

BHJ A/S
Ulsnæs 33, 6300 Graasten

Annual report for 2022

CVR no. 11 42 34 18

To the Danish Business Authority

The annual report was presented and approved.
at the annual general meeting on 26 June 2023

(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:

EY Godkendt Revisionspartnerselskab
Nørre Havnegade 43
DK-6400 Sønderborg

State Authorized Public Accountant Christian S. Christiansen

Bank:

Sydbank A/S
Handelsbanken

Annual General Meeting

The Annual General Meeting will be held 26 June 2023.

BHJ A/S

Financial highlights and key ratios

	2018	2019	2020	2021	2022
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Consolidated income statement					
Revenue	1.517.598	1.487.919	1.680.203	1.840.604	2.273.580
Profit from ordinary activities	32.326	31.706	43.712	66.438	82.869
Operating profit (EBIT)	24.894	25.701	38.280	72.646	89.985
Financial items	(4.340)	(290)	41.386	1.455	(974)
Profit before tax	17.721	21.926	76.306	72.198	88.201
Profit for the year	13.006	16.091	67.493	56.460	68.869
Balance sheet					
Fixed assets	472.007	184.341	226.642	207.639	194.740
Current assets	397.881	429.860	471.435	576.402	629.206
Total assets	869.888	614.201	698.077	784.041	823.946
Investement in items of property, plant and equipment	18.634	56.237	77.100	28.819	17.336
Equity	282.118	268.507	301.291	306.552	320.963
Provisions	823	562	3.780	8.344	3.876
Interest-bearing debt	303.798	92.676	92.362	98.005	144.147
Non-interest-bearing debt	283.149	252.456	300.644	371.140	354.960
Number of employees at year-end	313	316	371	360	376
Key figures¹					
Operating margin	1,6%	1,7%	2,3%	3,9%	4,0%
Return On Capital Employed (ROCE)	4,8%	5,5%	10,2%	18,1%	20,4%
Return on equity	4,7%	5,8%	23,7%	18,6%	21,9%
Debt ratio	107,7%	34,5%	30,7%	32,0%	44,9%
Equity at year-end	32,4%	43,7%	43,2%	39,1%	39,0%

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 the pet food industry and trades within food in meat and fish-products.

Development in activities and financial performance

There were no significant events or major changes in the activities in 2022.

Revenue has increased by 23,5% compared with 2021.

BHJ A/S generated an EBIT of DKK 90,0 million in the financial year 2022, compared with DKK 72,6 million in 2021 – an increase of 24%. This development is considered as satisfactory and in line with expectations.

BHJ A/S posted a profit before tax of DKK 88,2 million.

Total assets amount to DKK 823,9 million, of which equity amounts to DKK 321,0 million, equal to 39,0%.

Outlook

The overall expectation for BHJ A/S in 2023 is a development with reduced production activity level and reduced earning in EBIT compared to 2022. Although macro-economic factors seem to be improving in 2023, such as lower inflation and lower energy price, shortage of raw materials are causing lower production volumes and reduced profitability.

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.

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.

MANAGEMENT REPORT

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.

BHJ A/S sources meat and fish by-products from the food production industry. After processing, upgrading and R&D in our factories, the ingredients are ready to be used and create value in new ways. Our business model prevents valuable raw materials from turning into waste.

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, anti-corruption and COVID-19. These principles are common for everyone within BHJ A/S and is also available on the website.

Environment and climate

Material risks:

BHJ A/S has identified CO₂ emissions as the most significant environmental risks within the core business. The solutions within this field are definitely long-term, so risks and challenges will clearly be part of our everyday activities for a long time, while we implement our sustainability targets to which we are committed

Policy:

BHJ A/S aims to be an environmentally responsible company that shows optimal consideration for the environment in its current activities or 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 and CO₂ emissions are 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. Simultaneously focusing on quality and food safety BHJ A/S will maintain an efficient, profitable, and sustainable business.

Actions in the financial year

The aim of the newly established environmental management system is to get aligned with the environmental policy. The policy is a natural part of the objectives for product quality and production conditions.

BHJ A/S has specific environmental targets for most plants, and an ongoing registration and assessment of major environmental impact factors for the plants 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.

MANAGEMENT REPORT

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 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 in the financial year

In 2022 BHJ A/S started the measurement of emissions across the entire supply chain and will close this in Q2 2023. Based on this BHJ A/S will formulate a strategy on how to approach Net Zero by 2050. Within this process the whole life cycle will be covered, but the data so far indicate that the focus will be on own operations, logistics, raw materials but also emission related to processing at the customers. This proceed will enable a stronger collaboration with suppliers and customers to jointly work on the process of improving sustainability across the whole value chain. As indicated in the previous report BHJ A/S is looking out for long term “green” energy supply for its operations and agreed on supply of 50% electricity from sustainable sources as of Q2 2023. This brings BHJ A/S a step closer to the ambition of 80% green electricity with the group by 2025. Showing commitment before entering SBTi BHJ bought certificates worth 924to of Co2 to offset the emission of its on operations in 2022 and could claim being carbon neutral manufacturing site.

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.

Expectations for the future

Overall, in BHJ A/S, there is a strong focus at all factories on replacing old and run-out production equipment with more environmentally friendly and energy efficient equipment.

Additionally, after receiving the final data on the emission measurement across the entire supply chain, a strategy on lowering the overall footprint will be created. Not only focusing on Co2 but also including land & water usage and waste. At the same time this strategy will not include the getting greener of the input energy only but also -as always be done- to further improve the efficiency in the strategic framework.

On the longer term, BHJ A/S is looking to sign up to one or more PPA’s (Power Purchase Agreements) in order to cover all BHJ A/S’s power consumption with green energy, such as solar or wind power.

Human rights

Material risks

The main risks that BHJ A/S faces regarding human rights are the production facilities including safety and health of employees. With the support of internationally proclaimed human rights organizations and SMETA audits, the risks are considered to be low

Policy:

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

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Actions in the financial year

The Petfood plants are SMETA audited on a regularly three-year basis. The petfood plant in Graasten have had an audited in the financial year 2022 and the Petfood plant in Løkken were latest audited in 2020.

The scope of a SMETA audit consist of 4-pillars; Labor Standards, Health & Safety, Environment and Business Ethics and incorporates both the ETI Base Code, and other key ethical related requirements and respect of human rights including sub-contraction, Home-working and Entitlement to work

The Essentia plants in Graasten and Hobro have both been Sedex registered in 2022 and will subsequently be SMETA audited in the future.

Results in the financial year

In the financial year 2022 a SMETA audits have been performed in the Petfood plant in Graasten. The audit was carried out without deviations or remarks. The Petfood plant in Løkken will be audited again in 2023.

Expectations for the future

It is of great importance for BHJ A/S that these SMETA audits in the future, will be completed without any remarks as well. Evidence that BHJ A/S works according to the CSR and meet the national and international standards regarding Labor Standards, Health & Safety, Ethics and Environment.

Work environment (social/employment)

Material risks

BHJ A/S has identified work-related accidents to be the most significant risks relating to social and employee conditions. In a company with many employees in the production, there is a substantial risk of work-related accidents. Training and safety restrictions are followed closely to minimize the risk

Policy:

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 is against forced labor, and the employees are employed of their own free will. Furthermore, BHJ A/S is 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 is 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.

Actions in the financial year

BHJ A/S recognizes 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

MANAGEMENT REPORT

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, we have during the previous 5 years had a training and coaching program in BHJ A/S for the managers and white collars. Every second year we have a survey being done to evaluate the outcome. Both business and people drivers are being measured. The last survey was completed in 2021.

Beside we have held workshops for all managers and some employees to strengthen the culture in the company.

In 2022 we have continued a strong focus on health and safety through our health and safety organization across all sites in BHJ A/S. The focus of this work has been to eliminate accidents on the sites and to improve the working environment.

In 2022 we have trained all our health and safety representatives among our hourly paid workers and our managers in our plants. It was class training and had a duration of a whole working day (7 hours). In 2023 this training will also involve the rest of the hourly paid workers and will take place in one of our plants to make the training more connected to everyday situations.

Results in the financial year

In 2022 we did not implement a Culture Survey, as we only do this every second year. Instead, all managers work with the result together with their teams to further strengthened the local performance and make sure we reach the goals in our strategy. Besides we have trained all new managers how to build a strong culture based on our Mission, vision, and values and how to build psychological safety in their teams. Finally, we have trained a group of selected office employees in Scope 22 mindset. During a strategy period all office employees will participate in this training. The purpose of the training is to give the employees a holistic understanding of our Company so everybody can contribute in the right way to make sure we succeed with our Strategy.

Expectations for the future

The aim is to decrease the numbers of accidents at BHJ A/S and to keep the numbers of reported work-related stress cases at a low level. The figures will be followed in the years to come.

Anti-corruption

Material risks

The main risks that BHJ A/S faces regarding anticorruption is to ensure that employees and business relations act in accordance with the instructions. With appropriate policies and guidelines in place and focus on communication of these internally, the risks are considered to be low

Policy:

BHJ A/S work against all kinds of corruption.

Actions in the financial year

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

MANAGEMENT REPORT

Results in the financial year

Until now, there is no knowledge about any kind of corruption.

Expectations for the future

The expectation for the future is that BHJ A/S will continue not to participate in any kind of corruption

Management structure and gender distribution.

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

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 four board members, the objective of at least 25% of each gender on the board has been achieved.

In BHJ A/S, other managerial position is defined as leaders with employee responsibilities. 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 2022 were 60% / 40%. For comparison, the distribution in 2021 were 64% / 36%.

Data ethics

Data ethics is covered by a data protection policy. In BHJ the employees handling of personal data is crucial to make sure the data is handled in an ethical way. The focus is to protect the individual customer's or the individual employee's data. There is a confidentiality and security team across the BHJ Group globally. This team must handle situations where serious data breaches occur. All data breaches are being recorded, even the minor ones. If serious data breaches occur, they are reported to the local data authorities.

The plan for 2023 is to prepare a data ethics policy. This policy will contain and describe the anchoring in the organization of data ethics issues and how everyone will be trained in the data ethics guidelines for the company. In June 2023 will be done e-based training for all employee in the office to make sure they understand how to handle employee data in an ethical way.

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 2022.

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 2022 and of the results of the company's operations for the financial year 1 January – 31 December 2022.

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, 26 June 2023

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 2022, 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 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International 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 the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 as to 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 scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 the work we have performed, 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, 26 June 2023

EY GODKENDT REVISIONSPARTNERSELSKAB
CVR no. 30 70 02 28

Christian S. Christiansen
State Authorized
Public Accountant
mne 32171

ACCOUNTING POLICIES

The annual report of BHJ A/S for 2022 has been prepared in accordance with the provisions applying to large reporting class C entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of 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, at the contract rate. Exchange differences arising between the date of initial recognition and the date of payment are recognized 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 recognized in the latest financial statements is recognized 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 recognized in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivatives financial instruments are recognized 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 recognized asset or a recognized liability are recognized 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 recognized directly in equity. Income and expenses relating to such hedge transactions are transferred from equity on realization of the hedged item and recognized in the same item as the hedged item.

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

Shareholdings in foreign subsidiaries and associates are not hedged.

ACCOUNTING POLICIES

INCOME STATEMENT

Revenue

The company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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 amortization.

The proportionate share of the profit or loss of associates is recognized 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, amortization 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 recognized in the income statement where it relates to the profit/loss for the year, and directly in equity where it relates to items recognized directly in equity.

BALANCE SHEET

Intangible assets

Acquired intangible assets are measured at cost less accumulated amortization and impairment losses.

Software

Software is amortized over a period of 3 years.

Rights

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

Property, plant, and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. 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

ACCOUNTING POLICIES

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	5-10 years
Operating assets and equipment	3-5 years

Depreciation is recognized 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 recognized 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 amortization 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 recognized 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.

ACCOUNTING POLICIES

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realizable 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 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 realizable value of inventories is calculated as the selling price less costs incurred in making the sale, and is determined based on marketability, obsolescence and changes in the expected selling price.

Receivables

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

Receivables are measured at amortized cost.

Receivables are written down for anticipated loss.

An impairment loss is recognized if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognized on an individual basis.

Prepayments

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

Cash and cash equivalents

Considering the nature of the scheme, account balances relating to the Group's cash pool scheme are not considered cash and cash equivalents, but are included in the financial statement item receivables from group entities.

Equity

Reserve for net revaluation according to the equity method

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

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

The reserve cannot be recognized at a negative amount.

ACCOUNTING POLICIES

Hedging reserve

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not been realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedging relationship is no longer effective. The hedging reserve does not represent a limitation under company law and may therefore be negative.

Dividend

Proposed dividend is recognized 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 recognized 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 recognized 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 recognized on temporary differences relating to goodwill which is not deductible for tax purposes.

Deferred tax assets, including the tax value of any tax loss carried forward, are recognized at the expected value of their utilization, 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 crystallize as current tax. Changes in deferred tax resulting from changes in tax rates are recognized in the income statement.

Other provisions

Other provisions comprise anticipated costs relating to complaints, etc. Provisions are recognized 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 recognized at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, financial liabilities are recognized at amortized cost. The difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan.

Other liabilities are measured at amortized cost.

ACCOUNTING POLICIES

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.

FAIR VALUE

Fair value is determined based in the principal market. If no principal market exists, the fair value is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities that are measured at fair value or whose fair value is disclosed are classified based on the fair value hierarchy, see below:

Level 1: Value based on the fair value of similar assets/liabilities in an active market.

Level 2: Value based on generally accepted valuation methods on the basis of observable market information.

Level 3: Value based on generally accepted valuation methods and reasonable estimates based on non-observable market information.

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 2022**

Note		2022	2021
		DKK '000	DKK '000
1	Revenue	2.273.580	1.840.604
2, 8	Goods consumed and cost of sales	(2.001.682)	(1.600.016)
	Gross profit	271.898	240.588
	Product development costs	(10.212)	(8.595)
2, 8	Selling and distribution costs	(89.709)	(87.008)
2, 8	Administrative expenses	(89.108)	(78.547)
	Profit from ordinary activities	82.869	66.438
	Other operating income	20.137	18.257
8	Other operating costs	(13.021)	(12.049)
	Operating profit (EBIT)	89.985	72.646
3	Share of profit in group enterprises	(810)	(1.903)
4	Financial income	8.912	4.706
5	Financial expenses	(9.886)	(3.251)
	Profit before tax	88.201	72.198
6	Tax on profit	(19.332)	(15.738)
	Profit for the year	68.869	56.460
	Proposed allocation of the profit for the year:		
	Proposed dividend	-	55.000
	Retained earnings	68.869	1.460
		68.869	56.460

BHJ A/S**Balance sheet at 31 December 2022**

Note		2022 DKK '000	2021 DKK '000
	ASSETS		
	Fixed assets		
	Intangible assets		
7	Software	3.206	4.126
	Rights	7.507	10.281
		10.713	14.407
8	Property, plant and equipment		
	Land and buildings	68.260	72.660
	Plant and machinery	103.229	108.125
	Fixtures and fittings, tools and equipment	3.881	5.082
	Property, plant and equipment under construction	5.598	2.278
		180.968	188.145
	Investments		
3	Investments in group enterprises	3.049	4.379
9	Other securities	10	10
9	Receivables from group enterprises	-	698
		3.059	5.087
	Total fixed assets	194.740	207.639
	Current assets		
	Inventories		
	Raw materials and consumables	20.410	8.848
	Finished goods	272.242	169.747
	Prepayment of goods	8.243	16.002
		300.895	194.597
	Receivables		
	Trade receivables	196.822	159.535
13	Receivables from group enterprises	93.034	180.265
	Receivables from associates	3.036	1.439
	Other receivables	27.669	26.292
11	Prepayments	7.570	12.742
		328.131	380.273
	Cash	180	1.532
	Total current assets	629.206	576.402
	Total assets	823.946	784.041

BHJ A/S**Balance sheet at 31 December 2022**

Note		2022	2021
		DKK '000	DKK '000
	LIABILITIES AND EQUITY		
	Equity		
	Share capital	48.000	48.000
	Retained profit	272.990	204.390
	Hedging reserve	(27)	(838)
	Proposed dividend	-	55.000
	Total equity	320.963	306.552
	Provisions		
10	Deferred tax	2.751	2.828
12	Other provisions	1.125	5.516
	Total provisions	3.876	8.344
	Debt		
	Short-term debt		
	Bank loans and overdrafts	144.147	98.005
	Trade payables	116.271	105.304
13	Payables to group enterprises	134.114	161.786
	Payables to associates	35.556	31.043
	Other debt	69.019	73.007
		499.107	469.145
	Total debt	499.107	469.145
	Total liabilities and equity	823.946	784.041
14	Contingent liability		
15	Currency and interest rate risks and use of derivative financial instruments		
16	Other commitments		
17	Related parties		

BHJ A/S**Statement of changes in equity at 31 December 2022**

	Contributed capital DKK '000	Retained earnings DKK '000	Hedging reserve DKK '000	Proposed dividend DKK '000	Total DKK '000
Balance at 31 December 2020	48.000	202.970	321	50.000	301.291
Dividend declared	-	-	-	(50.000)	(50.000)
Retained earnings	-	1.460	-	55.000	56.460
Value adjustment of future cash flows	-	-	(1.159)	-	(1.159)
Exchange difference on foreign group enterprises	-	(40)	-	-	(40)
Balance at 31 December 2021	48.000	204.390	(838)	55.000	306.552
Dividend declared	-	-	-	(55.000)	(55.000)
Retained earnings	-	68.869	-	-	68.869
Value adjustment of future cash flows	-	-	811	-	811
Exchange difference on foreign group enterprises	-	(269)	-	-	(269)
Balance at 31 December 2022	48.000	272.990	(27)	-	320.963

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

BHJ A/S

Notes to the accounts for the year ended 31 December 2022

1 Revenue

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

	2022	2021
	DKK '000	DKK '000
Geographical distribution of revenue:		
Scandinavia	257.268	276.286
Western Europe	1.299.739	797.106
Eastern Europe	252.419	311.596
The Far East	207.115	277.065
North America	205.116	141.894
Rest of the world	51.923	36.657
	2.273.580	1.840.604

2 Staff costs

Wages, salaries and related costs:

Wages and salaries	236.833	212.463
Pension contributions	16.133	15.230
Other social security costs	4.589	4.363
	257.555	232.056

Staff costs are included in the following items:

Cost of sales	138.899	129.247
Selling and distribution costs	65.563	55.241
Administrative expenses	53.093	47.568
	257.555	232.056

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

Management	12.392	9.504
Management and Board of Directors	12.392	9.504
Average number of employees	365	360

BHJ A/S

Notes to the accounts for the year ended 31 December 2022

	2022	2021
	DKK '000	DKK '000
3 Result and investments in group enterprises		
Cost at 1 January	26.669	26.669
Additions	2	-
Disposals	(745)	-
Cost at 31 December	25.926	26.669
Value adjustment at 1 January	(22.290)	(20.347)
Disposals	745	-
Share of profit	(810)	(1.903)
Retained dividend	(253)	-
Exchange difference	(269)	(40)
Value adjustment at 31 December	(22.877)	(22.290)
Carrying amount at 31 December	3.049	4.379
	Contributed capital	Share
Company:		
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 Holding ApS, Denmark	DKK '000 50	5%
Essentia Protein Solutions (Thailand) Ltd., Thailand	THB '000 2.000	0,5%
4 Financial income		
	2022	2021
	DKK '000	DKK '000
Interest receivable etc. from group enterprises	440	433
Other interest receivable and exchange gains	8.472	4.273
	8.912	4.706
5 Financial expenses		
Interest payable to group enterprises	792	91
Other interest payable and exchange losses	9.094	3.160
	9.886	3.251

Notes to the accounts for the year ended 31 December 2022

6 Income tax

	2022	2021
	DKK '000	DKK '000
The tax charge can be specified as follows:		
Tax on profit for the year:		
Tax charge for the year	19.409	7.087
Change in deferred tax	(77)	6.904
Adjustment tax previous year	181	1.618
Foreign withholding tax	38	34
Total tax	19.551	15.643
Tax is distributed as follows:		
Tax on ordinary profit	19.332	15.738
Tax on changes in equity	219	(95)
Total tax	19.551	15.643
Breakdown of tax rate (tax on ordinary profit):		
Danish corporation tax rate	22,0%	22,0%
Adjustment tax previous year	0,2%	2,2%
Non-deductible expenses and non-taxable income	-0,5%	-3,0%
	21,7%	21,2%

7 Intangible assets

	Software	Rights	Total
	DKK '000	DKK '000	DKK '000
Cost at 1 January	10.813	20.014	30.827
Additions	1.363	-	1.363
Cost at 31 December	12.176	20.014	32.190
Amortisation and write-downs at 1 January	6.687	9.733	16.420
Amortisation during the year	2.283	2.774	5.057
Amortisation and write-downs at 31 December	8.970	12.507	21.477
Carrying amount at 31 December	3.206	7.507	10.713
		2022	2021
		DKK '000	DKK '000
Depreciation is included in the following items:			
Selling and distribution costs		2.774	2.933
Administrative expenses		2.283	2.302
		5.057	5.235

Notes to the accounts for the year ended 31 December 2022

8 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	278.917	336.069	25.002	2.278	642.266
Additions	2.718	8.703	317	5.598	17.336
Transferred		2.278		(2.278)	-
Reclassification	(155)	155			-
Cost at 31 December	281.480	347.205	25.319	5.598	659.602
Depreciation and write-downs at 1 January	206.257	227.944	19.920	-	454.121
Depreciation and write-downs during the year	6.963	16.032	1.518	-	24.513
Depreciation and write-downs at 31 December	213.220	243.976	21.438	-	478.634
Carrying amount at 31 December	68.260	103.229	3.881	5.598	180.968

	2022 DKK '000	2021 DKK '000
Depreciation is included in the following items:		
Cost of sales	22.013	18.206
Administrative expenses	2.456	2.500
Other operating expenses	44	44
	24.513	20.750

9 Other securities, receivables from group enterprises and other receivables

	Other securities DKK '000	Receivables from group enterprises DKK '000
Cost at 1 January	10	698
Disposals		(698)
Cost at 31 December	10	0
Carrying amount at 31 December	10	0

BHJ A/S

Notes to the accounts for the year ended 31 December 2022

10 Capitalised deferred tax

	2022	2021
	DKK '000	DKK '000
Balance at 1 January	(2.828)	4.076
Change during the year	77	(6.904)
Balance at 31 December	(2.751)	(2.828)
Capitalised deferred tax relates to:		
Buildings	2.068	2.293
Plant and equipment	(3.015)	(640)
Inventories	(1.873)	(3.124)
Receivables	1.231	-
Other items, provisions	(1.162)	(1.357)
	(2.751)	(2.828)

11 Prepayments

Other items	7.570	12.742
	7.570	12.742

12 Other provisions

Balance at 1 January	5.516	3.780
Additions	875	5.516
Disposals	(5.266)	(3.780)
Balance at 31 December	1.125	5.516

Other provisions are primarily related to warranties.

13 Receivables from/Payables to group enterprises

The LGI Group has entered into a cash pool arrangement agreement with Sydbank A/S, where BHJ A/S is the account holder and the sub-account holder is the group's other affiliated companies. The subscribed terms of the cash pool scheme confer on Sydbank A/S the right to settle withdrawals and deposits with each other, whereby only the net balance of the total cash pool accounts constitutes BHJ A/S' balance with Sydbank A/S.

Receivables from group enterprises includes receivables on the Group's Cash Pool scheme and payables to group enterprises includes debts on the Group's Cash Pool scheme.

13 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 5 years total DKK 7.716k (2021: DKK 8.580k).

BHJ A/S

Notes to the accounts for the year ended 31 December 2022

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

BHJ A/S 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	-	-	(2.354)	1.256	(1.099)
CAD	2.407	(150)	(2.570)	-	(314)
GBP	10.599	(1.251)	139	(6.311)	3.175
HUF	-	-	(11.293)	21.493	10.201
JPY	5.744	-	(2.240)	(3.499)	4
NOK	49	(520)	1.076	-	605
NZD	115	1.691	(15.332)	13.980	453
PLN	534	(260)	(822)	459	(89)
RON	-	-	(1.069)	-	(1.069)
SEK	661	(403)	550	(1.059)	(250)
SGD	-	-	(976)	-	(976)
THB	15	-	630	-	644
USD	25.618	(2.646)	(16.625)	(4.704)	1.643

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 2022

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, EUR, GBP, JPY, NOK, NZD, PLN, SEK, and USD of totally DKK 51.532k.

Compared to the forward exchange rate on the balance sheet date the foreign exchange contracts have a negative fair value of DKK 49,9k. The fair value is based on level 2 in the fair value hierarchy: "Generally accepted valuation methods on the basis of observable market information". The change in fair value is recognized with DKK 376k before tax in equity and with an unrealized effect of DKK 573,5k in the income statement.

15 **Other commitments**

The Company has, together with LGI Denmark ApS and LGI Denmark Invest ApS, entered a suretyship of DKK 338 mio. towards Sydbank A/S.

16 **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. The consolidated financial statement are obtainable from the Danish Business Authority via the parent company LGI Denmark ApS.