

LOGSTOR Holding A/S
Central Business Registration No
21311774
Danmarksvej 11
9670 Løgstør

Annual report 2015

The Annual General Meeting adopted the annual report on 29.03.2016

Chairman of the General Meeting

Name: Line Dissing Mønster

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's reports	3
Management commentary	5
Accounting policies	6
Income statement for 2015	9
Balance sheet at 31.12.2015	10
Statement of changes in equity for 2015	12
Notes	13

Entity details

Entity

LOGSTOR Holding A/S
Danmarksvej 11
9670 Løgstør

Central Business Registration No: 21311774

Registered in: Vesthimmerland

Financial year: 01.01.2015 - 31.12.2015

Board of Directors

Anders Gösta Thelin, chairman

Marcus Billman

Gustaf Erik David Backemar

Kim Christensen

Per Johan Agebäck

Anders Jonsson

Executive Board

Yves Francois Paletta, CEO

Henning Bejer Beck, CFO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Værkmestergade 2, 18-21. etage

8000 Aarhus

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of LOGSTOR Holding A/S for the financial year 01.01.2015 - 31.12.2015.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

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

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

Løgstør, 16.03.2016

Executive Board

Yves Francois Paletta
CEO

Henning Bejer Beck
CFO

Board of Directors

Anders Gösta Thelin
chairman

Marcus Billman

Gustaf Erik David Backemar

Kim Christensen

Per Johan Agebäck

Anders Jonsson

Independent auditor's reports

To the owners of LOGSTOR Holding A/S

Report on the financial statements

We have audited the financial statements of LOGSTOR Holding A/S for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Independent auditor's reports

Aarhus, 16.03.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Henrik Vedel

State Authorised Public Accountant

Allan Søborg Olsen

State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

Primary activities

The Group's primary activity is to develop, manufacture and sell high-quality pre-insulated pipe systems for transportation of liquids and gases. LOGSTOR is the world's leading supplier of pre-insulated pipe systems, not only for district heating, but also for district cooling, the chemical industry, the oil and gas sector, and the marine industry.

LOGSTOR is an international enterprise with sales and production companies in Denmark, Sweden, Finland, Poland, Romania and China (divested in 2015) as well as sales to more than 50 markets through resellers and own sales companies in Germany, the Netherlands, Switzerland, Austria, France, Lithuania, and Italy.

Development in activities and finances

On 27 March 2015 the board of directors in LOGSTOR Holding A/S and LRA III Aps have approved a merger between the companies with effect from 1 January 2015 and with LOGSTOR Holding A/S as the surviving company. The merger has been accounted for in accordance to the uniting-of-interest method hence comparative figures has been adjusted.

Operating profit

The result after tax in 2015 ended up with a profit of DKK 2 million compared to a loss of DKK 22 million the year before.

The result for 2015 is in line with the expectations.

Environmental performance

Please refer to the environmental report prepared for LOGSTOR A/S on this web page:

<https://www.logstor.com/about-us/hsqe/environmental-policy-and-management>

Events after the balance sheet date

No events have occurred after year end which would influence the evaluation of this annual report.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognized in the income statement as financial income or financial expenses.

When recognizing foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date.

Accounting policies

Intercompany business combinations

For intercompany business combinations, including mergers and demergers of companies, the uniting-of-interests method is applied. In accordance with the uniting-of-interests method, the financial statements are presented for the period in which the uniting of interests occurs as if the enterprises had been united from the beginning of the comparative year or alternatively from a later time if the group relation that entitles to applying the uniting-of-interests method has not been established until after the beginning of the comparative year. Assets and liabilities transferred in accordance with the uniting-of-interests method are measured at the carrying amount at the date of the uniting of interests. Any difference in value between the net value of assets and liabilities in the acquired entity and the consideration for the entity is recognized directly on equity.

Income statement

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for administration, etc.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Income from investments in group enterprises

Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on financial statement items in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on financial statement items in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly in equity.

Accounting policies

The Entity is jointly taxed with LOGSTOR Denmark Holding A/S and all its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Investments in group enterprises

Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

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

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Other external expenses		<u>(835)</u>	<u>(9.380)</u>
Gross profit/loss		(835)	(9.380)
Staff costs	1	<u>0</u>	<u>(200)</u>
Operating profit/loss		(835)	(9.580)
Income from investments in group enterprises		(12.121)	(20.804)
Other financial income	2	27.244	22.793
Other financial expenses	3	<u>(6.680)</u>	<u>(13.947)</u>
Profit/loss from ordinary activities before tax		7.608	(21.538)
Tax on profit/loss from ordinary activities	4	<u>(5.220)</u>	<u>(476)</u>
Profit/loss for the year		<u>2.388</u>	<u>(22.014)</u>
Proposed distribution of profit/loss			
Extraordinary dividend		100.000	0
Retained earnings		<u>(97.612)</u>	<u>(22.014)</u>
		<u>2.388</u>	<u>(22.014)</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Investments in group enterprises		364.455	342.816
Fixed asset investments	5	<u>364.455</u>	<u>342.816</u>
Fixed assets		<u>364.455</u>	<u>342.816</u>
Receivables from group enterprises		257.703	386.470
Deferred tax assets		511	3.128
Other short-term receivables		282	6
Receivables		<u>258.496</u>	<u>389.604</u>
Cash		<u>0</u>	<u>145</u>
Current assets		<u>258.496</u>	<u>389.749</u>
Assets		<u>622.951</u>	<u>732.565</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Contributed capital	6	219.000	219.000
Retained earnings		<u>(21.045)</u>	<u>76.042</u>
Equity		<u>197.955</u>	<u>295.042</u>
Bank loans		<u>210.088</u>	<u>208.048</u>
Non-current liabilities other than provisions		<u>210.088</u>	<u>208.048</u>
Bank loans		36.889	34.947
Debt to group enterprises		174.737	188.836
Income tax payable		2.538	3.717
Other payables		<u>744</u>	<u>1.975</u>
Current liabilities other than provisions		<u>214.908</u>	<u>229.475</u>
Liabilities other than provisions		<u>424.996</u>	<u>437.523</u>
Equity and liabilities		<u><u>622.951</u></u>	<u><u>732.565</u></u>
Contingent liabilities	7		
Assets charged and collateral	8		
Ownership	9		
Consolidation	10		

Statement of changes in equity for 2015

	Contri- buted capi- tal DKK'000	Retained earnings DKK'000	Proposed extraordi- nary divi- dend DKK'000	Total DKK'000
Equity beginning of year	219.000	76.042	0	295.042
Extraordinary dividend paid	0	0	(100.000)	(100.000)
Other adjustments	0	686	0	686
Tax of equity postings	0	(161)	0	(161)
Profit/loss for the year	0	(97.612)	100.000	2.388
Equity end of year	219.000	(21.045)	0	197.955

Equity beginning of year amounted to DKK 324,7m according to the financial statements for 2014. Retained earnings and total equity beginning of year has been adjusted due to a merger between LRA III ApS and LOGSTOR Holding A/S with LOGSTOR Holding A/S as the surviving company. The merger has been accounted for in accordance to the uniting-of-interest method hence the merger has entailed a change in equity beginning of year of DKK 29,7m which has reduced retained earnings and total equity compared to the 2014 financial statements.

Notes

	2015	2014
	DKK'000	DKK'000
1. Staff costs		
Wages and salaries	0	184
Pension costs	0	10
Other social security costs	0	6
	0	200
	2015	2014
	DKK'000	DKK'000
2. Other financial income		
Financial income arising from group enterprises	26.839	22.791
Other financial income	405	2
	27.244	22.793
	2015	2014
	DKK'000	DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	3.809	0
Other financial expenses	2.871	13.947
	6.680	13.947
	2015	2014
	DKK'000	DKK'000
4. Tax on ordinary profit/loss for the year		
Current tax	5.220	3.717
Change in deferred tax for the year	0	(3.225)
Adjustment relating to previous years	0	(16)
	5.220	476

Notes

	Invest- ments in group en- terprises DKK'000
5. Fixed asset investments	
Cost beginning of year	1.125.496
Additions	48.934
Disposals	(4.879)
Cost end of year	<u>1.169.551</u>
Impairment losses beginning of year	(782.680)
Impairment losses for the year	(27.295)
Reversal regarding disposals	4.879
Impairment losses end of year	<u>(805.096)</u>
Carrying amount end of year	<u>364.455</u>

Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity interest %</u>	<u>Equity DKK'000</u>	<u>Profit/loss DKK'000</u>
Subsidiaries:					
Logstor A/S	Løgstør, Den- mark	A/S	100,00	157.525	29.835
Logstor Deutschland GmbH	Harrisee, Ger- many	GmbH	100,00	19.393	4.430
Logstor Handelsgesellsch- aft GmbH	Harrisee, Ger- many	GmbH	100,00	500	(358)
Logstor Sverige Holding AB	Örebro, Sweden	AB	100,00	14.398	(12.606)
- Logstor AB	Örebro, Sweden	AB	100,00	12.483	(16.604)
- LLC Logstor	Moscow, Russia	LLC	100,00	(8.901)	(729)
Logstor Schweiz AG	Regensdorf, Switzerland	AG	100,00	13.454	3.605
Logstor Italia Srl	Milano, Italy	Srl	100,00	3.345	(6.755)
Logstor Finland OY	Saarijärvi, Fin- land	OY	100,00	13.350	5.834
Logstor Nederland BV	Hoofddorp, Ne- derland	BV	100,00	406	(9.143)
Logstor France SAS	Lyon, France	SAS	100,00	8.497	(5.332)
Logstor Austria GmbH	Wien, Austria	GmbH	100,00	(1.787)	(2.388)
UAB Logstor	Kaunas, Lithua- nia	UAB	100,00	1.851	56
Logstor Green Technolo- gy Ltd.	Beijing, China	Ltd.	100,00	49.375	(20.317)
- Logstor Harbin En- vironmental and Energy- efficient Product Manu- facturing CO. Ltd. (dive- sted in 2015)	Harbin, China	Ltd.	100,00	0	4.071
Logstor Insulation Com- panu Ltd. (divested in 2015)	Wuxi, China	Ltd.	100,00	0	(763)
Logstor S.R.L.	Bukarest, Ro- mania	S.R.L.	100,00	8.884	(11.294)

6. Contributed capital

The share capital consists of shares of DKK 100 or multiples thereof. The shares are not divided into classes.

The share capital has been DKK 219 mil. the last five years.

7. Contingent liabilities

The Company is jointly and severally liable with LOGSTOR A/S for the total VAT liability in the companies.

Notes

The Company participates in a Danish joint taxation arrangement in which LOGSTOR Denmark Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2012 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

The LOGSTOR Group is involved in various disputes including insurance issues. Adequate amounts have been set aside for these matters and the local amount on these issues after taking into account insurance coverage are not considered to be material.

8. Assets charged and collateral

As security for the Group's bank debt the shares in the group enterprises have been pledged.

As security for the Group's bank debt the receivable from group enterprises have been pledged. Current value is DKK 257,547k and 351,400 per 31.12.2014.

Guarantee for fulfilment of any obligation incurred by the Group towards banks, a maximum of DKK 726.1 million. Of this amount debt in the other companies which have signed this guarantee amounts to DKK 330,079k per 31.12.2015 and DKK 368,494k per 31.12.2014.

Guarantee provided to third party for subsidiaries's guarantees is DKK 226,352k per 31.12.2015 and DKK 232,874k per 31.12.2014.

Guarantee for fulfilment of obligation incurred by LOGSTOR Polska Sp.Z.o.o. towards LOGSTOR Sverige Holding AB. The debt amounts to DKK 257,547 k per 31.12.2015 and DKK 351,400 k per 31.12.2014.

9. Ownership

The Company has registered the following companies who own more than 5% of LOGSTOR Holding ApS:

LOGSTOR Denmark Holding ApS, Løgstør.

10. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Logstor International Holding S.à r.l., Luxembourg.