

VikingGenetics F.M.B.A.

Ebeltoftvej 16
DK-8960 Randers SØ

CVR no. 31 47 45 74

Annual report 2022

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

on 20 April 2023

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 2022.

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 2022 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 2022.

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, 7 March 2023
Executive Board:

Louise Helmer

Board of Directors:

Sven Per-Johan Svensson
Chairman

Anders Levring
Vice chairman

Anna Riitta Lappalainen
Vice chairman

Peter Wulff Jacobsen

Asger Ladefoged

Henricus Johannes Maria
van Heesch

Andreas Karl Vilhelm
Johansson

Anders Lennart Ramström

Saija Tenhunen



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 2022 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 2022 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 2022 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the 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, 7 March 2023

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Mikkel Trabjerg Knudsen
State Authorised
Public Accountant
mne34459

Katrine Gybel
State Authorised
Public Accountant
mne45848

VikingGenetics F.M.B.A.
Annual report 2022
CVR no. 31 47 45 74

Management's review

Association details

VikingGenetics F.M.B.A
Ebeltoftvej 16
DK-8960 Randers SØ

CVR no.	31 47 45 74
Established:	1 January 2008
Registered office:	Randers
Financial year:	1 January – 31 December

Board of Directors

Sven Per-Johan Svensson, Chairman
Anders Levring, Vice chairman
Anna Riitta Lappalainen, Vice chairman
Asger Ladefoged
Henricus Johannes Maria van Heesch
Peter Wulff Jacobsen
Andreas Karl Vilhelm Johansson
Anders Lennart Ramström
Saija Tenhunen

Executive Board

Louise Helmer

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Frederiks Plads 42
DK-8000 Aarhus C
CVR no. 25 57 81 98

Management's review

Financial highlights for the Group

EUR'000	2022	2021	2020	2019	2018
Revenue	34,777	34,475	33,407	31,957	31,277
Gross profit	14,426	4,745	13,733	12,975	12,327
EBITDA	2,417	-7,066	2,769	2,079	2,278
Operating profit/loss	579	-9,727	456	-3	-3,821
Profit/loss from financial income and expenses	-159	372	-313	-3	-25
Profit/loss for the year	363	-9,521	100	-89	-3,198
Total assets	39,157	38,210	49,813	47,748	48,642
Equity	34,587	34,533	44,275	43,818	43,953
Investments in property, plant and equipment	2,916	691	609	3,440	2,895
Return on invested capital	1.5%	-22.1%	0.9%	0.0%	-7.5%
Current ratio	506.6%	635.2%	532.0%	682.5%	504.2%
Return on equity	0.83%	-24.0%	0.2%	-0.2%	-7.0%
Solvency ratio	88.3%	90.4%	88.9%	91.8%	90.4%
Average number of full-time employees	163	165	158	153	151

The financial ratios have been calculated as follows:

Return on invested capital	$\frac{\text{Operating profit/loss} \times 100}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Return on equity	$\frac{\text{Profit after tax} \times 100}{\text{Average equity}}$
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.

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 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 34.8 million, an increase from 2021 of EUR 0,3 million. The Group reported a profit before tax for the year of EUR 432 thousand whereas net results for the year were EUR 363 thousand.

Profit before tax for the year of EUR 432 thousand was EUR -9,309 thousand up on 2021.

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 Supply Chain, People, Competences and Digitalization of data and processes are continued with the purpose of improving the performance of the business.

VikingGenetics International AB has been disposed during 2022.

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.

Outlook

2023 is expected to deliver higher sales of semen compared to 2022. Budgeted revenue for 2023 represents EUR 36,1 million and is EUR 1,4 million up on 2022. Expected EBIT level for 2023 accounts for 1% of revenue based on higher revenue plus continuous investments in the business, especially an extraordinary high level in Research and Development.

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.

Management's review

Operating review

Knowledge resources

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

- 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	
		2022	2021	2022	2021
Revenue		34,777	34,475	31,579	31,707
Cost of sales		-16,566	-24,420	-18,691	-27,486
Other operating income		2,317	2,222	2,381	1,822
Other external costs		-6,102	-7,532	-4,947	-6,516
Gross profit		14,426	4,745	10,322	-473
Staff costs	2	-12,009	-11,811	-8,567	-8,190
Depreciation, amortisation and impairment losses	3	-1,838	-2,661	-1,442	-1,509
Profit/loss before financial income and expenses		579	-9,727	313	-10,172
Income from equity investments in group entities		0	0	195	268
Income from equity investments in associates		12	46	12	46
Financial income	4	56	426	38	384
Financial expenses	5	-215	-54	-195	-42
Profit/loss before tax		432	-9,309	363	-9,516
Tax on profit/loss for the year	6	-69	-212	0	-5
Profit/loss for the year	7	363	-9,521	363	-9,521

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

Balance sheet

EUR'000	Note	Group		Parent Association	
		2022	2021	2022	2021
ASSETS					
Fixed assets					
Intangible assets					
	8				
Acquired intangible assets		529	465	467	456
Property, plant and equipment					
	9				
Land and buildings		10,839	11,463	7,932	8,182
Fixtures and fittings, tools and equipment		4,444	2,630	4,149	2,301
		15,283	14,093	12,081	10,483
Investments					
	10				
Equity investments in group entities		0	0	7,605	12,679
Equity investments in associates		183	171	183	171
Other securities and equity investments		121	123	72	72
		304	294	7,860	12,922
Total fixed assets		16,116	14,852	20,408	23,861
Current assets					
Inventories					
Finished goods and goods for resale		5,800	5,047	5,729	4,667
Receivables					
Trade receivables		7,666	7,458	6,931	6,855
Receivables from group entities		0	0	247	0
Receivables from associates		906	1,321	898	1,304
Other receivables		69	67	38	43
Loan from participating interests		3,362	3,362	3,362	3,362
Corporation tax		40	17	14	14
Prepayments		116	176	80	117
		12,159	12,401	11,570	11,695
Cash at bank and in hand		5,082	5,910	4,030	2,986
Total current assets		23,041	23,358	21,329	19,348
TOTAL ASSETS		39,157	38,210	41,737	43,209

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

Balance sheet

EUR'000	Note	Group		Parent Association	
		2022	2021	2022	2021
EQUITY AND LIABILITIES					
Equity					
Contributed capital		52,788	52,788	52,788	52,788
Retained earnings		-18,201	-18,255	-18,201	-18,255
Total equity		34,587	34,533	34,587	34,533
Provisions					
Provisions for deferred tax	11	23	0	34	34
Total provisions		23	0	34	34
Liabilities other than provisions					
Current liabilities other than provisions					
Trade payables		2,198	1,692	1,836	1,299
Payables to group entities		0	0	3,614	5,562
Payables to associates		127	99	105	78
Other payables		2,222	1,886	1,561	1,703
		4,547	3,677	7,116	8,642
Total liabilities other than provisions		4,547	3,677	7,116	8,642
TOTAL EQUITY AND LIABILITIES		39,157	38,210	41,737	43,209
Contractual obligations, contingencies, etc.					
	12				
Related parties	13				

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 2022	52,788	-18,255	34,533
Profit for the year	0	363	363
Exchange rate adjustment	0	-309	-309
Equity at 31 December 2022	<u>52,788</u>	<u>-18,201</u>	<u>34,587</u>

EUR'000	Parent Association		
	Contri- buted capital	Retained earnings	Total
Equity at 1 January 2022	52,788	-18,255	34,533
Profit for the year	0	363	363
Exchange rate adjustment	0	-309	-309
Equity at 31 December 2022	<u>52,788</u>	<u>-18,201</u>	<u>34,587</u>

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

Cash flow statement

EUR'000	Note	Group	
		2022	2021
Profit/loss for the year		363	-9,521
Adjustments	14	1,913	2,446
Cash flows from operations before changes in working capital		2,276	-7,075
Changes in working capital	15	360	4,094
Cash flows from ordinary activities		2,636	-2,981
Interest income		56	426
Interest expense		-215	-54
Corporation tax paid		-92	-172
Cash flows from operating activities		2,385	-2,781
Acquisition of intangible assets		-280	-270
Acquisition of property, plant and equipment		-2,916	-691
Disposal of intangible assets		5	0
Disposal of property, plant and equipment		0	3,777
Disposal of financial assets		0	24
Cash flows from investing activities		-3,191	2,840
Loan to participating interests		0	-3,362
Cash flows from financing activities		0	-3,362
Cash flows for the year		-807	-3,303
Cash and cash equivalents at the beginning of the year		5,910	9,398
Exchange rate adjustment		-21	-185
Cash and cash equivalents at year-end		5,082	5,910

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 2022 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 consolidated financial statements and parent association 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.

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 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.

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

Notes

1 Accounting policies (continued)

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 comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Association's employees, net of refunds made by public authorities.

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, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

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

Notes

1 Accounting policies (continued)

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

Acquired 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.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. 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.

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

Notes

1 Accounting policies (continued)

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 securities and equity investments

Other securities and equity investments included in investment comprise unlisted shares that Management considers investment securities. The equity investments are measured at cost.

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.

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 on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Association's credit risk management policy. The objective indicators used in relation to portfolios 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.

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

Notes

1 Accounting policies (continued)

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.

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

The 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 based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

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

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.

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

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.

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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.

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Notes

2 Staff costs

EUR'000	Group		Parent Association	
	2022	2021	2022	2021
Wages/salaries	9,191	9,470	6,634	6,710
Pensions	1,202	1,159	1,055	1,015
Other social security costs	580	650	130	130
Other staff costs	1,036	532	748	335
	<u>12,009</u>	<u>11,811</u>	<u>8,567</u>	<u>8,190</u>
Average number of full-time employees	<u>163</u>	<u>165</u>	<u>109</u>	<u>104</u>

Staff costs of the Group and the Parent Association include remuneration of the Parent Association's Executive Board, EUR 180 thousand and remuneration of the Parent Association's Board of Directors, EUR 86 thousand.

In accordance with section 98b(3) of the Danish Financial Statements Act, remuneration of the Parent Association's Executive Board and the Parent Association's Board of Directors is presented as an aggregate single amount in 2021, EUR 298 thousand.

EUR'000	Group		Parent Association	
	2022	2021	2022	2021
3 Depreciation, amortisation and impairment losses				
Amortisation of intangible assets	212	216	205	202
Depreciation of property, plant and equipment	1,626	1,782	1,237	1,307
Impairment of property, plant and equipment	0	663	0	0
	<u>1,838</u>	<u>2,661</u>	<u>1,442</u>	<u>1,509</u>
4 Financial income				
Other financial income	<u>56</u>	<u>426</u>	<u>38</u>	<u>384</u>
5 Financial expenses				
Other financial expenses	<u>215</u>	<u>54</u>	<u>195</u>	<u>42</u>

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EUR'000	Group		Parent Association	
	2022	2021	2022	2021
6 Tax on profit/loss for the year				
Current tax for the year	-46	217	0	34
Deferred tax adjustments during the year	-23	-5	0	-29
	<u>-69</u>	<u>212</u>	<u>0</u>	<u>5</u>
7 Proposed distribution of profit/loss				
Retained earnings	<u>363</u>	<u>-9,521</u>	<u>363</u>	<u>-9,521</u>

8 Intangible assets

EUR'000	Acquired intangible assets	
	Group	Parent Association
Cost at 1 January 2022	2,823	2,794
Exchange rate adjustment	3	3
Additions for the year	278	220
Disposals for the year	-6	-6
Cost at 31 December 2022	<u>3,098</u>	<u>3,011</u>
Impairment losses and amortisation at 1 January 2022	-2,358	-2,338
Exchange rate adjustment	-1	-1
Amortisation for the year	-211	-205
Amortisation for disposals for the year	1	1
Impairment losses and amortisation at 31 December 2022	<u>-2,569</u>	<u>-2,543</u>
Carrying amount at 31 December 2022	<u>529</u>	<u>467</u>

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9 Property, plant and equipment

EUR'000	Group		
	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2022	25,937	13,511	39,448
Exchange rate adjustment	-275	-32	-307
Additions for the year	156	2,760	2,916
Disposals during the year	-3	-5	-8
Cost at 31 December 2022	25,815	16,234	42,049
Impairment losses and depreciation at 1 January 2022	-14,474	-10,881	-25,355
Exchange rate adjustment	227	-20	207
Depreciation for the year	-732	-894	-1,626
Depreciation of and impairment losses on disposals during the year	3	5	8
Impairment losses and depreciation at 31 December 2022	-14,976	-11,790	-26,766
Carrying amount at 31 December 2022	10,839	4,444	15,283

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Notes

9 Property, plant and equipment (continued)

EUR'000	Parent Association		
	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2022	13,976	10,351	24,327
Exchange rate adjustment	3	-3	0
Additions for the year	115	2,722	2,837
Disposals during the year	0	-5	-5
Cost at 31 December 2022	14,094	13,065	27,159
Impairment losses and depreciation at 1 January 2022	-5,794	-8,050	-13,844
Exchange adjustment	-1	-2	-3
Depreciation for the year	-367	-870	-1,237
Depreciation of and impairment losses on disposals during the year	0	5	5
Impairment losses and depreciation at 31 December 2022	-6,162	-8,917	-15,079
Carrying amount at 31 December 2022	7,932	4,149	12,081

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10 Investments

EUR'000	Group		
	Equity invest-ments in associa-tes	Other securities and invest-ments	Total
Cost at 1 January 2022	27	149	176
Cost at 31 December 2022	27	149	176
Value adjustments at 1 January 2022	144	-26	118
Share of the profit/loss for the year	12	-2	10
Value adjustments at 31 December 2022	156	-28	128
Carrying amount at 31 December 2022	183	121	304

EUR'000	Parent Association			
	Equity invest-ments in group entities	Equity invest-ments in associa-tes	Other securities and equity invest-ments	Total
Cost at 1 January 2022	20,586	27	101	20,714
Exchange rate adjustment	-631	0	0	-631
Disposal for the year	-11	0	0	-11
Cost at 31 December 2022	19,944	27	101	20,072
Value adjustment at 1 January 2022	-7,907	144	-29	-7,792
Exchange rate adjustment	140	0	0	140
Share of the profit/loss for the year	195	12	0	207
Dividend distributed	-4,767	0	0	-4,767
Value adjustment at 31 December 2022	-12,339	156	-29	-12,212
Carrying amount at 31 December 2022	7,605	183	72	7,860

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10 Investments (continued)

EUR'000	Registered office	Voting rights and ownership interest
Group entities		
VikingGenetics Sweden AB	Skara, Sweden	100%
VikingGenetics Finland Oy AB	Hollola, Finland	100%
VikingGenetics Australia Pty Ltd.	Wodonga, Victoria, Australia	100%
VikingGenetics UK Ltd.	Wiltshire, United Kingdom	100%
VikingGenetics Deutschland GmbH	Hamburg, Germany	100%
Associates		
ProCross ApS	Randers, Denmark	50%

11 Provisions for deferred tax

EUR'000	Group		Parent Association	
	2022	2021	2022	2021
Deferred tax at 1 January	0	5	34	63
Adjustments during the year	23	-5	0	-29
	<u>23</u>	<u>0</u>	<u>34</u>	<u>34</u>

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12 Contractual obligations, contingencies, etc.

Contingent liabilities

The association is liable to withhold tax on purchase payment under certain conditions. The assessment is complex and in given situation there can be a risk of the association can be liable for the withholding tax.

13 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
- FAB A Osk, Finland

Fully-owned subsidiaries

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

Associates

- ProCross ApS, Denmark

Management

- Executive Board
- Board of Directors

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Notes

13 Related parties (continued)

Related party transactions

Group

EUR'000	Group	Parent Associa- tion
Transactions with participating associations:		
Sale of goods	24,377	24,377
Miscellaneous income from services and consumables	706	542
Financial income	8	8
Purchase of goods and miscellaneous costs from services and consumables	-1,124	-718
	23,967	24,209
Transactions with associate companies:		
Sale of goods	1,290	1,290
Miscellaneous income from services and consumables	85	-11
Purchase of goods and miscellaneous costs from services and consumables	-653	-491
	722	788

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.

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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EUR'000	Group	
	2022	2021
14 Adjustments		
Amortisation/depreciation and impairment losses and gain/loss on sale of fixed assets	1,838	2,661
Income from investments in associates	-12	-46
Financial income	-56	-426
Financial expenses	215	54
Tax for the year	69	208
Change in provisions	0	-5
Other adjustments	-141	0
	<u>1,913</u>	<u>2,446</u>
15 Changes in working capital		
Change in inventories	-753	7,075
Change in receivables	242	-1,124
Change in prepayments and trade and other payables	871	-1,857
	<u>360</u>	<u>4,094</u>