

## **Jørgen Kruuse A/S**

Havretoften 4  
5550 Langeskov  
CVR No. 35243216

### **Annual report 2019**

The Annual General Meeting adopted the  
annual report on 09.09.2020

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**Thomas Rahbek**  
Conductor

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# Entity details

## Entity

Jørgen Kruuse A/S

Havretoften 4

5550 Langeskov

CVR No.: 35243216

Registered office: Kerteminde

Financial year: 01.01.2019 - 31.12.2019

Phone number: +45 72 14 15 11

URL: [www.kruuse.com](http://www.kruuse.com)

E-mail: [info@kruuse.com](mailto:info@kruuse.com)

## Board of Directors

Michael Ellis, Chairman

Graham Michael Rhodes, Vice-chairman

Timothy David Carse

## Executive Board

Tino Bendix

Thomas Rahbek

## Bank

Nordea Bank Danmark A/S

Vestre Stationsvej 7

5000 Odense C

Bank Mendes Gans

Herengracht 619

1017 CE Amsterdam, Holland

## Auditors

BDO Statsautoriseret Revisionsaktieselskab

Fælledvej 1

5000 Odense C

CVR No.: 20 22 26 70

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Jørgen Kruise A/S for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Langeskov, 09.09.2020

## Executive Board

**Tino Bendix**

**Thomas Rahbek**

## Board of Directors

**Michael Ellis**

Chairman

**Graham Michael Rhodes**

Vice-chairman

**Timothy David Carse**

# Independent auditor's report

## To the shareholders of Jørgen Kruuse A/S

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Jørgen Kruuse A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 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 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

**Statement according to other legislation and regulations**

*Violation of the provision of the Danish Companies Act on self-financing*

Contrary to section 206(1) of the Danish Companies Act, the company has made a loan to the company's shareholder for acquisition of equity interests in the company, and Management may incur liability in this respect.

Referring to note 22, the loan has been repaid after the balance sheet date.

Odense, 09.09.2020

**BDO Statsautoriseret Revisionsaktieselskab**

CVR No. 20222670

**Jesper Bechsgaard Jørgensen**

State Authorised Public Accountant

Identification No (MNE) mne31412

# Management commentary

## Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
<b>Key figures</b>					
Revenue	519,312	537,223	539,948	542,538	549,789
Gross profit/loss	137,938	125,874	120,713	120,026	130,485
Operating profit/loss	25,869	13,016	21,970	17,270	35,790
Net financials	8,866	-589	-401	310	75
Profit/loss for the year	35,379	12,841	12,260	8,051	23,367
Total assets	549,140	341,552	332,265	295,143	231,983
Equity	225,689	184,495	172,157	161,158	154,038
Average number of employees	178	162	163	164	164
<b>Ratios</b>					
Gross margin (%)	26.56	23.43	22.36	22.12	23.73
EBIT margin (%)	4.98	2.42	4.07	3.18	6.51
Solvency ratio	40.95	54.02	51.81	54.60	66.40
Return on equity (%)	17.25	7.20	7.36	5.11	15.17
Revenue per employee	2,917	3,316	3,313	3,308	3,352
Index for net revenue	94.46	97.71	98.21	98.68	100

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

### Gross margin (%):

$\frac{\text{Gross profit/loss}}{\text{Revenue}} * 100$

Revenue

### EBIT margin (%):

$\frac{\text{Operating profit/loss}}{\text{Revenue}} * 100$

Revenue

### Solvency ratio (%):

$\frac{\text{Equity, end of period}}{\text{Total assets, end of period}} * 100$

Total assets, end of period

### Return on equity (%):

$\frac{\text{Profit/loss for the year}}{\text{Average equity}} * 100$

Average equity



**Net turnover per employee:**

Revenue

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Average number of employees

### Primary activities

The company's principal activities comprise production and sale of veterinary articles. The company is a leading provider of solutions to the veterinary industry and it has its own companies in Denmark, Sweden, Norway, United Kingdom, Poland and China. The rest of the world is serviced through selected veterinary distributors in over 100 countries.

### Development in activities and finances

The company's income statement shows a profit before tax of DKK 42.8 m, an increase of DKK 26.8 m /68% against 2018.

Management considers the total profit of the company as satisfactory.

### Outlook

Management expects the company to improve its results before tax in 2020, measured against the results realised for 2019. The increase will primarily be driven by gross margin and a moderate development in the company's expenses.

### Particular risks

The group's most significant operating risk is attached to the ability to be strongly positioned in the markets where its products are sold and to currently ensure high service and quality at competitive prices.

#### *Foreign exchange risks:*

The company's revenue and earnings are related to the development for SEK, NOK, GBP and, to a lesser extent, USD. The company uses financial instruments to hedge and control the interest rate risk. No speculative foreign currency positions are made.

Exchange adjustments of investments in subsidiary enterprises, which are independent entities, are recognised directly in the equity. Related exchange risks are generally not hedged because it is the company's opinion that a current hedging of such long-term investments will not be optimal from an overall risk and cost viewpoint.

#### *Interest rate risk:*

The short-term debt is subject to a variable interest rate. Changes in interest rates will therefore have an effect on the earnings.

### Environmental performance

The company is continuously working on minimising adverse environmental conditions.

### Research and development activities

The Group's headquarters are situated in Langeskov, Denmark, and the development activities are primarily controlled and performed there.

### Statutory report on corporate social responsibility

The company has a historical tradition for assuming corporate social responsibility within areas in which the company believes it can contribute. For this purpose, the company has focus on a number of potential CSR risks in relation to our activities. We will in the following describe the CSR risks in more detail and how we manage those risks through our policies and actions in relation to employees, human rights, environment and climate, and anti-corruption.

### *Employees*

We assess that most significant risk relating to employees could be work-related accidents and an impairment of the work environment, including impact on the employees' motivation and health. Failure to manage those risks may lead to damage on employees, our ability to attract the right employees, and our general reputation as a business. To mitigate those risks, the company has focus on work-life balance. For this purpose, the company has drawn up a stress and job satisfaction policy and set up a job satisfaction committee. As part of the company's health policy it offers regular health checks and smoking cessation courses, a healthy canteen scheme, which is evaluated regularly. The company's goal is to maintain absence due to sickness at continued low level.

The company's work environment organisation has increased focus on analyzing "near-miss-accidents" and has taken steps to changes which may help the prevention of work-related accidents. In 2019 there has been a focus on ensuring compliance with our public partners, such as the Danish Medicines Agency and the working environment area. The company has also decided to expand the internal work environment organization to ensure a greater breadth, focusing on several different work areas within the company. The greater breadth means that several work environment projects can be worked at the same time. No serious work-related accidents happened in the most recent financial year. It is the company's goal that work-related accidents should not happen.

We assess that our activities in 2019 have contributed positively to maintain good conditions for our employees.

### *Human rights*

We assess that the most significant risk in relation to human rights might be that suppliers violate internationally accepted principles on human rights or work environment provisions, including the use of child or forced labour. Failure to manage this risk may for example result in adverse publicity and criticism as well as interruption of deliveries to our operation. The company's focus on ensuring maintenance of corporate social responsibility, including human rights and work environment conditions, is primarily aimed at the company's foreign suppliers of which a major share is located in Asia.

The company integrates the consideration for corporate social responsibility by making demands on the suppliers, both existing and new suppliers. The work of maintaining demands on the suppliers is made by current screening of our existing supplier base, and audit of selected suppliers where we will deselect suppliers who do not meet our demands for corporate social responsibility.

It is the company's intention to ensure that the suppliers, who constitute the highest risks, and the suppliers, who have the highest engagement in their agreement with us, comply fully with the codex we have defined. This codex requires that the suppliers fulfil social responsibility, and ensures that they comply with local work environment provisions, decent pay and work conditions for their employees and do not use child or forced labour, etc. and the same applies to sub-suppliers, aim at ensuring a healthy and safe work environment for their employees in order to prevent accidents or health implications.

Our regular visits to suppliers in 2019 did not result in any comments in this respect. Moreover, we are not aware of any violations of human rights in the company in 2019.

### *Impact on environment and climate*

We assess that the most important risk in relation to environment and climate could be that material used for manufacture of our products could have a negative impact on environment and climate. As we cooperate with a number of sub-suppliers, we have focus on the fact that risks may occur at the supplier. The risk could be that an unnecessary amount of plastic or chemicals is used for manufacture of/input to a product and in the

wrapping/packaging of our products. We assess also that our transport and disposal of products may lead to a risk of a negative impact on the environment, which must be dealt with.

Jørgen Kruuse A/S is environmentally conscious and initiatives are taken currently to improve the impact on the environment of the company's production and distribution until disposal.

According to the company's codex, relevant sub-suppliers must currently aim to reduce over-packaging, increase re-use of packaging, avoid pre-packing containing PVC or other types of chlorinated plastic materials and be updated on legislation on prepacking and the related waste management. This requires also that deliveries, where possible, are made in the form of joint shipments to promote efficient, fuel saving transport and use of approved particle filters to reduce particle pollution in general and especially in major cities.

As regards chemical waste products, the suppliers must currently ensure updating of the range of products to offer alternative products, which will reduce the environmental impact and the health of the users.

This focus has in 2019 resulted in specific improvement initiatives according to which unnecessary plastic foil has been removed from our prepacking, and initiatives have been taken which in specific areas change prepacking to unbleached and recycled cardboard. We assess that our efforts in 2019 have contributed positively to improve the impact on the environment and the climate of our activities.

#### *Anti-corruption and bribery*

We assess that the most important risk in relation to corruption and bribery is that our employees or distributors use gifts, payments or other means to, unjustified, influence customers or stakeholders or vice versa that can cause inappropriate business decisions or gain an unfair advantage. This may have an impact on our reputation and possibilities of building confidence with a large number of our stakeholders. We work actively on discouraging any form of corruption and bribery in connection with our activities. We implemented in 2019 an e-learning course with special focus on scenarios in relation to corruption and bribery, including how we respond to corruption and bribery. We are not aware of any violations relating to corruption or bribery in 2019.

#### **Statutory report on the underrepresented gender**

The company is working on increasing the share of the underrepresented gender in the Management because diversity is considered a strength.

#### *The board of directors*

The company has as its target that at least 25 % of the four board members elected at the company's Annual General Meeting must be women in 2022. Status at the end of 2019 is that none of the company's board members are women. The target has not been achieved yet because new members of the board, who were elected on the basis of the competences and insights set up, were men. We find it an ambitious goal to achieve 25% and will attempt to meet it.

#### *The company's policy and efforts*

The company has drawn up a policy and taken initiatives to promote the gender distribution at managerial levels, and which develop and support female leaders. In connection with employment and recruitment for managerial positions it is a goal to have both male and female candidates despite the fact that the business world is male dominated. The policy applies to internal as well as external job postings. The company has also reviewed its employment conditions to assess the barriers and opportunities in relation to promoting the underrepresented gender at the managerial levels.

The company's executive management includes seven persons and the gender distribution was 85% men and 15% women at the end of 2019.

The company's group of mid-level managers includes nine persons and the gender distribution was 55% women and 45% men at the end of 2019.

#### **Events after the balance sheet date**

No events have occurred after the end of the financial year of material importance for the company's financial position.

The outbreak and spread of COVID-19 at the beginning of 2020 is expected to adversely affect the company's profit for 2020.

Measures have been taken to reduce this impact, after which it is not considered to be significant for the company's financial position and development.

# Income statement for 2019

	Notes	2019 DKK'000	2018 DKK '000
Revenue	2	519,312	537,224
Other operating income		0	16
Cost of sales		(323,902)	(350,626)
Other external expenses	3	(57,472)	(59,479)
<b>Gross profit/loss</b>		<b>137,938</b>	<b>127,135</b>
Staff costs	4	(109,423)	(112,690)
Depreciation, amortisation and impairment losses		(2,646)	(1,429)
<b>Operating profit/loss</b>		<b>25,869</b>	<b>13,016</b>
Income from investments in group enterprises		8,108	3,566
Other financial income from group enterprises		9,209	394
Other financial income	5	2,000	247
Financial expenses from group enterprises		(1,293)	0
Other financial expenses	6	(1,050)	(1,231)
<b>Profit/loss before tax</b>		<b>42,843</b>	<b>15,992</b>
Tax on profit/loss for the year	7	(7,464)	(3,152)
<b>Profit/loss for the year</b>	8	<b>35,379</b>	<b>12,840</b>

# Balance sheet at 31.12.2019

## Assets

	Notes	2019 DKK'000	2018 DKK'000
Acquired rights		16,336	6,202
Development projects in progress	10	501	385
<b>Intangible assets</b>	9	<b>16,837</b>	<b>6,587</b>
Other fixtures and fittings, tools and equipment		4,726	2,886
Property, plant and equipment in progress		0	2,485
<b>Property, plant and equipment</b>	11	<b>4,726</b>	<b>5,371</b>
Investments in group enterprises		58,693	49,134
<b>Other financial assets</b>	12	<b>58,693</b>	<b>49,134</b>
<b>Fixed assets</b>		<b>80,256</b>	<b>61,092</b>
Manufactured goods and goods for resale		74,734	82,748
Prepayments for goods		4,845	5,685
<b>Inventories</b>		<b>79,579</b>	<b>88,433</b>
Trade receivables		42,240	44,017
Receivables from group enterprises		95,054	20,613
Deferred tax	13	0	951
Other receivables		2,154	1,504
Prepayments	14	1,740	5,342
<b>Receivables</b>		<b>141,188</b>	<b>72,427</b>
<b>Cash</b>		<b>248,117</b>	<b>119,603</b>
<b>Current assets</b>		<b>468,884</b>	<b>280,463</b>
<b>Assets</b>		<b>549,140</b>	<b>341,555</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
Contributed capital		1,000	1,000
Reserve for net revaluation according to the equity method		19,039	9,479
Reserve for development expenditure		391	300
Retained earnings		205,259	173,716
<b>Equity</b>		<b>225,689</b>	<b>184,495</b>
Deferred tax	13	1,536	0
Other provisions	15	4,958	6,680
<b>Provisions</b>		<b>6,494</b>	<b>6,680</b>
Other payables		2,517	0
<b>Non-current liabilities other than provisions</b>	16	<b>2,517</b>	<b>0</b>
Bank loans		205,955	31,869
Trade payables		30,110	40,703
Payables to group enterprises		44,358	39,148
Income tax payable		4,977	3,160
Other payables		29,040	34,120
Deferred income	17	0	1,380
<b>Current liabilities other than provisions</b>		<b>314,440</b>	<b>150,380</b>
<b>Liabilities other than provisions</b>		<b>316,957</b>	<b>150,380</b>
<b>Equity and liabilities</b>		<b>549,140</b>	<b>341,555</b>
Events after the balance sheet date	1		
Contingent liabilities	19		
Assets charged and collateral	20		
Related parties with controlling interest	21		
Receivables from management category repaid during the financial year	22		
Group relations	23		



# Statement of changes in equity for 2019

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1,000	9,479	300	173,716	184,495
Exchange rate adjustments	0	1,406	0	0	1,406
Other entries on equity	0	43	0	4,366	4,409
Transfer to reserves	0	0	91	(91)	0
Profit/loss for the year	0	8,111	0	27,268	35,379
<b>Equity end of year</b>	<b>1,000</b>	<b>19,039</b>	<b>391</b>	<b>205,259</b>	<b>225,689</b>

The share capital has not been changed in the past 5 years.

The share capital consists of 1,000 shares of a nominal value of DKK 1,000. No shares carry any special rights.

# Cash flow statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Operating profit/loss		25,869	13,016
Amortisation, depreciation and impairment losses		2,646	1,429
Working capital changes	18	(65,485)	36,539
Other adjustments		5,419	2,202
<b>Cash flow from ordinary operating activities</b>		<b>(31,551)</b>	<b>53,186</b>
Financial income received		2,439	642
Financial expenses paid		(1,050)	(1,231)
Income taxes refunded/(paid)		(3,160)	(5,150)
<b>Cash flows from operating activities</b>		<b>(33,322)</b>	<b>47,447</b>
Acquisition etc of intangible assets		(11,245)	(6,046)
Acquisition of fixed asset investments		(3,490)	(1,575)
Sale of fixed asset investments		0	16
Disposal of intangible assets		0	678
Change in Tangible fixed assets under construction		2,485	0
<b>Cash flows from investing activities</b>		<b>(12,250)</b>	<b>(6,927)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(45,572)</b>	<b>40,520</b>
Cash and cash equivalents beginning of year		87,734	47,214
<b>Cash and cash equivalents end of year</b>		<b>42,162</b>	<b>87,734</b>
Cash and cash equivalents at year-end are composed of:			
Cash		248,117	119,603
Short-term debt to banks		(205,955)	(31,869)
<b>Cash and cash equivalents end of year</b>		<b>42,162</b>	<b>87,734</b>

# Notes

## 1 Events after the balance sheet date

No events have occurred after the end of the financial year of material importance for the company's financial position.

The outbreak and spread of COVID-19 at the beginning of 2020 is expected to adversely affect the company's profit for 2020.

Measures have been taken to reduce this impact, after which it is not considered to be significant for the company's financial position and development.

## 2 Revenue

	<b>2019</b>	<b>2018</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Revenue, Denmark	121,221	119,645
Revenue, rest of the world	398,091	417,578
<b>Total revenue by activity</b>	<b>519,312</b>	<b>537,223</b>

## 3 Fees to the auditor appointed by the Annual General Meeting

According to section 96, subsection 3 of the Danish Financial Statements Act audit fee is reported in the consolidated financial statements of the parent company.

## 4 Staff costs

	<b>2019</b>	<b>2018</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Wages and salaries	91,506	94,118
Pension costs	13,259	13,328
Other social security costs	1,022	895
Other staff costs	3,636	4,349
	<b>109,423</b>	<b>112,690</b>
Average number of full-time employees	<b>178</b>	<b>162</b>

	<b>Remuneration of management 2019 DKK'000</b>	<b>Remuneration of management 2018 DKK'000</b>
Board of Directors	6,797	6,745
	<b>6,797</b>	<b>6,745</b>

### Special incentive programmes

Incentive programs for executive management and senior executives include stock options in the ultimate parent company. The options entitle the holder to receive an equivalent number of shares in the ultimate parent company under certain conditions, including achievement of agreed targets within a period of 3 to 4 years from the date of issue.

The board of executives and executive officers additionally receives payment partly in the form of bonus.

### 5 Other financial income

	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
Other interest income	2,000	247
	<b>2,000</b>	<b>247</b>

### 6 Other financial expenses

	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
Other financial expenses	1,050	1,231
	<b>1,050</b>	<b>1,231</b>

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

	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
Current tax	4,977	3,163
Change in deferred tax	2,487	(8)
Adjustment concerning previous years	0	(3)
	<b>7,464</b>	<b>3,152</b>

### 8 Proposed distribution of profit and loss

	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
Retained earnings	35,379	12,840
	<b>35,379</b>	<b>12,840</b>

## 9 Intangible assets

	Acquired rights DKK'000	Development projects in progress DKK'000
Cost beginning of year	6,220	385
Additions	11,129	116
<b>Cost end of year</b>	<b>17,349</b>	<b>501</b>
Amortisation and impairment losses beginning of year	(18)	0
Amortisation for the year	(995)	0
<b>Amortisation and impairment losses end of year</b>	<b>(1,013)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>16,336</b>	<b>501</b>

## 10 Development projects

Development costs consist of projects in progress of new/unique products with expected market launch in 2020 ('000 DKK 501). Market research shows a demand for the these specific unique products.

## 11 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	56,374
Transfers	360
Additions	3,490
<b>Cost end of year</b>	<b>60,224</b>
Depreciation and impairment losses beginning of year	(53,488)
Transfers	(360)
Depreciation for the year	(1,650)
<b>Depreciation and impairment losses end of year</b>	<b>(55,498)</b>
<b>Carrying amount end of year</b>	<b>4,726</b>

## 12 Financial assets

	<b>Investments in group enterprises DKK'000</b>
Cost beginning of year	39,655
<b>Cost end of year</b>	<b>39,655</b>
Revaluations beginning of year	20,490
Exchange rate adjustments	1,406
Share of profit/loss for the year	9,503
Adjustment of intra-group profits	548
Other adjustments	43
<b>Revaluations end of year</b>	<b>31,990</b>
Impairment losses beginning of year	(11,009)
Impairment losses for the year	(1,943)
<b>Impairment losses end of year</b>	<b>(12,952)</b>
<b>Carrying amount end of year</b>	<b>58,693</b>

As part of the hedging of recognised and non-recognised transactions, the company uses hedging instruments, such as forward exchange contracts, currency options and currency swaps. There are no hedging on the 31th of December 2019.

<b>Investments in subsidiaries</b>	<b>Equity interest %</b>	<b>Equity DKK'000</b>	<b>Profit/loss DKK'000</b>
Kruuse Svenska AB, Uppsala, Sverige	100	4,167	2,700
Kruuse Norge AS, Drøbak, Norge	100	11,315	1,970
Kruuse UK Ltd., Sherburn in Elmet, North Yorkshire, UK	100	21,748	2,003
Kruuse Polska SP z o.o., Poznan, Polen	100	(18,987)	565
Kruuse Hong Kong Ltd., Hong Kong	100	(2,443)	1,175
Kruuse Shanghai, Co. Ltd, Kina	100		
E-Vet A/S, Haderslev, Danmark	100	21,278	2,829

### 13 Deferred tax

	<b>2019</b>	<b>2018</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Intangible assets	3,704	(1,450)
Property, plant and equipment	(607)	792
Inventories	(110)	0
Receivables	(347)	(580)
Provisions	(1,562)	2,424
Other taxable temporary differences	458	(235)
<b>Deferred tax</b>	<b>1,536</b>	<b>951</b>

	<b>2019</b>	<b>2018</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>Changes during the year</b>		
Beginning of year	(951)	943
Recognised in the income statement	2,487	8
<b>End of year</b>	<b>1,536</b>	<b>951</b>

The tax asset is primarily attributable to differences on tangible fixed assets and provisions. The tax asset is recognised on the basis of the expectations to the positive tax profits for the next couple of years, and the tax asset is then expected to be fully utilised.

### 14 Prepayments

Accruals recognised as assets include costs incurred relating to subsequent financial years. The costs relate to prepaid insurances, licenses and travelling expenses.

### 15 Other provisions

Provisions for liabilities include the expected cost of repair and warranty commitments and employee related obligations.

Warranty liabilities comprise liabilities of ordinary 1 year's warranty on the Company's products and other estimated repairmentliabilities for major plant.

### 16 Non-current liabilities other than provisions

	<b>Due after more than 12 months 2019 DKK'000</b>
Other payables	2,517
	<b>2,517</b>

### 17 Deferred income

Accruals recognised as liabilities include costs incurred relating to deferred revenue, invoiced not delivered.

## 18 Changes in working capital

	2019 DKK'000	2018 DKK'000
Increase/decrease in inventories	13,697	7,982
Increase/decrease in receivables	(68,299)	11,623
Increase/decrease in trade payables etc	(10,883)	16,934
	<b>(65,485)</b>	<b>36,539</b>

## 19 Contingent liabilities

### *Contracts and agreements*

Jørgen Kruuse A/S has signed sales related licence and commission agreements with 14 persons/companies. The agreements are related to specific products and are in force as long as these products are sold. The expense is DKK ('000) 3,743 in the financial year.

### *Rental agreements*

Jørgen Kruuse A/S has signed a rental agreement with PAK Ejendomsselskab A/S concerning the domicile property at Havretoften 4, Langeskov with a rent for 2020 of DKK ('000) 6,931 and a maximum liability until expiry of approx. DKK ('000) 11,551.

Jørgen Kruuse A/S has signed other rental agreements concerning property with a rent for 2020 of DKK ('000) 521 and a maximum liability until expiry of approx. DKK ('000) 114.

Jørgen Kruuse A/S has signed other lease agreements relating to operating equipment etc. at a total annual lease payment of DKK ('000) 2,281 and a maximum liability until expiry of DKK ('000) 3,133.

### *Joint liabilities*

Jørgen Kruuse A/S is jointly and severally liable together with the parent company and the other group companies in the jointly taxed group for tax on the group's jointly tax income and for certain possible withholding taxes such as dividend tax.

Tax payable of the group's jointly taxed income is stated in the annual report of parent company Projectgold ApS, which serves as management parent company for the joint taxation.

## 20 Assets charged and collateral

Jørgen Kruuse A/S has issued a Letter of Support in relation to the subsidiary Kruuse Shanghai Co. Ltd.

## 21 Related parties with controlling interest

### *Related parties*

Jørgen Kruuse A/S' related parties include:

### *Controlling interest*

Projectsilver ApS, Havretoften 4, 5550 Langeskov, owns all shares and thereby controlling interest. Covetrus Inc., Portland, Marine, USA is the ultimate parent company.

### *Transactions with related parties*

Jørgen Kruuse A/S did not carry out any substantial transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Act information is given only on transactions that



were not performed on common market conditions.

## **22 Receivables from management category repaid during the financial year**

In the opinion of the company's external legal counsel given that the loan to the company's shareholder contrary to section 206(1) of the Danish Companies Act has been repaid in full in accordance the requirements in section 215 of the Danish Companies Act, the risk that the company or Management, respectively, may incur any liability as a consequence of such loan is deemed to be very low.

## **23 Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
Covetrus Inc., Portland, Marine, USA.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
Projectgold ApS, Havretoften 4, 5550 Langeskov.

The Company is included in the consolidated financial statements of Projectgold ApS, Havretoften 4, 5500 Langeskov, CVR no. 36 90 94 12 and in the consolidated financial statements of the ultimate parent, Covetrus Inc., Portland, Marine, USA.

# Accounting policies

## Reporting class

The annual report of Jørgen Kruuse A/S for 2019 is presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large-sized enterprises.

The Annual Report is prepared consistently with the accounting principles used last year.

## Consolidated financial statements

Consolidated financial statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of Projectgold ApS.

## Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Accounts receivable, payable and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivable or payable is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

The income statements of foreign subsidiary enterprises fulfilling the criteria for being independent entities are translated at an average exchange rate for the month and balance sheet items are translated at the rate of exchange on the balance sheet date. Exchange differences arising from translation of the equity of the foreign subsidiaries at the beginning of the year to the rates of the balance sheet date and from translation of income statements from average rate to the rates of the balance sheet date are recognised directly in the equity.

## Derivative financial instruments

Derivative financial instruments are the first time recognized in the balance sheet at cost price and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in receivables and liabilities, respectively.

Change in the fair value of derivative financial instruments, classified as and meeting the criteria for hedging the fair value of a recognized asset or a recognized liability, are recognized in the profit and loss account together with changes in the fair value, if any, of the hedged asset or the hedged liability.

## Income statement

### Net revenue

The net revenue from sale of merchandise and finished goods is recognised in the income statement if supply

and risk transfer to purchaser has taken place before the end of the year. Net revenues is recognised exclusive of VAT, duties and less discounts related to the sale.

### **Other operating income and expenses**

Other operating income and expenses include items of a secondary nature in relation to the enterprises' principal activities.

### **Cost of sales**

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

### **Other external costs**

Other external costs include logistics, maintenance, operations, rent of premises, packing, marketing, seminars, administration, office supplies, IT, and telecommunication as well as loss on bad debts.

### **Staff costs**

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs of social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

### **Depreciation, amortisation and impairment losses**

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

### **Investments in subsidiaries**

The proportional share of results of subsidiaries after full elimination of intercompany profits/losses and deduction of amortised goodwill is recognised in the company's income statement.

### **Other financial income from group enterprises**

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

### **Other financial income**

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

### **Financial expenses from group enterprises**

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

### **Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

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

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that can be attributed to the profit for the year, and is recognised directly in the equity by the portion that can be attributed to entries directly to the equity.

## Balance sheet

### Intangible fixed assets

Development costs, in progress, comprise costs, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition until the time when the assets are ready to be used.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

Acquired rights are measured at less accumulated amortisation. Rights are amortised on a straight-line basis over the estimated useful life of 5 years.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

### Tangible fixed assets

Machinery and other plant, fixtures and equipment are measured at cost less accumulated depreciation and write-down.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

The depreciation base is cost less estimated residual value after end of useful life. Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value as follows:

Other fixtures and fittings, tools and equipment	3-6 years
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Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Tangible fixed assets under construction are measured at cost.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

### Fixed asset investments

Investments in subsidiaries are measured in the parent company balance sheet under the equity method.

Investments in subsidiaries are measured in the balance sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill calculated in accordance with the acquisition method.

In connection with purchase of companies the purchase method is applied. Added values in the form of consolidated goodwill are amortised over the estimated financial useful life, which is determined based on management's experience within the individual lines of business. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which is 7 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific conditions.

Net revaluation of investments in subsidiaries is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value. Dividends from subsidiaries expected to be approved before the approval of the annual report of the parent company are not bound on the reserve for net revaluation.

Subsidiaries with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds accounts receivable, the residual amount is recognised under provision for liabilities to the extent that the company has a legal or actual liability to cover the subsidiary's deficit.

Other investments are measured at cost.

#### **Impairment of fixed assets**

The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

#### **Inventories**

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, write-down is provided to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of management, and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

**Receivables**

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.

**Deferred tax**

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by offset against tax on future earnings or by offset against deferred tax liabilities within the same legal tax unit.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rate are recognised in the income statement, except for items that are taken directly to equity.

**Accruals, assets**

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

**Cash**

Cash comprises cash in hand and bank deposits.

**Other provisions for liabilities**

Provisions for liabilities include the expected cost of repair and warranty commitments and employee related obligations.

**Liabilities**

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Other liabilities, which include debt to suppliers, subsidiaries and associates and other debt, are measured at amortised cost which usually corresponds to the nominal value.

**Tax payable**

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

**Accruals, liabilities**

Accruals recognised as liabilities include costs incurred relating to deferred revenue, invoiced not delivered.

**Cash flow statement**

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

*Cash flows from operating activities:*

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

*Cash flows from investing activities:*

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

*Cash flows from financing activities:*

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interestbearing debt and payment of dividend to shareholders.

*Cash and cash equivalents:*

Cash and cash equivalents include bank overdraft and liquid funds.