VikingGenetics F.M.B.A.

Ebeltoftvej 16
8960 Randers SØ

CVR no. 31 47 45 74

Annual report 2020

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

on ________________________________ 20 ____

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chairman of the Council of Representatives

Contents

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 2020.

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 2020 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 2020.

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, 24 March 2021
Executive Board:

Niels Bo Christensen

Board of Directors:

Lars-Inge Gunnarsson Chairman	Casper Koldkjær Pedersen Vice chairman	Anna Riitta Lappalainen Vice chairman
Peter Wulff Jacobsen	Vagn Kristensen	Morten Hollensen
Andreas Karl Vilhelm Johansson	Sven Per-Johan Svensson	Anders Levring

Independent auditor's report

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

Opinion

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 2020 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 2020 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 2020 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 in-adequate, 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, 24 March 2021
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Mikkel Trabjerg Knudsen
State Authorised
Public Accountant
mne34459

Katrine Gybel
State Authorised
Public Accountant
mne45848

Management's review

Financial highlights for the Group

EUR'000	2020	2019	2018	2017	2016
Revenue	33,407	31,957	31,277	32,082	30,719
Gross profit	13,733	12,975	12,327	12,986	11,382
EBITDA	2,769	2,079	2,278	2,252	1,083
Operating profit/loss	456	-3	-3,821	-1,736	-1,407
Profit/loss from financial income and expenses	-313	-3	-25	-40	17
Profit/loss for the year	100	-89	-3,198	-1,854	-1,543
Total assets	49,813	47,748	48,642	53,093	55,409
Investments in property, plant and equipment	609	3,440	2,895	672	944
Equity	44,275	43,818	43,953	47,524	49,619
Return on invested capital	0.9%	0.0%	-7.5%	-3.2%	-2.5%
Current ratio	532.0%	682.5%	504.2%	515.1%	443.2%
Return on equity	0.23%	-0.2%	-7.0%	-3.8%	-2.8%
Solvency ratio	88.9%	91.8%	90.4%	89.5%	89.6%
Average number of full-time employees	158	153	151	148	155

The financial ratios have been calculated as follows:

Return on invested capital $\frac{\text{Profit/loss from operating activities x 100}}{\text{Average assets x 100}}$

Current ratio $\frac{\text{Current assets x 100}}{\text{Current liabilities}}$

Return on equity $\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$

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

Management's 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 carries out external sales to foreign customers through subsidiaries in UK, Germany and Australia and several agents and distributors throughout the world.

Financial performance

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. and VikingGenetics Deutschland GmbH as well as to ProCross ApS, which is an associate of VikingGenetics F.M.B.A. through 50% ownership.

The Group VikingGenetics F.M.B.A.’s total revenue was EUR 33.4 million, an increase from 2019 of EUR 1.4 million. The Group reported a profit before tax for the year of EUR 161 thousand whereas net results for the year were EUR 100 thousand.

Profit before tax for the year of EUR 161 thousand was EUR 332 thousand up on budget and EUR 164 thousand up on 2019.

Investments have and will still be made in the development of genomic selection, and there are still high expectations to the further development thereof. Moreover, investments in Research and Development, development of Genetic Programs, Supply Chain, People, Competences and Digitalisation of data and processes will continuously be made with the purpose of improving the performance of the business.

On 1 December 2020, VikingGenetics announced that they, together with two other leading AI companies (Masterrind Germany and Evolution France) in Europe, will establish a new dairy and beef genetic cooperative - Arcowin e.G., Germany - representing 53,000 farmers in Europe.

Overall results are considered satisfactory. Realised revenue is in line with expectations from last year, and EBIT is higher than expected due to improved gross profit.

Events after the balance sheet date

In 2020, Viking Genetics F.M.B.A sold the property at Blaksmark in Varde, Denmark, with take-over in February 2020. As of 31 December 2020, the property is recognised at sales price less costs relating to the sale in the balance sheet.

Except for the above, no events have occurred after the balance sheet date which could materially affect the assessment of the Association’s financial position.

Outlook

If the possible impact of the Arcowin restructuring is disregarded, see above, 2021 is expected to deliver higher sales of semen compared to 2020. Budgeted revenue for 2021 represents EUR 36 million and is EUR 2.6 million up on 2020. Expected EBIT level for 2021 accounts for -5% of revenue based on higher revenue plus continuous investments in the business, especially an extraordinary high level in Research and Development.

Management's review

Operating review

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 operation according to current EU and national laws. Even though the Association conducts its operation within the laws, pollution of land can still happen.

Research and development activities

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

Knowledge resources

The Association has an academic environment, which ranges far and which, at the same time, is highly specialised.

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

Particular risks

Operating risks

The most important 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 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.

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

		Group		Parent Association	
EUR'000	Note	2020	2019	2020	2019
Revenue		33,407	31,957	31,054	27,476
Other operating income		2,091	2,223	2,136	3,653
Cost of sales		-16,148	-14,824	-18,562	-17,140
Other external costs		-5,617	-6,381	-4,688	-4,768
Gross profit		13,733	12,975	9,940	9,221
Staff costs	2	-10,964	-10,896	-7,975	-7,665
Profit before interest, tax, depreciation and amortisation (EBITDA)		2,769	2,079	1,965	1,556
Amortisation/depreciation of and impairment losses on intangible assets and property, plant and equipment	3	-2,313	-2,082	-1,799	-1,523
Operating profit/loss		456	-3	166	33
Income from equity investments in group entities	4	0	0	357	22
Income from equity investments in associates	4	18	3	18	3
Financial income	5	19	35	33	27
Financial expenses	6	-332	-38	-480	-181
Profit/loss before tax		161	-3	94	-96
Tax on profit/loss for the year	7	-61	-86	6	7
Profit/loss for the year	8	100	-89	100	-89

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

Balance sheet

		Group		Parent Association	
EUR'000	Note	2020	2019	2020	2019
ASSETS					
Fixed assets					
Intangible assets	9				
Acquired intangible assets		409	294	404	297
Property, plant and equipment	10				
Land and buildings		16,254	17,046	11,918	12,269
Fixtures and fittings, tools and equipment		3,444	4,235	3,076	3,815
		19,698	21,281	14,994	16,084
Investments	4				
Equity investments in group entities		0	0	12,461	11,920
Equity investments in associates		147	127	125	106
Other securities and equity investments		125	133	73	74
		272	260	12,659	12,100
Total fixed assets		20,379	21,835	28,057	28,481
Current assets					
Inventories					
Finished goods and goods for resale		12,121	11,785	11,378	11,191
Receivables					
Trade receivables		6,588	7,013	5,916	6,157
Receivables from group entities		0	0	0	0
Receivables from associates		944	906	927	960
Income tax receivable		57	101	14	0
Other receivables		213	115	193	70
Prepayments		113	107	53	70
		7,915	8,242	7,103	7,257
Cash at bank and in hand		9,398	5,886	6,962	4,946
Total current assets		29,434	25,913	25,443	23,394
TOTAL ASSETS		49,813	47,748	53,500	51,875

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

Balance sheet

		Group		Parent Association	
EUR'000	Note	2020	2019	2020	2019
EQUITY AND LIABILITIES					
Equity					
Contributed capital		52,788	52,788	52,788	52,788
Retained earnings		-8,513	-8,970	-8,513	-8,970
Total equity		44,275	43,818	44,275	43,818
Provisions	11				
Provisions for deferred tax		5	133	63	67
Total provisions		5	133	63	67
Liabilities other than provisions					
Current liabilities other than provisions					
Trade payables		1,464	1,372	1,109	956
Payables to group entities		0	0	4,092	4,362
Payables to associates		670	50	647	50
Income tax payable		0	0	0	3
Other payables		3,399	2,375	3,314	2,619
		5,533	3,797	9,162	7,990
Total liabilities other than provisions		5,533	3,797	9,162	7,990
TOTAL EQUITY AND LIABILITIES		49,813	47,748	53,500	51,875

Related parties 12

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

Statement of changes in equity

EUR'000	Group		
	Contri-buted capital	Retained earnings	Total
Equity at 1 January 2020	52,788	-8,970	43,818
Profit for the year	0	100	100
Exchange rate adjustment	0	357	357
Equity at 31 December 2020	52,788	-8,513	44,275

EUR'000	Parent Association		
	Contri-buted capital	Retained earnings	Total
Equity at 1 January 2020	52,788	-8,970	43,818
Profit for the year	0	100	100
Exchange rate adjustment	0	357	357
Equity at 31 December 2020	52,788	-8,513	44,275

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

Cash flow statement

		Group	
EUR'000	Note	2020	2019
Profit/loss for the year		100	-89
Adjustments	13	2,644	2,051
Cash generated from operations before changes in working capital		2,744	1,962
Changes in working capital	14	1,727	-2,911
Cash generated from operations (operating activities)		4,471	-949
Interest income		19	35
Interest expense		-332	-38
Corporation tax paid		71	-106
Cash flows from operating activities		4,229	-1058
Acquisition of intangible assets		-298	-47
Acquisition of property, plant and equipment		-609	-3,440
Disposal of property, plant and equipment		28	3,933
Disposal of financial assets		9	1,854
Cash flows from investing activities		-870	2,300
Increase/repayment of loans and mortgages		0	0
Cash flows from financing activities		0	0
Cash flows for the year		3,359	1,242
Cash and cash equivalents at 1 January		5,886	4,652
Exchange rate adjustment		153	-8
Cash and cash equivalents at year-end		9,398	5,886

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 2020 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. Entities in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Equity investments in group entities are set off against the proportionate share of the group entities' fair value of net assets and liabilities at the date of acquisition.

Business combinations

When acquiring new entities, the purchase method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquirer at the acquisition date that are not a part of the acquisition are included in the pre-acquisition balance sheet and thus the determination of goodwill. Restructuring that is adopted after the acquisition is recognised in the income statement. The tax effect of revaluations is recognised as deferred tax.

Positive differences (goodwill) between cost and the fair value of identifiable assets and liabilities acquired, including restructuring provisions, are recognised as intangible assets and amortised systematically in the income statement based on an individual assessment of the useful life. Negative goodwill is recognised as income in the income statement at the acquisition date when the usual conditions for recognition of income are met.

Goodwill and negative goodwill from acquired entities may be adjusted until 12 months after the acquisition date.

Newly acquired or newly established entities are recognised in the consolidated financial statements at the date of acquisition or establishment. Divested or wound-up entities are recognised in the consolidated income statement up to the date of divestment or winding-up. Comparative figures are not restated to reflect acquisitions, divestments or windings-up.

The uniting-of-interests method is applied to business combinations such as the acquisition and disposal of equity investments, mergers, demergers, contribution of assets, share exchanges, etc., between entities controlled by the Parent Association. The uniting of interests is considered to have been completed at the date of the merger without restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity is recognised in equity.

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

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

Notes

1 Accounting policies

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 group entities 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.

Foreign exchange differences arising upon translation of foreign group entities' 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 group entities considered part of the total investment in the subsidiary are recognised directly in equity. Similarly, foreign exchange gains and losses on loans with foreign group entities are recognised directly in equity.

Upon recognition of foreign group entities 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 comprise 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 software and licences. Software and licences are measured at cost less accumulated amortisation. Software and licences are amortised over the remaining licence 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.

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

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

Notes

1 Accounting policies (continued)

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.

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.

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

Notes

1 Accounting policies (continued)

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.

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.

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Notes

1 Accounting policies (continued)

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.

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.

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Notes

2 Staff costs

	Group		Parent Association	
EUR'000	2020	2019	2020	2019
Wages/salaries	9,015	8,683	6,749	6,308
Pensions	1,118	930	854	794
Other social security costs	419	605	92	91
Other staff costs	412	678	280	472
	10,964	10,896	7,975	7,665
Average number of full-time employees	158	153	99	92

Staff costs of the Group and the Parent Association include remuneration of the Parent Association's Executive Board, EUR 80 thousand (2019: EUR 79 thousand), and remuneration of the Parent Association's Board of Directors, EUR 181 thousand (2019: EUR 170 thousand).

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

	Group		Parent Association	
EUR'000	2020	2019	2020	2019
Amortisation of intangible assets	181	253	181	244
Depreciation of property, plant and equipment	2,132	1,829	1,618	1,279
	2,313	2,082	1,799	1,523

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Notes

4 Investments

	Group		
EUR'000	Investments in associates	Other securities and investments	Total
Cost at 1 January 2020	81	149	230
Cost at 31 December 2020	81	149	230
Value adjustments at 1 January 2020	46	-16	30
Exchange rate adjustment	2	-8	-6
Share of the profit/loss for the year	18	0	18
Value adjustments at 31 December 2020	66	-24	42
Carrying amount at 31 December 2020	147	125	272

	Parent Association			
EUR'000	Investments in group entities	Investments in associates	Other securities and equity investments	Total
Cost at 1 January 2020	20,462	27	101	20,590
Exchange rate adjustment	284	0	0	284
Cost at 31 December 2020	20,746	27	101	20,874
Value adjustment at 1 January 2020	-8,542	79	-27	-8,490
Exchange rate adjustment	-113	1	-1	-113
Share of the profit/loss for the year	370	18	0	388
Value adjustment at 31 December 2020	-8,285	98	-28	-8,215
Carrying amount at 31 December 2020	12,461	125	73	12,659

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Notes

4 Investments (continued)

EUR'000	Domicile	Interest
Group entities		
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%
Associates		
Svensk Köttraprövning AB	Skara, Sweden	45%
ProCross ApS	Randers, Denmark	50%

	Group		Parent Association	
EUR'000	2020	2019	2020	2019
5 Financial income				
Interest receivable, group entities	0	0	17	0
Other financial income	19	35	16	27
	19	35	33	27
6 Financial expenses				
Interest expenses, group entities	0	0	158	159
Other financial expenses	332	38	322	22
	332	38	480	181
7 Tax on profit/loss for the year				
Current tax for the year	27	-44	0	5
Deferred tax adjustments during the year	128	-110	-6	-37
Adjustment of deferred tax previous years	-94	68	0	25
	61	-86	-6	-7

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Notes

8 Proposed distribution of profit/loss

	Group		Parent Association	
EUR'000	2020	2019	2020	2019
Retained earnings	100	-89	100	-89

9 Intangible assets

	Acquired intangible assets	
EUR'000	Group	Parent Associa-tion
Cost at 1 January 2020	2,244	2,242
Exchange rate adjustment	8	8
Additions for the year	298	290
Cost at 31 December 2020	2,550	2,540
Impairment losses and amortisation at 1 January 2020	-1,950	-1,945
Exchange rate adjustment	-9	-9
Amortisation for the year	-182	-182
Impairment losses and amortisation at 31 December 2020	-2,141	-2,136
Carrying amount at 31 December 2020	409	404

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Notes

10 Property, plant and equipment

	Group		
EUR'000	Land and buildings	Fixtures and fittings, tools and equip-ment	Total
Cost at 1 January 2020	30,050	13,163	43,213
Exchange rate adjustment	252	52	304
Additions for the year	82	525	607
Disposals during the year	0	-130	-130
Cost at 31 December 2020	30,384	13,610	43,994
Impairment losses and depreciation at 1 January 2020	-13,004	-8,928	-21,932
Exchange rate adjustment	-113	-31	-145
Depreciation for the year	-1,013	-1,309	-2,322
Depreciation of and impairment losses on disposals during the year	0	102	102
Impairment losses and depreciation at 31 December 2020	-14,130	-10,166	-24,297
Carrying amount at 31 December 2020	16,254	3,444	19,698

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Notes

10 Property, plant and equipment (continued)

	Parent Association		
EUR'000	Land and buildings	Fixtures and fittings, tools and equip-ment	Total
Cost at 1 January 2020	18,249	10,130	28,379
Exchange rate adjustment	117	41	158
Additions for the year	48	417	465
Disposals during the year	0	-117	-117
Cost at 31 December 2020	18,414	10,471	28,885
Impairment losses and depreciation at 1 January 2020	-5,980	-6,315	-12,295
Exchange adjustment	-49	-24	-74
Depreciation for the year	-467	-1,154	-1,621
Depreciation of and impairment losses on disposals during the year	0	98	98
Impairment losses and depreciation at 31 December 2020	-6,496	-7,395	-13,891
Carrying amount at 31 December 2020	11,918	3,076	14,994

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11 Provisions for deferred tax

	Group		Parent Association	
EUR'000	2020	2019	2020	2019
Deferred tax at 1 January	133	243	67	104
Exchange rate adjustment	0	0	-10	-12
Adjustments during the year	-128	-110	6	-25
	5	133	63	67

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 Köttrasprövning AB, Sweden

Management

- Executive Board
- Board of Directors

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Notes

12 Related parties (continued)

Related party transactions

Group

EUR'000	Group	Parent Association
Transactions with owners:		
Sale of goods	23,921,477	23,921,477
Miscellaneous income from services and consumables	259,726	67,928
Purchase of goods and miscellaneous costs from services and consumables	-2,305,474	-853,494
	21,875,729	23,135,911
Transactions with associates:		
Sale of goods	1,331,973	1,331,973
Miscellaneous income from services and consumables	102,828	5,510
Purchase of goods and miscellaneous costs from services and consumables	-467,585	-289,192
	967,216	1,048,291

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 income and expense 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.

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Notes

		Group	
	EUR'000	2020	2019
13	**Adjustments**		
	Amortisation/depreciation and impairment losses and gain/loss on sale of fixed assets	2,504	2,112
	Income from investments in associates	-18	-3
	Financial income	-19	-35
	Financial expenses	332	38
	Tax for the year	-27	44
	Change in provisions	-128	-110
	Other adjustments and exchange rates	0	5
		2,644	2,051

		2020	2019
14	**Changes in working capital**		
	Change in inventories	-337	-634
	Change in receivables	327	-1,628
	Change in prepayments and trade and other payables	1,737	-649
		1,727	-2,911