Jørgen Kruuse A/S

Havretoften 4
5550 Langeskov
CVR No. 35243216

Annual report 2021

The Annual General Meeting adopted the annual report on 30.06.2022

Mads Bonne Alkærsig
Conductor

Contents

Entity details

Entity

Jørgen Kruuse A/S
Havretoften 4
5550 Langeskov

Business Registration No.: 35243216
Registered office: Kerteminde
Financial year: 01.01.2021 - 31.12.2021
Phone number: +45 72 14 15 11
URL: www.kruuse.com
E-mail: info@kruuse.com

Board of Directors

Tino Bendix
Graham Michael Rhodes
Cesar Augusto Moreira Franca

Executive Board

Tino Bendix
Mads Bonne Alkærsig

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.: 20222670

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Jørgen Kruuse A/S for the financial year 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021.

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, 30.06.2022

Executive Board

Tino Bendix

Mads Bonne Alkærsig

Board of Directors

Tino Bendix

Graham Michael Rhodes

Cesar Augusto Moreira Franca

Independent auditor's report

To the shareholders of Jørgen Kruuse A/S

Opinion

We have audited the financial statements of Jørgen Kruuse A/S for the financial year 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 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 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 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.

Odense, 30.06.2022

BDO Statsautoriseret Revisionsaktieselskab
CVR No. 20222670

Jesper Bechsgaard Jørgensen
State Authorised Public Accountant
Identification No (MNE) mne31412

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Revenue	617,608	530,476	519,312	537,223	539,948
Gross profit/loss	208,458	177,031	137,938	125,874	120,713
Operating profit/loss	91,585	62,712	25,869	13,016	21,970
Net financials	197	680	8,866	-589	-401
Profit/loss for the year	91,281	63,857	35,379	12,841	12,260
Total assets	457,219	438,408	549,140	341,552	332,265
Equity	289,632	287,933	225,689	184,495	172,157
Investments in property, plant and equipment	3,213	1,939	3,490	1,575	848
Average number of employees	175	176	178	162	163
Ratios					
Gross margin (%)	33.75	33.37	26.56	23.43	22.36
EBIT margin (%)	14.83	11.82	4.98	2.42	4.07
Solvency ratio (%)	63.19	65.68	40.95	54.02	51.81
Return on equity (%)	32.01	24.87	17.25	7.20	7.36
Revenue per employee	3,529	3,014	2,917	3,316	3,313
Index for net revenue	114.38	98.25	96.18	99.50	100.00

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

Gross margin (%):
Gross profit/loss * 100
Revenue

EBIT margin (%):
Operating profit/loss * 100
Revenue

Solvency ratio (%):
Equity, end of period * 100
Total assets, end of period

Return on equity (%):
Profit/loss for the year * 100
Average equity

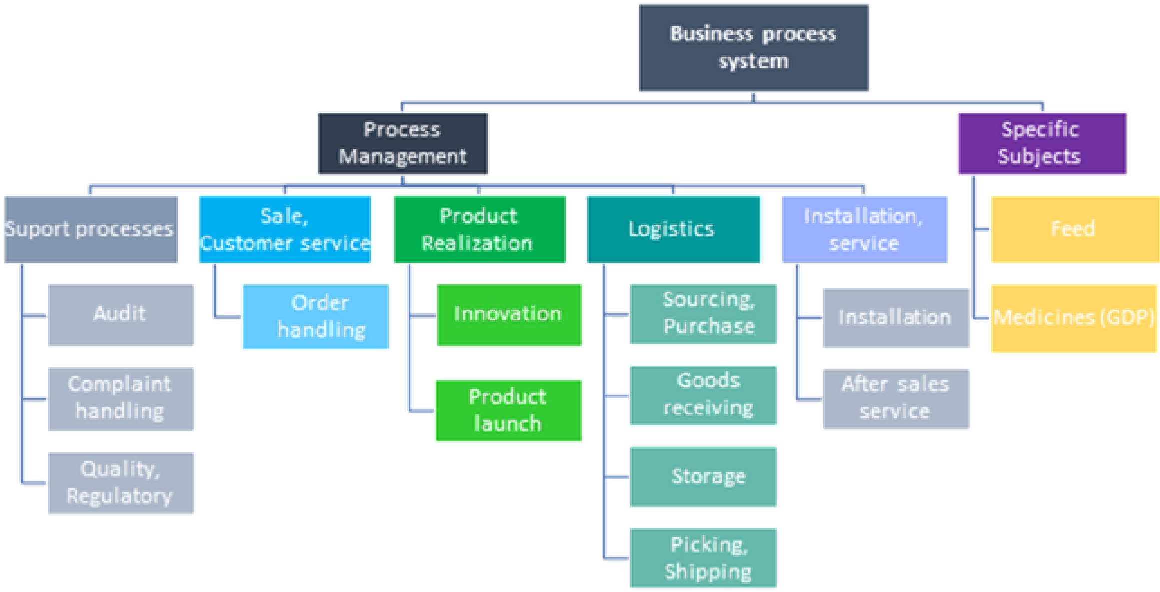
Revenue per employee:
Revenue
Average number of employees

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.

The company's business model

Reference is also made to the description of principal activities.



Development in activities and finances

The company's income statement shows a profit before tax of DKK 111,3 m, an increase of DKK 33,2 m / 42,5% against 2020. The increase is driven by improved coverage combined with additional sales in the Covetrus Sales channels. Further more the company maintains a moderate development in the company's expenses. The development is better than last year's expectations.

Management considers the total profit of the company as very satisfactory.

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 USD. No speculative foreign currency positions are made. To avoid unnecessary currency risk, all bank accounts are exchanged every month.

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.

Interes 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.

Profit/loss for the year in relation to expected developments

The financial results for the year were expected to further improve the results before tax. The company's income statement shows a profit before tax of DKK 111,3 m (2020 DKK 78,1 m), an increase of DKK 33,2 m against 2020 as a result of additional sales in the Covetrus sales channels, continued focus on improved coverage and a moderate development in the company's expenses. Covid-19 did not affect the result for 2021 negatively. Management finds the development very satisfactory and better than Management's expectations as expressed in the annual report for 2020.

Outlook

Management expect the company will be on the same level or slightly improve the results before tax in 2021 so that the income statement will show a profit in the range of DKK 106,3 m to DKK 121,3 m. Global supply chain challenges and the Ukraine/Russia conflict could affect the 2022 development and results for the company.

Environmental performance

The company is continuously working on minimising adverse enviromental conditions. This is ensured by continuously carrying out measures in the environmental area, including an agreement on energy reduction at the location in Langeskov with an external supplier.

In addition, an agreement has been entered into regarding products with batteries so that these are reused and recycled.

In 2021, we had focus of CO2 and have optimized with the below:
Reduction of CO2 emission
Current CO2 emissions 0.012 kg/kWh x 468,460 kWh/year / 1,000 kg/ 5.6 tons CO2/year
Future CO2 emissions 0.012 kg/kWh x 166,684 kWh/year / 1,000 kg/ 2.0 tons CO2/year

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. The company has also become a member of SEDEX in 2020. We do not currently have a CSR policy. This is due to continued focus on handling of Covid-19 and increasing focus on adapting into our owners organization and strategy. The aim is to focus on and implement a CSR policy in 2022. We have policies within corruption, ethics & compliance and the company has a strong focus on diversity and inclusion in the form of targeted training.

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. 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 (4 work-related accidents has been reported in 2021). It is the company's goal that work-related accidents should not happen.

We assess that our activities in 2021 have contributed positively to maintain good conditions for our employees. And it is expected that future work will contribute positively to the company.

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 the East.

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 ongoing evaluation of suppliers in 2021 did not result in any comments in this respect. Moreover, we are not aware of any violations of human rights in the company in 2021. It is expected that future work will contribute positively to the company.

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.

We assess that our efforts in 2021 have contributed positively to improve the impact on the environment and the climate of our activities. And it is expected that future work will contribute positively to the company.

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 inappropiate 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 are not aware of any violations relating to corruption or bribery in 2021. It is expected that future work will contribute positively to the company.

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 group has as its target that at least 33 % of the three board members elected at the group's Annual General Meeting must be women in 2022. Status at the end of 2021 is that none of the group'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 33% and will

attempt to meet it. The strategy to meet this goal is to continuously hire more female executive and mid-level managers with the desired competences when the opportunity arise and continue to focus on the importance of diversity in this area.

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. A network of women leaders has been set up globally.

The company's executive management includes eight persons and the gender distribution was 87.5% men and 12.5% women at the end of 2021.

The company's group of mid-level managers includes seventeen persons and the gender distribution was 47% women and 53% men at the end of 2021.

The proportion of women is expected to balance around 50%.

Statutory report on data ethics policy

Jørgen Kruuse A/S is subject to data ethic policies from the ultimate parent company Covetrus Inc. Jørgen Kruuse A/S therefore adheres to the following privacy values:
- Jørgen Kruuse A/S does not sell or share personally identifiable customer data (PII) with third parties without consent.
- Jørgen Kruuse A/S strives to build a digital ecosystem that improves animal healthcare and respects privacy.
- Jørgen Kruuse A/S considers personal data to be confidential and we treat it that way.
- Jørgen Kruuse A/S designs every new product to consider security from the beginning.
- Jørgen Kruuse A/S takes measures to anonymize personal data and restrict access to it whenever possible.

Events after the balance sheet date

The subsidiary company Kruuse Svenska AB has in January 2022 acquired the Swedish company Next2Vet AB which is expected to further increase results before tax in 2022.

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

Income statement for 2021

	Notes	2021 DKK'000	2020 DKK '000
Revenue	2	617,608	530,476
Other operating income	3	9,877	10,873
Cost of sales		(358,906)	(307,291)
Other external expenses	4	(60,121)	(57,025)
Gross profit/loss		**208,458**	**177,033**
Staff costs	5	(108,768)	(111,402)
Depreciation, amortisation and impairment losses		(8,105)	(2,917)
Operating profit/loss		**91,585**	**62,714**
Income from investments in group enterprises		19,528	13,572
Other financial income	6	1,285	2,284
Other financial expenses	7	(1,088)	(432)
Profit/loss before tax		**111,310**	**78,138**
Tax on profit/loss for the year	8	(20,029)	(14,279)
Profit/loss for the year	9	**91,281**	**63,859**

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Completed development projects	11	496	0
Acquired rights		8,534	14,468
Development projects in progress	11	465	833
Intangible assets	10	**9,495**	**15,301**
Other fixtures and fittings, tools and equipment		6,346	5,248
Property, plant and equipment	12	**6,346**	**5,248**
Investments in group enterprises		81,324	69,379
Financial assets	13	**81,324**	**69,379**
Fixed assets		**97,165**	**89,928**
Manufactured goods and goods for resale		157,850	77,161
Prepayments for goods		1,679	5,086
Inventories		**159,529**	**82,247**
Trade receivables		41,896	40,852
Receivables from group enterprises		21,503	30,688
Other receivables		3,778	10,014
Prepayments	14	3,666	1,668
Receivables		**70,843**	**83,222**
Cash		**129,682**	**183,011**
Current assets		**360,054**	**348,480**
Assets		**457,219**	**438,408**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		1,000	1,000
Reserve for net revaluation according to the equity method		41,670	29,725
Reserve for development expenditure		749	650
Retained earnings		171,213	164,558
Proposed dividend		75,000	92,000
Equity		**289,632**	**287,933**
Deferred tax	15	960	719
Other provisions	16	4,675	4,556
Provisions		**5,635**	**5,275**
Other payables		7,034	7,259
Non-current liabilities other than provisions	17	**7,034**	**7,259**
Bank loans		1,175	1,586
Trade payables		41,502	29,414
Payables to group enterprises		59,026	42,120
Tax payable		19,810	15,078
Other payables		33,405	49,743
Current liabilities other than provisions		**154,918**	**137,941**
Liabilities other than provisions		**161,952**	**145,200**
Equity and liabilities		**457,219**	**438,408**
Events after the balance sheet date	1		
Contingent liabilities	19		
Assets charged and collateral	20		
Related parties with controlling interest	21		
Group relations	22		

Statement of changes in equity for 2021

	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	Proposed dividend DKK'000
Equity beginning of year	1,000	29,725	650	164,558	92,000
Ordinary dividend paid	0	0	0	0	(92,000)
Exchange rate adjustments	0	2,418	0	0	0
Transfer to reserves	0	0	99	(99)	0
Profit/loss for the year	0	9,527	0	6,754	75,000
Equity end of year	**1,000**	**41,670**	**749**	**171,213**	**75,000**

	Total DKK'000
Equity beginning of year	287,933
Ordinary dividend paid	(92,000)
Exchange rate adjustments	2,418
Transfer to reserves	0
Profit/loss for the year	91,281
Equity end of year	**289,632**

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 2021

	Notes	2021 DKK'000	2020 DKK'000
Operating profit/loss		91,585	62,714
Amortisation, depreciation and impairment losses		8,104	2,916
Working capital changes	18	(52,472)	77,809
Other adjustments		116	2,041
Cash flow from ordinary operating activities		**47,333**	**145,480**
Financial income received		1,285	2,284
Financial expenses paid		(1,088)	(1,604)
Taxes refunded/(paid)		(15,052)	(4,995)
Cash flows from operating activities		**32,478**	**141,165**
Acquisition etc of intangible assets		(183)	(332)
Sale of intangible assets		0	369
Acquisition of fixed asset investments		(3,213)	(1,939)
Dividends received		10,000	0
Cash flows from investing activities		**6,604**	**(1,902)**
Free cash flows generated from operations and investments before financing		**39,082**	**139,263**
Dividend paid		(92,000)	0
Cash flows from financing activities		**(92,000)**	**0**
Increase/decrease in cash and cash equivalents		**(52,918)**	**139,263**
Cash and cash equivalents beginning of year		181,425	42,162
Cash and cash equivalents end of year		**128,507**	**181,425**
Cash and cash equivalents at year-end are composed of:			
Cash		129,682	183,011
Short-term debt to banks		(1,175)	(1,586)
Cash and cash equivalents end of year		**128,507**	**181,425**

Notes

1 Events after the balance sheet date

The subsidiary company Kruuse Svenska AB has in January 2022 acquired the Swedish company Next2Vet AB which is expected to further increase results before tax in 2022.

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

2 Revenue

	2021 DKK'000	2020 DKK'000
Denmark	124,580	129,267
Europe, Middle East and Africa	363,984	309,742
Asia-Pacific	39,182	29,428
Americas	89,862	62,039
Total revenue by geographical market	**617,608**	**530,476**

3 Other operating income

Other operating income consist primarily of received management fee from subsidiaries.

4 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.

5 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	89,578	94,299
Pension costs	14,986	13,963
Other social security costs	682	875
Other staff costs	3,522	2,265
	108,768	**111,402**
Average number of full-time employees	175	176

	Remuneration of Management 2021 DKK'000	Remuneration of Management 2020 DKK'000
Executive Board	6,272	0
Total amount for management categories	0	7,151
	6,272	**7,151**

Special incentive programmes
Incentive programs for executive management and senior executives include restricted stock based compensation 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. A restricted stock gives the holder the right to receive the shares free of charge subject to continued employment. The cost of the programme is amortized over the vesting period for a total of DKK'000 1,341 in 2021 (2020: DKK'000 3,109).

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

6 Other financial income

	2021 DKK'000	2020 DKK'000
Financial income from group enterprises	1,285	1,935
Other interest income	0	349
	1,285	**2,284**

7 Other financial expenses

	2021 DKK'000	2020 DKK'000
Financial expenses from group enterprises	821	0
Other financial expenses	267	432
	1,088	**432**

8 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Current tax	19,810	15,077
Change in deferred tax	241	(816)
Adjustment concerning previous years	(22)	18
	20,029	**14,279**

9 Proposed distribution of profit and loss

	2021 DKK'000	2020 DKK'000
Ordinary dividend for the financial year	75,000	92,000
Retained earnings	16,281	(28,141)
	91,281	**63,859**

10 Intangible assets

	Completed development projects DKK'000	Acquired rights DKK'000	Development projects in progress DKK'000
Cost beginning of year	0	16,980	833
Transfers	551	0	(551)
Additions	0	0	183
Cost end of year	**551**	**16,980**	**465**
Amortisation and impairment losses beginning of year	0	(2,512)	0
Amortisation for the year	(55)	(5,934)	0
Amortisation and impairment losses end of year	**(55)**	**(8,446)**	**0**
Carrying amount end of year	**496**	**8,534**	**465**

11 Development projects

Development costs consists of projects in progress of new/unique products with expected market launch in 2022 ('000 DKK 465). Market research shows a demand for the these specific unique products. It also consists of completed development projects that have been launched to markets in 2021 ('000 DKK 496).

12 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	62,163
Additions	3,213
Cost end of year	**65,376**
Depreciation and impairment losses beginning of year	(56,915)
Depreciation for the year	(2,115)
Depreciation and impairment losses end of year	**(59,030)**
Carrying amount end of year	**6,346**

13 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	39,655
Cost end of year	**39,655**
Revaluations beginning of year	43,324
Exchange rate adjustments	2,418
Share of profit/loss for the year	19,469
Adjustment of intra-group profits	58
Dividend	(10,000)
Revaluations end of year	**55,269**
Impairment losses beginning of year	(13,600)
Impairment losses end of year	**(13,600)**
Carrying amount end of year	**81,324**

Investments in subsidiaries	**Equity interest %**	**Equity DKK'000**	**Profit/loss DKK'000**
Kruuse Svenska AB, Huddinge, Sweden	100	8,385	2,796
Kruuse Norge AS, Drøbak, Norway	100	13,777	1,288
Kruuse UK Ltd., Sheffield, UK	100	25,019	1,448
Kruuse Polska SP z o.o., Srem, Poland	100	(19,979)	40
Kruuse Hong Kong Ltd., Hong Kong	100	8,469	4,442
Kruuse Shanghai, Co. Ltd., China	100		
E-Vet A/S, Haderslev, Denmark	100	25,882	9,496

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 Deferred tax

	2021 DKK'000	2020 DKK'000
Intangible assets	2,089	3,366
Property, plant and equipment	(587)	(400)
Inventories	(45)	45
Provisions	(1,179)	(2,148)
Other taxable temporary differences	682	(144)
Deferred tax	**960**	**719**

Changes during the year	2021 DKK'000	2020 DKK'000
Beginning of year	719	1,536
Recognised in the income statement	241	(817)
End of year	**960**	**719**

16 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.

17 Non-current liabilities other than provisions

	Due after more than 12 months 2021 DKK'000	Outstanding after 5 years 2021 DKK'000
Other payables	7,034	6,226
	7,034	**6,226**

18 Changes in working capital

	2021 DKK'000	2020 DKK'000
Increase/decrease in inventories	(77,282)	(2,668)
Increase/decrease in receivables	12,379	57,966
Increase/decrease in trade payables etc	12,431	22,511
	(52,472)	**77,809**

19 Contingent liabilities

Contracts and agreements

Jørgen Kruuse A/S has signed sales related licence and commission agreements with 13 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) 4,156 in the financial year.

Guarantees

Jørgen Kruuse A/S has issued buy back guarantees of DKK ('000) 15 to third parties.

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 2021 of DKK ('000) 7,211 and a maximum liability until expiry of approx. DKK ('000) 12,018.

Jørgen Kruuse A/S has signed other lease agreements relating to operating equipment etc. at a total annual lease payment of DKK ('000) 2,567 and a maximum liability until expiry of DKK ('000) 3,774.

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 subsidiaries Kruuse UK Ltd. and Kruuse Hong Kong Ltd.

21 Related parties with controlling interest

Jørgen Kruuse A/S' related parties include:

Controlling interest
Projectsilver ApS, Havretoften 4, 5550 Langeskov, owns all shares and thereby controlling interest.
Covetrus Inc., Dublin, Ohio, 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 Group relations

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

Accounting policies

Reporting class
The annual report of Jørgen Kruuse A/S for 2021 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.

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
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.

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:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-10 years	0 %

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.

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

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

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.

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.