

BHJ A/S
Ulsnæs 33, 6300 Graasten

Annual report for 2018

CVR no. 11 42 34 18

To the Danish Business Authority

The annual report was presented and approved
at the annual general meeting on 20 May 2019

A handwritten signature in blue ink, appearing to read "Christian Haldrup", is written over a horizontal line.

(Chairman of the meeting)

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INFORMATION ON THE COMPANY

BHJ A/S
Ulsnæs 33
DK-6300 Gråsten

CVR no. 11 42 34 18

Board of directors:

Vilhelm Hald-Christensen (Chairman)
Christine J. Lauridsen
Duane Everett Willey
John F. Wheeler

Management:

Asger S. Jacobsen
Torben Matzen

Auditor:

Ernst & Young Godkendt Revisionspartnerselskab
Nørre Havnegade 43
DK-6400 Sønderborg

State Authorised Public Accountant Christian S. Christiansen
State Authorised Public Accountant René Kirkegaard

Bank:

Sydbank A/S
Handelsbanken

Annual General Meeting

The Annual General Meeting will be held 20 May 2019

BHJ A/S

Financial highlights and key ratios

	2014	2015	2016	2017	2018
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Consolidated income statement					
Revenue	1.510.764	1.385.638	1.464.573	1.512.609	1.517.598
Profit from ordinary activities	80.407	66.692	24.131	30.401	32.326
Operating profit (EBIT)	76.145	54.399	8.265	30.019	24.894
Financial items	2.152	(9.957)	(9.284)	(6.219)	(4.340)
Profit before tax	78.297	45.093	(3.651)	21.242	17.721
Profit for the year	59.087	33.679	(3.597)	15.743	13.006
Balance sheet					
Fixed assets	368.530	364.334	292.881	341.042	472.006
Current assets	392.314	381.366	407.711	389.922	397.881
Total assets	760.844	745.700	700.592	730.964	869.887
Investment in items of property, plant and equipment	6.455	20.854	4.938	22.077	18.634
Equity	283.981	249.460	250.859	270.190	282.118
Provisions	2.585	10.005	1.569	974	823
Interest-bearing debt	255.336	278.840	188.811	180.705	303.798
Non-interest-bearing debt	218.942	207.395	259.353	279.095	283.149
Number of employees at year-end	263	273	275	279	313
Key figures¹					
Operating margin	5,0%	3,9%	0,6%	2,0%	1,6%
Return On Capital Employed (ROCE)	17,5%	10,7%	1,7%	6,9%	4,8%
Return on equity	21,5%	12,6%	-1,4%	6,0%	4,7%
Debt ratio	89,9%	111,8%	75,3%	66,9%	107,7%
Equity at year-end	37,3%	33,5%	35,8%	37,0%	32,4%

¹ Key figures are calculated according to definition described under accounting policies

MANAGEMENT REPORT

Main activities

BHJ A/S operates with the following two business divisions:

- Essentia Protein Solutions
- BHJ

Essentia Protein Solutions develops, produces and markets functional protein ingredients within meat processing, soup stock and nutrition.

BHJ purchases, processes and sells meat and fish raw materials for pet food- and fur feed-industries and trades within food in pork, beef, poultry- and fish-products.

Highlights of the financial year

There were no significant events in 2018.

Consolidated accounts have been prepared and disclosed for the ultimate parent company within the EU, LGI International Holding S.a.r.l., Luxembourg. The consolidated accounts include the activities of the BHJ group. The consolidated accounts for LGI International Holding S.a.r.l. include all the necessary information to assess the activities of the BHJ group. Therefore, this annual report only includes the annual accounts of BHJ A/S in accordance with section 112 of the Danish Financial Statements Act, and in accordance with section 86 (4), no cash flow statement has been made.

Financial performance

Revenue has increased by 0,3% compared with 2017.

BHJ A/S generated an EBIT of DKK 25 million in the financial year 2018, compared with DKK 30 million in 2017 – a decrease of 17%. This development is considered as satisfactory but lower than expected.

BHJ A/S posted a profit on ordinary activities before tax of DKK 17,7 million.

Total assets amount to DKK 869,9 million, of which equity amounts to DKK 282,1 million, equal to 32,4%.

Outlook

The overall expectation for BHJ A/S in 2019, is a positive development and improved earnings compared to 2018.

Special risk

It is BHJ A/S' policy to adequately hedge all major risks.

Being affected by global veterinary factors, BHJ A/S takes a proactive approach to quality assurance and production hygiene.

MANAGEMENT REPORT

Due to the international scope of BHJ A/S' activities, exchange rates as well as national interest rate levels may have an impact on BHJ A/S' results, cash flows and shareholder's equity. BHJ A/S hedges all major foreign exchange risks. The group's interest exposure is adjusted on an ongoing basis to the current yield curve and its expected developments.

Corporate social responsibility

BHJ A/S has a set of values that significantly reflects the attitude and behavior in the everyday life. Values come from within BHJ A/S and reflect what we stand for. Employees everywhere in BHJ A/S act out these values every single day. This set of values acts as a guide and is the foundation for big and small decisions which makes up a common platform.

The business is building on close and long-term relationships with customers and suppliers. Respect for individuals plays an important role in the basic values and find it natural to act in a proper way – ethically correct and in accordance with legislation. Building and maintaining long-term co-operative relations is only possible when constantly focusing on these areas.

BHJ A/S constantly seek to run its business in a responsible manner and make a positive contribution to the society and the environment. This is done by developing and implementing responsible business practices and principals, within the areas; climate and environment, Human rights, work environment and anti-Corruption. These principals are common for everyone within BHJ A/S but is also available on the website.

Environment and climate

Contents:

BHJ A/S aims to be an environmentally responsible company that shows optimum consideration for the environment when planning new activities.

Sustainability is all about safeguarding the natural resources and utilizing these in the best possible way while avoiding waste and ensuring energy consumption is at a minimum.

From the foundation of BHJ A/S it has always been the core business to utilize the raw materials that would otherwise go to waste and continuously strive to add value to these raw materials.

Doing this and simultaneously focusing on efficient production processes, a reduction in energy consumption and CO2 emissions meanwhile that quality and food safety is at a constant focus means that an efficient, profitable and sustainable business can be obtained.

Efforts and Activities:

BHJ A/S has implemented an environmental policy, which is based on a comprehensive environmentally operational management. This applies both in connection with production, use and disposal. The policy is a natural part of the objectives for product quality and production conditions. BHJ A/S has specific environmental targets for each operation, and an ongoing registration and assessment of major environmental impact factors for each plant are being listed. BHJ A/S invest in energy efficiency to make sure that the facilities produce more with less energy and to minimize CO2 emissions and waste.

To monitor, adjust and improve the overall environmental impact, BHJ A/S are in the process of implementing a monitoring system that makes it possible to keep track of the water, heat and

MANAGEMENT REPORT

energy consumption. More importantly, the system recognizes utilities or processes that needs to be upgraded or developed to continuously decrease the overall environmental footprint.

Results and expectations for the future:

In 2018, the following actions have been done:

- Installed low-pressure pumps for washing hoses in the Petfood factory in Graasten. These new pumps have decreased water consumption with 11.000M3/year.
- Replaced some of the old light installations with LED Light in the Essentia factory in Graasten. These replacements will lead to savings in the electricity consumption each day.
- At the factory in Hobro, several changes / adjustments have been made in the production. Energy optimization has been the focus of these changes, and in 2018 the lowest natural gas consumption had been obtained measured per kilogram produced.

Implementation of projects are constantly an on-going process. The purpose is the focus on reduction of energy consumption in the short term as well as in the long term and making environmental improvements. The effect of these projects is shown in even larger energy savings.

Human rights

Contents:

BHJ A/S support and respect protection of internationally proclaimed human rights and acknowledge the importance of a constructive collaboration in the society.

Efforts and Activities:

The Petfood plants are SMETA audited on a regularly basis, latest in 2018. The scope of a SMETA audit incorporates both the ETI Base Code, and other key ethical related requirements and respect of human rights. These include sub-contraction, Home working, Entitlement to work and environment.

Results and expectations for the future:

The audit in 2018 were completed successfully and it is of great importance for BHJ A/S that these SMETA audits, in the future, will be completed without any remarks as well.

Work environment (social/employment)

Contents:

In respects to employment rights BHJ A/S support the freedom of association and the effective recognition of the right to collective bargaining.

BHJ A/S comply with applicable laws and industry standards on remuneration and working hours. BHJ A/S are against forced labor, and the employees are employed of their own free will. Furthermore, BHJ A/S are against discrimination based on ethnic or national origin, religion, sex, sexual orientation, age or political affiliation and we dissociate child labor.

In case of long-term illness, a close dialogue with the employee are established to retain her/him in the job. The aim is also to support employees in the best possible way in case of personal crises. In general, the intension is to have a physically and mentally strong working environment and build the cooperation on true respect for and interest in one another.

MANAGEMENT REPORT

Efforts and Activities:

BHJ A/S recognize that the involvement of the employees contributes to the future success of the business. A core focus is continuously to develop the competences of the employees to comply with job requirements and needs. In BHJ A/S, the opinion is that to grow the business, creating results and shaping the future, the employees are the most important asset.

To maintain and develop the necessary skills, there have during the last 5 years been implemented a training and coaching program in BHJ A/S. Regular surveys are being done to evaluate the outcome. Both business and people drivers are being measured. The last survey was completed in 2017.

Results and expectations for the future:

The result of the survey has improved compared to the last time it was completed. This indicates that the efforts performed by all local managers and employees yields. Furthermore, the employees have got a much better understanding of our Mission, Vision and Values and how they can contribute to this themselves. Some of the main gains of the global training have been an improved global network, better communication and business environment in the organization.

For recognizing the importance of this survey, both HR and the top management of BHJ A/S are using the results of the surveys. To follow up on the previous survey a new survey will be completed in 2019.

Anti-Corruption

Contents:

BHJ A/S work against all kinds of corruption.

Efforts and Activities:

There are not established any specific activities or efforts regarding anti-corruption, but there are clear instructions that participation in any kind of corruption is not acceptable.

Results and expectations for the future:

Until now, there is no knowledge about any kind of corruption and this is also the clear expectations for the future.

It is BHJ A/S opinion, that these five above mentioned areas are not associated with any significant risks, neither actual or potential. The risk assessment is related to the core business activities, but also the business relations, products and services.

Management structure and gender quota

The management structure of BHJ A/S consists of a board of directors appointed at the annual general meeting of 4 members and a management team of 2.

The gender quota of the board of directors of BHJ A/S is based on a desire to have both male and female board members. With 4 board members, the objective of at least 25% of each gender on the board has been achieved.

MANAGEMENT REPORT

The appointment of other managers is based on a desire to have an as efficient organization as possible. In our opinion, this is best done by promoting everyone's possibilities for further development – regardless of age, gender etc. When appointing someone within the organization to a management position, the policy is to have both male and female applicants. The distribution of male/female managers in 2018 were 56% / 44%. For comparison, the distribution in 2017 were 53% / 47%, hence a minor decrease in female managers.

Ownership

BHJ A/S is owned by LGI Denmark ApS, Ulsnæs 33, DK-6300 Gråsten, CVR no. 28 10 08 92, a subsidiary of The Lauridsen Group, Inc., 2425 S.E. Oak Tree Court, Ankeny, Iowa 50021, USA.

MANAGEMENT STATEMENT

The Board of Directors and the Management have today discussed and approved the annual report of BHJ A/S for the financial year 1 January – 31 December 2018.

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

It is our opinion that the annual report gives a true and fair view of the company's financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January – 31 December 2018.

We also consider the management report to give a true and fair view of the development of the company's operations and financial matters, and the results of the company's operations and financial position.


We recommend that the annual report be adopted at the annual general meeting.

Gråsten, 20 May 2019

Management:




Asger S. Jacobsen



Torben Matzen

Board of Directors:



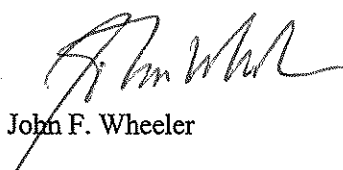
Vilhelm Hald-Christensen
(Chairman)



Christine J. Lauridsen



Duane Everett Willey



John F. Wheeler

INDEPENDENT AUDITOR'S REPORT

To the shareholder of BHJ A/S

Opinion

We have audited the financial statements of BHJ A/S for the financial year 1 January – 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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

Auditors' responsibility 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism 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

INDEPENDENT AUDITOR'S REPORT

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 Company'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 Company'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 conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

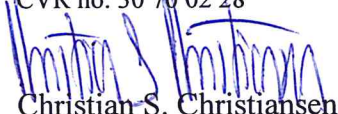
Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Sønderborg, 20 May 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

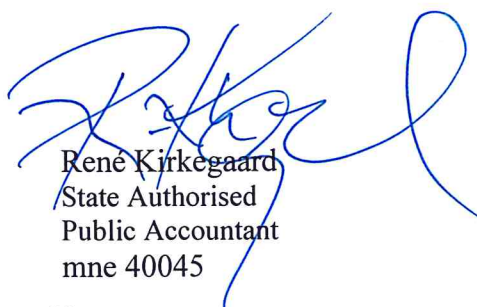


Christian S. Christiansen

State Authorised

Public Accountant

mne 32171



René Kirkegaard

State Authorised

Public Accountant

mne 40045

ACCOUNTING POLICIES

The annual report of BHJ A/S for 2018 has been prepared in accordance with the provisions applying to large reporting class C entities under the Danish Financial Statements Act.

The financial statements have been prepared in accordance with the same accounting policies as last year.

In accordance with the Danish Financial Statements Act section 86, sub-section 4 no cash flow statement has been prepared.

In accordance with the Danish Financial Statements Act section 112, sub-section 1 no Consolidated Financial Statement has been prepared. The financial Statement for BHJ A/S and its subsidiaries is included in the Consolidated Financial Statements for LGI International Holding S.á r.l.

Foreign currency translation

On initial recognition, transactions in foreign currencies are translated into Danish kroner at the exchange rate ruling at the transaction date or, if hedging contracts have been entered into, at the contract rate. Exchange differences arising between the date of initial recognition and the date of payment are recognised in the income statement under financial income or expenses.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled on the balance sheet date are translated at closing rates. The difference between the exchange rate ruling at the balance sheet date and the exchange rate at the time where the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or expenses.

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at average exchange rates for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign entities to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently re-measured at their fair value. Positive and negative fair values of derivatives financial instruments are recognised under other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments that are designated as and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement together with any changes in the value of the hedged asset or hedged liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised directly in equity. Income and expenses relating to such hedge transactions are transferred from equity on realisation of the hedged item and recognised in the same item as the hedged item.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

Shareholdings in foreign subsidiaries and associates are not hedged.

ACCOUNTING POLICIES

INCOME STATEMENT

Revenue

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. Income recognition is based on invoiced sales less goods returned and discounts granted in connection with sales. Sales are mainly invoiced on shipment. Refunds received from the EU are included in revenue.

Cost of sales

The cost of sales comprises the purchase price or production costs of goods sold during the financial year. The cost of sales includes the prices of raw materials, consumables, direct wage costs and production overheads such as maintenance costs and depreciation charges for production plant, operating costs, plant management and administrative costs.

Product development

The most important costs incurred for product development are the remuneration of development staff and the cost of premises. Costs are charged directly to the income statement.

Product development includes development of new products and new applications for existing products.

Selling and distribution costs

Selling and distribution costs include the costs of sales staff, advertising and exhibition costs, and similar costs, including depreciation, bad debts and movements in provisions for bad debts.

Administrative expenses

Administrative expenses include the costs of administrative staff, management, office premises, office expenses, and similar expenses, including depreciation.

Other operating income and expenses

Other operating income and expenses comprise items secondary to the entities' activities, including gains and losses on disposal of intangible assets and items of property, plant and equipment.

Profit from investments in subsidiaries and associates

The income statement includes the proportionate share of the profit or loss of each individual subsidiary after full elimination of intercompany gains/losses and deduction of goodwill amortisation.

The proportionate share of the profit or loss of associates is recognised in the income statement.

ACCOUNTING POLICIES

Financial income and expenses

Financial income and expenses include interest income and expenses, gains and losses on securities, payables and transactions in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on the profit for the year

The company is subject to the Danish rules on mandatory joint taxation of LGI Denmark ApS' Danish subsidiaries. Subsidiaries are included in the joint taxation scheme from the date when they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company, LGI Denmark ApS, acts as administration company for the joint taxation scheme and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year – comprising the year's joint taxation contributions and changes in deferred tax (including result of changes in tax rates) – is recognised in the income statement where it relates to the profit/loss for the year, and directly in equity where it relates to items recognised directly in equity.

BALANCE SHEET

Intangible assets

Software

Software is amortised over a period of 3 years.

Rights

Rights acquired in connection with company acquisitions are amortised over a period of 5-10 years.

Property, plant, and equipment

Property, plant and equipment are measured at cost less accumulated depreciation. Land is not depreciated.

Cost encompasses the purchase price and costs directly associated with the purchase until the time when the asset is ready to be brought into use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages and salaries directly attributable to the construction of the individual asset

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	16-39 years
Installations	12 ½-15 years
Plant and machinery	1-10 years
Operating assets and equipment	3-5 years

ACCOUNTING POLICIES

Depreciation is recognised in the income statement under production costs, distribution costs, administrative expenses and other operating expenses.

Property, plant, and equipment is written down to the lower of the recoverable amount and the carrying amount.

Gains and losses on the disposal of items of property, plant, and equipment are calculated as the difference between the selling price less selling costs, including costs of dismantling or re-establishment, and the carrying amount at the date of disposal. Such gain or loss are recognised in the income statement as “Other operating income” or “Other operating expenses”, respectively.

Grants received in connection with the acquisition of fixed assets are set off against the value of the asset and recognized as income concurrently with the amortisation of the asset.

Investments

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured according to the equity method.

Investments in subsidiaries and associates are measured in the balance sheet at the proportionate share of the companies’ net asset value calculated in accordance with the parent company’s accounting policies less or plus any unrealised intra-group gains and losses and plus any residual amount of goodwill.

Investments in subsidiaries and associates with negative net asset values are measured at DKK 0 (nil). If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognized under provisions.

The net revaluation of investments in subsidiaries and associates is recognised under equity as “Revaluation reserve based on the equity method” to the extent that the carrying amount exceeds the acquisition cost.

Acquisitions are accounted for using the purchase method, according to which identifiable assets and liabilities of companies acquired are measured at fair value at the time of acquisition.

Other securities

Other unlisted securities acquired as an investment are stated at cost.

Realised capital gains or losses as well as impairment losses are included in the income statement.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The cost of goods for resale and raw materials and consumables includes the average purchase price plus transport costs.

ACCOUNTING POLICIES

The cost of finished goods comprises the cost of raw materials, consumables, direct labour and indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery used in the manufacturing process as well as costs of factory administration and management.

The net realisable value of inventories is calculated as the selling price less costs incurred in making the sale, and is determined on the basis of marketability, obsolescence and changes in the expected selling price.

Receivables

Receivables are measured at amortised cost.

Receivables are written down for anticipated loss.

Prepayments

Prepayments recognised under current assets comprise expenses incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Dividend

Proposed dividend is recognised as a liability when adopted by the shareholders at the general meeting. Dividend expected to be paid in respect of the year are stated as a separate line item under equity.

Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Joint taxation contributions payable and receivable are recognised in the balance sheet under receivables from or payables to group enterprises.

Deferred tax is calculated according to the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes.

ACCOUNTING POLICIES

Deferred tax assets, including the tax value of any tax loss carried forward, are recognised at the expected value of their utilisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax resulting from changes in tax rates are recognised in the income statement.

Other provisions

Other provisions comprise anticipated costs relating to complaints, etc. Provisions are recognised when, as a consequence of a past event, the company has a legal or constructive obligation, and it is likely that the obligation will require an outflow of the company's financial resources.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, financial liabilities are recognised at amortised cost. The difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at amortised cost.

SEGMENT INFORMATION

Information is disclosed by turnover on business segments and geographical segments. The segment information follows the company's accounting policies, risks and internal financial management.

KEY RATIOS

Operating margin

Operating profit (EBIT) as a percentage of revenue.

Return on capital employed (ROCE)

Operating profit (EBIT) divided by the average capital employed (Working capital + Fixed assets).

Return on equity

Profit for the year attributable to the group as a percentage of average equity (excl. non-controlling interests).

Debt ratio

Interest-bearing debt (mortgages and loans as well as bank loans and overdrafts) divided by equity (excl. non-controlling interests).

Equity ratio at year-end

Equity (excl. non-controlling interests) divided by total assets.

BHJ A/S**Income statement for the year ended 31 December 2018**

Note		2018 DKK '000	2017 DKK '000
1	Revenue	1.517.598	1.512.609
2, 10	Goods consumed and cost of sales	(1.363.789)	(1.366.149)
	Gross profit	153.810	146.460
	Product development costs	(4.515)	(3.928)
2, 10	Selling and distribution costs	(63.879)	(67.734)
2, 10	Administrative expenses	(53.090)	(44.397)
	Profit from ordinary activities	32.326	30.401
3, 16	Other operating income	5.123	12.173
4, 10	Other operating costs	(12.554)	(12.555)
	Operating profit (EBIT)	24.894	30.019
5	Share of profit in group enterprises	(2.833)	(2.559)
6	Financial income	6.224	6.592
7	Financial expenses	(10.564)	(12.810)
	Profit before tax	17.721	21.242
8	Tax on profit	(4.716)	(5.499)
	Profit for the year	13.006	15.743
	Proposed allocation of the profit for the year:		
	Dividend	30.000	-
	Retained earnings	(16.994)	15.743
		13.006	15.743

BHJ A/S**Balance sheet at 31 December 2018**

Note		2018 DKK '000	2017 DKK '000
	ASSETS		
	Fixed assets		
9	Intangible assets		
	Software	3.975	3.666
	Rights	12.522	895
		16.497	4.561
10	Property, plant and equipment		
	Land and buildings	45.779	50.238
	Plant and machinery	31.682	27.724
	Fixtures and fittings, tools and equipment	1.435	1.643
	Property, plant and equipment under construction	4.044	3.602
		82.941	83.207
	Investments		
5	Investments in group enterprises	12.596	11.145
11	Other securities	5.695	5.695
11	Receivables from group enterprises	354.148	236.078
11	Other receivables	130	356
		372.569	253.274
	Total fixed assets	472.007	341.042
	Current assets		
	Inventories		
	Raw materials and consumables	8.250	8.827
	Finished goods	134.962	117.623
	Prepayment of goods	7.568	6.659
		150.780	133.109
	Receivables		
	Trade receivables	140.526	139.808
	Receivables from group enterprises	79.286	80.871
	Receivables from associates	175	749
12	Capitalised deferred tax	1.717	5.890
	Other receivables	18.972	17.578
13	Prepayments	4.070	3.514
		244.747	248.410
	Cash	2.355	8.403
	Total current assets	397.881	389.922
	Total assets	869.888	730.964

BHJ A/S**Balance sheet at 31 December 2018**

Note		2018 DKK '000	2017 DKK '000
	LIABILITIES AND EQUITY		
	Equity		
	Share capital	48.000	48.000
	Retained profit	204.118	222.190
	Proposed dividend	30.000	-
	Total equity	282.118	270.190
	Provisions		
14	Other provisions	823	974
	Total provisions	823	974
	Debt		
	Long-term debt		
	Loans from group enterprises	124.660	159.301
		124.660	159.301
	Short-term debt		
	Bank loans and overdrafts	179.137	21.404
	Trade payables	66.843	85.004
	Payables to group enterprises	150.396	122.126
	Payables to associates	6.722	4.487
	Other debt	59.189	67.478
		462.287	300.499
	Total debt	586.947	459.800
	Total liabilities and equity	869.888	730.964
15	Special items		
16	Contingent liability		
17	Currency and interest rate risks and use of derivative financial instruments		
18	Related parties		

BHJ A/S**Statement of changes in equity at 31 December 2018**

	Contributed capital DKK '000	Retained earnings DKK '000	Proposed dividend DKK '000	Total DKK '000
Balance at 31 December 2016	48.000	202.859	-	250.859
Dividend declared	-	-	-	-
Retained earnings	-	15.743	-	15.743
Value adjustment of hedging instruments	-	3.694	-	3.694
Exchange difference on foreign group enterprises	-	(106)	-	(106)
Proposed dividend	-	-	-	-
Balance at 31 December 2017	48.000	222.190	-	270.190
Dividend declared	-	-	-	-
Retained earnings	-	13.006	-	13.006
Value adjustment of hedging instruments	-	(978)	-	(978)
Exchange difference on foreign group enterprises	-	(101)	-	(101)
Proposed dividend	-	(30.000)	30.000	-
Balance at 31 December 2018	48.000	204.118	30.000	282.118

The share capital comprises 2,400,000 shares with a nominal value of DKK 20 each.

There have been no changes to the share capital within the last 5 years.

BHJ A/S

Notes to the accounts for the year ended 31 December 2018

1 Revenue

For competitive reasons, the distribution of BHJ A/S' net revenue on main activities is not mentioned.

	2018	2017
	DKK '000	DKK '000
Geographical distribution of revenue:		
Scandinavia	433.146	452.184
Western Europe	597.342	576.513
Eastern Europe	156.591	167.062
The Far East	220.315	207.170
North America	88.844	72.802
Rest of the world	21.360	36.878
	1.517.598	1.512.609

2 Staff costs

Wages, salaries and related costs:

Wages and salaries	164.880	149.728
Pension contributions	12.265	10.716
Other social security costs	3.190	2.733
	180.335	163.177

Staff costs are included in the following items:

Cost of sales	104.519	89.569
Selling and distribution costs	45.455	45.301
Administrative expenses	30.361	28.307
	180.335	163.177

Of which remuneration to the Management and Board of Directors of the parent company:

Management	6.101	6.629
Management and Board of Directors	6.101	6.629

Average number of employees	309	267
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3 Other operating income

Gains from the sale of trademark	-	5.557
Gains on the sale of fixed assets	48	28
Other operating income	5.075	6.588
	5.123	12.173

BHJ A/S**Notes to the accounts for the year ended 31 December 2018****4 Other operating expenses**

	2018	2017
	DKK '000	DKK '000
Other operating expenses	12.554	12.555
	12.554	12.555

5 Result and investments in group enterprises

Cost at 1 January	21.526	21.459
Additions	4.384	67
Cost at 31 December	25.910	21.526
Value adjustment at 1 January	(10.381)	(7.532)
Share of profit	(2.833)	(2.559)
Exchange difference	(101)	(106)
Write-back of provisions	-	(185)
Value adjustment at 31 December	(13.315)	(10.381)
Carrying amount at 31 December	12.596	11.145

Company:		Contributed capital	Share
BHJ Germany GmbH, Germany	EUR '000	100	100%
TM Petfood ApS, Denmark	DKK '000	125	100%
Pet-Rus ApS, Denmark	DKK '000	125	100%
Hoejmark Group A/S, Denmark	DKK '000	500	100%
Essentia Argentina S.A., Argentina	ARS '000	10.000	10%
BHJ Russia Aps, Denmark	DKK '000	125	1%
BHJ Russia H ApS, Denmark	DKK '000	50	5%

6 Financial income

	2018	2017
	DKK '000	DKK '000
Interest receivable etc. from group enterprises	3.985	3.330
Other interest receivable and exchange gains	2.239	3.262
	6.224	6.592

7 Financial expenses

Interest payable to group enterprises	4.392	4.566
Interest on loan	-	3.294
Other interest payable and exchange losses	6.172	4.950
	10.564	12.810

Notes to the accounts for the year ended 31 December 2018

8 Income tax

	2018	2017
	DKK '000	DKK '000
The tax charge can be specified as follows:		
Tax on profit for the year:		
Tax charge for the year	230	2.565
Change in deferred tax	4.173	3.734
Adjustment tax previous year	-	202
Foreign withholding tax	37	40
Total tax	4.440	6.541
Tax is distributed as follows:		
Tax on ordinary profit	4.716	5.499
Tax on changes in equity	(276)	1.042
Total tax	4.440	6.541
Breakdown of tax rate (tax on ordinary profit):		
Danish corporation tax rate	22,0%	22,0%
Adjustment tax previous year	0,0%	0,8%
Foreign withholding tax	0,1%	0,0%
Non-deductible expenses and non-taxable income	0,8%	0,3%
	22,9%	23,1%

9 Intangible assets

	Software	Rights	Total
	DKK '000	DKK '000	DKK '000
Cost at 1 January	7.895	2.308	10.203
Additions	1.817	12.000	13.817
Cost at 31 December	9.712	14.308	24.020
Amortisation and write-downs at 1 January	4.229	1.412	5.641
Amortisation during the year	1.508	374	1.882
Amortisation and write-downs at 31 December	5.737	1.786	7.523
Carrying amount at 31 December	3.975	12.522	16.497
		2018	2017
		DKK '000	DKK '000
Depreciation is included in the following items:			
Cost of sales		374	231
Administrative expenses		1.508	890
		1.882	1.121

BHJ A/S

Notes to the accounts for the year ended 31 December 2018

10 Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Tangible fixed assets under construction	Total
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Cost at 1 January	234.405	363.691	15.224	3.602	616.922
Additions	1.910	12.152	611	3.961	18.634
Disposals at cost	(249)	(5.405)	(6.714)	(3.519)	(15.887)
Cost at 31 December	236.066	370.438	9.121	4.044	619.669
Depreciation and write-downs at 1 January	184.167	335.967	13.581	-	533.715
Depreciation and write-downs on disposals	(249)	(5.405)	(6.581)	-	(12.235)
Depreciation and write-downs during the year	6.369	8.194	685	-	15.248
Depreciation and write-downs at 31 December	190.287	338.756	7.685	-	536.729
Carrying amount at 31 December	45.779	31.682	1.436	4.044	82.940

	2018	2017
	DKK '000	DKK '000
Depreciation is included in the following items:		
Cost of sales	12.825	13.501
Selling and distribution costs	357	413
Administrative expenses	1.665	1.631
Other operating expenses	401	521
	15.248	16.066

11 Other securities, receivables from group enterprises and other receivables

	Other securities	Receivables from group enterprises	Other receivables
	DKK '000	DKK '000	DKK '000
Cost at 1 January	5.695	236.078	356
Additions		118.070	
Disposals	-	-	(226)
Cost at 31 December	5.695	354.148	130
Carrying amount at 31 December	5.695	354.148	130

Notes to the accounts for the year ended 31 December 2018

12 Capitalised deferred tax

	2018	2017
	DKK '000	DKK '000
Balance at 1 January	5.890	9.624
Change during the year	(4.173)	(3.734)
Balance at 31 December	1.717	5.890
Capitalised deferred tax relates to:		
Buildings	3.723	3.738
Plant and equipment	1.456	2.023
Inventories	(2.500)	285
Receivables	(281)	376
Other items, provisions	(681)	(532)
	1.717	5.890

Deferred tax primarily appears from difference in accounting and fiscal depreciable lives. Management considers it likely that there will be future taxable income against which tax deductions can be offset.

13 Prepayments

	2018	2017
	DKK '000	DKK '000
Other items	4.070	3.514
	4.070	3.514

14 Other provisions

Balance at 1 January	974	1.569
Additions	550	959
Disposals	(701)	(1.554)
Balance at 31 December	823	974

Other provisions are primarily related to warranties.

15 Special items

Special items comprise significant income and expenses of a special nature relative to the Company's revenue generating operating activities such as costs of comprehensive structuring of processes and basic structural adjustments as well as any disposal gains and losses relating thereto and which over time are of significant importance. Special items also comprise significant one-off items which in the opinion of Management do not form part of the Group's operating activities.

Special items for the year are specified below just as are the items under which they are recognised in the income statement.

	2018	2017
	DKK '000	DKK '000
Income		
Gains from the sale of trademark	-	5.557
(included in other operating income, see note 3)	-	5.557

BHJ A/S

Notes to the accounts for the year ended 31 December 2018

16 Contingent liability

The company is jointly taxed with LGI Denmark ApS' consolidated companies. Together with the jointly taxed companies, the company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the jointly taxed group.

Operating lease obligations

Lease obligations (operating leases) falling due within 4 years total DKK 6,673k (2017: DKK 3,757k).

17 Currency and interest rate risks and use of derivative financial instruments

BHJ uses hedging instruments such as forward exchange contracts, exchange rate options and interest rate swaps to hedge recognised and non-recognised transactions. Amount in Euro are not hedged.

Exchange risks associated with net investments in foreign subsidiaries are not hedged. The need for such hedging is monitored and assessed in an ongoing process.

The BHJ group mainly has floating rate interest-bearing debt. An assessment of the need for hedging of interest rate risk is made on an ongoing basis. There are no current hedging.

Baseline for foreign currency exposure hedging are assets and liabilities of BHJ A/S, whereas exposures are consolidated.

Transactions in the below summary of recognised and non-recognised transactions are based on assets and liabilities of BHJ A/S.

Recognised transactions

Hedging of recognised transactions primarily includes receivables and payables.

Currency	Receivables	Payables	Bank- and Intercompany lending	Hedged using forward exchange rate contracts	Net positions
AUD				-6	(6)
CAD	315	150	2.077		2.542
GBP	8.247	(2.456)	9.880	(31.871)	(16.200)
JPY	7.667	-	(6.603)	(10.343)	(9.279)
NOK	-	(443)	(2.102)	2.331	(214)
NZD	64	1.001	827	3.691	5.583
PLN	443	(2.525)	13.219	868	12.005
RUB	132		919	(1.013)	38
SEK	366	(2.780)	(21.555)	22.824	(1.145)
SGD			(890)		(890)
USD	19.856	4.660	(37.042)	-	(12.526)

Hedging of recognised transactions have a maturity of less than 1 year.

BHJ A/S

Notes to the accounts for the year ended 31 December 2018

Non-recognised transactions

BHJ A/S uses forward exchange contracts to hedge expected currency risks relating to sale and purchase of goods in the coming year.

BHJ has entered foreign exchange contracts for hedging of future sale and purchase of goods in CAD, GBP, JPY, NOK, PLN, SEK and USD of totally kDKK 5.294.

Compared to the forward exchange rate on the balance sheet date the foreign exchange contracts have a positive fair value of approx. 484 kDKK. The change in fair value is recognised in equity.

Interest rate risks

An interest rate swap was terminated in 2017, as the underlying mortgages loan risk have been repaid.

18 Related parties

Related party with controlling influence on the company is LGI Denmark ApS, Gråsten, and The Lauridsen Group Inc., Iowa, USA.

Related parties with significant influence comprise group enterprises and associates as well as members of the Board of Directors, the Management and the managements of group enterprises and associates.

During the year, transactions were made with group enterprises and associates. Intragroup transactions have been eliminated in the consolidated financial statements.

Transactions with the Management and Board of Directors comprise management remuneration, which is disclosed in note 2.

Transactions with related parties have been made in terms of commercial conditions.

BHJ A/S is included in the consolidated accounts for LGI International Holding S.a.r.l., Luxembourg