost and the group's share of the fair value of identifiable assets and liabilities is recognised as goodwill or negative goodwill.

Entities over which the group exercises significant influence are considered associates. Significant influence is presumed to exist when the group directly or indirectly holds between 20% and 50% of the voting right or otherwise has or actually exercises significant influence. Associates are recognised in the consolidated financial statements at their net asset value.

#### 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 the date of payment are recognised in the income statement as financial income or financial expenses

Receivables, 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 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.

Upon recognition of foreign subsidiaries and associates which are independent entities, the income statements are translated into EUR at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date.

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity. Similarly, foreign exchange gains and losses on loans foreign subsidiaries are recognised directly in equity.

Upon recognition of foreign subsidiaries which are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

### Income statement

#### Revenue

Income from the sale of goods, primarily comprising the sale of semen, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

#### Cost of sales

Changes to inventory of stocks of finished goods and Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale.

#### Other operating income

Other operating income comprises items secondary to the activities of the Association.

#### Other external costs

Other external costs comprise items secondary to the activities of the Group. Other operating costs include costs related to distribution, sale, advertising, administration, premises, bad debts etc.

#### Staff costs

Staff costs include wages and salaries, including compensated absence and pensions as well as other social security contributions, etc. made to the Association's employees. The item is net of refunds made by public authorities.



## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Income from equity investments in group entities and associates

The proportionate share of the individual group entity's profit/loss after tax is recognised in the Parent Association's income statement after full elimination of intra-group gains/losses and amortisation of goodwill.

The proportionate share of the individual associates' profit/loss after tax is recognised in the Parent Association's income statement after elimination of a proportionate share of intra-group gains/losses and amortisation of goodwill

##### Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies and amortisation of financial assets and liabilities.

##### Tax on profit/loss for the year

Tax for the year comprises current tax for the year 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

Intangible assets comprise patents and licences. Patents and licences are measured at cost less accumulated amortisation. Patents and licences are amortised over the remaining patent term, however, not exceeding 7 years.

Development costs and internally generated rights are expensed in the income statement in the year of acquisition.

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

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Property, plant and equipment

Land and buildings and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

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. The estimated useful lives are as follows:

Buildings	20-30 years
Fixtures and fittings, tools and equipment	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.

Land is not depreciated.

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

##### Investments in group entities and associates

Equity investments in group entities are measured at the proportionate share of the group entity's net asset value calculated in accordance with the Group's accounting policies with deduction or addition of unrealised gains and losses and plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Both in the Group and the Parent Association, equity investments in associates are measured at the proportionate share of the associates' net asset value calculated in accordance with the Group's accounting policies with deduction or addition of unrealised gains and losses and plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Equity investments with negative net asset values are measured at EUR 0, and any receivables from these entities are written down to the extent that the receivables are deemed irrecoverable. To the extent that the Parent Association has a legal or constructive obligation to cover a negative balance exceeding the receivable, the residual amount is recognised as provisions.

Other receivables and deposits are recognised at amortised cost.

##### Other securities and equity investments

Other securities and investments are measured at fair value. The fair value is made up at the market value at the balance sheet date if the securities are listed and at cost if the securities are unlisted.

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Impairment of fixed assets

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

Impairment tests are conducted of individual assets or groups of assets 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 forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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

##### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in projected selling price.

The cost of finished goods includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the selling price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

##### 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 an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment. The objective indicators used are determined on the basis of historical loss experience.

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

##### Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Equity

###### *Dividends*

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

###### *Net revaluation reserve according to the equity method*

Net revaluation reserve according to the equity method comprises net revaluation of equity investments in group entities and associates in proportion to cost.

Dividends that are expected to be received before the balance sheet date are not tied to the reserve.

Reserves may be eliminated in connection with loss, realisation of equity investments or changes in accounting estimates.

Reserves cannot be recognised at a negative amount

##### 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. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

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 the tax rate are recognised in the income statement.

##### Liabilities other than provisions

Other liabilities are measured at net realisable value.

##### Cash flow statement

The cash flow statement shows the entity's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the entity's cash and cash equivalents at the beginning and end of the year.

##### Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

##### Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Association's contributed capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividend to owners.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

#### 2 Staff costs

EUR'000	Group		Parent Association	
	2018	2017	2018	2017
Wages/salaries	8,130	8,610	5,410	5,293
Pensions	891	824	719	629
Other social security costs	677	874	77	66
Other staff costs	351	426	241	212
	<u>10,049</u>	<u>10,734</u>	<u>6,447</u>	<u>6,200</u>
Average number of full-time employees	<u>151</u>	<u>148</u>	<u>86</u>	<u>78</u>

Staff costs of the Group and the Parent Association include remuneration of the Parent Association's Executive Board and Board of Directors at an amount of EUR 305 thousand (2017: EUR 295 thousand).

According to section 98b (3) of the Danish Financial Statements Act, remuneration of the Parent Association's Executive Board and Board of Directors has been presented as a total amount.

#### 3 Amortisation/depreciation of and impairment losses on intangible assets and property, plant and equipment

EUR'000	Group		Parent Association	
	2018	2017	2018	2017
Amortisation of intangible assets	202	175	168	158
Depreciation of property, plant and equipment	1,842	2,031	1,046	1,114
Impairment write-down of property, plant and equipment	4,055	1,782	465	1,782
	<u>6,099</u>	<u>3,988</u>	<u>1,679</u>	<u>3,054</u>

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

#### 4 Investments

EUR'000	Group		
	Invest- ments in associa- tes	Other securities and invest- ments	Total
Cost at 1 January 2018	81	1,935	2,016
Additions for the year	0	0	0
Disposals during the year	0	0	0
Cost at 31 December 2018	81	1,935	2,016
Value adjustments at 1 January 2018	65	7	72
Exchange rate adjustment	-3	45	42
Share of the profit/loss for the year	20	0	20
Value adjustments at 31 December 2018	82	52	134
<b>Carrying amount at 31 December 2018</b>	<b>163</b>	<b>1,987</b>	<b>2,150</b>

EUR'000	Parent Association			
	Invest- ments in group entities	Invest- ments in associa- tes	Other securities and equity invest- ments	Total
Cost at 1 January 2018	20,482	27	1,887	22,396
Additions during the year	20	0	0	0
Disposals during the year	0	0	0	0
Cost at 31 December 2018	20,482	27	1,887	22,396
Value adjustment at 1 January 2018	-5,434	56	0	-5,378
Exchange rate adjustment	-274	0	-13	-287
Share of the profit/loss for the year	-2,865	20	0	-2,845
Value adjustment at 31 December 2018	-8,573	76	-13	-8,510
<b>Carrying amount at 31 December 2018</b>	<b>11,909</b>	<b>103</b>	<b>1,874</b>	<b>13,886</b>

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

#### 4 Investments (continued)

EUR'000	Domicile	Interest
<b>Subsidiaries</b>		
VikingGenetics Sweden AB	Skara, Sweden	100%
VikingGenetics International AB	Skara, Sweden	100%
VikingGenetics Finland Oy AB	Hollola, Tallangatta, Finland	100%
VikingGenetics Australia Pty Ltd.	Victoria, Australia	100%
VikingGenetics UK Ltd.	Wiltshire, United Kingdom	100%
VikingGenetics Deutschland GmbH	Hamburg, Germany	100%
<b>Associates</b>		
Svensk Köttrprovning AB	Skara, Sweden	45%
ProCross ApS	Randers, Denmark	50%

EUR'000	Group		Parent Association	
	2018	2017	2018	2017
<b>5 Financial income</b>				
Interest receivable, group entities	0	0	8	6
Other financial income	24	30	1	2
	<u>24</u>	<u>30</u>	<u>9</u>	<u>8</u>
<b>6 Financial expenses</b>				
Interest expenses, group entities	0	0	40	134
Other financial expenses	49	70	45	56
	<u>49</u>	<u>70</u>	<u>85</u>	<u>190</u>
<b>7 Tax on profit/loss for the year</b>				
Estimated tax charge for the year	-52	-61	0	-1
Deferred tax adjustments during the year	680	-34	2	102
Adjustment of tax concerning previous years	0	0	0	-98
	<u>628</u>	<u>-95</u>	<u>2</u>	<u>3</u>

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

#### 8 Proposed distribution of loss

EUR'000	Group		Parent Association	
	2018	2017	2018	2017
Retained earnings	-3,198	-1,854	-3,198	-1,854

#### 9 Intangible assets

EUR'000	Acquired intangible assets	
	Group	Parent Associa- tion
Cost at 1 January 2018	2,029	1,906
Exchange rate adjustment	-5	-5
Additions for the year	248	297
Disposals for the year	0	0
Cost at 31 December 2018	2,272	2,198
Impairment losses and amortisation at 1 January 2018	-1,556	-1,539
Exchange rate adjustment	4	4
Amortisation for the year	-202	-168
Amortisation and impairment of disposals	0	0
Impairment losses and amortisation at 31 December 2018	-1,754	-1,703
<b>Carrying amount at 31 December 2018</b>	<b>518</b>	<b>495</b>



## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

#### 10 Property, plant and equipment

EUR'000	Group		
	Land and buildings	Fixtures and fittings, tools and equip- ment	Total
Cost at 1 January 2018	34,771	9,234	44,005
Exchange rate adjustment	-398	-96	-494
Additions for the year	1,392	1,502	2,894
Disposals during the year	-65	-391	-456
Cost at 31 December 2018	35,700	10,249	45,949
Impairment losses and depreciation at 1 January 2018	-10,200	-6,949	-17,149
Exchange rate adjustment	160	106	266
Depreciation for the year	-1,026	-816	1,842
Impairment losses for the year	-4,055	0	4,055
Depreciation of and impairment losses on disposals during the year	65	323	388
Impairment losses and depreciation at 31 December 2018	-15,056	-7,336	-22,392
<b>Carrying amount at 31 December 2018</b>	<b>20,644</b>	<b>2,913</b>	<b>23,557</b>

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

#### 10 Property, plant and equipment (continued)

EUR'000	Parent Association		
	Land and buildings	Fixtures and fittings, tools and equip- ment	Total
Cost at 1 January 2018	22,906	7,445	30,351
Exchange rate adjustment	-111	7	-118
Additions for the year	1,392	1,442	2,834
Disposals during the year	0	-362	-362
Cost at 31 December 2018	24,187	8,518	32,705
Impairment losses and depreciation at 1 January 2018	-7,950	-5,712	-13,662
Exchange adjustment	54	13	67
Depreciation for the year	-388	-658	-1,046
Impairment losses for the year	-465	0	-465
Depreciation of and impairment losses on disposals during the year	0	303	303
Impairment losses and depreciation at 31 December 2018	-8,749	-6,054	-14,803
<b>Carrying amount at 31 December 2018</b>	<b>15,438</b>	<b>2,464</b>	<b>17,902</b>

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

#### 11 Provisions for deferred tax

EUR'000	Group		Parent Association	
	2018	2017	2018	2017
Deferred tax at 1 January 2018	973	974	108	210
Exchange rate adjustment	-50	33	-2	0
Adjustments during the year	-680	-34	-2	-102
	<u>243</u>	<u>973</u>	<u>104</u>	<u>108</u>

#### 12 Related parties

VikingGenetics F.M.B.A.'s related parties comprise the following:

##### ***Owners that do not exercise control***

- VikingDanmark F.M.B.A, Denmark
- Växa Sverige Ekonomisk Förening, Sweden
- FABA Osk, Finland

##### ***Fully-owned subsidiaries***

- VikingGenetics Sweden AB, Sweden
- VikingGenetics International AB, Sweden
- VikingGenetics Finland Oy, Finland
- VikingGenetics Australia Pty Ltd., Australia
- VikingGenetics UK Ltd., United Kingdom
- VikingGenetics Deutschland GmbH, Germany

##### ***Associates***

- ProCross ApS, Denmark
- Svensk Köttraspövning AB, Sweden

##### ***Management***

- Executive Board
- Board of Directors

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

#### 12 Related parties (continued)

##### Related party transactions

###### Group

EUR'000	Group	Parent Association
Transactions with owners		
Sale of goods	22,561	22,500
Miscellaneous income from services and consumables	281	37
Purchase of goods and miscellaneous costs from services and consumables	-2,302	-536
	<u>20,540</u>	<u>22,001</u>
Transactions with associates		
Sale of goods	985	985
Miscellaneous income from services and consumables	127	9
Purchase of goods and miscellaneous costs from services and consumables	-368	-258
	<u>744</u>	<u>736</u>

Remuneration of the Executive Board and Board of Directors is disclosed in note 2.

Receivables and payables to associates are disclosed in the balance sheet, and interest is disclosed in notes 5 and 6.

###### Parent Association

The Parent Association has chosen not to disclose transactions with 100% owned subsidiaries in accordance with section 98c(3) of the Danish Financial Statements Act.

## Consolidated financial statements and parent association financial statements 1 January – 31 December

### Notes

EUR'000	Group	
	2018	2017
<b>13 Adjustments</b>		
Amortisation/depreciation and impairment losses	6,099	3,988
Gain/loss on the sale of fixed assets	-94	-91
Income from investments in associates	-20	-17
Financial income	-24	-30
Financial expenses	49	70
Tax for the year	52	61
Provisions	-730	-1
Other adjustments	-8	119
	<u>5,324</u>	<u>4,099</u>
<b>14 Changes in working capital</b>		
Change in inventories	-23	-150
Change in receivables	-322	-1,713
Change in prepayments and trade and other payables	-150	-142
	<u>-495</u>	<u>-2,005</u>