


BHJ A/S
Ulsnæs 33, 6300 Graasten

Annual report for 2016

CVR no. 11 42 34 18

To the Danish Business Authority

The annual report was presented and approved
at the annual general meeting on 9 May 2017



(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
Nixon E. Lauridsen
John F. Wheeler

Management:

Asger S. Jacobsen
Torben Matzen

Auditor:

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

State Authorised Public Accountant Thorbjørn Bruhn
State Authorised Public Accountant Christian S. Christiansen

Bank:

Sydbank A/S
Handelsbanken

Annual General Meeting

The Annual General Meeting will be held 9 May 2017

BHJ A/S**Financial highlights and key ratios**

	2012	2013	2014	2015	2016
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Consolidated income statement					
Revenue	1.444.726	1.488.880	1.510.764	1.385.638	1.464.573
Profit from ordinary activities	53.473	63.427	80.407	66.692	24.131
Operating profit (EBIT)	49.282	58.950	76.145	54.399	8.265
Financial items	1.374	(368)	2.152	(9.957)	(9.284)
Profit before tax	50.656	58.582	78.297	45.093	(3.651)
Profit for the year	39.059	43.559	59.087	33.679	(3.597)
Balance sheet					
Fixed assets	300.520	191.451	368.530	364.334	292.881
Current assets	391.724	394.210	392.314	381.366	388.613
Total assets	692.244	585.661	760.844	745.700	681.494
Investment in items of property, plant and equipment	16.419	15.292	6.455	20.854	4.938
Equity	256.330	265.806	283.981	249.460	250.859
Provisions	5.108	3.580	2.585	10.005	1.569
Interest-bearing debt	238.351	130.928	255.336	278.840	255.783
Non-interest-bearing debt	192.455	185.347	218.942	207.395	173.283
Number of employees at year-end	260	272	263	273	275
Key figures¹					
Operating margin	3,4%	4,0%	5,0%	3,9%	0,6%
Return On Capital Employed (ROCE)	10,8%	13,5%	17,5%	10,7%	1,7%
Return on equity	15,8%	16,7%	21,5%	12,6%	-1,4%
Debt ratio	93,0%	49,3%	89,9%	111,8%	102,0%
Equity at year-end	37,0%	45,4%	37,3%	33,5%	36,8%

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

Highlights of the financial year

There were no significant events in 2016.

Consolidated accounts have been prepared and disclosed for the parent company, LGI Denmark ApS. The consolidated accounts include the activities of the BHJ group. The consolidated accounts for LGI Denmark ApS 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 6% compared with 2015.

BHJ A/S generated an EBIT of DKK 8 million in the financial year 2016, compared with DKK 55 million in 2015 – a decrease of 84.8%. This development is considered as unsatisfactory and not according to expectations.

BHJ A/S posted a loss on ordinary activities before tax of DKK -3.6 million.

Total assets amount to DKK 681 million, of which equity amounts to DKK 251 million, equal to 36.8%.

Outlook

The overall expectation for BHJ A/S in 2017 is a considerable improvement compared to 2016 and a positive result at a significant level for the year.

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

Values and corporate culture

BHJ A/S has a set of values that significantly reflects our attitude and behavior in our everyday life.

Values come from within and reflect what we stand for. Employees everywhere in BHJ A/S act out special values every single day. The set of values acts as a guide in the everyday life, is the basis of big and small decisions and makes up our common platform.

We build our business on close and long-term relationships with customers and suppliers. Building and maintaining long-term co-operative relations is only possible when constantly focusing on these areas.

Respect for individuals plays an important role in our basic values – living side by side - and we find it natural to act in a proper manner – ethically correct and in accordance with legislation.

Employees

To maintain and develop the necessary skills, we invest in employee training. We do firmly believe that to grow our business, creating results and shaping the future, our employees are the most important asset.

We have during 2014 to 2016 implemented a training and coaching program in BHJ. We are constantly being aware of the need for a next generation on the way. Regular surveys are being done to evaluate the outcome of these efforts. We are measuring Business Drivers and People Drivers.

We recognize that the involvement of our employees contributes to the future success of the business. We are continuously developing employee competences to comply with job requirements.

In case of long-term illness, we are in a close dialogue with the employee to retain her/him in the job. We aim to support employees in case of personal crises.

We are of the firm opinion that BHJ A/S – now and in future – lives up to its responsibilities.

This means that our business partners and employees can rely on us anytime to comply with the following:

Human rights

We support and respect protection of internationally proclaimed human rights.

We recognize the importance of a constructive collaboration in the society.

Our code of conduct is based on respect and responsibility.

MANAGEMENT REPORT

2 of our plants have been SMETA audited in 2016. The scope of a SMETA audit incorporates both the ETI Base Code, other key ethical related requirements and respect of human rights. These include Sub-Contracting, Home Working, Entitlement to Work and Environment.

2 of our plants have due to tradition and environment had 100% male employees in production areas. This has changed in 2016. We do now have female employees in some of these production positions in order to secure equal opportunities to both gender.

Employment rights

We uphold the freedom of association and the effective recognition of the right to collective bargaining.

We comply with applicable laws and industry standards on remuneration and working hours.

We are against forced labor, and our employees are employed of their own free will.

We aim at a physically and mentally strong working environment and build our cooperation on true respect for and interest in one another.

We are against discrimination based on ethnic or national origin, religion, sex, sexual orientation, age or political affiliation.

We dissociate child labor.

Environmental responsibility

We conduct our daily business in an environmentally responsible manner and show optimum consideration for the environment when planning new activities.

Anti-Corruption

We work against all kinds of corruption.

Sustainability

Common sense and long-term perspective

Sustainability is all about safeguarding our natural resources and utilizing these in the best possible way while avoiding waste.

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

The fact that we simultaneously do this with focus on efficient production processes, a reduction in energy consumption and CO₂ emissions and with quality and food safety at the centre means that we are able to run an efficient and profitable business on this basis.

Taking good care of the environment

BHJ A/S aims to be an environmentally responsible company. We have established an environmental management system based on its environmental policy, specific environmental targets for each operation, and ongoing registration and assessment of major environmental impact factors for each plant.

MANAGEMENT REPORT

We invest in energy efficiency to make sure that our facilities produce more with less energy and to minimize CO₂ emissions and waste.

Implementation of projects are constantly on-going. The purpose is to 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 larger energy savings.

In 2016 we have made improvements at our production facilities to avoid inconvenience for neighbors to the facilities.

Further in 2016 we have been focusing on residuals from production. We have optimized the residuals and upgraded these to a higher level in the value chain. Consequently the tonnage going to biogas has been reduced significant.

Management structure and gender quota

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

The gender quota of the board of directors of BHJ 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.

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 each individual'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 is unchanged from 2015 to 2016 (53%/47%).

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 2016.

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 2016 and of the results of the company's operations for the financial year 1 January – 31 December 2016.

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, 9 May 2017

Management:




Asger S. Jacobsen



Torben Matzen

Board of Directors:



Vilhelm Hald-Christensen
(Chairman)

Nikolaj E. Lauridsen



Christine J. Lauridsen



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 2016, 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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the 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 involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

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, 9 May 2017

ERNST & YOUNG

Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Thorbjørn Bruhn
State Authorised
Public Accountant



Christian S. Christiansen
State Authorised
Public Accountant

ACCOUNTING POLICIES

The annual report of BHJ A/S for 2016 has been prepared in accordance with the provisions applying to large reporting class C entities under the Danish Financial Statements Act.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 July 2016. This have not had any impact on the income statement or the balance sheet for 2016 or the comparative figures.

The financial statements have been prepared in accordance with the same accounting policies as applied in the accounting year 2015.

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

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.

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.

ACCOUNTING POLICIES

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

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

ACCOUNTING POLICIES

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.

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

ACCOUNTING POLICIES

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 2016**

Note		2016	2015
		DKK '000	DKK '000
1	Revenue	1.464.573	1.385.638
2, 10, 17	Goods consumed and cost of sales	(1.322.524)	(1.201.365)
	Gross profit	142.049	184.273
	Product development costs	(3.891)	(2.518)
2, 10	Selling and distribution costs	(72.910)	(68.378)
2, 10	Administrative expenses	(41.117)	(46.685)
	Profit from ordinary activities	24.131	66.692
3	Other operating income	4.580	3.971
4, 10	Other operating costs	(20.446)	(16.264)
	Operating profit (EBIT)	8.265	54.399
5	Share of profit in group enterprises	(2.632)	(2.711)
6	Financial income	8.746	14.523
7	Financial expenses	(18.030)	(21.118)
	Profit before tax	(3.651)	45.093
8	Tax on profit	54	(11.414)
	Profit for the year	(3.597)	33.679
	Proposed allocation of the profit for the year:		
	Dividend	-	-
	Retained earnings	(3.597)	33.679
		(3.597)	33.679

BHJ A/S**Balance sheet at 31 December 2016**

Note		2016	2015
		DKK '000	DKK '000
	ASSETS		
	Fixed assets		
9	Intangible assets		
	Software	2.329	-
	Rights	1.126	1.357
		3.455	1.357
10	Property, plant and equipment		
	Land and buildings	53.423	53.079
	Plant and machinery	22.221	19.999
	Fixtures and fittings, tools and equipment	1.552	2.362
	Property, plant and equipment under construction	-	12.226
		77.196	87.666
	Investments		
5	Investments in group enterprises	13.927	17.261
11	Other securities	5.695	5.695
11	Receivables from group enterprises	191.669	249.192
11	Other receivables	939	3.163
		212.230	275.311
	Total fixed assets	292.881	364.334
	Current assets		
	Inventories		
	Raw materials and consumables	8.809	7.470
	Finished goods	120.998	154.239
	Prepayment of goods	3.135	1.925
		132.942	163.634
	Receivables		
	Trade receivables	133.118	137.756
	Receivables from group enterprises	31.826	35.056
	Receivables from associates	12	464
12	Capitalised deferred tax	9.624	6.046
	Other receivables	19.311	18.445
13	Prepayments	2.528	1.678
		196.419	199.445
14	Cash	59.252	18.287
	Total current assets	388.613	381.366
	Total assets	681.494	745.700

BHJ A/S**Balance sheet at 31 December 2016**

Note		2016	2015
		DKK '000	DKK '000
	LIABILITIES AND EQUITY		
	Equity		
	Share capital	48.000	48.000
	Retained profit	202.859	201.460
	Total equity	250.859	249.460
	Provisions		
15	Other provisions	1.569	10.005
	Total provisions	1.569	10.005
	Debt		
16	Long-term debt		
	Mortgages and loans	28.210	31.675
	Loans from group enterprises	108.840	126.162
	Other debt	-	2.235
		137.050	160.072
	Short-term debt		
16	Mortgage and loan repayments due in 2017 financial year	6.088	5.402
	Bank loans and overdrafts	112.645	115.601
	Trade payables	69.757	90.280
	Payables to group enterprises	12.556	9.802
	Payables to associates	5.231	4.179
	Other debt	85.739	100.899
		292.016	326.163
	Total debt	429.066	486.235
	Total liabilities and equity	681.494	745.700
17	Special items		
18	Contingent liability		
19	Collateral security		
20	Currency and interest rate risks and use of derivative financial instruments		
21	Other commitments		
22	Related parties		

BHJ A/S**Statement of changes in equity at 31 December 2016**

	Contributed capital DKK '000	Retained earnings DKK '000	Proposed dividend DKK '000	Total DKK '000
Balance at 31 December 2014	48.000	165.981	70.000	283.981
Dividend declared	-		(70.000)	(70.000)
Retained earnings	-	33.679	-	33.679
Value adjustment of hedging instruments	-	1.804	-	1.804
Exchange difference on foreign group enterprises	-	(4)	-	(4)
Proposed dividend	-	-	-	-
Balance at 31 December 2015	48.000	201.460	-	249.460
Dividend declared	-		-	-
Retained earnings	-	(3.597)	-	(3.597)
Value adjustment of hedging instruments	-	5.048	-	5.048
Exchange difference on foreign group enterprises	-	(52)	-	(52)
Proposed dividend	-	-	-	-
Balance at 31 December 2016	48.000	202.859	-	250.859

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 2016

1 Revenue

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

	2016	2015
	DKK '000	DKK '000
Geographical distribution of revenue:		
Scandinavia	503.643	531.406
Western Europe	506.719	439.092
Eastern Europe	172.080	193.241
The Far East	206.742	162.837
Rest of the world	75.389	59.062
	1.464.573	1.385.638

2 Staff costs

Wages, salaries and related costs:

Wages and salaries	139.092	141.489
Pension contributions	10.045	9.683
Other social security costs	2.871	3.120
	152.008	154.292

Staff costs are included in the following items:

Cost of sales	79.020	75.859
Selling and distribution costs	44.649	42.293
Administrative expenses	28.339	36.140
	152.008	154.292

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

Management	4.499	3.729
Board of Directors	-	225
Management and Board of Directors	4.499	3.954

Average number of employees	265	269
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3 Other operating income

Gains on the sale of fixed assets	-	101
Other operating income	4.580	3.870
	4.580	3.971

BHJ A/S

Notes to the accounts for the year ended 31 December 2016

4 Other operating expenses

	2016	2015
	DKK '000	DKK '000
Loss on sale of fixed assets	450	-
Other operating expenses	19.996	16.264
	20.446	16.264

5 Result and investments in group enterprises

Cost at 1 January	21.459	1.950
Additions	-	19.509
Cost at 31 December	21.459	21.459
Value adjustment at 1 January	(4.198)	(619)
Share of profit	(2.632)	(2.711)
Exchange difference	(52)	(5)
Write-back of provisions	(650)	(863)
Value adjustment at 31 December	(7.532)	(4.198)
Carrying amount at 31 December	13.927	17.261

Company:		Contributed capital	Share	Share of net profit DKK '000	Carrying amount DKK '000
BHJ Germany GmbH, Germany	EUR '000	100	100%	648	-
TM Petfood ApS, Denmark	DKK '000	125	100%	15	276
Pet-Rus ApS, Denmark	DKK '000	125	100%	27	199
Højmark Group A/S, Denmark	DKK '000	500	100%	(1.184)	2.060
Essentia Argentina S.A., Argentina	ARS '000	7.518	10%	66	372
Revaluation of assets and debt				(2.204)	11.020
				(2.632)	13.927

6 Financial income

	2016	2015
	DKK '000	DKK '000
Interest receivable etc. from group enterprises	6.341	4.510
Interest receivable etc. from associates	-	14
Return on capital investments	-	3
Other interest receivable and capital gains	2.405	9.996
	8.746	14.523

7 Financial expenses

Interest payable to group enterprises	4.477	4.935
Interest payable to associates	9	-
Interest on loan	3.497	3.547
Other interest payable and exchange losses	10.047	12.636
	18.030	21.118

Notes to the accounts for the year ended 31 December 2016

8 Income tax

	2016	2015
	DKK '000	DKK '000
The tax charge can be specified as follows:		
Tax on profit for the year:		
Tax charge for the year	4.914	12.175
Change in deferred tax	(3.578)	(250)
Foreign withholding tax	34	42
Total tax	1.370	11.967
Tax is distributed as follows:		
Tax on ordinary profit	(54)	11.414
Tax on changes in equity	1.424	553
Total tax	1.370	11.967
Breakdown of tax rate (tax on ordinary profit):		
Danish corporation tax rate	22,0%	23,5%
Non-deductible expenses and non-taxable income	-13,4%	0,3%
	8,6%	23,8%

9 Intangible assets

	Software	Rights	Total
	DKK '000	DKK '000	DKK '000
Cost at 1 January	-	2.307	2.307
Moved from Fixtures and fittings, tools and equipment	3.197		3.197
Additions	2.471	-	2.471
Cost at 31 December	5.668	2.307	7.975
Amortisation and write-downs at 1 January	-	950	950
Moved from Fixtures and fittings, tools and equipment	2.506	-	2.506
Amortisation during the year	833	231	1.064
Amortisation and write-downs at 31 December	3.339	1.181	4.520
Carrying amount at 31 December	2.329	1.126	3.455
		2016	2015
		DKK '000	DKK '000
Depreciation is included in the following items:			
Cost of sales		231	231
Administrative expenses		833	-
		1.064	231

Notes to the accounts for the year ended 31 December 2016

10 Property, plant and equipment

	Land and buildings DKK '000	Plant and machinery DKK '000	Fixtures and fittings, tools and equipment DKK '000	Tangible fixed assets under construction DKK '000	Total DKK '000
Cost at 1 January	225.149	341.788	17.229	12.226	596.392
Moved to Intangible assets			(3.197)		(3.197)
Additions	6.477	9.834	853	(12.226)	4.938
Disposals at cost	-	(2.374)	(435)	-	(2.809)
Cost at 31 December	231.626	349.248	14.450	-	595.324
Depreciation and write-downs at 1 January	172.070	321.789	14.867	-	508.726
Moved to Intangible assets			(2.506)		(2.506)
Depreciation and write-downs on disposals	-	(2.305)	(145)	-	(2.450)
Depreciation and write-downs during the year	6.133	7.543	682	-	14.358
Depreciation and write-downs at 31 December	178.203	327.027	12.898	-	518.128
Carrying amount at 31 December	53.423	22.221	1.552	-	77.196

	2016 DKK '000	2015 DKK '000
Depreciation is included in the following items:		
Cost of sales	11.963	12.758
Selling and distribution costs	176	1.762
Administrative expenses	1.698	2.945
Other operating expenses	521	530
	14.358	17.995

11 Other securities, receivables from group enterprises and other receivables

	Other securities DKK '000	Receivables from group enterprises DKK '000	Other receivables DKK '000
Cost at 1 January	6.714	249.192	3.163
Disposals	-	(57.523)	(2.224)
Cost at 31 December	6.714	191.669	939
Adjustments at 1 January	(1.019)	-	-
Carrying amount at 31 December	5.695	191.669	939

BHJ A/S

Notes to the accounts for the year ended 31 December 2016

12 Capitalised deferred tax

	2016	2015
	DKK '000	DKK '000
Balance at 1 January	6.046	5.796
Change during the year	3.578	250
Balance at 31 December	9.624	6.046
Capitalised deferred tax relates to:		
Buildings	3.942	4.613
Plant and equipment	3.096	3.835
Inventories	2.351	(3.438)
Receivables	406	264
Other items, provisions	(171)	772
	9.624	6.046

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

	2016	2015
	DKK '000	DKK '000
Other items	2.528	1.678
	2.528	1.678

14 Cash

Cash includes the following tied-up funds:
Holiday allowance accounts

1.472	994
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15 Other provisions

Balance at 1 January	10.005	2.585
Additions	1.003	9.109
Disposals	(9.439)	(1.689)
Balance at 31 December	1.569	10.005

Other provisions are primarily related to warranties.

16 Mortgages and loans

Loan	Effective rate		Carrying amount	
	2016	2015	2016	2015
			DKK '000	DKK '000
Mortgage credit institutions, DKK - floating rate	10,47%	9,46%	31.672	35.122
Other long-term debt			2.626	4.190
			34.298	39.312
Portion of mortgage credit institutions falling due after more than five years			14.234	17.758

Other long-term debt fall due within five years.

The interest-reset loans have six-month maturities and will be reset at 30 June and 31 December.

Loans from group enterprises fall due within five years.

BHJ A/S

Notes to the accounts for the year ended 31 December 2016

17 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.

	2016	2015
Expenses	DKK '000	DKK '000
Write-down, inventory	21.982	-
	21.982	-
Special items are recognised in the following items:		
Cost of sales	21.982	-
	21.982	-

18 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 4,636k (2015: DKK 3,968k).

19 Collateral security

Collateral for mortgages and bank debt:

Registered mortgages and mortgages registered to the mortgagor on the company's property booked at DKK 53,423k	31.672	35.122
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The Company has issued mortgages registered to the owner of DKK 8,800k, secured on plant, which are held in the company's safe deposit box.

20 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, primarily by using interest rate swaps in EUR and DKK.

BHJ A/S

Notes to the accounts for the year ended 31 December 2016

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
GBP	6.381	(2.555)	14.454	(16.873)	1.407
JPY	4.603	-	(604)	(3.976)	23
NOK	-	(509)	1.877	1.432	2.800
PLN	795	(2.576)	22.784	(15.171)	5.832
SEK	2.682	(2.859)	12.690	(25.245)	(12.732)
USD	14.536	1.080	(5.034)	(11.073)	(491)

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

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 GBP, JPY, NOK, SEK and USD of totally kDKK 15.019.

Compared to the forward exchange rate on the balance sheet date the foreign exchange contracts have a negative fair value of approx. 200 kDKK. The change in fair value is recognised in equity.

Interest rate risks

An interest rate swap is used to hedge the floating interests rate risk of the mortgages, whereby the floating interest payments are rescheduled into fixed interest payments

Principale amount of Interest rate swap: kDKK 75,000

The hedged cashflows are expected to be realised and will affect results of operations over the term to maturity of the interest rate swap.

BHJ A/S

Notes to the accounts for the year ended 31 December 2016

21 Other commitments

The company has guaranteed overdraft facilities for the following companies:

	Currency	Guaranteed amount	Drawing at 31 December 2016 mDKK
BHJ Polska Sp. z o.o.	PLN	5,0	3,6

Furthermore, a cash pool has been established for the companies BHJ A/S, Essentia Protein Solutions AB, BHJ Kalino Food AB, BHJ Finland Oy Ab, BHJ UK Food Ltd., Essentia Protein Solutions Ltd., BHJ UK Seafood Ltd., BHJ Baltic UAB, Corsa Petfood S.L. and ADAX S.A.S. The net limit of the cash pool is DKK 110 million guaranteed by BHJ A/S.

22 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 Denmark ApS.